THIS REGISTRATION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Registration Document, or as to what action you should take, you should immediately consult an appropriately authorized professional advisor.

This document constitutes a registration document (the "**Registration Document**") prepared in accordance with Annex 1 of Commission Delegated Regulation (EU) 2019/980 of March 14, 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 ("Delegated Regulation 2019/980") relating to Ibercaja Banco, S.A. ("**Ibercaja Banco**" or the "**Company**").

On May 3, 2022, this Registration Document was approved by and registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*, the "**CNMV**"), as the competent authority under Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), the consolidated text of the Securities Market Act approved by Royal Legislative Decree 4/2015 of October 23 (*texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*, the "**Securities Market Act**") and the relevant implementing measures in Spain, and shall be valid for a period of 12 months after its approval, that is, until May 3, 2023. This Registration Document is available on both the CNMV's website (www.cnmv.es) and the Company's website (www.ibercaja.com), subsection "Shareholders and Investors".

This Registration Document has been prepared to provide information on the Company and no ordinary shares or other securities are being offered for subscription or sale pursuant to this Registration Document.

THIS REGISTRATION DOCUMENT SHOULD BE READ IN ITS ENTIRETY, INCLUDING THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 9 THEREOF WHICH INCLUDES A DISCUSSION OF CERTAIN RISKS RELATING TO THE COMPANY.

iberCaja

IBERCAJA BANCO, S.A.

(a sociedad anónima incorporated in the Kingdom of Spain)

No representation or warranty, express or implied, is made and no responsibility or liability is accepted by any person other than the Company, as to the accuracy, completeness, verification or sufficiency of the information contained herein, and nothing in this Registration Document is, or may be relied upon as, a promise or representation in this respect, as to the past or future. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Registration Document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company. Without limitation, the contents of the website of the Company do not form part of this Registration Document and information contained therein should not be relied upon by any person. The delivery of this Registration Document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Registration Document or that the information contained herein is correct as of any time subsequent to its date.

This Registration Document may be combined with a securities note and summary to form a prospectus in accordance with the Prospectus Regulation. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with the securities note and summary to form a prospectus, does not constitute neither a prospectus nor an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

The distribution of this Registration Document in certain jurisdictions may be restricted by law. Thus, this Registration Document may not be used in any such jurisdictions, and no action has been taken or will be taken by the Company to permit the possession or distribution of this Registration Document in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, this Registration Document may not be distributed or published except under circumstances that will result in compliance with any applicable laws and regulations in any such jurisdiction.

The contents of this Registration Document are not to be construed as legal, financial or tax advice. Each recipient of this Registration Document should consult his, her or its own legal, financial or tax adviser for advice.

You are deemed to agree to each of the notices set forth below by accepting delivery of this Registration Document.

In this Registration Document, “we”, “us”, “our” and “ours” refers to the Company, unless otherwise indicated or the context otherwise requires.

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DEFINITIONS

Unless otherwise specified or the context requires otherwise in this Registration Document:

- references to the "**2019 Annual Accounts**" refer to the Company's audited consolidated annual accounts, prepared under IFRS-EU, as of and for the year ended December 31, 2019;
- references to the "**2020 Annual Accounts**" refer to the Company's audited consolidated annual accounts, prepared under IFRS-EU, as of and for the year ended December 31, 2020;
- references to the "**2021 Annual Accounts**" refer to the Company's audited consolidated annual accounts, prepared under IFRS-EU, as of and for the year ended December 31, 2021;
- references to "**Act 10/2014**" refer to Act 10/2014, of June 26, on organization, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*);
- references to the "**ALCO portfolio**" refer to the fixed income portfolio of Ibercaja Banco, including low-risk bonds, mainly Spanish government debt and SAREB bonds, with an average duration, including coverage, of 3.9 years and excluding the portfolio of our insurance business;
- references to the "**Annual Accounts**" refer to the 2021 Annual Accounts, the 2020 Annual Accounts and the 2019 Annual Accounts;
- references to "**APMs**" refer to alternative performance measures. Items identified in this Registration Document as APMs are defined together with their related reconciliation, under "Alternative Performance Measures";
- references to the "**Appointments Committee**" refer to the appointments committee of the Board of Directors;
- references to "**asset management and bancassurance**" refer to the management of mutual funds (including third party funds, but excluding, for the avoidance of double-counting, the assets of funds that invest in Ibercaja Gestión funds), the management of pension funds and our insurance business activity (which includes life-savings insurance and risk insurance products);
- references to "**asset management and life savings insurance**" refer to the management of mutual funds, the management of pension funds and the part of our insurance business activity related only to life savings insurance products;
- references to "**AT1**" refer to additional tier 1;
- references to "**ATMs**" refer to automated cash machines;
- references to the "**Audit and Compliance Committee**" refer to the audit and compliance committee of the Board of Directors;
- references to "**AuM**" refer to assets under management;
- references to "**Banco Caja3**" refer to Banco Grupo Cajatrés, S.A.U.;
- references to "**Bank of Spain Circular 2/2016**" refer to Bank of Spain Circular 2/2016, of February 2 (*Circular 2/2016, de 2 de febrero, del Banco de España, a las entidades de crédito, sobre supervisión y solvencia, que completa la adaptación del ordenamiento jurídico español a la Directiva 2013/36/UE y al Reglamento (UE) n.º 575/2013*);
- references to the "**Banking Foundations Act**" refer to Act 26/2013, of December 27, on savings banks and banking foundations;
- references to the "**Board of Directors**" refer to the board of directors of the Company;
- references to the "**Board Regulations**" refer to the regulations that govern the Board of Directors;

- references to the "**BRRD**" refer to Directive 2014/59/EU, of May 15, establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended;
- references to "**CASER**" refer to Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A.;
- references to the "**CCPs**" refer to central counterparties;
- references to "**Cerro Murillo**" refer to Cerro Murillo, S.A.;
- references to "**CET1**" refer to common equity tier 1;
- references to "**CET1 ratio**" refer to CET1 capital expressed as a percentage of RWAs;
- references to "**CIT**" refer to corporate income tax;
- references to "**CIT Act**" refer to the Spanish Corporate Income Tax Act 27/2014, of November 27 (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*);
- references to the "**CNMV**" refer to the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*);
- references to the "**Code of Good Practices**" refer to the code of good practices approved by the Spanish government on May 11, 2021 in order to establish the framework under which those credit institutions voluntarily acceding to such code could negotiate with their customers the implementation of different measures in relation to their Guaranteed Credit Lines, as amended, and which is available at https://www.boe.es/eli/es/res/2021/05/12/(1);
- references to "**combined buffer requirement**" refer to the combination of up to five capital buffers, as applicable to each institution or group, to be satisfied with CET1 capital: the capital conservation buffer, the institution-specific counter-cyclical capital buffer, the systemic risk buffer, the G-SII buffer and the O-SII buffer;
- references to "**Common Reporting (COREP) Statements**" refer to the formats for the declaration of solvency statements, both for individuals and companies which were defined by the EBA (European Bank Authority) to cover the information to be reported by financial institutions regarding credit risk, market risk and operational risk;
- references to the "**Company**" refer to Ibercaja Banco, S.A., a company incorporated under the laws of Spain on September 22, 2011 as a public limited liability company (*sociedad anónima*) pursuant to a notarized public deed of incorporation granted before the public notary of Zaragoza Mr. Francisco de Asís Pizarro Moreno under number 3,169 of his records and registered with the Commercial Registry of Zaragoza under volume 3,865, page Z-52186, book 0 and sheet 1, and as a credit institution with the Special Registry at the Bank of Spain (*Registro Administrativo de Bancos y Banqueros del Banco de España*) under number 2,085, and holder of Spanish tax identification number A-99319030, with registered office at Plaza de Basilio Paraíso, 2, 50008 Zaragoza, Spain, and phone number +34 976 76 79 83;
- references to the "**Compensation Committee**" refer to the compensation committee of the Board of Directors;
- references to the "**Corporate Governance Code**" refer to the Spanish Corporate Governance Code for Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*) approved by the CNMV in February 2015, as amended in June 2020;
- references to the "**Costa Transaction**" refer to the sale in December 2019 of a portfolio of NPLs for an aggregate nominal amount of €73 million to DSSV S.à R.L.;
- references to "**CRD IV**" refer to Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended;

- references to the “**CRD IV Implementing Measures**” refer, together, to Royal Decree-law 14/2013, Act 10/2014, Royal Decree 84/2015 and the Bank of Spain Circular 2/2016;
- references to “**CRR**” refer to Regulation (EU) 575/2013, of June 26, on prudential requirements for credit institutions and investment firms, as amended;
- references to “**customer**” refer to a holder of the first rank of our product or service (for commercial purposes a couple is considered as one customer);
- references to the “**Delegated Committee**” refer to the delegated committee of the Board of Directors;
- references to the “**Deposit Guarantee Schemes Directive**” refer to Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes;
- references to “**Directive 93/13**” refer to Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts;
- references to the “**EBA”** refer to the European Banking Authority;
- references to the “**EBA Guidelines**” refer to the guidelines on the revised common procedures and methodologies for the SREP and supervisor stress testing revised by the EBA on March 18, 2022;
- references to the “**ECB**” refer to the European Central Bank;
- references to the “**EEA**” refer to the European Economic Area;
- references to “**ESMA**” refer to the European Securities and Markets Authority;
- references to the “**ESMA Guidelines**” refer to the guidelines issued by the European Securities and Markets Authority on October 5, 2015 on alternative performance measures;
- references to the “**EU**” refer to the European Union;
- references to “**euro**”, or “**€**” or “**EUR**” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time;
- references to the “**Financial Group**” refer to Ibercaja Gestión, Ibercaja Pensión, Ibercaja Vida, Ibercaja Mediación and Ibercaja Leasing, a group of subsidiaries responsible for the management of mutual funds, the management of pension funds, our insurance business and our leasing and renting business;
- references to “**FSB**” refer to Financial Stability Board;
- references to “**Fundación Caja Badajoz**” refer to Fundación Ordinaria Caja Badajoz, formerly, Monte de Piedad y Caja General de Ahorros de Badajoz;
- references to “**Fundación Círculo de Burgos**” refer to Fundación Círculo Católico de Burgos, formerly, Caja de Ahorros y Monte de Piedad del Círculo Católico de Obreros de Burgos;
- references to “**Fundación Inmaculada de Aragón**” refer to Fundación Caja de Ahorros de la Inmaculada de Aragón, formerly, Caja de Ahorros de la Inmaculada de Aragón;
- references to the “**GDP**” refer to gross domestic product;
- references to “**GDPR**” refer to Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
- references to the “**General Shareholders’ Meeting Regulations**” refer to regulations governing our general shareholders’ meeting;
- references to the “**Group**” refer to the Company together with its subsidiaries;

- references to “**Growth Markets**” refer, together, to the autonomous regions or provinces where we expanded our business starting in 1989, namely, Madrid and the Mediterranean basin (Catalonia and Valencian Community);
- references to “**G-SII**” refer to the global systemically important institutions. As of the date of this this Registration Document Ibercaja Banco is not a G-SII;
- references to our “**Home Markets**” refer, together, to the autonomous regions or provinces that were originally serviced by the Ibercaja Savings Bank, namely, Aragón, La Rioja and the province of Guadalajara, together with, as result of the integration of Banco Caja3, the provinces of Burgos and Badajoz;
- references to “**Ibercaja Banco**” refer to Ibercaja Banco, S.A. or the Company;
- references to “**Ibercaja Directo**” refer to the Company’s online banking platform;
- references to the “**Ibercaja Foundation**” refer to the Ibercaja banking foundation (*Fundación Bancaria Ibercaja*);
- references to the “**Ibercaja Foundation Protocol**” refer to the protocol governing the management of the financial stake held by the Ibercaja Foundation in Ibercaja Banco (*Protocolo de gestión de la participación financiera de la Fundación Bancaria Ibercaja en Ibercaja Banco*);
- references to “**Ibercaja Foundation Services Agreement**” refer to the services agreement entered into by Ibercaja Banco and the Ibercaja Foundation on December 20, 2019;
- references to “**Ibercaja Gestión**” refer to Ibercaja Gestión S.G.I.I.C., S.A., a wholly owned subsidiary that manages our investments funds;
- references to “**Ibercaja Leasing**” refer to Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito, a wholly owned subsidiary that manages our leasing and renting arrangements;
- references to “**Ibercaja Mediación**” refer to Ibercaja Mediación de Seguros, S.A.U., a wholly-owned subsidiary that manages our general insurance brokerage business;
- references to “**Ibercaja Pensión**” refer to Ibercaja Pensión, E.G.F.P., S.A.U., a wholly-owned subsidiary that manages our pension funds;
- references to the “**Ibercaja Savings Bank**” refer to the former savings bank Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, now transformed into the Ibercaja Foundation;
- references to “**Ibercaja Vida**” refer to Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U., a wholly-owned subsidiary that manages our life savings insurance and life risk insurance products;
- references to “**Iberclear**” refer to *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*;
- references to “**ICAAP**” refer to the internal capital adequacy assessment process;
- references to “**IFRS-EU**” refer to International Financial Reporting Standards as adopted by the EU;
- references to “**ILAAP**” refer to internal liquidity adequacy assessment process;
- references to “**INE**” refer to National Statistical Institute (*Instituto Nacional de Estadística*);
- references to “**Initial Ibercaja Foundation Services Agreement**” refer to the services agreement entered into by Ibercaja Banco and the Ibercaja Foundation on December 22, 2011;
- references to the “**Insurance Distribution Directive**” refer to Directive 2016/97, of January 20, on insurance distribution;

- references to the "**Internal Code of Conduct**" refer to the internal securities markets code of conduct (*Reglamento Interno de Conducta en los Mercados de Valores*) of the Company;
- references to the "**JSTs**" refer to joint supervisory teams;
- references to the "**Large Risks and Solvency Committee**" refer to large risks and solvency committee of the Board of Directors;
- references to "**Market Abuse Regulation**" refer to Regulation (EU) 596/2014, of April 16, 2014, on market abuse, as amended;
- references to "**Maximum Distributable Amount**" refer to maximum distributable amount calculated in accordance with Article 73 of the Royal Decree 84/2015, of February 13, 2015, which develops Act 10/2014;
- references to "**MiFID II**" refer Markets in Financial Instruments Directive 2014/65/EU, as amended;
- references to "**MREL**" refer to minimum requirements for own funds and eligible liabilities;
- references to "**NPEs**" refer to non-performing exposures;
- references to "**NPLs**" refer to non-performing loans related to gross loans and advances to customers[APM];
- references to the "**Ordesa Transaction**" refer to the sale in June 2019 of a portfolio of NPLs with an aggregate nominal amount of €534 million to MELF Investment Holding II S.à. r.l.
- references to the "**Oroel Transaction**" refer to the sale in December 2021 of a portfolio of NPLs with an aggregate nominal amount of €51,260 thousand to LM IV B S.V. and Axactor España, S.L.
- references to "**O-SII**" refer to other systemically important institutions;
- references to "**our**", "**us**" and "**we**" refer to the Company and its subsidiaries;
- references to "**P2G**" refer to pillar 2 guidance;
- references to "**PEPs**" refer to politically exposed persons;
- references to "**PoS terminal**" refer to a point-of-sales terminal, which is a device that, by means of software applications, allows a business to manage the collection by credit card of the payments by its customers for its products or services;
- references to the "**Prospectus Regulation**" refer to European Parliament and Council Regulation (EU) No 2017/1129, of June 14, 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended;
- references to "**RAF**" refer to the risk appetite framework of the Company;
- references to "**Regulation (EU) 2021/451**" refer to Commission Implementing Regulation (EU) 2021/451 on implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014;
- references to the "**Relevant Resolution Authority**" refer to FROB, the SRB or, as the case may be and according to Act 11/2015, the Bank of Spain or the CNMV or any other entity with the authority to exercise any such tools and powers from time to time;
- references to "**Residencial Murillo**" refer to Residencial Murillo, S.A.;
- references to the "**Royal Decree 84/2015**" refer to Royal Decree 84/2015, of February 13, implementing Act 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*);

- references to "**Royal Decree-law 14/2013**" refer to Royal Decree-law 14/2013, of November 29, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities (*Real Decreto-ley 14/2013, de 29 de noviembre, de medidas urgentes para la adaptación del derecho español a la normativa de la Unión Europea en materia de supervisión y solvencia de entidades financieras*);
- references to "**RWAs**" refer to risk-weighted assets;
- references to "**SAREB**" refer to the Spanish company for the management of assets arising from the restructuring of the banking system (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.*);
- references to the "**SCIIF**" refer to the internal management of financial information (*Sistema de Control Interno de Información Financiera*);
- references to the "**Securities Market Act**" refer to the reinstated text of the Securities Market Act approved by Royal Decree 4/2015, of October 23 (*Texto Refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*), as amended;
- references to the "**Shares**" refer to the Company's ordinary shares;
- references to the "**Single Resolution Fund**" refer to the single resolution fund provided by the SRM Regulation;
- references to "**SMEs**" refer to small and medium enterprises;
- references to the "**Spanish Companies Act**" refer to the reinstated text of the Spanish Companies Act approved by Royal Decree 1/2010, of July 2 (*Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*), as amended;
- references to the "**Spanish Stock Exchanges**" refer to the Madrid, Barcelona, Bilbao and Valencia stock exchanges;
- references to the "**SRB**" refer to the Single Resolution Board;
- references to the "**SREP**" refer to the ECB's supervisory review and evaluation process, which is an assessment of the overall viability of a credit institution and includes the imposition of capital requirements determined in accordance with such assessment;
- references to the "**SRM**" refer to the Single Resolution Mechanism providing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms;
- references to the "**SRM Regulation**" refer to Regulation (EU) No 806/2014 of July 15, 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010;
- references to the "**SSM**" refer to Single Supervisory Mechanism;
- references to the "**SSM Regulation**" refers to Council Regulation (EU) No 1024/2013 of October 15, 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;
- references to the "**Strategy Committee**" refer to strategy committee of the Board of Directors;
- references to the "**TLAC**" refer to total loss-absorbing capacity;
- references to the "**TLTRO**" refer to TLTRO II and TLTRO III;
- references to the "**TLTRO II**" refer to the long-term refinancing program "Targeted Longer-Term Refinancing Operations" introduced in 2016, a monetary tool of the ECB;
- references to the "**TLTRO III**" refer to the long-term refinancing program "Targeted Longer-Term Refinancing Operations" introduced in 2019, a monetary tool of the ECB;

- references to the "**UBO**" refer to the ultimate beneficial owner;
- references to the **"U.S. Securities Act**" refer to the United States Securities Act of 1933, as amended; and
- references to "**U.S. dollars**", "**dollars**", "**U.S.$**", "**USD**" or "**$**" refer to the lawful currency of the United States of America.

RISK FACTORS

Any of the following risks and uncertainties could have a material adverse effect on our business, financial condition, results of operations and prospects.

The risks described below are not the only risks that we face. There may be additional risks and uncertainties that are currently unknown or that our management believe to be immaterial but which, if materialized, could harm our business, financial condition, results of operations and prospects.

We declare that in the preparation of this Registration Document we have taken into account the instructions and recommendations received from our prudential supervisors (ECB and Bank of Spain) that may have a material impact on our financial statements and the risks described herein.

RISKS RELATING TO OUR OPERATIONS

Our businesses are concentrated in Spain and primarily depend on the condition of the Spanish economy

We conduct all of our business in Spain, particularly in the autonomous regions of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz (together, our "**Home Markets**") which represented 62.07% of our recurring revenues^{APM} for the year ended December 31, 2021 (59.18% and 57.00% for the years ended December 31, 2020 and 2019, respectively) and in Madrid and the Mediterranean basin, which includes the autonomous regions of Catalonia and the Valencian Community (together, our "**Growth Markets**") which represented 30.54% of our recurring revenues^{APM} for the year ended December 31, 2021 (32.53% and 34.04% for the years ended December 31, 2020 and 2019, respectively). All of our consolidated assets are located in Spain and all of our revenue is derived from Spain. Consequently, the income generated by most of the products we sell and by the services we provide depends on the performance of the Spanish economy. Economic conditions affect demand for our products and services, our funding costs and our asset quality.

The performance of the Spanish economy is highly correlated to the performance of other economies so it could be negatively affected by weak economic conditions in other economies, whether developed or emerging, particularly within the EEA, which may be caused by the consequences of the withdrawal of the United Kingdom from the European Union, global trade tensions and several political and geopolitical risks. In particular, on February 24, 2022, Russia launched a full-scale invasion of Ukraine. As a result of the invasion, the European Union, the United Kingdom and the United States, among others, have developed and continue to develop coordinated sanctions and export-control measure packages. The uncertain nature, magnitude and duration of Russia's invasion of Ukraine and actions taken by Western and other states and multinational organizations in response thereto, including, among other things, the potential effects of sanctions, export-control measures, travel bans and asset seizures, as well as any Russian retaliatory actions, including, among other things, restrictions on oil and gas exports and cyber-attacks, have contributed to increased market volatility and uncertainty and could lead to significant disruption, as well as higher inflation (including by contributing to further increases in the prices of energy, oil and other commodities and further disrupting supply chains) and lower or negative economic growth. Such geopolitical risks may adversely impact macroeconomic factors, which could in turn have a negative effect on our business, financial condition, results of operations and prospects. In addition, the spread and effects of the COVID-19 pandemic have adversely affected all economies, including the Spanish economy, which has negatively impacted all financial metrics of the Group and deteriorated the solvency of certain of our clients and counterparties. See "*Risk Factors— The Group is subject to several risks as a result of the effects of the COVID-19 pandemic*".

The Group is subject to several risks as a result of the effects of the COVID-19 pandemic

On March 11, 2020, the World Health Organization classified COVID-19 as an international pandemic. To cope with this situation in Spain, the Spanish government declared a State of Alarm by virtue of Royal Decree 463/2020, of March 14, imposing several restrictions on mobility and on the exercise of non-essential activities, which was extended until June 21, 2020. In light of a further COVID-19 outbreak, in October 2020, pursuant to Royal Decree 926/2020, of October 25, the Spanish government declared a new State of Alarm which was extended until May 9, 2021.

Several measures were implemented to try to limit the impact of the COVID-19 pandemic both by European and Spanish authorities (see "*Regulation – COVID-19 mitigation measures*"), including:

(i) the European Central Bank ("**ECB**") adopted measures to grant liquidity to the system, to favour credit and to allow European governments to temporarily adopt expansionary fiscal policies. These measures included, among others, the relaxation of solvency and liquidity demands, the flexibilization of the handling of doubtful loans backed by public guarantees (as indicated below) or affected by the Legal Moratoria, and the review of the capital requirements banking regulations by the European Commission, known as the CRR Quick Fix which came into force on June 27, 2020. Among others, the CRR Quick Fix has delayed the application of the leverage ratio buffer requirement for G-SIIs which was due to come into force on June 28, 2021 and will now not be implemented until January 1, 2023, and introduced a more favorable treatment of certain types of exposures and risks when calculating the leverage ratio for all credit institutions, as a result of which the banks will be allowed to exempt certain exposures from the total exposure measure until March 31, 2022. See "*Regulation – Pillar 2 requirements (P2R) and Pillar 2 Guidance (P2G)*". As of December 31, 2021, our leverage ratio (phased-in) excluding the impact of the temporary exemption from computing exposures to central banks, would have been 5.32% which represents a decrease of 69 basis points compared to the leverage ratio (phased-in) considering this temporary exemption which is no longer applicable (6.01% as of December 31, 2021). In addition, the EU approved the European Recovery Fund which, through transfers and loans, will support the most affected European economies during the coming years, including Spain;

(ii) the Spanish Government established a legislative moratoria for individuals and professionals which, under certain vulnerability requirements, could temporarily suspend their payment obligations (such as receivables) (the "**Legal Moratoria**"). In addition to the Legal Moratoria, those credit institutions, including Ibercaja, which are members of the "Confederación Española de Cajas de Ahorro" ("**CECA**") agreed to implement a sectorial moratoria in order to extend the scope of the Legal Moratoria (the "**Sectorial Moratoria**"). The deadline for beneficiaries to apply for the Legal Moratoria and the Sectorial Moratoria expired on March 30, 2021;

(iii) credit facility lines partially guaranteed by the Spanish government through the "*Instituto de Crédito Oficial*" ("**ICO**") were made available to companies facing liquidity constraints (the "**Guaranteed Credit Lines**"). The Royal Decree-law 6/2022 of March 29, extended the application period for Guaranteed Credit Lines until December 31, 2022; and

(iv) on May 11, 2021 the Spanish government approved a code of good practices in order to establish the framework under which those credit institutions voluntarily acceding to such code could negotiate with their customers the implementation of different measures in relation to their Guaranteed Credit Lines which was subsequently amended on March 29, 2022 (the "**Code of Good Practices**"). Among other measures, the Code of Good Practices provides clients who have been granted Guaranteed Credit Lines the ability to request from the Group, among others, (i) the extension of their maturity (subject to certain eligibility requirements) or grace periods (which we were not obliged to accept), (ii) the conversion of certain Guaranteed Credit Lines into guaranteed profit-linked loans (*préstamos participativos*) and (iii) a partial write-off (*quita parcial*) of their principal amount. Generally, the impact of the Code of Best Practices has been very low and with the information available as of the date of this Registration Document we do not expect it to be material for us. As of December 31, 2021, we had only granted the extension of the maturity or grace periods in relation to an amount of €6.8 million in Guaranteed Credit Lines. With respect to the other measures contemplated in the Code of Good Practices, there had been no demand from our customers as of December 31, 2021. The deadlines for applying for these measures have been extended to June 1, 2022 with respect to (i) and (ii) and June 1, 2023 with respect to (iii).

Up to December 31, 2021, we had formalized Legal Moratoria and Sectorial Moratoria measures affecting 8,927 transactions amounting to €740,683 thousand. As of December 31, 2021, Legal Moratoria and

Sectorial Moratoria measures affecting transactions amounting to €715,150 thousand had expired (i.e. the debtors' payment obligations under these transactions had been resumed) with the following impact in asset quality: 3.28% of matured Legal Moratoria and Sectorial Moratoria had been classified as Stage 3 (NPLs) as of such date and 26.54% have been classified as Stage 2[1], thus resulting in an outstanding balance of €25,533 thousand in transactions affected by these measures, representing 0.08% of our gross loans and advances to customers[APM2]. The expiration calendar of the Legal Moratoria and Sectorial Moratoria measures affecting such outstanding balance as of December 31, 2021 was as follows: (i) €22,757 thousand expiring within 3 months (representing 89.1% of the outstanding principal amount of loans and advances subject to Legal Moratoria and Sectorial Moratoria); (ii) €622 thousand expiring within 3 and 6 months (representing 2.4% of the outstanding principal amount of loans and advances subject to Legal Moratoria and Sectorial Moratoria); and (iii) €2,154 thousand expiring within 6 and 9 months (representing 8.5% of the outstanding principal amount of loans and advances subject to Legal Moratoria and Sectorial Moratoria).

The detail of these transactions as of December 31, 2021 was as follows:

	As of December 31, 2021 (€ thousands)						
	Total data				Breakdown of principal amount granted by risk stage[(1)]		
	Number of transactions granted	Principal amount granted	Principal amount expired	Principal amount outstanding	Stage 1	Stage 2	Stage 3
Loans and advances subject to Legal Moratoria and Sectorial Moratoria	**8,927**	**740,683**	**715,150**	**25,533**	**522,391**	**194,417**	**23,875**
Mortgage transactions	7,642	693,308	669,395	23,913	493,527	178,275	21,506
Consumer finance	363	3,615	3,407	208	2,355	800	460
Other transactions	922	43,760	42,348	1,412	26,509	15,342	1,909
Accumulated impairment	—	—	—	—	1,025	10,258	4,804

Notes:—

(1) A transaction is considered to be at Stage 1 (performing) when no significant increase in risk has occurred since its initial recognition. A transaction is considered to be at Stage 2 (performing on special watch) when the risk has significantly increased from the date on which the transaction was initially recognised, but without yet leading to impairment. A transaction is considered to be at Stage 3 (NPL) when it shows effective signs of impairment as a result of one or more events that have already occurred and is expected to result in a loss.

Up to December 31, 2021, we had entered into 19,643 Guaranteed Credit Lines transactions, both for SMEs and self-employed and for large companies, with the principal granted on an accumulated basis amounting to €2,137,350 thousand (€1,829,587 thousand as of December 31, 2020). The outstanding balance of the total principal amount granted by us under Guaranteed Credit Lines amounted to €1,667,880 thousand, representing 19.95% of the Group's loans to businesses[3] as of December 31, 2021 (€1,454,067 thousand representing 18.28% of the Group's loans to businesses[3] as of December 31, 2020). As of December 31, 2021,

[1] See definition, explanation, use, calculation and breakdown of Loans with outstanding moratoria over gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

[2] See definition, explanation, use, calculation and breakdown of Loans with outstanding moratoria over gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

[3] See definition, explanation, use, calculation and breakdown of Guaranteed Credit Lines drawn over loans to businesses[APM] which are set out in "Alternative Performance Measures"

the amount guaranteed by the Spanish government through the ICO amounted to 77%[4] of the balance outstanding. The majority of Guaranteed Credit Lines granted by us until December 31, 2021 mature between 2023 and 2028. However, on March 29, 2022, the Spanish government approved further extensions of the maturity or grace periods of the Guaranteed Credit Lines in light of the macroeconomic situation caused by the full-scale invasion of Ukraine by Russia. This could pose additional challenges for the banking sector, including us, as the ECB would force credit entities to increase their provisions.

	As of December 31, 2021 (€ thousands)						
	Total data				Breakdown of balance outstanding by risk stage(1)		
	Number of transactions	**Principal amount granted**	**Balance outstanding(2)**	**Guaranteed Balance outstanding[5]**	**Stage 1**	**Stage 2**	**Stage 3**
Guaranteed Credit Lines	**19,643**	**2,137,350**	**1,667,880**	**1,286,160**	**1,365,390**	**270,266**	**32,224**
Self-employed.................	3,754	85,507	71,371	57,087	59,720	10,263	1,388
SMEs	14,694	1,628,893	1,267,287	999,735	1,043,435	197,946	25,906
Large companies.............	1,195	422,950	329,222	229,338	262,235	62,057	4,930

Notes:—

(1) A transaction is considered to be at Stage 1 (performing) when no significant increase in risk has occurred since its initial recognition. A transaction is considered to be at Stage 2 (performing on special watch) when the risk has significantly increased from the date on which the transaction was initially recognised, but without yet leading to impairment. A transaction is considered to be at Stage 3 (non-performing) when it shows effective signs of impairment as a result of one or more events that have already occurred is expected to result in a loss.

(2) The balance outstanding under the Guaranteed Credit Lines represents the amount that has been drawn and has not been repaid out of the principal amount granted under the Guaranteed Credit Lines. Those amounts that have been repaid can be withdrawn again up to the limit of the principal amount granted under the Guaranteed Credit Line.

The distribution of balance outstanding between guaranteed and non-guaranteed balance is:

	As of December 31, 2021 (€ thousands except %)						
	Guaranteed balance outstanding		Non-guaranteed balance outstanding		Breakdown of non-guaranteed balance outstanding by risk stage(1)		
	Balance	**%**	**Balance**	**%**	**Stage 1**	**Stage 2**	**Stage 3**
Guaranteed Credit Lines	**1,286,160**	**77.1**	**381,720**	**22.9**	**311,637**	**63,148**	**6,935**
Self-employed.................	57,087	80.0	14,284	20.0	11,954	2,052	278
SMEs	999,735	78.9	267,552	21.1	220,228	42,074	5,250

4 This amount was calculated as the principal amount guaranteed over the outstanding balance of Guaranteed Credit Lines. Following the criteria established by the resolution of the Secretary of State for Economy and Business support dated March 25, 2020 by virtue of which the order of the Council of Ministers dated March 24, 2020 regarding the granting of Guaranteed Credit Lines the maximum percentage of coverage of the guarantee is: (i) in the case of self-employed and SMEs, the guarantee shall cover 80% of the principal of the new financing and renewals of Guaranteed Credit Lines; (ii) for the rest of companies, the guarantee shall cover 70% of the principal of the new financing and 60% of the renewals of Guaranteed Credit Lines. The guarantee shall not cover items other than the principal of the transaction such as interest payments, commissions or other expenses incurred in the transaction.

	As of December 31, 2021						
	(€ thousands except %)						
	Guaranteed balance outstanding		**Non-guaranteed balance outstanding**		**Breakdown of non-guaranteed balance outstanding by risk stage**(1)		
	Balance	**%**	**Balance**	**%**	**Stage 1**	**Stage 2**	**Stage 3**
Large companies.............	229,338	69.7	99,884	30.3	79,455	19,022	1,407
Accumulated impairment .	—	—	—	—	3,076	6,752	5,784

In addition, pursuant to Royal Decree-law 34/2020, customers have been able to apply for a voluntary extension of their Guaranteed Credit Lines or of the applicable grace periods under their Guaranteed Credit Lines, which we were required to accept. Under Royal Decree-law 34/2020, Guaranteed Credit Lines could be extended for up to a maximum of three years and their applicable grace periods could be extended up to 24 months. On average, under Royal Decree-law 34/2020, our customers have extended their Guaranteed Credit Lines with us for 28.7 months and the grace periods applicable to Guaranteed Credit Lines granted by us have been extended by 11.8 months on average. Although some of our customers applied for an extension or grace periods of their Guaranteed Credit Lines because it did not imply any additional costs for them, we believe that customers who have requested an extension or grace periods of their Guaranteed Credit Lines could be more likely to result in default in the future. See "*Regulation – COVID-19 mitigation measures*".

As of December 31, 2021, we had extended the initial maturity of 36.6% of the total principal amount granted by us under Guaranteed Credit Lines, amounting to €781,870 thousand of which €582,839 thousand were classified as Stage 1, €188,972 thousand as Stage 2 and €10,059 thousand as Stage 3. As of December 31, 2021, the provisions related to these Guaranteed Credit Lines which initial maturity had been extended amounted to €7,904 thousand, of which €1,325 thousand, €4,990 thousand and €1,589 thousand related to Guaranteed Credit Lines classified as Stage 1, 2 and 3, respectively.

As of December 31, 2021, Guaranteed Credit Lines subject to grace periods amounted to €756,692 thousand, of which €572,302 thousand were classified as Stage 1, €174,719 thousand as Stage 2 and €9,671 thousand as Stage 3. The expiration of these grace periods is concentrated in the second quarter of 2022.

The most relevant impact of the COVID-19 pandemic on our results in 2020 was an extraordinary credit risk provision of €90,124 thousand, of which €52,000 thousand was recorded as a post-model adjustment to cover the increase in credit risk of customers who were not in default at the end of 2020, but who, due to the persistent deterioration of the macroeconomic situation, were expected to move to Stage 2 in 2021. Due to the extensions and increases in government support programs described above, and the recovery of economic activity, the expected defaults and stage transitions at year-end 2020 were not observed in 2021. As of December 31, 2021, we maintained, for reasons of prudence and in view of the validity and extension of the government support measures, the post-model adjustment in the amount of €52,000 thousand. The allocation of this post-model adjustment by stage and purpose is explained on the basis of the expected evolution of the transactions mainly for Guaranteed Credit Lines for 2022. The breakdown by stage and by purpose of the post-model adjustment due to the COVID-19 health crisis in 2021 and 2020 is presented below:

	As of December 31, 2021			
	(€ thousands)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Self-employed and SMEs	-	28,933	19,614	48,457
Mortgages to individuals	-	3,453	-	3,453
Other segments	-	-	-	-
Total..............................	-	**32,386**	**19,614**	**52,000**

	As of December 31, 2020			
	(€ thousands)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Self-employed and SMEs	-	31,720	-	31,720
Mortgages to individuals	-	19,240	-	19,240
Other segments	-	1,040	-	1,040
Total..............................	**-**	**52,000**	**-**	**52,000**

This post-model adjustment is of a temporary nature, until the reasons for the adjustment disappear or materialize. We are closely monitoring the evolution of both the sectors and the most relevant individual borrowers that may be affected by this crisis, in order to adapt their credit risk coverage to the different scenarios that may arise.

In relation to the quality of our credit portfolio, the main impact of the COVID-19 pandemic on our results for the year ended December 31, 2021 was the increase of transactions classified as Stage 2 (over 11.2% volume increase since December 31, 2019[5]), which meant that the impairment risk of our credit portfolio had significantly increased since the date on which they were initially recognized. We cannot give assurance that transactions classified as Stage 2 will not end up being classified as Stage 3 (NPL) transactions in the next months or years, which could result in losses. As of December 31, 2021, 5.00% of our gross loans and advances to customers[APM] (€1,559,842 thousand) was classified as Stage 2[6] (4.31% as of December 31, 2019).The NPL coverage ratio[APM] associated with loans and advances to customers classified as Stage 2 was 7.13% as of December 31, 2021 (4.65% as of December 31, 2019).

The COVID-19 pandemic, together with the exceptional measures implemented to mitigate its effects, could continue to have a material adverse effect on our business, financial condition, results of operations and prospects due to, among other factors:

(a) longer periods of negative or low interest rates as a consequence of the economic contraction and the efforts by the ECB to reactivate the global and local economy by means of repurchase programs affecting the Group which concluded at the end of March 2022 as described in "*Risk factors - Changes in interest rates, continued low interest rates or persistent inflation may negatively affect our business*", and

(b) despite the economic rebound experienced in the second and third quarters of 2021, a potential decrease in the global and local economic activity could lead to an increase in unemployment, a reduction in our customers' income and an increase of the probability of default in our credit portfolio, negatively affecting our credit risk and cost of risk. In particular, there are economic sectors which have been particularly adversely affected by the economic consequences of the COVID-19 pandemic, such as transport and storage, accommodation and food service activities and arts, entertainment and recreation, which together amounted to €631,293 thousand representing 2.02% of our gross loans and advances to customers[APM] as of December 31, 2021[7] (of which €197,024 thousand corresponded to Guaranteed Credit Lines, representing 31.2% of the total exposure to the sectors most affected by the COVID-19 pandemic).

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5 The evolution of transactions classified as Stage 2 is shown since 2019 in order to show the impact of COVID-19 pandemic.

6 See definition, explanation, use, calculation and breakdown of Loan portfolio by stages[APM] which are set out in "Alternative Performance Measures".

7 See definition, explanation, use, calculation and breakdown of Loans to sectors most affected by the COVID-19 pandemic over gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

Our business is significantly affected by the credit risk of our customers and counterparties

We are exposed to the creditworthiness of our customers and counterparties. Credit risk can be defined as potential losses resulting from the full or partial breach of the debt repayment obligations by a counterparty or customer (including, but not limited to, the insolvency of a counterparty or customer), and also includes the value loss as a consequence of the deterioration of the credit quality of a counterparty or a customer. Credit risk is the most significant risk in respect of our business activities.

The following table sets forth below our credit exposure as of December 31, 2021:

	Gross loans and advances to customersAPM	**NPLs by sector**APM	**NPL provisions by sector**APM	**Net NPLs by sector**APM	**NPL ratio by sector**APM	**NPL coverage ratio by sector**APM	**Refinanced and restructured loans**(1)
			(€ thousands, except %)				
Loans to businesses	**8,360,507**	**344,814**	**323,976**	**20,838**	**4.12%**	**93.96%**	**217,453**
Real estate construction and development	1,044,664	71,262	51,115	20,147	6.82%	71.73%	57,103
Non-real estate activities	7,315,843	273,552	272,861	691	3.74%	99.75%	160,350
Loans to individuals	**20,191,233**	**372,475**	**216,149**	**156,326**	**1.84%**	**58.03%**	**321,089**
Housing	18,385,389	285,361	149,211	136,150	1.55%	52.29%	
Consumer loans and other	1,805,844	87,114	66,938	20,176	4.82%	76.84%	
Public sector and other	**2,643,711**	**332**	**300**	**32**	**0.01%**	**90.36%**	**44**
Gross loans and advances to customersAPM	**31,195,451**	**717,621**	**540,425**	**177,196**	**2.30%**	**75.31%**	**538,586**
Reverse repurchase agreements	1,615,394	—	—	—	—	—	—
Gross loans and advances to customers excluding reverse repurchase agreementsAPM	**29,580,057**	—	—	—	—	—	—

Notes:—

(1) *Source: Note 3.5.5.1 to our 2021 Annual Accounts.*

The following table shows our loan portfolio by stagesAPM as of the dates indicated:

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Stage 1	*28,917,988*	*28,898,790*	*29,866,845*
Stage 2	*1,559,842*	*1,677,854*	*1,403,209*
Stage 3	*717,621*	*1,012,938*	*1,293,161*
Gross loans and advances to customersAPM	**31,195,451**	**31,589,582**	**32,563,215**
Stage 1	*46,007*	*51,991*	*59,666*
Stage 2	*111,280*	*132,330*	*65,200*
Stage 3	*383,138*	*462,857*	*519,404*
NPL ProvisionsAPM	**540,425**	**647,178**	**644,270**
Stage 1	*28,871,981*	*28,846,799*	*29,807,179*
Stage 2	*1,448,562*	*1,545,524*	*1,338,009*
Stage 3	*334,483*	*550,081*	*773,757*
Net loans and advances to customersAPM	**30,655,026**	**30,942,404**	**31,918,945**

Adverse changes in the credit quality[8] of our customers and counterparties could affect the recoverability and value of our assets and require us to increase our provisions for bad and doubtful debts and other related provisions.

In particular, we routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Our credit exposure to counterparty risk calculated pursuant to Common Reporting (COREP) Statements amounted to €249,370 thousand as of December 31, 2021 (€306,671 thousand and €941,988 thousand as of December 31, 2020 and 2019, respectively).

Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, an unsettling effect on inter-institutional financial transactions in general. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties.

A weakening in our customers' and counterparties' creditworthiness would also impact our capital adequacy. The regulatory capital levels we are required to maintain are calculated as a percentage of our risk-weighted assets ("**RWAs**"). If the creditworthiness of a customer or a counterparty declines, we would lower their rating, which would presumably result in an increase in our RWAs, which potentially could deteriorate our capital adequacy ratios and limit our lending or investments in other operations.

On March 15, 2018, the ECB published an addendum (the "**Addendum**") to the ECB guidance to banks on NPLs published on March 20, 2017, which specifies the ECB supervisory expectations for prudent levels of provisions for new NPLs. In this respect, the ECB assesses any differences between banks' practices and the prudential provisioning expectations at least annually and links the supervisory expectations in the Addendum to new NPLs classified as such from April 1, 2018 onwards. The ECB supervisory measures are adapted to each entity based on the evolution of its NPL coverage levels. Such supervisory expectations for NPL provisioning have added more pressure on financial results and regulatory capital. As part of the European Commission's package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 of April 17, 2019 amending CRR as regards minimum loss coverage for non-performing exposures ("**NPEs**") ("**Regulation 2019/630**") introduced a clear set of conditions for the classification of NPEs. The ECB further revised its supervisory expectations for prudential provisioning of new NPEs taking into account Regulation 2019/630. See "*Regulation—Other relevant regulations—NPL coverage requirements*".

Notwithstanding the foregoing, on March 20, 2020, among the package of measures adopted by the ECB in response to the COVID-19 pandemic, there were certain measures introducing supervisory flexibility regarding the treatment of NPLs, in particular to allow banks to support credit flows to companies and households and at the same time benefit from the guarantees and moratoriums put in place by public authorities to tackle the COVID-19 distress. However, when the abovementioned flexibility expires or is limited, we could be required to classify certain of our exposures under forbearance or as defaulted under distressed restructuring, and in consequence, we may need to increase our provisions which could negatively impact our results from operations. Given the evolution of the Legal Moratoria and Sectorial Moratoria in recent months and the low impact on Stage 3 exposures produced by the expiration of Legal Moratoria and Sectorial Moratoria we believe that the provisions booked for this concept should be sufficient. See "*Regulation—Other relevant regulations—NPL coverage requirements*". In addition, given the evolution of the Guaranteed Credit Lines in recent months and their low impact on Stage 3 exposures we believe that the provisions booked for this concept should be sufficient.

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[8] The methodology of calculation of impairment losses is detailed in Note 2.3 to the Annual Accounts.

Changes in interest rates, continued low interest rates or persistent inflation may negatively affect our business

Our results of operations depend upon the level of our net interest income, which is the difference between gross interest income from loans and other interest-earning assets and interest expense paid to our depositors and other interest-bearing liabilities. Our net interest income amounted to €492,826 thousand, €533,673 thousand and €547,246 thousand in the years ended December 31, 2021, 2020 and 2019 representing 51.75%, 53.27% and 59.06% of our consolidated gross income in those years[9], respectively. The low interest rate environment has caused our net interest income to recurrently fall since December 31, 2019, falling by 7.65% and 2.48% during the year ended December 31, 2021 and the year ended December 31, 2020, respectively.

Interest rates are highly sensitive to many factors beyond our control, including fiscal and monetary policies of governments and central banks and regulation of the financial sector in the European Union, as well as domestic and international economic and political conditions and other factors. In particular, interest rates have been negatively impacted by the debt securities purchase programme established by the ECB in March 2020 to mitigate the impact of the COVID-19 pandemic (the "**PEPP programme**") which concluded at the end of March 2022. In addition, on July 7, 2021 the ECB announced its new monetary policy strategy, setting a symmetric two per cent inflation target. On March 10, 2022, in light of the impact of the invasion of Ukraine by Russia on economic activity and inflation through higher energy and commodity prices, the disruption of international commerce and weaker confidence, the ECB announced that interest rates on the main refinancing operations, the interest rates on the marginal lending facility and the deposit facility would remain unchanged at 0.00%, 0.25% and -0.50% respectively.

Changes in market interest rates affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect our results. For instance, a 200 basis points increase in the interest rate would have increased our net interest income for the year ended December 31, 2021 by €79.0 million, whereas a 200 basis points decrease would have decreased our net interest income for the year ended December 31, 2021 by €70.6 million, assuming the maintenance of the size and structure of our balance sheet and assuming that the movements in interest rates occur instantly and equally on all points of the yield curve, with a -1% interest rate floor. Meanwhile, a 200 basis points increase in interest rates would have decreased the economic value of our assets for the year ended December 31, 2021 by €245.7 million and a 200 basis points decrease in interest rates would have increased the economic value of our assets for the year ended December 31, 2021 by €83 million, assuming the maintenance of the size and structure of our balance sheet and assuming that the movements in interest rates occur instantly and equally on all points of the yield curve, with a -1% interest rate floor.

In addition to this sensitivity analysis, we monitor the impact of changes in interest rates with alternative sensitive analysis. See "*Risk Management – Types of Risk – Interest rate risk*".

Our business and performance have been adversely affected by the low interest rate environment in recent years. As of the date of this Registration Document, the interest rate on the deposit facility set by the ECB is -0.50% and the interest rates on the main refinancing operations and marginal lending facility are 0.00% and 0.25%, respectively. In general, quantitative easing has exerted downward pressure on interest rates and yield curves. A continued period of flatter than usual interest rate yield curves and low (or even negative) interest rates could, in particular, have a material adverse effect on our net interest income given the current low yields of our loan and our debt securities portfolios.

In addition, changes in the yield of our assets might not be mirrored by changes in the cost of our liabilities. Our loan portfolio is primarily linked to the Euro Interbank Offered Rate ("**Euribor**") while our retail term deposit base cost is not directly linked to the Euribor but to deposit facility market rates and therefore, a further decrease in Euribor might not be offset by a similar fall in the cost of retail term deposits, which would negatively impact our net interest income.

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9 See definition, explanation, use, calculation and breakdown of Net interest income over gross income[APM] which are set out in "Alternative Performance Measures".

Additionally, the level of, and changes in, interest rates (including the relationship between short-term and long-term rates) can affect our asset management and life savings insurance results and interest payable on debt. In particular, interest rates can affect consumer behavior (especially in the asset management and life savings insurance businesses), the availability of disposable income for investments in life assurance and other savings products. Asset management and bancassurance products generated 42.75% of our recurring revenues[APM] for the year ended December 31, 2021 (37.53% and 38.07% for the years ended December 31, 2020 and 2019, respectively).

Our insurance business is also exposed to a significant extent to fluctuations in interest rates due to the special characteristics of certain life savings insurance products providing for a guaranteed return. If interest rates remain at low levels for prolonged periods, our insurance business might not achieve the returns on investments that are needed to cover the interest payments on fixed-rate products.

Since 2021, inflation pressures emerged driven by several factors, mainly: (i) the rise in energy and commodity prices from the abnormally low levels recorded in 2020 as a consequence of the economic meltdown produced by the COVID-19 outbreak; (ii) a significant increase in pent-up demand driven by the re-openings of the developed world economies; (iii) the impact of global supply chain disruptions as a result of shortages and transportation bottlenecks affecting manufacturing sectors, and (iv) more recently, the invasion of Ukraine by Russia. The persistence of these factors could result in a pronounced and long-lasting rise in inflation, generating a transfer of cost increases to our cost base and a general deterioration of economic conditions, negatively affecting our credit risk and cost of risk.

We are particularly exposed to the creditworthiness of individuals, families and small and medium enterprises ("SMEs")

Net loans and advances to customers[APM] represented 52.28% of our total assets as of December 31, 2021 (52.98% and 57.59% as of December 31, 2020 and 2019). Our gross loans and advances to customers[APM] primarily consist of mortgage loans to individuals and families to purchase housing (62.15%, 63.58% and 63.18% of our gross loans and advances to customers excluding reverse repurchase agreements[APM] as of December 31, 2021, 2020 and 2019, respectively[10]) and loans to businesses non-related to the real estate sector (mainly to SMEs) (24.73%, 23.09% and 22.84% of our gross loans and advances to customers excluding reverse repurchase agreements[APM] as of December 31, 2021, 2020 and 2019, respectively[11]).

As a Spanish bank primarily focused on serving individuals, households and SMEs, our business performance is dependent on the economic health and employment status of our customers. According to the National Statistical Institute (*Instituto Nacional de Estadística* ("**INE**")), as of December 31, 2021, the Spanish unemployment rate was 13.3%. As of December 31, 2021, the unemployment rates in Aragón and Madrid, our main markets by retail business volume[APM], accounting for 44.16% and 17.69% of our retail business volume[APM], respectively, as of December 31, 2021 (43.74% and 17.81% and 43.41% and 17.88%, respectively, as of December 31, 2020 and 2019, respectively), were 9.0% and 10.1%, respectively, which is below the Spanish average. However, in some of our Home Markets, such as Badajoz (which represented 3.80% of our retail business volume[APM] as of December 31, 2021 (3.86% and 3.73% as of December 31, 2020 and 2019, respectively)), the unemployment rate was 19.7% as of that date, which is above the Spanish average (*source: INE*). High levels of unemployment have historically resulted in lower demand for new mortgage loans, lower deposit levels, reduced or deferred levels of consumer spending and an increase in customer loan arrears, forbearance, impairment provisions and defaults. The COVID-19 pandemic has perpetuated Spanish higher unemployment levels relative to other European countries as well as an increase in the level of

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[10] See definition, explanation, use, calculation and breakdown of Gross loans and advances to customers exluding reverse repurchase agreements[APM], gross loans and advances to customers[APM] and net loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

[11] See definition, explanation, use, calculation and breakdown of Gross loans and advances to customers exluding reverse repurchase agreements[APM], gross loans and advances to customers[APM] and net loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

indebtedness of our clients which may make them unable to discharge their payment obligations when due, all of which may adversely affect the Group's results.

Indebted and over-indebted families and SMEs are more sensitive to a downturn in the economy and are more likely to have difficulties in meeting their debt obligations as they fall due, which could have a negative effect on our income and also limit our ability to increase our customer base due to the significant portion of individuals and SMEs failing to comply with our credit rating levels.

The availability of complete and accurate financial information, as well as general credit information, on the basis of which we can make decisions concerning loans, is more limited with regard to SMEs than with regard to large-scale corporate customers, and even more limited in the case of individual customers. As a result, it is possible to make mistakes when assessing the creditworthiness of these borrowers.

As part of our strategy, we intend to increase the amount of credit we grant to SMEs, whose risk profile is higher than that of retail borrowers of mortgage loans and therefore are subject to higher capital requirements due to higher RWAs. The economic recovery experienced before the COVID-19 pandemic led most of Spanish financial entities to also focus on increasing the flow of credit in the SME sector, thereby creating more competition.

As a result of these factors, it might be difficult for us to identify suitable customers to whom we can lend, which could in turn decrease our base of loans or increase our credit risk exposure. If we are unable to adequately evaluate prospective customers through the application or use of our credit risk evaluation models, we could suffer losses, which could have a material adverse effect on our business, financial situation, results of operations and prospects.

We are vulnerable to adverse developments in the Spanish real estate market

A significant portion of our business is related to the Spanish real estate market. On the one hand, as a result of our commercial activity, our business is exposed to direct risk in connection with net value of foreclosed assets which amounted to €216,044 thousand as of December 31, 2021 (€252,114 thousand and €278,857 thousand as of December 31, 2020 and 2019, respectively). As of December 31, 2021, the net value of foreclosed assets represented 0.4% of our total assets.

On the other hand, we are exposed to indirect risk related to mortgage loans which amounted to €20,714,558 as of December 31, 2021 (€21,568,967 and €22,521,864 as of December 31, 2020 and 2019, respectively), of which €17,993,549 as of December 31, 2021 (€18,614,980 and €19,127,294 as of December 31, 2020 and 2019, respectively) correspond to mortgage loans for home purchases. As of December 31, 2021, mortgage loans represented 35.3% of our total assets. Additionally, as of December 31, 2021 our loans for real estate construction and development without real estate guarantee amounted to €25,461 thousand[12], representing 0.04% of our total assets.

As of December 31, 2021, the loan to value ratio (LTV ratio[APM]) of our mortgage loans was 50.16% (51.14% and 51.82% as of December 31, 2020 and 2019, respectively).

As a result, Spanish real estate assets secure many of our outstanding loans. Additionally, we hold Spanish real estate assets on our balance sheet, including real estate received in lieu of payment for certain underlying loans. In addition, we have restructured and extended the maturity of certain of the loans we have made relating to the acquisition or development of real estate assets, and the capacity of such borrowers to repay such restructured loans may be materially adversely affected by declining real estate prices. Although during 2021 the demand for housing and related real estate loans increased compared to 2020, any decrease in prices of real estate assets in Spain would reduce the value of the collateral securing our mortgage loans and the credit quality of real estate related financings. The value of the related collateral may fall below the original appraised value and, as a result, in default scenarios, we could incur higher losses than we would not have

[12] See note 3.5.5.1 to our 2021 Annual Accounts. It is calculated as the total amount of Real estate construction and development (including land) (993,549) less the amount of mortage collateral of Real estate construction and development (including land) (968,088).

otherwise expected. As a result, a deterioration of Spanish real estate prices could have a material adverse effect on our business, financial condition, results of operations and prospects. Additionally, we may not be able to enforce collateral assets due to factors such as inadequate documentation, legal uncertainty, unfavorable regulatory or case law developments or customer fraud.

A decline in real estate prices or business would also reduce our capacity to grow our real estate development and construction loan portfolio and, consequently, our business opportunities in retail mortgage financing arising from the subrogation by retail customers on the loans to real estate developers and constructors.

The impact of the COVID-19 pandemic in the real estate sector was significant, primarily during the first half of 2020, with new construction decreasing by 19.5%, real estate assets acquisitions decreasing by 14.5% in 2020 compared to the previous year (although they recovered after the limitations on mobility were removed) and a minimal drop in asset value (1.1% in 2020 compared to the previous year) (*source: Spanish Ministry of Transport, Mobility and Urban Agenda (Ministerio de Transportes, Movilidad y Agenda Urbana)*). Although these indicators have experienced a swift recovery since the second half of 2020 through 2021, uncertainties remain in relation to the recent development of several factors that could adversely affect the recovery trend, mainly (a) the rapid spread of the COVID-19 Omicron variant, (b) the impact of global supply chain disruptions as a result of shortages and transportation congestions affecting the manufacturing sectors; and (c) the increase in uncertainty due to geopolitical tensions after the invasion of Ukraine by Russia. Adverse developments in the health situation as a consequence of the COVID-19 Omicron variant or other new variants may require the introduction or tightening of restrictions on certain activities. In addition, the intensification of global supply chain disruptions and the increase in the prices of energy, oil and other commodities as a consequence of the invasion of Ukraine by Russia could result in prolonged inflationary pressures that could lead to a deterioration of financing conditions and negatively affect growth.

We are exposed to market risk associated with fluctuations in debt securities and equity instruments prices and other market factors

All of our businesses are exposed to market risk as a consequence of our trading activities in financial markets and through the asset and liability management of our overall financial position, including our trading portfolio and other equity investments. Therefore, we are exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices.

As of December 31, 2021, our total exposure of the fixed income and equity instruments portfolio^{APM} was €18,214,267 thousand (€16,464,946 thousand and €15,787,100 thousand as of December 31, 2020 and 2019, respectively), which represented 31.07% of our total assets (28.19% and 28.49% as of December 31, 2020 and 2019, respectively)[13]. The exposure of our ALCO portfolio amounted to €10,462,235 thousand as of December 31, 2021 (€8,439,326 thousand and €7,724,942 thousand as of December 31, 2020 and 2019, respectively). Our exposure to the insurance business fixed income portfolio amounted to €5,603,155 thousand as of December 31, 2021 (€6,701,773 thousand and €7,202,960 thousand as of December 31, 2020 and 2019, respectively)[14].

The performance of financial markets generally may cause changes in the value of our investments, assets held for sale and trading portfolios. The volatility of global capital markets due to recent economic and political uncertainty may affect the value of our investments and, depending on their fair value and future recovery expectations, could result in a permanent impairment, which would be subject to write-offs against our results and cause volatility in capital ratios. In particular, the global spread of the COVID-19 pandemic had a significant adverse impact on financial markets, especially in the second quarter of 2020, following the announcement of tightening lock-down measures affecting most of the world’s economies. Since the second

[13] See definition, explanation, use, calculation and breakdown of Total exposure of the fixed income and equity instruments portfolio over total assets^{APM} which are set out in “Alternative Performance Measures”.

[14] See definition, explanation, use, calculation and breakdown of Total exposure of the fixed income and equity instruments portfolio over total assets^{APM} which are set out in “Alternative Performance Measures”.

half of 2020 market conditions started to normalize and volatility decreased in most markets although with some episodes of volatility caused by the emergence of new COVID-19 variants and uncertainties in relation to the evolution of the pandemic.

In addition, the invasion of Ukraine by Russia, as well as the uncertain nature, magnitude and duration of the war and actions taken by Western and other states and multinational organizations in response thereto and any Russian retaliatory actions, are contributing to further increases in the prices of energy, oil and other commodities and to volatility in financial markets globally.

Adverse market movements, particularly asset price declines, can reduce the volume of activity in the market or reduce market liquidity. As a result, we can be exposed to material losses if we are unable to close out deteriorating positions on satisfactory terms or in a timely manner, particularly in less liquid markets. The volatile nature of the financial markets could result in unforeseen losses for us.

Furthermore, fluctuations in financial markets affect consumer behavior, thereby specifically and negatively affecting our commission- and fee-based businesses (asset management and life savings insurance businesses). Net fee income and exchange differences[APM] amounted to €438,543 thousand for the year ended December 31, 2021 (representing 47.09% of our recurring revenues[APM] for the year ended December 31, 2021) (€374,987 thousand and €394,843 thousand for the years ended December 31, 2020 and 2019, respectively, representing 41.27% and 41.91% of our recurring revenues[APM] for the years ended December 31, 2020 and 2019, respectively). The demand for products benchmarked to fixed income securities, such as pension funds that typically invest in this type of assets, may decrease if equity capital markets perform favorably and may increase when equity capital markets are weaker. Demand for products benchmarked to equity securities, such as mutual funds that typically invest in this type of assets, may increase when equity markets perform favorably, and usually decrease when markets show a downward trend.

A market downturn or an increase in competition in the future could also cause a decrease in the number of transactions carried out on behalf of our customers and, as a consequence, a decrease in our income from commissions. In addition, because the fees that we charge for managing our clients' portfolios are, in many cases, based on the value and performance of those portfolios, a reduction in such value and an increased amount of withdrawals, could reduce our revenues from our asset management business.

We are subject to sovereign risk

As of December 31, 2021, the gross carrying value of our total exposure to sovereign debt amounted to €15,219,821 thousand (€12,298,909 thousand and €11,843,970 thousand as of December 31, 2020 and 2019, respectively), which represented 26.0% of our total assets as of December 31, 2021 (21.1% and 21.4% as of December 31, 2020 and 2019, respectively). Of our total sovereign exposure as of December 31, 2021, 72.2% was held by Ibercaja Banco (59.9% and 55.2% as of December 31, 2020 and 2019, respectively) and 27.6% was held by Ibercaja Vida (39.8% and 44.4% as of December 31, 2020 and 2019, respectively).

Based on geographic markets, Spain accounted for 88.2% of our total sovereign exposure as of December 31, 2021 (90.7% and 90.6% as of December 31, 2020 and 2019, respectively) and Italy accounted for 9.1% of our total sovereign exposure as of December 31, 2021 (8.3% and 8.7% as of December 31, 2020 and 2019, respectively). The remaining geographic markets accounted for less than 3% as of December 31, 2021 (less than 2% as of each of December 31, 2020 and 2019).

Therefore, any decline in Spain's sovereign credit ratings could adversely affect the value of these and other securities we hold in our various portfolios. It could also adversely impact the extent to which we can use Spanish government bonds we hold as collateral for the ECB refinancing and, indirectly, the extent to which other securities held could be used for such same purpose, which would adversely affect our cost of funding and our ability to access funds, raise capital and meet minimum regulatory capital requirements and adversely affect our interest margins. Furthermore, any downgrades of Spain's credit ratings may increase the risk of a downgrade of our own credit ratings by the rating agencies, which could have similar effects. As such, a downgrade or series of downgrades in the sovereign rating of Spain or our own credit rating or a perceived increase in risk and any resulting reduction in the value of Spanish government bonds may have a material adverse effect on our business, results of operations, financial condition and prospects.

Funding and liquidity risk are inherent in our operations

Liquidity risk comprises uncertainties in relation to our ability, under adverse conditions, to timely access funding necessary to cover our obligations to customers, to meet the maturity of our liabilities as they become due and to satisfy our liquidity requirements. It includes both the risk of unexpected increases in our cost of funding and the risk of not being able to structure the maturity dates of our liabilities reasonably in line with our assets. For a description of the contractual maturities of our assets and liabilities (liquidity gap) as of December 31 2021, see the breakdown included in "*Operating and financial review for the years ended December 31, 2021, 2020 and 2019 —Liquidity*".

Our main source of liquidity and funding is our customer deposit base, as well as funds derived from the access to wholesale lending markets, including interbank deposits and covered bonds. Our ability to obtain funds or to access them could be harmed by factors that are intrinsic to our operations, such as a decline in our performance, credit rating or creditworthiness, or extrinsic to us, such as general macroeconomic and market conditions, including, any major turbulence or closure in the financial markets, a negative view of the perspectives of the sectors that predominate in our lending business (particularly, real estate, consumer and public sectors) or uncertainty as to the availability of funds to market participants in general or their ability or perceived ability to discharge their liabilities as they fall due. These factors could generate a negative perception of our liquidity among creditors and result in a decrease in credit ratings, higher funding costs and a reduction in our ability to access funds or result in our inability to continue to operate without additional funding support, which may be unavailable to us. Our financial position could be adversely affected if access to liquidity and funding is limited or becomes more expensive for a prolonged period of time.

Retail deposits[APM], our main source of liquidity and funding, accounted for 79.76% of our external funding[APM] as of December 31, 2021 (78.36% and 76.77% as of December 31, 2020 and 2019, respectively). As a result of the short-term nature of part of this source of financing, we could suffer from liquidity problems if deposits do not reach the expected volumes or are not renewed because a significant number of depositors withdraw their deposits or do not reinvest their deposits at the end of their term. Large denomination term deposits may, under some circumstances, such as during periods of significant interest rate-based competition for these types of deposits, be a less stable source of deposits than savings and demand deposits. Our level of retail deposits[APM] may fluctuate due to factors outside our control, such as loss of public confidence (including as a result of political initiatives, such as bail-in and/or the confiscation and/or taxation of creditors' funds) or competition from investment funds and other new players in the banking business or other products (see "—*Increased competition in the markets where we operate may adversely affect our growth prospects and operations*"), which could result in a significant outflow of deposits within a short period of time. In the event of a sudden or unexpected withdrawal of deposits or shortage of funds in the banking systems or money markets in which we operate, we might not be able to maintain our current levels of funding without incurring higher funding costs or having to liquidate certain of our assets. If any of these factors were to occur, our net interest income would be reduced, and our interest margins adversely affected.

Financing from wholesale lending markets amounted to €9,419,733 thousand, representing 20.24% of our external funding[APM] as of December 31, 2021 (€9,985,634 thousand and €9,915,818 thousand representing 21.64% and 23.23% of our external funding[APM] as of December 31, 2020 and 2019, respectively). In the event such funding were to no longer be available or become too expensive, we could be forced to raise interest rates paid on deposits to attract more customers and/or sell our assets at or below their expected price. The persistence or worsening of adverse market conditions or rising interest rates could have a material adverse effect on our ability to access liquidity and negatively impact our financing costs (either directly or indirectly).

Our financing capacity also depends on our credit rating. As of the date of this Registration Document, our ratings and outlooks are as follows:

Agency[(1)]	**Long-term**	**Short-term**	**Outlook**	**Date of latest rating**
Moody's	Ba1	NP	Stable	October 1, 2021
S&P	BB+	B	Stable	January 27, 2022

Agency[(1)]	Long-term	Short-term	Outlook	Date of latest rating
Fitch	BB+	B	Positive	September 9, 2021

Notes:—

(1) Each of Moody's Investors Service España, S.A. ("**Moody's**"), S&P Global Ratings Europe Limited ("**S&P**") and Fitch Ratings Ireland Limited ("**Fitch**") is registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies ("**CRA Regulation**"). As such, each of Moody's, S&P and Fitch is included in the latest update of the list of registered credit rating agencies (as of March 24, 2022) on the ESMA website in accordance with the CRA Regulation.

Any downgrade in our ratings could limit our access to capital markets, reduce our prospective investor base, increase our borrowing costs and adversely affect our interest margins, require us to post additional collateral or take other actions under some of our derivative contracts, any of which would materially adversely affect our business, financial condition, results of operations and prospects.

Additionally, corporate and institutional counterparties may seek to reduce aggregate credit exposures to us (or to all banks), which would increase our cost of funding and restrict our access to liquidity.

On June 6, 2019 the ECB announced a new program of targeted long-term refinancing operations ("**TLTRO III**"). In April 2020, the Governing Council of the ECB made a number of amendments to the TLTRO III to support the provision of credit to households and business to mitigate the economic effects of the COVID-19 pandemic. The Governing Council of the ECB adopted, in December 2020, additional monetary policy measures aiming to contribute to preserve the favourable financing conditions over the pandemic period and, as part of these measures, decided to further recalibrate the conditions of the TLTRO III (in particular, it decided to extend the period over which considerable more favourable terms would apply to June 2022, that three additional operations would be conducted between June and December 2021 and to raise the total amount that Eurosystem counterparties would be entitled to borrow in TLTROs-III from 50% to 55% of their stock of eligible loans). The aforementioned measures were introduced by way of the adoption of ECB Decision ECB 2021/21 of April 30, 2021. As of December 31, 2021, financing from the ECB, all of which was obtained in the context of TLTRO III, amounted to €5,959,000 thousand (of which €5,400,000 thousand was tendered in June 2020 and matures in June 2023 and €559,000 thousand was tendered in March 2021 and matures in March 2024) and represented 10.87% of our total liabilities at such date. It is not possible to predict the term or the quantum of these extraordinary liquidity support programs in the future, or whether they will be implemented at all. As a result, we may need to seek alternative sources of funding, which may be difficult to obtain or may only be available to us at a higher cost.

As of December 31, 2021, we had liquid assets[APM] amounting to €15,250,171 thousand (€14,959,441 thousand and €11,467,882 thousand as of December 31, 2020 and 2019, respectively), substantially all of which were eligible to be used as collateral to obtain ECB funding. In addition, as of such date, we had an additional issuance capacity[15] of €8,776,402 thousand (€8,379,866 thousand and €7,307,407 thousand as of December 31, 2020 and 2019, respectively), so our available liquidity position[APM] was €24,026,573 thousand (€23,339,307 thousand and €18,775,289 thousand as of December 31, 2020 and 2019, respectively). Any changes to the policies and requirements for accessing funding from the ECB, including any changes to the criteria for identifying the asset types admitted as collateral or their relative valuations, could have a material adverse effect on our liquidity and cost of funding.

[15] Calculated in accordance with applicable regulations which, as of December 31, 2021, were Law 2/1981, and Law 44/2002 as the sum of the amount representing 80% of eligible mortgage portfolio (less mortgage covered bonds outstanding) and the amount representing 70% of public sector portfolio (less public sector covered bonds outstanding).

The factors described above may also have a material adverse effect on our regulatory position, including our ability to meet our regulatory minimum liquidity requirements. As of December 31, 2021, our liquidity coverage ratio ("**LCR**") was 452.0% (excluding Ibercaja Vida) (468.1% and 307.1% as of December 31, 2020 and 2019, respectively) and our net stable funding ratio ("**NSFR**") (excluding Ibercaja Vida) was 152.2% (151.5% and 131.4% as of December 31, 2020 and 2019, respectively), both above their respective minimum requirement of 100%. However, there can be no assurance that we will be able to maintain our ratios in excess of regulatory requirements in the future. See "*Regulation—Liquidity requirements*" for a further description of these liquidity and funding ratios.

Our insurance business is exposed to actuarial risk

Our insurance business, which is carried out through our subsidiaries Ibercaja Vida and Ibercaja Mediación de Seguros, S.A.U. ("**Ibercaja Mediación**"), is significant to our overall business. Life savings insurance products represented 5.56% of our recurring revenues^{APM} for the year ended December 31, 2021 (6.18% and 6.66% for the years ended December 31, 2020 and 2019, respectively) and risk insurance products (which include life risk and non-life risk insurance products) represented 10.82% of our recurring revenues^{APM} for the year ended December 31, 2021 (10.27% and 9.66% for the years ended December 31, 2020 and 2019, respectively).

Actuarial risk reflects the risk arising from the execution of life and other insurance contracts, considering events covered and the processes used in the conduct of business, and any risks related to it, including longevity risk (risk related to an increase in the survival of insured parties compared to forecasts), policy lapse risk (risk related to variations in surrender rates compared to forecasts) and mortality risk (risk related to an increase in the mortality rates compared to forecasts). The management of these risks depends on actuarial management policies relating to subscription and pricing rates.

Our business requires using models, assumptions and estimates, which present the risk of reality not matching the assumptions initially used to assess or predict future events. Reserves are calculated based on the assumption that the factors applied will be sufficient to cover the claims and expense rates in all current contracts until their expiry date.

Similarly, claims provisions are calculated by estimating the final cost of any claims, and life insurance technical provisions are calculated on the basis of estimates related to, among others, mortality, longevity, expenses and lapses. These estimates and assumptions are based on actuarial and statistical studies based on the facts and circumstances known at a specific time, but performance may depend on many different factors and may be affected by changes in applicable laws or in the general economic scenario. Actual future events may differ from our estimates, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The following table shows the breakdown of technical provisions for life insurance as of December 31, 2021, 2020 and 2019:

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Technical provisions for:			
Life insurance:	5,326,263	6,573,738	7,393,305
Unearned premium reserve and current risks	23,260	*22,475*	*22,856*
Mathematical provisions	*5,303,003*	*6,551,263*	*7,370,449*
Benefits pending payment	96,055	92,728	71,710
Profit sharing and returned premiums	5,470	4,396	5,026
Life insurance in which the investment risk is borne by the policyholders (Unit linked)	1,693,706	851,005	314,496

	As of December 31,		
	2021	**2020**	**2019**
Liabilities under insurance or reinsurance contracts[16]	**7,121,494**	**7,521,867**	**7,784,537**

In addition, our insurance subsidiaries regularly enter into contracts with reinsurance companies not belonging to our Group in order to control their risk exposure. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. Accordingly, our insurance subsidiaries may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our businesses are heavily exposed to operational risks

Our businesses depend on our ability to process a large number of transactions efficiently and accurately on a daily basis and to manage personal financial information on behalf of our customers. The operational risks to which we are exposed include, among others, those deriving from processing errors, system failures, internal and external fraud, compliance risks, low productivity and the inadequate training or qualifications of staff, deficient customer service, external system failures (such as administrative or accounting mistakes, errors in the computer or communication systems or IT security breaches) as well as external events that could undermine our operations or our image. Given the large number of transactions that we carry out on a daily basis, such mistakes could be made repeatedly before they are discovered and remedied. As of December 31, 2021, the losses associated to our operational risk amounted to €13,121 thousand (€6,936 thousand and €5,728 thousand as of December 31, 2020 and 2019, respectively).

As of December 31, 2021, the own funds requirements associated to our operational risks[17] amounted to €108,929 thousand (€108,314 thousand and €110,077 thousand as of December 31, 2020 and 2019, respectively).

Any failure causing an interruption of our service or that slows down our response capacity could adversely affect our customers' ability to use our systems, as well as damage our reputation, business and brand. We could be subject to claims filed by our customers aimed at recovering losses they might have suffered as a result of any of the aforementioned events or be subject to penalties and disciplinary sanctions, in the event of any delay or omission by us in the processing and registration of transactions, or any breach in internal control. As a result, we could suffer financial damage or harm to our reputation, which could in turn have a negative effect on our business, financial condition, results of operations and prospects.

In particular, our technological infrastructure is critical to the operation of our business and the delivery of products and services to clients. Our information technology ("**IT**") systems are vulnerable to a series of problems, such as the malfunctioning of hardware and software, computer virus, hacking, phishing or similar attacks and cyber-attacks. In particular, the risks associated with cyber-attacks are a material risk to us and the Spanish financial system as a whole, which has a high degree of interconnectedness between market participants, centralized market infrastructure and in some cases complex legacy IT systems. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). These threats are increasingly sophisticated and any absence of or failure of existing controls could result in significant financial losses and a material adverse effect on our operational performance and reputation. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in order to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our

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[16] See Note 20 to the Annual Accounts for the information as of December 31.

[17] It refers to the impact of operational risk on own funds calculated following the standard method pursuant to Regulation (EU) 575/2013.

customers or other affected individuals. Any external attack aiming to circumvent our security measures could result in the unlawful use of our and our customers' confidential information, which could expose us to the risk of losses, disciplinary measures from regulatory authorities, lawsuits and harm to our reputation.

Furthermore, our technology and operations depend on a number of specialized technology and service providers. See "*Business—Technology*" for a description of our most relevant technology and service providers.

If any of our key technological and service providers fails to perform its services effectively or not in accordance with the terms of the relevant service agreements with us, this could lead to interruptions in our business operations, services offered or information provided to our customers or may have a material adverse effect on the availability of our banking services, including our online services and on the productivity of our employees.

Finally, we manage and use confidential information from customers when processing banking transactions. Any unlawful or unauthorized disclosure may trigger legal actions and administrative fines together with damages and could result in reputational damage, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Increased competition in the markets where we operate may adversely affect our growth prospects and operations

The markets in which we operate are highly competitive. Financial sector reforms in these markets (mainly in Spain) have increased competition among both local and foreign financial institutions, and we believe that this trend will continue in the future. In addition, the banking sector has experienced in the last few years a trend towards consolidation which has been accelerated by the impact of the COVID-19 pandemic (especially in Spain), where four of the 12 most significant financial institutions in the sector have merged recently. In particular, Bankia, S.A. and Liberbank, S.A. have merged with and into CaixaBank, S.A. and Unicaja Banco, S.A., respectively, creating larger and stronger banks with which we must now compete. It cannot be ruled out that more consolidation transactions are executed in the financial sector in the coming months or years.

We also face competition from non-bank competitors, such as department stores (for some credit products), automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds and insurance companies. In addition, we face increasing competition from shadow banking entities that operate outside the regulated banking system. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology becomes a key driver of the banking sector. In particular, non-traditional providers of banking services, such as internet-based e-commerce providers, mobile telephone companies, social media companies, FinTech's, digital banks and internet search engines may start to offer or increase their existing offerings of financial products and services directly to customers. In July 2018, the EBA published a report on the impact of FinTech's on the banking sector identifying the main factors related to FinTech's companies that could significantly affect the sustainability of the credit institutions' business model which included, among others, a more digital and innovative strategy, their operational capacity to implement changes and their capacity to attract and retain staff. These providers may be able to innovate more quickly than we can, as they are not constrained by any legacy IT systems and face fewer regulatory requirements and lower fixed costs than us. The ongoing FinTech's development has resulted in increasing competition within the financial services sector, not only direct competition with the FinTech's firms but also among the traditional providers of banking services, who are competing in terms of technological development to achieve the first-mover advantage.

In our asset management business, we face competition from exchange-traded funds (ETFs) and other investment products, which may negatively impact the margin from our asset management products.

If we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including technological changes, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to conduct and reputational risks that could result in fines, sanctions and reputational damage

Reputational risk is a particular concern for companies operating in the financial sector (including us), where participants need to maintain the confidence of customers, investors, regulators, creditors and financial markets generally. We are subject to the risk that inappropriate execution of our business activities causes harm to our customers or counterparties or to us and our employees, third-party service providers and external staff. In addition, we are subject to reputational risk to our brands arising from any inappropriate actions by us or our employees, customers or counterparties (including breaches of laws, regulations and internal policies, money laundering, terrorism financing and tax evasion), or by any association, action or inaction that is perceived by stakeholders to be inappropriate, unethical or not sustainable.

In particular, we are required to comply with applicable anti-money laundering ("**AML**"), anti-terrorism, anti-bribery and corruption, sanctions and other laws and regulations applicable to us. AML, antiterrorism, anti-bribery and corruption and sanctions laws and regulations are increasingly complex and detailed. Compliance with these laws and regulations requires automated systems, sophisticated monitoring and skilled compliance personnel, which puts a significant burden on banks and other financial institutions. The reputational damage to our business would be severe if we were found to have breached AML, anti-terrorism, anti-bribery and corruption or sanctions requirements. Our reputation could also suffer if we are unable to protect our customers' products and services from being used by criminals for illegal or improper purposes.

Failure to appropriately manage conduct and reputation risks may reduce our attractiveness to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation (including class actions), increased regulatory scrutiny and sanctions, reduced workforce morale, and difficulties in recruiting and retaining talent. Any event arising from conduct or reputation risks could cause damage to our business, regardless of whether the negative publicity is factually accurate. Our reputation may also suffer by association with fraudulent or criminal acts committed by customers or by employees for activities unrelated to their position with us.

The occurrence of any of these events may cause customers, investors, creditors and financial markets generally to lose confidence in us and materially and adversely affect our business, financial condition, results of operations and prospects.

Market positioning in this Registration Document is based on peers' publicly available information which may not be homogeneous and comparable and therefore could potentially be misrepresented or inaccurate

We have used publicly available information reported by our peers to set out our positioning in the market in this Registration Document. There is no assurance that the elaboration of this publicly available information has followed the same criteria within the applicable accounting framework across peers and we have not analyzed whether this information is homogeneous and comparable with the corresponding metrics used by us or the rest of our peers. In addition, with respect to Caixabank and Unicaja we have used the aggregated financial information reported by each of the merging entities after their respective merger processes. Moreover, in certain circumstances we have used publicly available information from peers from prior time periods because of the lack of more recent information.

Furthermore, we have also compared certain of our APMs with our peers' corresponding APMs. For the calculation of our peers' APMs in all cases with the only exception of the cost of risk^{APM} we have applied the same method of calculation as for our corresponding APM, using for such calculation the publicly available information reported by our peers referred to in the previous paragraph (i.e. we have not used our peers' reported APMs). We have compared our cost of risk^{APM} to the cost of risk reported by our peers and we have not analyzed whether the method of calculation of such APM by our peers is homogeneous and comparable with the calculation of our cost of risk^{APM}.

Therefore, there is a risk that the market positioning set out in this Registration Document could potentially be misrepresented or inaccurate.

LEGAL, REGULATORY AND COMPLIANCE RISKS

We are subject to substantial regulation and regulatory and governmental oversight which imposes significant costs on us and drives how we conduct our business

The financial services industry is among the most regulated industries in the world. Our operations are subject to substantial regulation that we may be unable to comply with, including as a result of changes in laws, regulations, guidelines, policies and interpretations, as well as judicial interpretations of new laws and regulations, in Spain and the EU. In addition, regulatory scrutiny under existing laws and regulations has become more stringent. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, and which is expected to continue for the foreseeable future. This creates significant uncertainty for us and the financial industry in general.

The wide range of actions or regulatory proposals adopted during the last few years include, among other things, provisions for more stringent regulatory capital and liquidity standards (which could require us to maintain a greater proportion of our assets in highly-liquid but lower-yielding financial instruments, negatively affecting our net interest margin[APM]), restrictions on compensation practices, special bank levies and financial transaction taxes, recovery and resolution powers to intervene in a crisis including "bail-in" of creditors, separation of certain businesses from deposit taking, stress testing and capital planning regimes, heightened reporting requirements and reforms of derivatives, other financial instruments, investment products and market infrastructures. See "*Regulatio*n" for additional information. As a result, we may be subject to an increasing number of liability or regulatory sanctions and may be required to make greater expenditures and devote additional resources to address potential liability.

In addition, we are subject to rules and regulations regarding money laundering, corruption and the financing of terrorism which have become increasingly complex and detailed and the subject of enhanced government supervision, requiring us to use improved systems and implement sophisticated monitoring mechanisms and compliance personnel. Any failure of our personnel to comply with such policies or applicable rules and regulations, may have severe consequences, including sanctions, fines and adverse reputational consequences, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

Regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions like us.

We are subject to the supervision and/or regulation of the Bank of Spain, the ECB (which supervises us directly under the Single Supervisory Mechanism ("**SSM**") in which the Bank of Spain participates), the Single Resolution Board (the "**SRB**"), the Spanish Executive Resolution Authority (the "**FROB**", *Fondo de Reestructuración Ordenada Bancaria*), the CNMV and the Directorate General of Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*) which are the main regulators of our operations. In addition, many of our operations are dependent upon licenses issued by financial authorities.

These regulators, as part of their supervisory function, periodically review the internal processes and controls related to all areas of our business including the granting of credit and classification of risks, our corporate governance and risk management, our technological security, our allowances for loan losses and compliance with rules of conduct in the marketing of financial products to our customers and may require us to change our business, marketing, governance and risk practices and procedures, to increase such allowances, to recognize further losses or to increase the regulatory risk-weighting of assets, or may increase our capital requirements. Any such measures, as required by these regulators, whose views may differ from those of our management, could have an adverse effect on our business and financial condition, including on our common equity tier 1 ("**CET1**") ratio and on our ability to pay distributions.

In addition, our insurance business, which is carried out through our subsidiaries Ibercaja Vida and Ibercaja Mediación, is subject to solvency and supervisory regulations referred to as "**Solvency II**". Solvency II comprises Directive 2009/138/EC of the European Parliament and Council, of November 25, 2009, on the taking up and pursuit of the business of insurance and reinsurance ("**Solvency II Directive**") and several regulations supplementing the Solvency II Directive which are directly applicable in the EU Member States (mainly the Commission Delegated Regulation (EU) of 2015/35 of October 10, 2014 supplementing the Solvency II Directive and the relevant implementing regulations in the EU Member States). As of December 31, 2021, the solvency ratio of Ibercaja Vida was 265% (220% and 210% as of December 31, 2020 and 2019, respectively) above the minimum requirement of 100%.

Any required changes to our business operations resulting from the legislation and regulations applicable to our business or from the supervisory function of our regulators could result in a significant loss of revenue or reduced profitability, require significant management attention and resources, limit our ability to pursue business opportunities, adversely affect the value of our assets or require us to increase our prices or incur in additional costs (including increased compliance costs) any of which would materially adversely affect our business, financial condition, results of operations and prospects.

Increasingly onerous capital requirements constitute one of our main regulatory challenges

Solvency risk is the risk related to the failure to maintain sufficient resources to absorb losses through a full economic cycle, meet solvency regulatory and prudential requirements or maintain sufficient resources to maintain the confidence of current and prospective investors.

As a Spanish credit institution, we are subject to the capital requirements and to the minimum requirements for own funds and eligible liabilities ("**MREL**") set by the ECB and the resolution authorities. On February 4, 2022, we announced that the ECB had notified us of its decision to modify the prudential requirements established as part of the 2021 SREP which are applicable from March 1, 2022. As a result, as of the date of this Registration Document we must maintain a CET1 ratio of 8.21% and a total capital ratio of 12.65% on a consolidated basis. These capital requirements include the minimum capital requirement for Pillar 1 (4.5% CET 1 and 8% of total capital), Pillar 2 (1.21% for CET1 and 2.15% for total capital) and the capital conservation buffer (2.5%). As of December 31, 2021, we had a total capital ratio phased-in of 18.12% and a total capital ratio fully-loaded of 17.43% and a CET1 phased-in of 13.41% and a CET1 fully-loaded of 12.71%. In addition, on February 8, 2022, we announced that we had received a formal communication from the Bank of Spain regarding the MREL requirement, as determined by the SRB, upon which we have been required to reach an amount of own funds and eligible liabilities on a consolidated basis equal to 15.38% of RWAs (excluding the CET1 dedicated to comply with the combined buffer requirement) and 5.21% in terms of MREL leverage ratio by January 1, 2022. This requirement would be equal to 18.59% of the Group's consolidated RWAs as of January 1, 2024 (excluding the CET1 dedicated to comply with the combined buffer requirement) (5.21% in terms of MREL leverage ratio). As of December 31, 2021, we had a percentage of MREL in terms of RWAs of 15.89% (excluding the CET1 dedicated to comply with the combined buffer requirement) and 7.21% in terms of MREL leverage ratio (6.38% excluding the waiver to not compute central bank exposures which expired in March 2022), both of which are above the requirements for 2022. In this context, and based on our estimates, our MREL issuance needs towards 2024, as of the date of this Registration Document, amount to approximately €0.7-0.8 billion. See "*Regulation—Capital requirements*".

Additional and more demanding capital requirements may be applied in the future. The implementation of existing or new capital requirements, standards or recommendations may negatively affect our return on equity and other financial performance indicators or require us to issue additional securities that qualify as regulatory capital or eligible liabilities for purposes of the MREL requirement (this requirement to issue additional securities may, in addition, impair our ability to manage our funding and capital resources in the most efficient way), to liquidate assets, to curtail business or to take any other actions, any of which may materially adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with existing or future capital requirements may also adversely affect our ability to make (i) distributions relating to CET1 capital (including dividends in respect of the Shares), (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to additional tier 1 ("**AT1**") capital instruments ("**Discretionary Payments**"). As of the date of this Registration Document, we are not required to calculate a Maximum Distributable Amount (as defined below). Based on the most recent SREP carried out by the ECB, if our CET1 ratio fell below 8.21% or our total capital ratio fell below

12.65% in 2022, we would be required to calculate our Maximum Distributable Amount, and we may be required to reduce our Discretionary Payments.

In addition, debt and equity investors, analysts and other market professionals may also require higher capital buffers than those required under current or proposed future regulations due to, among other things, the continued general uncertainty involving the financial services industry and the uncertain global economic conditions. Any such market perception, or any concern regarding compliance with future capital adequacy requirements, could increase our borrowing costs, limit our access to capital markets or result in a downgrade in our credit ratings, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to losses as a result of legal and regulatory claims relating to floor clauses in mortgage agreements with consumers

We are involved in certain actions relating to the application of "**floor clauses**" (clauses that set minimum interest rates payable by borrowers, whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate) in mortgage agreements acquired from Banco Grupo Cajatrés, S.A.U. ("**Banco Caja3**").

We have entered into negotiated settlements with certain of the borrowers under the portfolio of mortgage loans containing floor clauses that we acquired from Banco Caja3.

As of December 31, 2021, €944 million (16,518 mortgage loans), out of the approximately €1,017 million of outstanding principal amount of 19,134 outstanding mortgage loans containing floor clauses, corresponded to mortgage loans amended in negotiated settlements and €73 million (2,616 mortgage loans) corresponded to mortgage loans containing floor clauses which have not been subject to negotiated settlements and which were still claimable as of such date. In addition, in the year ended December 31, 2021, our Customer Service Care ("**CSC**") received 944 claims related to floor clauses (622 and 596 in the years ended December 31, 2020 and 2019, respectively).

The Spanish Supreme Court declared in its ruling dated April 11, 2018 the validity of the floor clauses contained in the amendment agreements signed between us and our customers in the negotiated settlements, and the lower Spanish courts are applying the Spanish Supreme Court's criteria. However, on June 26, 2018, the Court of First Instance and Investigation (*Juzgado de Primera Instancia e Instrucción*) No 3 in Teruel requested from the Court of Justice of the European Union ("**CJEU**") a preliminary ruling based on the apparent conflict between the Spanish Supreme Court's ruling upholding the validity of these amendment agreements and EU law on unfair terms in consumer contracts.

On November 5, 2020 the Spanish Supreme Court determined that an agreement between a lender and a consumer whereby the consumer accepts an amendment to the floor clause and waives his right to claim against the lender is valid provided that the consumer was duly informed about the amendment and that such waiver only covers claims relating to the floor clause (and therefore does not extend to claims other than those relating to the floor clause). Therefore, the Spanish Supreme Court ruled that the provisions which modified the original floor clause were valid but those provisions which established a general waiver of rights to claim by the customer were void. As a result, since this resolution from the Spanish Supreme Court (a) entities were obliged to reimburse customers with the amounts paid under the rate of the floor clauses from the beginning of the original agreement until the amendment and (b) the new floor clauses which were introduced by virtue of the settlement agreements were considered valid and in place since the date of the relevant settlement agreement.

As of December 31, 2021, our provisions related to this matter amounted to €10.2 million, which covered our estimate of the risk from outstanding and potential claims arising from non-amended loans and amended loans. In this regard, during 2021 we made a provision of €5,516 thousand after having performed a new analysis of the recent rulings in order to cover the claims expected in the future in relation to this contingency. We consider our provisions to be reasonable taking into consideration the amount of mortgage loans containing floor clauses which have not been claimed by customers or subject to negotiated settlements and which were still claimable as well as the rulings by the CJEU on July 9, 2020 and by the Spanish Supreme Court on

November 5, 2020 in respect of mortgage loans containing floor clauses amended in negotiated settlements. However, these estimates may not be complete, may not have factored in all customers or former customers that could potentially file claims, and may not reflect the most recent facts or legal trends adopted by the Spanish courts, or any other circumstances that could be relevant for establishing the impact of these clauses for us or the successful outcome of the claims filed in relation to these clauses. Consequently, the provisions made by us could prove to be inadequate.

The quantification of actual losses recorded in the loss database in 2021 showed that the total annual amount of losses (net of direct and insurance recoveries) for operational risk events amounted to €39,584 thousand corresponding to 15,457 events, of which 667 events for €22,182 thousand derived from losses related to floor clauses (which were related to interest repayments of €20,631 thousand and legal costs of €1,551 thousand).

On April 5, 2022 the Spanish government announced a new draft bill for the creation of the Independent Administrative Authority for Financial Customer Protection which will provide financial consumers with an alternative mechanism to judicial proceedings in order to settle out of court any disputes (such as claims related to floor clauses) against financial entities. The creation of this administrative authority will centralise in a single entity the functions performed by the current complaints services of the CNMV, the Bank of Spain and the Directorate General of Insurance and Pension Funds (which will no longer perform these functions) and its resolutions will be binding when the user claims less than €20,000 which is a significant change to the current complaints procedures of the three supervisors. Although the impact of this new mechanism is still uncertain, it could imply an increase in claims against us.

For further information on floor clause litigation and other legal proceedings in which we are involved, see "*Business—Legal proceedings*".

Risk of not recovering certain tax assets

As of December 31, 2021 we had deferred tax assets ("**DTAs**") amounting to €1,292,152 thousand (€1,335,625 thousand and €1,326,708 thousand as of December 31, 2020 and 2019, respectively), representing 2.2% of our total consolidated assets (2.3% and 2.4% as of December 31, 2020 and 2019, respectively). These assets or tax credits are derived principally from (i) negative taxable base for corporate tax due to losses in a given fiscal year; (ii) certain corporate tax deductions that cannot be applied to a given fiscal year if the corporate income tax ("**CIT**") base is negative; (iii) certain temporary adjustments recognized in a given fiscal year, that are pending to be applied; and (iv) DTAs which are monetizable or guaranteed by the State and which recovery, therefore, does not depend exclusively on future profits.

Our ability to recover these tax assets in the future is subject to different time limitations depending on the origin of the asset (e.g. no time limitation for negative taxable bases or 15 years for deductions pending application, as provided in Act 27/2014, dated November 27, on Corporate Income Tax (*Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades*) (the "**CIT Act**"), except for deductions for research and development and innovation which may be offset within 18 years). According to our business plan, which served as the basis for the valuation of these tax assets, the estimated period to recover these tax assets is no longer than 15 years.

Temporary differences are typically recovered following the recovery path foreseen accounting-wise, and there is no time limit to offset negative tax bases and deductions to prevent international double taxation.

Out of our €1,292 million total DTAs as of December 31, 2021 (€1,336 million and €1,327 million as of December 31, 2020 and 2019, respectively), €411 million (€433 million and €452 million as of December 31, 2020 and 2019, respectively) are DTAs for tax-loss carryforwards and unused tax credits. The eventual recovery of these tax assets is subject to or limited by the occurrence of certain factors, such as obtaining sufficient profits, the non-reduction of the corporate tax rate or the existence of discrepancies with the Spanish tax authorities in the settlement of such tax.

Therefore, in the event that (i) we do not generate sufficient profits (or at all) within the applicable time to offset non-monetizable tax credits; (ii) discrepancies are detected in previous tax returns as a consequence of audits undertaken by the Spanish tax authorities resulting in a reduction of our DTAs; or (iii) there are changes in current regulations, or their application or interpretation, we could be totally or partially restricted from recovering the amount of our DTAs, which could have a material adverse effect on our business, results of operations and/or financial condition.

The Spanish tax authorities notified us in July 2020 of the commencement of tax audit proceedings in relation to the CIT for 2011 to 2017 (both inclusive) which are still ongoing. The tax inspectors have already requested certain financial information from us and as of the date of this Registration Document, no significant discrepancies have been identified.

As of December 31, 2021, we had provisions for an amount of €4,235 thousand in connection with the tax audit proceedings which, taking into consideration the current CIT rate of 30% would represent €14,116 thousand at tax base level. However, these estimates may not be complete, may not reflect all the circumstances that could be relevant for establishing the impact of these tax audit proceedings. Consequently, the provisions made by us could prove to be inadequate.

RESPONSIBILITY STATEMENT AND COMPETENT AUTHORITY

Responsibility statement

Mr. Antonio Martínez Martínez, acting in the name and on behalf of the Company, acting in his capacity as Chief Financial Officer under a special power of attorney granted by the board of directors and the general shareholders' meeting of the Company by means of their resolutions each dated January 19, 2022 accepts responsibility for the information contained in this Registration Document. To the best of his knowledge, the information contained in this Registration Document is in accordance with the facts and contains no omissions likely to affect its import.

Competent authority

This Registration Document has been approved by the CNMV, as competent authority under the Prospectus Regulation (European Parliament and Council Regulation (EU) No 2017/1129, of June 14, 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC) on May 3, 2022.

The CNMV only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of Ibercaja Banco.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Consolidated Financial Information

Our consolidated annual accounts as of and for each of the years ended December 31, 2021, 2020 and 2019 (which include audited comparative information for the prior years, the "**2021 Annual Accounts**", the "**2020 Annual Accounts**" and the "**2019 Annual Accounts**", respectively, and collectively the "**Annual Accounts**") were prepared, according to applicable Spanish law, in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS-EU**"), and with Circular 4/2017 of the Bank of Spain. The 2020 Annual Accounts and the 2019 Annual Accounts have been audited by PricewaterhouseCoopers Auditores, S.L. as stated in its unqualified reports and the 2021 Annual Accounts have been audited by Ernst & Young, S.L. as stated in its unqualified report. The English translation of the Annual Accounts, together with the English translation of the audit reports, are included as an annex to this Registration Document. The Annual Accounts were originally prepared in Spanish so in case of any inconsistency between the English translations and the Spanish original versions of the Annual Accounts, the Spanish original version shall prevail.

Implementation of IFRS 16 "Leases"

Beginning on January 1, 2019, we implemented the requirements of IFRS 16 "Leases". IFRS 16 applies retrospectively and was implemented by adjusting our opening balance sheet at the date of first-time application (January 1, 2019). IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases in order to ensure that both lessee and lessor provide the relevant information to present a true and fair view of lease transactions. IFRS 16 provides a single accounting model for lessees that requires them to recognize right-of-use assets and lease liabilities under existing leases (unless the lease term is 12 months or less or the value of the underlying asset is low). The impact of our first-time application of IFRS 16 as of December 31, 2019 related mainly to the recognition of right-of-use assets and lease liabilities each amounting to €62 million. The first application of IFRS 16 had no impact on our consolidated equity, although it reduced our fully-loaded CET 1 ratio by 4 basis points.

As permitted by IFRS 16, we decided not to determine whether a contract is or contains a lease under the new definition on first-time application, and therefore we apply IFRS 16 only to contracts that were identified as leases under the International Accounting Standard ("**IAS**") 17 prior to January 1, 2019.

Alternative performance measures

In addition, this Registration Document includes non-IFRS financial measures which we regard as alternative performance measures as defined in Commission Delegated Regulation (EU) 2019/979 of March 14, 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal and in the guidelines issued by the European Securities and Markets Authority on October 5, 2015 on alternative performance measures (the "**ESMA Guidelines**" and the "**APMs**", respectively). We believe that the presentation of the APMs included herein complies with the ESMA Guidelines.

We use APMs, which are financial measures derived from, or based on, our accounting records, to evaluate period to period changes that are not required by, or presented in accordance with, IFRS-EU. These APMs are not measures of our financial performance under IFRS-EU, are not audited or reviewed by any auditors or independent expert, and should not be considered as an alternative to any balance sheet, income statement or cash flow statement item. See "*Alternative Performance Measures*".

Many of these measures are based on various sources of information derived from our internal management systems and our reporting systems, as the case may be. These management measures, as defined and calculated by us, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of our operating result as reported under IFRS. In addition, they may not be comparable to other similarly titled measures used by other companies. As a result, these management measures should not be considered such information in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of our profitability or liquidity. Such financial information must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU.

Management reports

Pursuant to Spanish regulatory requirements, the management reports (*informes de gestión*) are required to accompany each of our Annual Accounts. The management report in connection with the 2021 Annual Accounts (the "**2021 Management Report**"), the 2020 Annual Accounts (the "**2020 Management Report**") and the 2019 Annual Accounts (the "**2019 Management Report**" and, together with the 2020 Management Report and the 2021 Management Report, the "**Management Reports**") are included as an annex to this Registration Document accompanying the Annual Accounts only in order to comply with such regulatory requirements. The Management Reports were originally prepared in Spanish so in case of any inconsistency between the English translations and the Spanish original versions of the Management Reports, the Spanish original versions shall prevail.

The Management Reports contain information as of various historical dates and do not contain a description of our current business, affairs or results. Accordingly, the Management Reports should be read together with the other portions of this Registration Document, and in particular the sections "*Risk Factors*," "*Operating and Financial Review for the years ended December 31, 2021, 2020 and 2019*". Furthermore, the Management Reports may include certain forward-looking statements that are subject to inherent uncertainty (see "*Forward-Looking Statements*").

Peers

Unless otherwise indicated or otherwise required by the context, all references in this Registration Document to "**peers**" correspond, collectively, to Banco de Sabadell, S.A. ("**Sabadell**"), Bankinter, S.A. ("**Bankinter**"), Caixabank, S.A. ("**Caixabank**"), and Unicaja Banco, S.A. ("**Unicaja**"), as Spanish listed primarily domestic retail banks.

In this Registration Document, we calculate market shares for loans and deposits based on the total sector figures provided by the Bank of Spain (which, in turn, aggregates the figures reported by each Spanish bank). Market shares for the products in our Financial Group are calculated by third party sources such as Inverco, ICEA and the Spanish leasing association (*Asociación Española de Leasing*).

In this Registration Document, we use publicly available information reported by our peers to set out our positioning in the market. The elaboration of this publicly available information could follow different criteria within the applicable accounting framework across peers and we have not analyzed whether this information is homogeneous and comparable with the corresponding metrics used by us or the rest of our peers. In addition, we note that for Caixabank and Unicaja we have used the aggregated financial information that has been reported by each of the merging entities after their respective merger processes. Moreover, in certain circumstances we have used publicly available information from peers from prior time periods because of the lack of more recent information.

In addition, we also compare certain of our APMs with our peers' corresponding APMs. For the calculation of our peers' APMs in all cases with the only exception of the cost of risk^{APM} we apply the same method of calculation as for our corresponding APM using for such calculation the publicly available information reported by our peers referred to in the previous paragraph (i.e. we have not used our peers' reported APMs). We have compared our cost of risk^{APM} to the cost of risk reported by our peers and we have not analyzed whether the method of calculation of such APM by our peers is homogeneous and comparable with the calculation of our cost of risk^{APM}.

Therefore, the market positioning set out in this Registration Document could potentially be misrepresented and inaccurate.

Objectives

We have included certain objectives in this Registration Document. These objectives are part of our strategic plan and are not an indication of our expected or actual results and as such we cannot guarantee that they can or will be met. These objectives are based on assumptions and expectations and are subject to known and unknown risks, uncertainties (including macroeconomic developments, the evolution of Euribor, interest rates, revenues, expenses and cost of risk) and other factors that could cause our actual results to materially differ from those expressed in, or suggested by, these objectives. The ultimate achievability of these objectives is also subject to numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in this Registration Document.

Neither our independent auditors nor any other independent accountants compiled, examined or performed any procedures with respect to these objectives, nor have they expressed any opinion or any other form of assurance on these objectives or their achievability, and such parties assume no responsibility for, and disclaim any association with, these objectives.

These objectives, while presented with numerical specificity, necessarily reflect numerous assumptions made by us with respect to industry performance, general business, economic, regulatory, market and financial conditions, and other future events, as well as matters specific to our businesses, all of which are difficult or impossible to predict and many of which are beyond our control. These objectives reflect subjective judgments in many respects and, thus, are susceptible to multiple interpretations and periodic revisions based on actual experience and business, economic, regulatory, financial and other developments.

Also, the benefits and impact of our strategy and objectives could fall short of what we envisage, meaning that we are unable to achieve our strategy and objectives in the medium term as set out in "*Business—Strategy—Medium-term financial objectives*"). We may not succeed in achieving any of our financial objectives (set out in "*Business—Strategy—Medium-term financial objectives*") because of insufficient management attention, incorrect decisions or choices, inefficiencies, competition or because forecasted events and actions may not take place or may take place at a different time or to a different extent than anticipated or because certain events and actions could not be predicted or quantified at the time these objectives were established.

These objectives constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from these objectives, including, but not limited to, our performance, industry performance, general business and economic conditions, competition, adverse changes in applicable laws, regulations or rules, and the various risks and uncertainties set forth in this Registration Document that could materially adversely affect our future results. We cannot give any assurance that these financial objectives will be realized or that actual results will not vary significantly from these objectives.

Currency references

Unless otherwise indicated or otherwise required by the context, all references in this Registration Document to "**euro**," "**€**," or "**EUR**" are to the lawful currency of the participating Member States, as defined below, including Spain, in the third stage of European Economic and Monetary Union of the Treaty establishing the European Community, as amended from time to time, and all references to "**U.S. dollars**", "**dollars**", "**U.S.$**", "**USD**" or "**$**" are to the lawful currency of the United States of America.

Rounding

Certain numerical figures included in this Registration Document, including financial data presented in millions or thousands and certain percentages, may have been subject to rounding adjustments. Accordingly, amounts shown as totals in columns or rows of tables in this Registration Document may not be an arithmetic aggregation of the related numbers. In addition, certain percentages presented in the tables in this Registration Document reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform to the percentages that would be derived if the relevant calculation were based upon the rounded numbers. As used in this Registration Document, the term "billion" means one thousand million (1,000,000,000).

Market and industry data

Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness and certain of this information, including market studies, are frequently based on information and assumptions which may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

Where information contained in this Registration Document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as it is aware and have been able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information in this Registration Document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

Trademarks

We own or have rights to certain trademarks, trade names or service marks which we use in connection with the operation of our business. We assert to the fullest extent under applicable law, our rights to our trademarks, trade names and service marks. Solely for convenience, the trademarks, trade names or service marks appearing in this Registration Document are listed without the applicable ®, © or ™ symbols.

Legislation

This Registration Document refers to various statutes, directives and other legislation and regulations. Unless specified to the contrary, all such references are to the laws of Spain, except for directives, where all such references shall be deemed to be made to EU directives.

The financial information included in this Registration Document is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Registration Document includes forward-looking statements that reflect our intentions, beliefs or current expectations and projections. These forward-looking statements include, but are not limited to, statements regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as “objective”, “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “target”, “guidance”, “intend”, “is likely to”, “may”, “plan”, “potential”, “predict”, “projected”, “seek”, “should” or “will” or the negative of such terms or other similar expressions or terminology.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements speak only as of the date of this Registration Document and are not guarantees of future performance and are based on numerous assumptions. Our actual results of operations, financial condition and the development of events may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements. For a more complete discussion of the factors that could affect us, please refer to “*Risk Factors*”, the description of our business lines in the section entitled “*Business*” and “*Operating and Financial Review for the years ended December 31, 2021, 2020 and 2019—Key factors affecting comparability of results of operations*”.

Unless required by law, we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or developments or otherwise.

DIVIDENDS AND DIVIDEND POLICY

Dividend payments for the years ended December 31, 2021, 2020 and 2019

In the years ended December 31, 2021, 2020 and 2019, we distributed €98,140,000, €3,849,000 and €17,500,000, respectively, as dividends to our shareholders, representing €0.46, €0.02 and €0.08 per Share, respectively, and resulting in a cash dividend payout ratio^{APM} of 65.00%, 16.31% and 20.84%, respectively.

Earnings per ordinary share were €0.62, €0.03 and €0.09 for the years ended December 31, 2021, 2020 and 2019, respectively[18].

Dividend policy

As of the date of this Registration Document no dividend policy has been approved by the Company. However, it is our intention to distribute cash dividends in the near future in a prudent manner such that it does not affect the objective of maintaining an adequate capital buffer, even if there is a deterioration of the macroeconomic situation and financial conditions. In particular, as part of our "Plan Desafío 2023" Strategic Plan, we intend to increase our cash dividend pay-out ratio^{APM} to around 60% in the medium term (see "*Business – Strategy – Medium-term financial objectives*").

However, there is no guarantee that we will pay dividends in the future or regarding the level of any such dividends. The amount of future dividends we decide to pay, if any, and our future dividend policy will depend on a number of factors, including, but not limited to, our earnings, financial condition, regulatory restrictions, prospects, market conditions and such other factors as may be deemed relevant at the time. In addition, actual payment of future dividends and the amounts thereof, will depend on the amount of "distributable items" (as defined in CRR) and solvency requirements, earnings, level of profitability, cash flow generation, credit ratings, applicable restrictions on the payment of dividends under applicable laws including by bank regulators, the level of dividends paid or shares repurchased by other comparable listed companies doing business in Spain and such other factors as our Board of Directors may deem relevant from time to time. For example, the results of our stress test[19] (see "*Regulation - Pillar 2 requirements (P2R) and Pillar 2 Guidance (P2G)*") will determine our dividend policy in the future.

The amount of dividends will be proposed by our Board of Directors and determined by our shareholders at the general shareholders' meetings. Pursuant to Additional Provision 10 of the Banking Foundations Act, resolutions to distribute dividends in credit institutions controlled by a banking foundation in accordance with the provisions of Article 44.3 of the Banking Foundations Act shall be subject to the reinforced quorum established in Article 194 of the Spanish Companies Act and must be passed by a majority of at least two thirds of the capital present or represented at the shareholders' meeting.

Any dividends paid in the future will be subject to tax under Spanish law. As an exemption to the above, certain distributions could be exempt under Spanish law if certain circumstances are met.

Limitations on dividends and other distributions

Our capacity to distribute dividends may be restricted under general Spanish corporate law and other laws and regulations applicable to us (see "*Regulation—Capital requirements—Maximum Distributable Amount*"). In accordance with the Ibercaja Foundation Protocol, the Ibercaja Foundation will ensure that any distribution of dividends by us complies with the regulations on capital distributions set out in our applicable solvency regime, strengthening our own funds, in the interest of all of our shareholders.

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[18] Calculated by dividing the net income attributable to Ibercaja Banco for the year, adjusted by the remuneration of equity instruments issued other than capital recorded in equity in the consolidated balance sheet, by the weighted average number of shares outstanding.

[19] These stress tests are conducted externally every two years (the next stress test will be conducted in 2023).

In addition, the ECB may impose restrictions on dividend distributions. For instance, in the context of the COVID-19 pandemic, the ECB issued in March 2020 several recommendations regarding profit distributions which made us rescind the resolution of the General Shareholders' Meeting approving the distribution of a dividend out of the Company's results for 2019. The distribution of the 2019 dividend was approved again and paid in October 2020, within the limitations and recommendations set by the ECB.

In this context, on December 15, 2020, the ECB issued a new recommendation addressed to all significant supervised credit institutions[20] in the Eurozone regarding profit distribution and share buy-backs for 2019 and 2020 stating that any such profit distribution and share buy-backs should be below 15% of the relevant credit institution's cumulative profit for the financial years 2019 and 2020 and not exceed 20 basis points of CET1 until September 30, 2021.

The conditions under which we may declare dividends based on Spanish law and our bylaws are described under "*Description of Share Capital—Dividend and liquidation rights—Dividend distribution*".

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[20] The ECB maintains a list of the supervised entities, classified as significant supervised entities, which are directly supervised by the ECB and as less significant supervised entities, which are indirectly supervised by the ECB. This list is updated regularly and reflects all decisions on bank significance that entered into force before the relevant cut-off date. In the ECB list of 2021 (being October 1 the relevant cut-off date), the Company is classified as a significant supervised entity.

ALTERNATIVE PERFORMANCE MEASURES

The following discussion sets out information related to certain non-IFRS financial measures of the Group, which we regard as alternative performance measures ("**APMs**") for the purposes of Commission Delegated Regulation (EU) 2019/979 and as defined in the ESMA Guidelines.

We use APMs, which are financial measures derived from (or based on) our accounting records, to evaluate period to period changes that are not required by, or presented in accordance with, IFRS-EU. Many of these APMs are based on our internal estimates, assumptions and calculations. These APMs are not measures of our financial performance under IFRS-EU, are not audited or reviewed and should not be considered as an alternative to any balance sheet, income statement or cash flow statement item.

We have included these APMs because they are used by management to evaluate our performance and because we believe these APMs will assist securities analysts and other interested parties in having a better understanding of our financial condition and results of operations. These APMs are commonly reported by financial institutions, as they capture information that is not immediately apparent from the IFRS-EU framework. Further, they may be helpful for the in-depth analysis of the performance of the highly regulated and specialized sector in which we operate, and should allow securities analysts and other interested parties to compare our performance with that of our peers more effectively.

These APMs have limitations as analytical tools and should not be considered in isolation from, or as a substitute for analysis of, our financial condition or results of operations as reported under IFRS-EU. Other companies in our industry may calculate similarly titled measures differently than we do, such that disclosure of similarly titled measures by other companies may not be comparable with ours. These APMs should be reviewed in conjunction with our Annual Accounts and their respective accompanying notes included in this Registration Document and the related discussion thereof set forth in this Registration Document.

We consider that the APMs contained in this Registration Document comply with the ESMA Guidelines.

We segment certain APMs by market based on the location of the branch through which we manage the commercial relationship with each of our clients.

We include below an index to the APMs:

Name	Category	Number
Adjusted ROTE	APMs related to profitability	27
Allowance for credit losses over average of gross loans and advances to customers	APMs related to asset quality	37
Asset management and life savings insurance funds	APMs related to business volume	59
Available liquidity position	APMs related to liquidity	73
Average rates on customer deposits	APMs related to profitability	15
Average rates on interest-bearing liabilities	APMs related to profitability	14
Average rates on interest-earning assets	APMs related to profitability	13
Breakdown by customer's turnover of the loans to non real estate activities	APMs related to business volume	70
Breakdown by maturity and type of interest rate (fixed or floating) of gross loans and advances to customers	APMs related to business volume	67
Cash dividend payout ratio	APMs related to solvency	30

Cash recoveries of NPLs at the beginning of the period	APMs related to asset quality	53
Cost-to-income ratio	APMs related to profitability	23
Cost of risk	APMs related to asset quality	36
Customer spread	APMs related to profitability	16
External funding	APMs related to business volume	61
Foreclosed assets coverage ratio	APMs related to asset quality	44
Foreclosed assets evolution	APMs related to asset quality	54
Foreclosed land coverage ratio	APMs related to asset quality	45
Guaranteed credit lines drawn over loans to businesses	APMs related to asset quality	55
Gross loans and advances to customers	APMs related to business volume	62
Housing NPLs over NPLs	APMs related to asset quality	50
Liquid assets	APMs related to liquidity	72
Liquid assets over total assets	APMs related to liquidity	74
Loan portfolio by stages	APMs related to asset quality	38
Loans to sectors most affected by the COVID-19 pandemic over gross loans and advances to customers	APMs related to asset quality	56
Loans with outstanding moratoria over gross loans and advances to customers	APMs related to asset quality	57
LTD ratio	APMs related to liquidity	71
LTV ratio	APMs related to asset quality	51
Net fee income and exchange differences	APMs related to the income statement	4
Net fee income and exchange differences over average total assets	APMs related to profitability	20
Net fee income and exchange differences over recurring revenues	APMs related to profitability	21
Net interest income over gross income	APMs related to profitability	19
Net interest margin	APMs related to profitability	17
Net loans and advances to customers	APMs related to business volume	62
Net loans and advances to customers over total assets	APMs related to business volume	63
Net NPAs	APMs related to asset quality	48
Net NPAs over total assets	APMs related to asset quality	49
Net NPLs by sector	APMs related to asset quality	43
Net profit from financial assets and liabilities	APMs related to the income statement	5

Non-banking commissions over recurring revenues	APMs related to profitability	22
NPA coverage ratio	APMs related to asset quality	47
NPA provisions	APMs related to asset quality	46
NPA ratio	APMs related to asset quality	35
NPAs	APMs related to asset quality	31
NPL coverage ratio	APMs related to asset quality	41
NPL coverage ratio by sector	APMs related to asset quality	42
NPL provisions	APMs related to asset quality	39
NPL provisions by sector	APMs related to asset quality	40
NPL ratio	APMs related to asset quality	32
NPLs by sector	APMs related to asset quality	33
NPL ratio by sector	APMs related to asset quality	34
NPLs evolution	APMs related to asset quality	52
Operating expenses	APMs related to the income statement	7
Other gains and losses	APMs related to the income statement	12
Other operating income and expenses	APMs related to the income statement	6
Performing loans excluding reverse repurchase agreements	APMs related to business volume	64
Profit before provisions	APMs related to the income statement	9
Provisions and impairments	APMs related to the income statement	11
Recurring cost-to-income ratio	APMs related to profitability	24
Recurring operating expenses	APMs related to the income statement	8
Recurring profit before provisions	APMs related to the income statement	10
Recurring revenues	APMs related to the income statement	3
Retail business volume	APMs related to business volume	65
Retail business volume per employee	APMs related to business volume	66
Retail customer funds	APMs related to business volume	60
Retail deposits	APMs related to business volume	58
ROA	APMs related to profitability	25
ROTE	APMs related to profitability	26
RWAs density	APMs related to solvency	29
Tangible shareholders' equity	APMs related to profitability	28
Total exposure of the fixed income and equity instruments portfolio	APMs related to business volume	68

Total exposure of the fixed income and equity instruments portfolio over total assets	APMs related to business volume	69
Total interest expense by interest-bearing liabilities categories	APMs related to profitability	2
Total interest income by interest-earning assets categories	APMs related to profitability	1
Total new lending	APMs related to profitability	18

The following list includes the definition, calculation and relevance of our APMs:

APMs related to the income statement

1. **Total interest income by interest-earning assets categories[APM]:**

Definition: Accrued interest for the year broken down by interest earning assets categories.

Relevance of its use: We use this APM to measure the Company's sources of financial income.

	For the year ended December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
Financial intermediaries(1)(2)	67,410	54,017	14,004
Loans and advances to customers(2)	342,556	398,933	435,281
ALCO portfolio(2)	34,028	56,592	69,023
Life insurance business portfolio(2)	105,269	121,937	144,550
Rest of assets(2)	660	1,319	703
Total interest income	**549,923**	**632,798**	**663,561**

Notes:—

Source: Interest income comprises interest income earned during the period on all interest-earning assets, implicit or explicit, regardless of whether such assets are valued at fair value, except for those with a negative interest rate. The classification by type of asset is based on the nature of the transaction, with the total amount corresponding to that shown in Note 28 to our Annual Accounts.

(1) In accordance with Regulation (EU) 2021/451, income derived from the application of negative rates is allocated according to its nature. The asset "financial intermediaries" includes the negative interest from the balance of the liability "financial intermediaries", the most significant being the income from the TLTRO financing.

(2) Adjusted for the effect of interest rate hedging transactions.

The following table shows the percentage that each interest-earning asset bears to total interest income:

	For the year ended December 31,		
	2021	**2020**	**2019**
	(%)		
Financial intermediaries	12.26%	8.54%	2.11%
Loans and advances to customers	62.29%	63.04%	65.60%
ALCO portfolio	6.19%	8.94%	10.40%
Life insurance business portfolio	19.14%	19.27%	21.78%
Other assets	0.12%	0.21%	0.11%
Total interest income	**100.00%**	**100.00%**	**100.00%**

2. **Total interest expense by interest-bearing liabilities categories**[APM]**:**

Definition: Accrued interest for the year broken down by interest-bearing liabilities categories.

Relevance of its use: We use this APM to measure the Company's financial costs.

	For the year ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Financial intermediaries[(1)(2)]	23,819	29,669	9,945
Retail deposits[(2)]	(6,574)	(2,509)	4,948
Debt securities issued and mortgage covered bonds[(2)]	32,634	52,469	65,597
Liabilities under insurance contracts[(2)]	1,704	15,227	32,078
Other liabilities[(2)]	5,514	4,269	3,747
Total interest expense	**57,097**	**99,125**	**116,315**

Notes:—

Source: Interest expense comprises interest accrued during the year on all interest-bearing liabilities, implicit or explicit, including those arising from remuneration in kind, regardless of whether they are measured at fair value, except for those with a negative interest rate. The classification by type of liability is based on the nature of the transaction, with the total amount corresponding to that shown in Note 29 to our Annual Accounts.

(1) The liability "financial intermediaries" includes the negative interest from the balance of the asset "financial intermediaries".

(2) Adjusted for the effect of interest rate hedging transactions.

3. **Recurring revenues**[APM]:

Definition: Net interest income plus net fee income and exchange differences[APM] (as defined and calculated below).

Relevance of its use: We use this APM to measure the evolution of our revenues that are directly linked to our business activities (banking business, asset management and bancassurance).

	For the year ended December 31,					
	2021		**2020**		**2019**	
			(€ thousands, except %)			
(+) Net interest income[(1)]	492,826	52.9%	533,673	58.7%	547,246	58.1%
(+) Net fee income and exchange differences[APM]	438,543	47.1%	374,987	41.3%	394,843	**41.9%**
Recurring revenues[APM]	**931,369**	**100%**	**908,660**	**100%**	**942,089**	**100%**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

The following table shows the breakdown of recurring revenues[APM] by market:

	For the year ended December 31,					
	2021		**2020**		**2019**	
			(€ thousands, except %)			
Home Markets	578,116	62.07%	537,700	59.18%	537,019	57.00%
Aragón	*470,883*	*50.56%*	*425,323*	*46.81%*	*414,928*	*44.04%*
Rest of Home Markets	*107,233*	*11.51%*	*112,377*	*12.37%*	*122,091*	*12.96%*

	For the year ended December 31,					
	2021		2020		2019	
Growth Markets	284,440	30.54%	295,583	32.53%	320,716	34.04%
Madrid	*191,201*	*20.53%*	*193,463*	*21.29%*	*207,074*	*21.98%*
Mediterranean basin	*93,239*	*10.01%*	*102,120*	*11.24%*	*113,642*	*12.06%*
Rest of Spain	68,813	7.39%	75,377	8.29%	84,354	8.96%
Recurring revenues^{APM}	**931,369**	**100.00%**	**908,660**	**100.00%**	**942,089**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our recurring revenues^{APM} by the location of the branch through which we manage the relevant customer generating such recurring revenues^{APM}.

The following table shows the breakdown of recurring revenues^{APM} by products:

	For the year ended December 31,					
	2021		2020		2019	
			(*€ thousands, except %*)			
Banking products	533,198	57.25%	567,671	62.47%	583,472	61.93%
of which leasing and renting (a).....................	*11,633*	*1.25%*	*12,258*	*1.35%*	*10,272*	*1.09%*
Assets under management and bancassurance (b)	398,171	42.75%	340,989	37.53%	358,617	38.07%
Mutual funds.....................	*203,057*	*21.80%*	*153,815*	*16.93%*	*168,246*	*17.86%*
Long term savings	*94,377*	*10.13%*	*93,871*	*10.33%*	*99,410*	*10.55%*
Pension funds	*42,595*	*4.57%*	*37,735*	*4.15%*	*36,639*	*3.89%*
Life savings insurance products........................	*51,782*	*5.56%*	*56,136*	*6.18%*	*62,771*	*6.66%*
Risk insurance	*100,737*	*10.82%*	*93,303*	*10.27%*	*90,961*	*9.66%*
Recurring revenues^{APM}	**931,369**	**100.00%**	**908,660**	**100.00%**	**942,089**	**100.00%**
Recurring revenues^{APM} from Financial Group (a) + (b)	**409,804**	**44.00%**	**353,247**	**38.88%**	**368,889**	**39.16%**

Notes:—

Source: This breakdown has been obtained by classifying our recurring revenues^{APM} by each type of product commercialized or managed by us.

4. **Net fee income and exchange differences^{APM}**:

Definition: Fee and commission income minus fee and commission expense plus net exchange differences.

Relevance: We use this APM to measure the margin obtained through our fees and commissions.

	For the year ended December 31,		
	2021	2020	2019
		(€ *thousands*)	
(+) Fee and commission income	457,495	390,771	412,375
(-) Fee and commission expense	19,509	16,636	18,636
(+) Net exchange differences	557	852	1,104
Net fee income and exchange differences[APM]	**438,543**	**374,987**	**394,843**

Notes:—
Source: Consolidated income statement in the Annual Accounts.

The following table shows the breakdown of net fee income and exchange differences[APM] by origin of commissions for the years ended December 31, 2021, 2020 and 2019.

	For the year ended December 31,					
	2021		2020		2019	
			(€ *thousands, except %*)			
Banking commissions	149,618	34.12%	144,769	38.61%	151,851	38.46%
Non-banking commissions(1)	288,925	65.88%	230,218	61.39%	242,992	61.54%
Net fee income and exchange differences[APM]	**438,543**	**100.00%**	**374,987**	**100.00%**	**394,843**	**100.00%**

Notes:—
(1) Non-banking commissions are calculated as follows:

	For the year ended December 31,		
	2021	2020	2019
		(€ *thousands*)	
(A)Non-bank financial product marketing fees(i)	254,860	206,590	195,389
Securities services fees(ii)	49,581	38,992	61,501
(B) Of which: asset management fees	*41,627*	*29,751*	*53,603*
Of which: sale of securities held in custody	*7,954*	9,241	7,898
Other fees(iii)	(10,258)	(8,239)	(9,248)
(C) Of which: other fees for marketing of non-banking financial products(iii)	*(7,562)*	*(6,123)*	*(6,000)*
Of which: rest of other fees	*(2,696)*	*(2,116)*	*(3,248)*
(A+B+C) Non banking commissions	**288,925**	**230,218**	**242,992**

Notes:—
(i) Source: Note 32 to the Annual Accounts.
(ii) Source: Note 32 to the Annual Accounts. Based on the origin of the fees, this item is broken down into: asset management fees (including success fees) and sale of securities held in custody.
(iii) Source: Note 33 to the Annual Accounts. Based on the origin of the fees, this item is broken down into: other fees for marketing of non-banking financial products, which mainly includes rebates on mutual fund fees and the costs associated with pension fund promotions, and the rest of other fees.

The following table shows the breakdown of non-banking commissions by product for the years ended December 31, 2021, 2020 and 2019:

	For the year ended December, 31		
	2021	**2020**	**2019**
		(€ thousands)	
Mutual funds	203,057	153,815	168,246
Pension funds	42,595	37,735	36,639
Insurance products	46,461	41,087	39,708
Other	(3,188)	(2,419)	(1,601)
Non banking commissions	**288,925**	**230,218**	**242,992**

Notes:—

Source: This breakdown has been obtained by classifying our non-banking commissions by each type of product commercialized or managed by us.

5. **Net profit from financial assets and liabilities**[APM]:

Definition: Sum of gains/(losses) on derecognition of financial assets and liabilities not valued at fair value through profit or loss, gains/(losses) on financial assets and liabilities held for trading, gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit and loss, gains/(losses) on financial assets and liabilities valued at fair value through profit or loss and gains/(losses) derived from hedge-accounting.

Relevance: We use this APM to measure the amount of our results that is related to financial activity but that cannot be considered as recurring revenues[APM].

	For the year ended December 31,		
	2021	**2020**	**2019**
		(*€ thousands*)	
(+) Gains/(losses) on derecognition of financial assets and liabilities not valued at fair value through profit or loss	46,108	128,856	8,261
(+) Gains/(losses) on financial assets and liabilities held for trading	645	1,149	1,220
(+) Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit and loss	103	(10,476)	(3,718)
(+) Gains/(losses) on financial assets and liabilities valued at fair value through profit or loss	-	-	747
(+) Gains/(losses) derived from hedge-accounting	(194)	(364)	567
Net profit from financial assets and liabilities[APM]	**46,662**	**119,165**	**7,077**

Notes:—

Source: Consolidated income statement in the Annual Accounts.

6. **Other operating income and expenses**[APM]:

Definition: Sum of the net of other operating income and other operating expenses and the net of income from assets under insurance or reinsurance contracts and expenses from liabilities under insurance or reinsurance contracts.

Relevance: We use this APM to measure income and expenses that do not arise entirely from our financial activities but that are related to our ordinary activities.

	For the year ended December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
(+) Other operating income	37,944	47,022	37,073
(-) Other operating expenses	78,553	78,581	72,473
(+) Income from assets under insurance or reinsurance contracts	904,463	960,230	940,528
(-) Expenses from liabilities under insurance or reinsurance contracts	904,756	960,461	940,798
Other operating income and expenses^{APM}	**(40,902)**	**(31,790)**	**(35,670)**

Notes:—
Source: Consolidated income statement in the Annual Accounts.

7. **Operating expenses^{APM}**:

Definition: Sum of staff expenses, other administration expenses and depreciation/amortization.

Relevance: We use this APM as an indicator of the amount of expenses we incur in connection with our activity.

	For the year ended December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
(+) Staff expenses	375,183	502,568	360,944
(+) Other administration expenses	169,066	153,020	171,915
(+) Depreciation/Amortization	66,973	62,918	67,228
Operating expenses^{APM}	**611,222**	**718,506**	**600,087**

Notes:—
Source: Consolidated income statement in the Annual Accounts.

8. **Recurring operating expenses^{APM}**:

Definition: Operating expenses^{APM} (as defined and calculated above) less extraordinary expenses.

Relevance: We use this APM to measure the evolution of the amount of total expenses generated by our businesses (banking business, asset management and bancassurance), excluding extraordinary items, such as the expenses related to the 2021-2022 Redundancy Plan.

	For the year ended December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
(+) Operating expenses^{APM}	611,222	718,506	600,087
(-) Extraordinary expenses[(1)]	12,842	151,041	-
Recurring operating expenses^{APM}	**598,380**	**567,465**	**600,087**

Notes:—
(1) Source: Note 38 to the Annual Accounts.

9. **Profit before provisions^{APM}**:

Definition: Gross income less administration expenses and depreciation/amortization.

Relevance: We use this APM to show our profitability before provisions and impairments.

	For the year ended December 31,		
	2021	**2020**	**2019**
		(*€ thousands*)	
(+) Gross income	952,260	1,001,822	926,579
(-) Administration expenses	544,249	655,588	532,859
(-) Depreciation/amortization............	66,973	62,918	67,228
Profit before provisions^{APM}	**341,038**	**283,316**	**326,492**

Notes:—
Source: Consolidated income statement in the Annual Accounts.

10. **Recurring profit before provisions^{APM}**:

Definition: Recurring revenues^{APM} less recurring operating expenses^{APM} (each as defined and calculated above).

Relevance: We use this APM to measure the recurring profitability of the business before provisions and impairments.

	For the year ended December 31,		
	2021	**2020**	**2019**
		(*€ thousands*)	
(+) Recurring revenues^{APM}........	931,369	908,660	942,089
(-) Recurring operating expenses^{APM}...........................	598,380	567,465	600,087
Recurring profit before provisions^{APM}........................	**332,989**	**341,195**	**342,002**

11. **Provisions and impairments^{APM}**:

Definition: Sum of provisions or reversal of provisions, impairment or reversal of impairment on financial assets not valued at fair value through profit or loss, impairment or reversal of impairment on investments in joint business ventures or associates, impairment or reversal of impairment on non-financial assets and, within "gains or losses on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations", the part corresponding to impairment of other non-current assets held for sale.

Relevance: We use this APM as an indicator of the cost per allocations made in the year to cover the deterioration of the value of our assets.

	For the year ended December 31,		
	2021	2020	2019
		(€ thousands)	
(+) Provisions or (-) reversal of provisions	5,722	(14,236)	37,330
(+) Impairment or (-) reversal of impairment on financial assets not valued at fair value through profit and loss	78,008	219,646	124,637
(+) Impairment or (-) reversal of impairment on investments in joint business ventures or associates	128	—	—
(+) Impairment or (-) reversal of impairment on non-financial assets	11,927	1,559	5,612
(+) Impairment of other non-current assets for sale(1)	31,166	18,861	16,957
Provisions and impairments^APM^	**126,951**	**225,830**	**184,536**

Notes:—

Source: Consolidated income statement in the Annual Accounts.

(1) Source: Note 42 to the Annual Accounts.

12. **Other gains and losses^APM^:**

Definition: Sum of gains or losses on derecognition of non-financial assets and shareholdings and gains or losses on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations (excluding impairment of other non-current assets for sale included in the APM "provisions and impairments^APM^" above).

Relevance: We use this APM as an indicator of the impact on our results of the derecognition/disposal of assets not related to our ordinary activities.

	For the year ended December 31,		
	2021	2020	2019
		(€ thousands)	
(+) Gains or (-) losses on derecognition of non-financial assets and shareholdings, net(1)	(5,199)	(3,047)	(6,544)
(+) Gains or (-) losses on disposal of other non-current assets for sale(2)	5,885	(969)	(6,775)
Other gains and losses^APM^	**686**	**(4,016)**	**(13,319)**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

(2) Source: Note 42 to the Annual Accounts.

APMs related to profitability

13. **Average rates on interest-earning assets^APM^:**

Definition: average rates are calculated by dividing (i) the interest income from the relevant asset by (ii) the average balance of the relevant asset.

Relevance: We use these APMs as indicators of the average yield of our assets, mainly loans to customers and our fixed-income portfolio.

APM	Calculation	For the year ended December 31, 2021	2020	2019
		(€ thousands, except %)		
Average interest rate on average financial intermediaries[APM]	Interest income from financial intermediaries	67,410	54,017	14,004
	Average financial intermediaries[(1)]	7,911,855	6,233,769	3,867,800
	Average interest rate on average financial intermediaries[APM]	**0.85%**	**0.87%**	**0.36%**
Average interest rate on average loans and advances to customers[APM]	Interest income from loans and advances to customers	342,556	398,933	435,281
	Average loans and advances to customers[(1)]	28,861,661	29,400,209	29,919,163
	Average interest rate on average loans and advances to customers[APM]	**1.19%**	**1.36%**	**1.45%**
Average interest rate on average ALCO portfolio[APM]	Interest income from ALCO portfolio	34,028	56,592	69,023
	Average ALCO portfolio[(1)]	9,969,242	8,525,590	7,114,964
	Average interest rate on average ALCO portfolio[APM]	**0.34%**	**0.66%**	**0.97%**
Average interest rate on average life insurance business portfolio[APM]	Interest income from life insurance business portfolio	105,269	121,937	144,550
	Average life insurance business portfolio[(1)]	7,519,256	7,633,709	7,510,845
	Average interest rate on average life insurance business portfolio[APM]	**1.40%**	**1.60%**	**1.92%**
Average interest rate on average rest of assets[APM]	Interest income from rest of assets	660	1,319	703
	Average rest of assets[(1)]	3,602,615	3,685,826	4,367,183
	Average interest rate on average other rest of assets[APM]	**0.02%**	**0.04%**	**0.02%**
Average interest rate on average total assets[APM]	Interest income from total assets	549,923	632,798	663,561
	Average total assets[(1)]	57,864,629	55,479,103	52,779,955
	Average interest rate on average total assets[APM]	**0.95%**	**1.14%**	**1.26%**

Notes:—

Source: The classification by type of asset is based on the nature of the transaction, with the total amount corresponding to that shown in Note 28 to our Annual Accounts and in which the breakdown is made by accounting portfolio, this is, taking into account the criteria by which the financial assets are valued.

(1) The average balance of each balance sheet item is calculated as the arithmetic average of the average monthly balances. The average monthly balance is the average of end balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the immediately prior month to the reference month multiplied by 0.5).

14. **Average rates on interest-bearing liabilities^APM^**:

Definition: average rates are calculated by dividing (i) the interest expense from the relevant liability by (ii) the average balance of the relevant liability.

Relevance: We use these APMs as indicators of the average cost of our onerous liabilities, mainly customers' deposits and other liabilities.

		For the year ended December 31,		
APM	**Calculation**	**2021**	**2020**	**2019**
		(€ thousands, except %)		
Average interest rate on average financial intermediaries APM	Interest expense from financial intermediaries	23,819	29,669	9,945
	Average financial intermediaries[1]	6,791,799	5,084,961	4,210,527
	Average interest rate on average financial intermediaries APM	**0.35%**	**0.58%**	**0.24%**
Average interest rate on average retail deposits APM	Interest expense from retail deposits	(6,574)	(2,509)	4,948
	Average retail deposits[1]	35,924,092	34,332,758	31,687,895
	Average interest rate on average retail deposits APM	**(0.02)%**	**(0.01)%**	**0.02%**
Average interest rate on average debt securities issued and mortgage covered bonds APM	Interest expense from debt securities issued and mortgage covered bonds	32,634	52,469	65,597
	Average debt securities issued and mortgage covered bonds[1]	2,587,531	3,253,583	3,877,276
	Average interest rate on average debt securities issued and mortgage covered bonds APM	**1.26%**	**1.61%**	**1.69%**
Average interest rate on average liabilities under insurance contracts APM	Interest expense from liabilities under insurance contracts	1,704	15,227	32,078
	Average liabilities under insurance contracts[1]	7,291,380	7,631,841	7,765,474
	Average rate on average liabilities under insurance contracts APM	**0.02%**	**0.20%**	**0.41%**
Average interest rate on average rest of liabilities APM	Interest expense from rest of liabilities	5,514	4,269	3,747
	Average rest of liabilities[1]	5,269,827	5,175,960	5,238,783
	Average interest rate on average rest of liabilities APM	**0.10%**	**0.08%**	**0.07%**
Average interest rate on average total liabilities and equity APM	Interest expense from total liabilities and equity	57,097	99,125	116,315
	Average total liabilities and equity[1]	57,864,629	55,479,103	52,779,955
	Average interest rate on average total liabilities and equity APM	**0.10%**	**0.18%**	**0.22%**

Notes:—

Source: The classification by type of liability is based on the nature of the transaction, with the total amount corresponding with that shown in Note 29 to our Annual Accounts and in which the breakdown is made by accounting portfolio, this is, taking into account the criteria by which the financial liabilities are valued.

(1) The average balance of each balance sheet item is calculated as the arithmetic average of the average monthly balances. The average monthly balance is the average of end balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the immediately prior month to the reference month multiplied by 0.5).

15. **Average rates on customer deposits^{APM}**:
Definition: average rates are calculated by dividing (i) the interest expense from the relevant customer deposit by (ii) the average balance of the relevant customer deposit.

Relevance: We use these APMs as indicators of the average cost of our customers' deposits.

		For the year ended December 31,		
APM	**Calculation**	**2021**	**2020**	**2019**
		(*€ thousands, except %*)		
Average interest rate on average deposits from public administrations^{APM}	Interest expense from deposits from public administrations	44	290	329
	Average deposits from public administrations [1]	1,360,875	1,369,786	1,142,464
	Average interest rate on average deposits from public administrations^{APM}	**0.00%**	**0.02%**	**0.03%**
Average interest rate on average demand deposits from public administrations^{APM}	Interest expense from demand deposits from public administrations	11	118	119
	Average demand deposits from public administrations[1]	1,281,693	1,274,750	1,030,182
	Average interest rate on average demand deposits from public administrations^{APM}	**0.00%**	**0.01%**	**0.01%**
Average interest rate on average term deposits from public administrations^{APM}	Interest expense from term deposits from public administrations	33	172	210
	Average term deposits from public administrations[1]	79,058	94,883	112,180
	Average interest rate on average term deposits from public administrations^{APM}	**0.04%**	**0.18%**	**0.19%**
Average interest rate on average deposits from other resident customers^{APM}	Interest expense from deposits from other resident customers	14,499	29,870	42,635
	Average deposits from other resident customers[1]	35,755,319	34,712,320	32,809,898
	Average interest rate on average deposits from other resident customers^{APM}	**0.04%**	**0.09%**	**0.13%**
Average interest rate on average demand deposits from other resident customers^{APM}	Interest expense from demand deposits from other resident customers	(5,731)	(2,744)	2,102
	Average demand deposits from other resident customers[1]	31,750,548	29,372,801	25,774,499
	Average interest rate on average demand deposits from other resident customers^{APM}	**(0.02)%**	**(0.01)%**	**0.01%**
Average interest rate on average term deposits from other resident customers^{APM}	Interest expense from term deposits from other resident customers	20,230	32,614	40,533
	Average term deposits from other resident customers[1]	3,841,884	5,039,745	6,734,965

APM	Calculation	For the year ended December 31, 2021	2020	2019
		(€ thousands, except %)		
	Average interest rate on average term deposits from other resident customers^APM	**0.53%**	**0.65%**	**0.60%**
Average interest rate on average deposits from non-resident customers^APM	Interest expense from deposits from non-resident customers	9	26	102
	Average deposits from non-resident customers[(1)]	128,978	131,139	136,268
	Average interest rate on average deposits from non-resident customers^APM	**0.01%**	**0.02%**	**0.07%**
Average interest rate on average demand deposits from non-resident customers^APM	Interest expense from demand deposits from non-resident customers	7	8	64
	Average demand deposits from non-resident resident customers[(1)]	116,697	114,860	115,762
	Average interest rate on average demand deposits from non-resident customers^APM	**0.01%**	**0.01%**	**0.06%**
Average interest rate on average term deposits from non-resident customers^APM	Interest expense from term deposits from non-resident customers	2	18	38
	Average term deposits from non-resident customers[(1)]	12,268	16,249	20,472
	Average interest rate on average term deposits from non-resident customers^APM	**0.01%**	**0.11%**	**0.19%**
Average interest rate on average customer deposits^APM	Interest expense from customer deposits	14,552	30,187	43,065
	Average customers deposits[(1)]	37,245,172	36,213,245	34,088,630
	Average interest rate on average customers deposits^APM	**0.04%**	**0.08%**	**0.13%**

Notes:—

(1) The average balance of each balance sheet item is calculated as the arithmetic average of the average monthly balances. In turn, the average monthly balance is the average of end balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the immediately prior month to the reference month multiplied by 0.5).

16. **Customer spread^APM**:

Definition: Difference between the average yield on loans and advances to customers and the average interest rate on retail deposits^APM.

Relevance: We use this APM as an indicator of the profitability of our retail banking business.

	For the year ended December 31, 2021	2020	2019
(+) Average interest rate on average loans and advances to customers^APM	1.19%	1.36%	1.45%

	For the year ended December 31,		
	2021	2020	2019
(-) Average interest rate on average retail deposits^APM	(0.02)%	(0.01)%	0.02%
Customer spread^APM	**1.21%**	**1.37%**	**1.43%**

17. **Net interest margin^APM**:

Definition: Difference between the average interest rate on average total assets^APM and the average interest rate on total liabilities and equity^APM.

Relevance: We use this APM as an indicator of our profit margin.

	For the year ended December 31,		
	2021	2020	2019
(+) Average interest rate on average total assets^APM	0.95%	1.14%	1.26%
(-) Average interest rate on average total liabilities and equity^APM	0.10%	0.18%	0.22%
Net interest margin^APM	**0.85%**	**0.96%**	**1.04%**

18. **Total new lending^APM:**

Definition: Principal amount of new loans during each period (the years ended December 31, 2021, 2020 and 2019, as applicable).

Relevance: We use this APM to monitor the composition of new credit origination.

	For the years ended December 31,		
	2021	2020	2019
		(*€ thousands*)	
(+) Home purchase................................	1,431,202	1,439,998	1,146,985
(+) Real estate construction and development..	772,207	510,658	745,756
(+) SMEs and corporates	2,415,361	3,762,196	2,849,565
(+) Consumer lending	171,455	193,776	236,433
(+) Other	631,191	516,959	457,243
Total new lending^APM..........................	**5,421,416**	**6,423,587**	**5,435,982**

Notes:—
Source: This breakdown has been obtained by classifying our total new lending^APM by the purpose of the loan.

The following table shows the breakdown of total new lending^APM by market:

	For the years ended December 31,					
	2021		2020		2019	
			(*€ thousands*)			
Home Markets.............	1,855,994	34.23%	2,385,322	37.14%	2,118,876	38.98%

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	For the years ended December 31,					
	2021		2020		2019	
Aragón	1,170,545	21.59%	*1,559,503*	*24.28%*	*1,357,248*	*24.97%*
Rest of Home Markets	685,449	12.64%	*825,819*	*12.86%*	*761,628*	*14.01%*
Growth Markets	2,788,567	51.44%	3,096,280	48,20%	2,562,176	47.13%
Madrid	1,933,585	35.67%	*1,943,643*	*30.26%*	*1,623,861*	*29.87%*
Mediterranean basin	854,982	15.77%	*1,152,637*	*17,94%*	*938,315*	*17.26%*
Rest of Spain...............	776,855	14.33%	941,985	14.66%	754,930	13.89%
Total new lending[APM]	**5,421,416**	**100.00%**	**6,423,587**	**100.00%**	**5,435,982**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our total new lending[APM] by the location of the branch in which the loan was granted.

19. **Net interest income over gross income[APM]**:

Definition: Net interest income divided by gross income.

Relevance: We use this APM to measure the contribution of net interest income to our gross income.

		For the year ended December 31,		
		2021	2020	2019
		(*€ thousands, except %*)		
Numerator	Net interest income [(1)]................	492,826	533,673	547,246
Denominator	Gross income[(1)]..........................	952,260	1,001,822	926,579
=	**Net interest income over gross income[APM]**	**51.75%**	**53.27%**	**59.06%**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

20. **Net fee income and exchange differences over average total assets[APM]**:

Definition: Net fee income and exchange differences[APM] (as defined and calculated above) divided by average total assets.

Relevance: We use this APM to measure the contribution of fee and commission income to our profitability.

		For the year ended December 31,		
		2021	2020	2019
		(*€ thousands, except %*)		
Numerator	Net fee income and exchange differences[APM]	438,543	374,987	394,843
Denominator	Average total assets[(1)]................	57,864,629	55,479,103	52,779,955
=	**Net fee income and exchange differences over average total assets[APM]**..................................	**0.76%**	**0.68%**	**0.75%**

Notes:—

(1) Calculated as the arithmetic average of the average monthly balances.

21. **Net fee income and exchange differences over recurring revenues^{APM}**:

Definition: Net fee income and exchange differences^{APM} divided by recurring revenues^{APM} (each as defined and calculated above).

Relevance: We use this APM to measure the contribution of our net fee income to our recurring revenues^{APM}.

		For the year ended December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Net fee income and exchange differences^{APM}..	438,543	374,987	394,843
Denominator	Recurring revenues^{APM}	931,369	908,660	942,089
=	**Net fee income and exchange differences over recurring revenues^{APM}**	**47.09%**	**41.27%**	**41.91%**

22. **Non-banking commissions over recurring revenues^{APM}:**

Definition: Non-banking commissions divided by recurring revenues^{APM} (each as defined and calculated above).

Relevance: We use this APM to measure the contribution of our non-banking commissions to our recurring revenues^{APM}.

		For the year ended December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Non-banking commissions(1)	288,925	230,218	242,992
Denominator	Recurring revenues^{APM}	931,369	908,660	942,089
=	**Non-banking commissions over recurring revenues^{APM}** ...	**31.02%**	**25.34%**	**25.79%**

Note:—

(1) See definition of "Net fee income and exchange differences^{APM}" above for an explanation of the calculation of "non-banking commissions".

23. **Cost-to-income ratio^{APM}**:

Definition: Recurring operating expenses^{APM} (as defined and calculated above) divided by gross income.

Relevance: We use this APM to measure our operational efficiency.

		For the year ended December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Recurring operating expenses^{APM}..............................	598,380	567,465	600,087
Denominator	Gross income(1).........................	952,260	1,001,822	926,579
=	**Cost-to-income ratio^{APM}**..........	**62.84%**	**56.64%**	**64.76%**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

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24. **Recurring cost-to-income ratio**[APM]:

Definition: Recurring operating expenses[APM] divided by recurring revenues[APM] (each as defined and calculated above).

Relevance: We use this APM to measure the efficiency of our recurring activity.

		For the year ended December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Recurring operating expenses[APM]..............................	598,380	567,465	600,087
Denominator	Recurring revenues[APM].............	931,369	908,660	942,089
=	**Recurring cost-to-income ratio[APM]**....................................	**64.25%**	**62.45%**	**63.70%**

25. **Return on assets ("ROA[APM]")**:

Definition: Profit attributable to the owners of the parent as a percentage of average total assets.

Relevance: We use this APM to measure the return obtained from our assets.

		For the year ended December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Profit attributable to the owners of the parent[(1)]...........................	150,985	23,602	83,989
Denominator	Average total assets[(2)]...............	57,864,629	55,479,103	52,779,955
=	**ROA[APM]**...................................	**0.26%**	**0.04%**	**0.16%**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

(2) Calculated as the arithmetic average of the average monthly balances. The average monthly balance is the average of end balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the immediately prior month to the reference month multiplied by 0.5).

26. **Return on tangible equity ("ROTE[APM]")**:

Definition: Profit attributable to the owners of the parent as a percentage of average tangible shareholders' equity. See tangible shareholders' equity[APM] to see the calculation of this item.

Relevance: We use this APM to measure the return obtained on our tangible shareholders' equity.

		For the year ended December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Profit attributable to the owners of the parent[(1)]...........................	150,985	23,602	83,989
Denominator	Average tangible shareholders' equity[(2)].....................................	2,651,490[(3)]	2,622,633[(4)]	2,584,102[(5)]
=	**ROTE[APM]**	**5.69%**	**0.90%**	**3.25%**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

(2) See Tangible shareholders' equity[APM]. The average is calculated as the arithmetic mean of (i) the end-of-quarter tangible equity figure for the first quarter of the corresponding period, (ii) the end-of-quarter tangible equity figure for the second quarter of the corresponding period, (iii) the end-of-quarter tangible equity figure for the third quarter of the corresponding period and (iv) the arithmetic mean of the end-of quarter tangible equity figures for the fourth quarter of the corresponding and previous periods. The end-of quarter tangible equity figures for the fourth quarter of the corresponding previous period corresponds to the figures as of January 1 of the corresponding period.

(3) Calculated as the arithmetic mean of (i) €2,627,212 thousand (as of March 31, 2021), (ii) €2,667,266 thousand (as of June 30, 2021), (iii) €2,707,434 thousand (as of September 30, 2021) and (iv) the arithmetic mean of €2,573,404 thousand (as of December 31, 2020) and €2,634,690 thousand (as of December 31, 2021).

(4) Calculated as the arithmetic mean of (i) €2,588,874 thousand (as of March 31, 2020), (ii) €2,650,858 thousand (as of June 30, 2020), (iii) €2,675,924 thousand (as of September 30, 2020) and (iv) the arithmetic mean of €2,576,344 thousand (as of December 31, 2019) and €2,573,404 thousand (as of December 31, 2020).

(5) Calculated as the arithmetic mean of (i) €2,590,919 thousand (as of March 31, 2019), (ii) €2,589,817 thousand (as of June 30, 2019), (iii) €2,598,606 thousand (as of September 30, 2019) and (iv) the arithmetic mean of €2,537,788 thousand (as of December 31, 2018) and €2,576,344 thousand (as of December 31, 2019).

27. **Adjusted ROTE[APM]**:

Definition: ROTE[APM] excluding extraordinary items. It represents our adjusted net profit (profit less extraordinary items in each period) as a percentage of average tangible shareholders' equity.

Relevance: We use this APM to measure the return obtained on our tangible shareholders' equity, excluding extraordinary items.

	For the year ended December 31,		
	2021	**2020**	**2019**
	(*€ thousands, except %*)		
Profit/(loss) before tax from continuing operations[1]..	214,773	53,470	128,637
Gross extraordinary impacts	(10,637)	111,546	92,000
2021-2022 Redundancy Plan	*12,842*	*151,041*	-
Ordesa Transaction.................................	-	-	*27,000*
Costa Transaction...................................	-	-	*15,000*
Oroel Transaction...................................	*9,623*	-	-
Signing of the novation agreement modifying CASER's non-life insurance distribution contract[2]..........................	-	*(15,000)*	-
Provisions to anticipate potential impacts from accelerated NPA reduction...........	-		*40,000*
Provisions for the repurchase of subordinated bonds..............................	-	-	*10,000*
COVID-19 Provisions	-	*90,124*	-
Sale of amortized cost fixed income portfolio	*(33,102)*	*(114,619)*	-

	For the year ended December 31,		
	2021	**2020**	**2019**
Adjusted profit/(loss) before tax from continuing operations	**204,136**	**165,016**	**210,637**
Effective tax rate	29.70%	26.76%(3)	34.71%
(A) Adjusted net profit	**143,508**	**120,855**	**137,525**
(B) Average tangible shareholders' equity(4)	**2,651,490**	**2,622,633**	**2,584,102**
Adjusted ROTEAPM (=A/B)	**5.41%**	**4.61%**	**5.32%**

Notes:—

(1) Source: Consolidated income statement in the Annual Accounts.

(2) See "*Business—Material contracts—CASER Agency Agreement*").

(3) Calculated as 2020 adjusted corporate income tax expense (adjusted for the tax effect of gross extraordinary impacts (assumed at 30%) and DTAs write-off amounting to €19,210 thousand) divided by 2020 adjusted profit/(loss) before tax from continuing operations.

(4) See ROTE APM.

28. Tangible shareholder's equity APM:

Definition: Shareholders' equity less €350,000 thousand AT1 issue accounted for as shareholders' equity in the line "Equity instruments issued other than capital" less intangible assets.

Relevance: We use this APM to calculate the denominator of ROTE APM.

	As of December 31,		
	2021	**2020**	**2019**
(+) Shareholder's equity(1)	3,253,857	3,160,630	3,139,017
(-) Equity instruments issued other than capital(1)	350,000	350,000	350,000
(-) Intangible assets(1)	269,167	237,226	212,673
Tangible shareholders' equityAPM	**2,634,690**	**2,573,404**	**2,576,344**

Notes:—

(1) Source: Consolidated balance sheet in the Annual Accounts.

APMs related to solvency

29. RWAs density APM:

Definition: RWAs (phased-in) divided by total assets.

Relevance: We use this APM to measure the risk profile of our balance sheet.

		As of December 31,		
		2021	**2020**	**2019**
		(*€ thousands, except %*)		
Numerator	RWAs (phased-in)(1)	18,051,935	18,248,449	20,362,850
Denominator	Total assets(2)	58,631,409	58,400,790	55,422,015
=	**RWAs density**APM	**30.79%**	**31.25%**	**36.74%**

Notes:—

(1) Source: Note 1.7.2 to the Annual Accounts.

(2) Source: Consolidated balance sheet in the Annual Accounts.

30. **Cash dividend payout ratio[APM]**:

Definition: Cash dividends divided by the profit attributable to the owners of the parent.

Relevance: We use this APM to measure the amount of dividends distributed to our shareholders in relation to the profit obtained in the year.

		For the year ended December 31,		
		2021	2020	2019
		(€ thousands, except %)		
Numerator	Distribution of dividends(1)	98,140	3,849	17,500
Denominator	Profit attributable to the owners of the parent(2)	150,985	23,602	83,989
=	**Cash dividend payout ratio[APM]**	**65.00%**	**16.31%**	**20.84%**

Notes: —

(1) Source: Note 4 to the Annual Accounts.

(2) Source: Consolidated income statement in the Annual Accounts.

APMs related to asset quality

31. **NPAs[APM]**:

Definition: Sum of NPLs and gross value of foreclosed assets.

Relevance: We use this APM to evaluate the size of our problematic asset portfolio (NPLs and foreclosed assets) in gross terms.

	As of December 31,		
	2021	2020	2019
	(€ thousands, except %)		
(+) NPLs(1)	717,621	1,012,938	1,293,161
(+) Gross value of foreclosed assets(2)..................	542,241	619,527	624,890
NPAs[APM]	**1,259,862**	**1,632,465**	**1,918,051**

Notes:—

(1) Source: Note 3.5.4 to the Annual Accounts.

(2) Source: Note 3.5.6.2 to the Annual Accounts.

32. **NPL ratio[APM]**:

Definition: NPLs divided by gross loans and advances to customers[APM] (as defined and calculated below).

Relevance: We use this APM to monitor our credit risk quality.

		As of December 31,		
		2021	2020	2019
		(€ thousands, except %)		
Numerator	NPLs(1)	717,621	1,012,938	1,293,161
Denominator	Gross loans and advances to customers[APM]..	31,195,451	31,589,582	32,563,215

		As of December 31,		
		2021	2020	2019
=	**NPL ratio^{APM}**	**2.30%**	**3.21%**	**3.97%**

Notes:—

(1) Source: Note 3.5.4 to the Annual Accounts.

33. **NPLs by sector^{APM}:**

Definition: This APM shows the breakdown of NPLs associated to each sector comprising our loan portfolio.

Relevance: We use this APM to measure the distribution by sector of our credit risk quality.

	As of December 31,		
	2021	2020	2019
	NPLs	NPLs	NPLs
	(*€ thousands, except %*)		
Loans to businesses..................	**344,814**	**455,239**	**554,278**
Real estate development	71,262	92,613	146,036
Non-real estate activities	273,552	362,626	408,242
Loans to individuals	**372,475**	**556,276**	**735,952**
Housing	285,361	437,913	621,954
Consumer loans and other	87,114	118,363	113,998
Public sector and other	**332**	**1,423**	**2,931**
Total(1).......................................	**717,621**	**1,012,938**	**1,293,161**

Notes:—

Source: This breakdown has been obtained by classifying our NPLs following the Bank of Spain PC9 template for breakdown of loans to customers by activity (*Distribución de los Préstamos a la Clientela por Actividad Consolidado Público*). The definition of loans to customers in this template includes all transactions of this nature regardless of the item in which they are included in the balance sheet. Loans by sector are classified according to their purpose and not according to the debtor's NACE. Loans to businesses include financing to non-financial corporations and individual entrepreneurs (the activity of individual entrepreneurs is considered to be that carried out by individuals in the exercise of their business activities). Loans to individuals are classified based on their purpose according to the criteria defined in rule 69.2e) of Bank of Spain Circular 4/2017, of November 27, to credit institutions, on public and reserved financial reporting standards and financial statement models. Loans to public sector and other includes loans to public sector and financing to financial companies (mainly reverse repurchase agreements).

(1) Source: Note 3.5.4 to the Annual Accounts.

34. **NPL ratio by sector^{APM}:**

Definition: NPLs by sector ^{APM} (as defined and calculated above) divided by gross loans and advances to customers^{APM} by sector (as defined and calculated below).

Relevance: We use this APM to measure the distribution by sector of our credit risk quality.

	As of December 31,		
	2021	2020	2019
	NPL ratio^{APM}	NPL ratio^{APM}	NPL ratio^{APM}
	(*€ thousands, except %*)		
Loans to businesses....................	**4.12%**	**5.72%**	**6.70%**

	As of December 31,		
	2021	2020	2019
	NPL ratio[APM]	NPL ratio[APM]	NPL ratio[APM]
	(*€ thousands, except %*)		
Real estate development..........	6.82%	8.96%	12.13%
Non-real estate activities..........	3.74%	5.24%	5.78%
Loans to individuals..................	**1.84%**	**2.66%**	**3.46%**
Housing..................................	1.55%	2.30%	3.18%
Consumer loans and other........	4.82%	6.28%	6.68%
Public sector and other.............	**0.01%**	**0.05%**	**0.10%**
Total...	**2.30%**	**3.21%**	**3.97%**

Notes:—

Source: See NPLs by sector[APM] and Gross loans and advances to customers[APM] by sector.

35. **NPA ratio[APM]:**

Definition: NPAs[APM] (as defined and calculated above) divided by the sum of gross loans and advances to customers[APM] and gross value of foreclosed assets.

Relevance: We use this APM to evaluate the size of our problematic portfolio (NPLs and foreclosed assets) in relative terms.

		As of December 31,		
		2021	2020	2019
		(*€ thousands, except %*)		
Numerator	NPAs[APM]	1,259,862	1,632,465	1,918,051
Denominator	(a) Gross loans and advances to customers[APM]..	31,195,451	31,589,582	32,563,215
	(b) Gross value of foreclosed assets[(1)]	542,241	619,527	624,890
=	(a) + (b)	**31,737,692**	**32,209,109**	**33,188,105**
	NPA ratio[APM]	**3.97%**	**5.07%**	**5.78%**

Notes:—

(1) Source: Note 3.5.6.2 to the Annual Accounts.

36. **Cost of risk[APM]**:

Definition: Provisions and impairments associated with credit risk and foreclosed assets divided by the average of the sum of gross loans and advances to customers[APM] and foreclosed assets.

Relevance: We use this APM to monitor the cost for allocations on our loan portfolio and foreclosed assets.

		As of December 31,		
		2021	2020	2019
		(*€ thousands, except %*)		
Numerator	(a) Provisions and impairments associated with credit risk[(1)]..	77,146	215,218	114,906
	(b) Provisions and impairments on foreclosed assets[(2)]	36,758	17,536	19,233

		As of December 31,		
		2021	2020	2019
	Provisions and impairment associated with credit risk and foreclosed assets ((a) + (b)).	113,904	232,754	134,139
Denominator	Average of gross loans and advances to customers[APM] and gross value of foreclosed assets[(3)]	32,086,135[(4)]	32,884,571[(5)]	33,676,679[(6)]
	Cost of risk[APM]	**0.35%**	**0.71%**	**0.40%**

Notes:—

(1) Provisions and impairments associated with credit risk are calculated as follows:

	As of December 31,		
	2021	2020	2019
		(*€ thousands*)	
(+) Impairment on financial assets at amortized cost[(i)]	79,895	218,346	125,879
(+) Provisions – commitments and guarantees given[(ii)]	(2,749)	(3,128)	(10,973)
(+) Allowances to provisions and other	*7,887*	*17,307*	*26,298*
(-) Reversal of provisions taken to income statement	*10,636*	*20,435*	*37,271*
Provisions and impairments associated with credit risk	**77,146**	**215,218**	**114,906**

Notes:—

(i) Source: Impairment on "financial assets at amortized cost" in the consolidated income statement in the Annual Accounts.

(ii) Source: Note 21 to the Annual Accounts.

(2) Provisions and impairments of foreclosed assets are calculated as follows:

	As of December 31,		
	2021	2020	2019
		(*€ thousands*)	
(+) Impairment or (-) reversal of impairment on non-financial assets[(i)] (investment property and other)	11,927	1,559	5,612
(+) Impairment gains or losses on other non-current assets for sale[(ii)]	31,166	18,861	16,957
Provisions and impairments on non-financial assets	43,093	20,420	22,569
of which: Provisions and impairment on foreclosed assets	*36,758*	*17,536*	*19,233*
of which: Provisions and impairment on non-foreclosed assets	*6,335*	*2,704*	*3,336*

Notes:—

(i) Source: Note 40 to the Annual Accounts.

(ii) Source: Note 42 to the Annual Accounts.

(3) Average balance calculated as the arithmetic mean of the figure as of the end of each quarter since the previous December 31 (inclusive), weighting the first and last quarter per 0.5 and the rest per 1.

(4) Calculated as the arithmetic mean of (i) €32,480,792 thousand (as of March 31, 2021), (ii) €32,151,403 thousand (as of June 30, 2021), (iii) €31,738,943 thousand (as of September 30, 2021) and (iv) the arithmetic mean of €32,209,109 thousand (as of December 31, 2020) and €31,737,692 thousand (as of December 31, 2021).

(5) Calculated as the arithmetic mean of (i) €32,999,122 thousand (as of March 31, 2020), (ii) €33,179,306 thousand (as of June 30, 2020), (iii) €32,661,333 thousand (as of September 30, 2020) and (iv) the arithmetic mean of €33,188,105 thousand (as of December 31, 2019) and €32,209,109 thousand (as of December 31, 2020).

(6) Calculated as the arithmetic mean of (i) €33,761,111 thousand (as of March 31, 2019), (ii) €33,623,354 thousand (as of June 30, 2019), (iii) €33,482,835 thousand (as of September 30, 2019) and (iv) the arithmetic mean of €34,490,731 thousand (as of December 31, 2018) and €33,188,105 thousand (as of December 31, 2019).

37. Allowance for credit losses over average of gross loans and advances to customers[APM]

Definition: provisions and impairments associated with credit risk divided by the average of gross loans and advances to customers[APM].

Relevance: We use this APM to monitor the Group's credit quality through the cost, in terms of credit risk provisions, of each gross loans and advances to customers.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Provisions and impairments associated with credit risk(1)	77,146	215,218	114,906
Denominator	Average of gross loans and advances to customers[APM(2)]	31,502,603	32,257,756	32,960,602
	Allowance for credit losses over average of gross loans and advances to customers[APM]	**0.24%**	**0.67%**	**0.35%**

Notes:—

(1) See calculation in Cost of Risk[APM] above.

(2) Average balance calculated as the arithmetic mean of the figure as of the end of each quarter since the previous December 31 (inclusive), weighting the first and last quarter per 0.5 and the rest per 1.

38. Loan portfolio by Stages[APM]

Definition: breakdown of outstanding balance and coverage of the loan portfolio and customers by type of credit risk. A transaction is considered to be at Stage 1 (performing) when no significant increase in risk has occurred since its initial recognition. A transaction is considered to be at Stage 2 (performing on special watch) when the risk has significantly increased from the date on which the transaction was initially recognised, but without yet leading to impairment. A transaction is considered to be at Stage 3 (NPL) when it shows effective signs of impairment as a result of one or more events that have already occurred and is expected to result in a loss.

Relevance: We use this APM to monitor our credit risk quality.

	As of December 31,		
	2021	**2020**	**2019**
	(€ thousands)		
Stage 1	*28,917,988*	*28,898,790*	*29,866,845*
Stage 2	*1,559,842*	*1,677,854*	*1,403,209*
Stage 3	*717,621*	*1,012,938*	*1,293,161*

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Gross loans and advances to customers^APM ..	**31,195,451**	**31,589,582**	**32,563,215**
Stage 1	*46,007*	*51,991*	*59,666*
Stage 2	*111,280*	*132,330*	*65,200*
Stage 3	*383,138*	*462,857*	*519,404*
NPL Provisions^APM...	**540,425**	**647,178**	**644,270**
Stage 1	*28,871,981*	*28,846,799*	*29,807,179*
Stage 2	*1,448,562*	*1,545,524*	*1,338,009*
Stage 3	*334,483*	*550,081*	*773,757*
Net loans and advances to customers^APM	**30,655,026**	**30,942,404**	**31,918,945**

Notes:—

Source: This breakdown has been obtained by classifying our loan portfolio in accordance with the following categories: (i) Stage 1: a transaction is considered to be at Stage 1 (performing) when no significant increase in risk has occurred since its initial recognition. Where applicable, the allowance for losses (or provision) will reflect the expected credit losses resulting from possible defaults during the 12 months following the reporting date, (ii) Stage 2: a transaction is considered to be at Stage 2 (performing on special watch) when the risk has significantly increased from the date on which the transaction was initially recognized, but without yet leading to impairment. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to defaults over the residual life of the financial instrument, and (iii) Stage 3: a transaction is considered to be at Stage 3 (NPL) when it shows effective signs of impairment as a result of one or more events that have already occurred and is expected to result in a loss. In this case, the amount related to the allowance for losses shall reflect the expected credit risk losses over the expected residual life of the financial instrument.

The distribution of gross loans and advances to customers^APM by Stage is as follows:

	As of December 31,		
	2021	**2020**	**2019**
		(%)	
Stage 1	*92.70%*	*91.48%*	*91.72%*
Stage 2	*5.00%*	*5.31%*	*4.31%*
Stage 3	*2.30%*	*3.21%*	*3.97%*
Gross loans and advances to customers^APM ..	**100.00%**	**100.00%**	**100.00%**

The NPL coverage ratio^APM by Stage is as follows:

	As of December 31,		
	2021	**2020**	**2019**
		(%)	
Stage 1	*0.16%*	*0.18%*	*0.20%*
Stage 2	*7.13%*	*7.89%*	*4.65%*
Stage 3	*53.39%*	*45.69%*	*40.17%*

Notes:—

Source: This breakdown has been obtained by classifying the NPL coverage ratio[APM] by the following categories: (i) Stage 1: a transaction is considered to be at Stage 1 (performing) when no significant increase in risk has occurred since its initial recognition. Where applicable, the allowance for losses (or provision) will reflect the expected credit losses resulting from possible defaults during the 12 months following the reporting date, (ii) Stage 2: a transaction is considered to be at Stage 2 (performing on special watch) when the risk has significantly increased from the date on which the transaction was initially recognised, but without yet leading to impairment. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to defaults over the residual life of the financial instrument, and (iii) Stage 3: a transaction is considered to be at Stage 3 (NPL) when it shows effective signs of impairment as a result of one or more events that have already occurred and is expected to result in a loss. In this case, the amount related to the allowance for losses shall reflect the expected credit risk losses over the expected residual life of the financial instrument.

39. **NPL provisions[APM]:**

Definition: Sum of impairment losses on loans and advances to customers and negative accumulated changes in the fair value due to credit risk for doubtful exposures. It includes allowances for impairment losses on stages 1, 2 and 3.

Relevance: We use this APM as an indicator of the part of NPLs that is covered with loan-loss provisions.

	As of December 31,		
	2021	**2020**	**2019**
		(*€ thousands*)	
(+) Impairment losses on loans and advances(1)	539,147	644,937	642,039
(+) Accumulated negative changes in fair value due to credit risk from doubtful exposures(2)	1,278	2,241	2,231
NPL provisions[APM]	**540,425**	**647,178**	**644,270**

Notes:—

(1) Source: Note 11.4 to the Annual Accounts.

(2) Source: Note 8 to the Annual Accounts.

40. **NPL provisions by sector[APM]:**

Definition: This APM shows the breakdown of NPL provisions associated to each sector comprising our loan portfolio.

Relevance: We use this APM as an indicator of the part of NPLs that is covered with loan-loss provisions by sector.

	As of December 31,		
	2021	**2020**	**2019**
		(*€ thousands*)	
Loans to businesses	**323,976**	**370,016**	**392,566**
Real estate construction and development	51,115	54,754	74,951
Non-real estate activities	272,861	315,262	317,615
Loans to individuals	**216,149**	**276,009**	**249,345**
Housing	149,211	201,459	179,908
Consumer loans and other	66,938	74,550	69,437
Public sector and other	**300**	**1,153**	**2,359**
Total	**540,425**	**647,178**	**644,270**

Notes:—

Source: This breakdown has been obtained by classifying our NPL provisions[APM] following the Bank of Spain PC9 template for breakdown of loans to customers by activity (*Distribución de los Préstamos a la Clientela por Actividad Consolidado Público*). The definition of loans to customers in this template includes all transactions of this nature regardless of the item in which they are included in the balance sheet. Loans by sector are classified according to their purpose and not according to the debtor's NACE. Loans to businesses include financing to non-financial corporations and individual entrepreneurs (the activity of individual entrepreneurs is considered to be that carried out by individuals in the exercise of their business activities). Loans to individuals are classified based on their purpose according to the criteria defined in rule 69.2e) of Bank of Spain circular 4/2017, of November 27, to credit institutions, on public and reserved financial reporting standards and financial statement models. Loans to public sector and other includes loans to public sector and financing to financial companies (mainly reverse repurchase agreements).

41. **NPL coverage ratio[APM]:**

Definition: NPL provisions[APM] (as defined and calculated above) divided by our NPLs.

Relevance: We use this APM to monitor the quality of our credit risk because it reflects the degree to which NPLs have been covered with loan-loss provisions.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	NPL provisions[APM]	540,425	647,178	644,270
Denominator	NPLs[(1)]	717,621	1,012,938	1,293,161
=	**NPL coverage ratio[APM]....**	**75.31%**	**63.89%**	**49.82%**

Notes:—

(1) Source: Note 3.5.4 to the Annual Accounts.

42. **NPL coverage ratio by sector[APM]:**

Definition: NPL provisions by sector[APM] (as defined and calculated above) divided by our NPLs by sector [APM] (as defined and calculated above).

Relevance: We use this APM to monitor the quality of our credit risk by sector because it reflects the degree to which NPLs have been covered with loan-loss provisions.

	As of December 31,		
	2021	**2020**	**2019**
	(€ thousands, except %)		
Loans to businesses	**93.96%**	**81.28%**	**70.82%**
Real estate construction and development	71.73%	59.12%	51.32%
Non-real estate activities	99.75%	86.94%	77.80%
Loans to individuals	**58.03%**	**49.62%**	**33.88%**
Housing	52.29%	46.00%	28.93%
Consumer loans and other	76.84%	62.98%	60.91%
Public sector and other	**90.36%**	**81.03%**	**80.48%**
Total	**75.31%**	**63.89%**	**49.82%**

Notes:—

Source: See NPL provisions by sector[APM] and NPLs by sector[APM].

43. **Net NPLs by sector^{APM}**:

Definition: NPLs by sector^{APM} less NPLs provisions by sector^{APM}.

Relevance: We use this APM to monitor the quality of our credit risk by sector because it reflects the degree to which NPLs have been covered with loan-loss provisions.

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Loans to businesses	**20,838**	**85,223**	**161,712**
Real estate construction and development	20,147	37,859	71,085
Non-real estate activities	691	47,364	90,627
Loans to individuals	**156,326**	**280,267**	**486,607**
Housing	136,150	236,454	442,046
Consumer loans and other	20,176	43,813	44,561
Public sector and other	**32**	**270**	**572**
Total	**177,196**	**365,760**	**648,891**

Notes:—

Source: This breakdown has been obtained by classifying our Net NPLs by sector^{APM} following the Bank of Spain PC9 template for breakdown of loans to customers by activity (*Distribución de los Préstamos a la Clientela por Actividad Consolidado Público*). The definition of loans to customers in this template includes all transactions of this nature regardless of the item in which they are included in the balance sheet. Loans by sector are classified according to their purpose and not according to the debtor's NACE. Loans to businesses include financing to non-financial corporations and individual enterpreneurs (the activity of individual enterpreneurs is considered to be that carried out by individuals in the exercise of their business activities). Loans to individuals are classified based on their purpose according to the criteria defined in rule 69.2e) of Bank of Spain Circular 4/2017, of November 27, to credit institutions, on public and reserved financial reporting standards and financial statement models. Loans to public sector and other includes loans to public sector and financing to financial companies (mainly reverse repurchase agreements.

44. **Foreclosed assets coverage ratio^{APM}**:

Definition: Total allowances (including credit origination) for impairment losses on foreclosed assets divided by the gross value of foreclosed assets.

Relevance: We use this APM to measure the coverage ratio of foreclosed assets and as an indicator of asset quality.

		As of December 31,		
		2021	**2020**	**2019**
			(€ thousands, except %)	
Numerator	Total allowances for impairment losses on foreclosed assets (“**Foreclosed assets provisions**”)..	326,197	367,413	346,033
Denominator	Gross value of foreclosed assets..........................	542,241	619,527	624,890
=	**Foreclosed assets coverage ratio^{APM}**.................	**60.16%**	**59.31%**	**55.38%**

Notes:—

Source: Note 3.5.6.2 to the Annual Accounts.

45. **Foreclosed land coverage ratio^{APM}**:

Definition: Total allowances for impairment losses on foreclosed land divided by the gross value of foreclosed land.

Relevance: We use this APM to measure the coverage ratio of foreclosed land and as an indicator of the quality of our land assets, which we consider as assets that are generally more difficult to sell.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Total allowances for impairment losses on foreclosed land	226,627	266,206	275,233
Denominator	Gross value of foreclosed land	331,192	404,800	459,989
=	**Foreclosed land coverage ratio^{APM}**	**68.43%**	**65.76%**	**59.83%**

Notes:—
Source: Note 3.5.6.2 to the Annual Accounts.

46. **NPA provisions^{APM}**:

Definition: Sum of NPL provisions^{APM} and foreclosed assets provisions.

Relevance: We use this APM as an indicator of the part of NPLs and foreclosed assets that is covered with provisions.

	As of December 31,		
	2021	**2020**	**2019**
	(€ thousands)		
(+) NPL provisions^{APM}	540,425	647,178	644,270
(+) Foreclosed assets provisions[(1)]	326,197	367,413	346,033
NPA provisions^{APM}	**866,622**	**1,014,591**	**990,303**

Notes:—
(1) Source: Note 3.5.6.2 to the Annual Accounts.

47. **NPA coverage ratio^{APM}**:

Definition: NPA provisions^{APM} divided by NPAs^{APM} (each as defined and calculated above).

Relevance: We use this APM as an indication of our asset quality in relation to coverage of problematic assets.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	NPA provisions^{APM}	866,622	1,014,591	990,303
Denominator	NPAs^{APM}	1,259,862	1,632,465	1,918,051
=	**NPA coverage ratio^{APM}**	**68.79%**	**62.15%**	**51.63%**

48. **Net NPAs^{APM}**:

Definition: NPAs^{APM} net of NPA provisions^{APM} (each as defined and calculated above).

Relevance: We use this APM as an indicator of the net value (after deducting provisions) of our problematic assets.

	As of December 31,		
	2021	2020	2019
	(€ thousands)		
(+) NPAs[APM]	1,259,862	1,632,465	1,918,051
(-) NPA provisions[APM]	866,622	1,014,591	990,303
Net NPAs[APM]	**393,240**	**617,874**	**927,748**

49. **Net NPAs over total assets[APM]**:

Definition: Net NPAs[APM] (as defined and calculated above) divided by total assets.

Relevance: We use this APM to measure the weight of problematic assets after deducting the provisions allocated to non-productive assets on our balance sheet.

		As of December 31,		
		2021	2020	2019
		(€ thousands, except %)		
Numerator	Net NPAs[APM]	393,240	617,874	927,748
Denominator	Total assets[(1)]	58,631,409	58,400,790	55,422,015
=	**Net NPAs over total assets[APM]**	**0.67%**	**1.06%**	**1.67%**

Notes:—

(1) Source: Consolidated balance sheet in the Annual Accounts.

50. **Housing NPLs over NPLs[APM]**:

Definition: Housing NPLs divided by total NPLs.

Relevance: We use this APM to measure the weight of doubtful housing, with a lower expected loss on the asset balance, over total NPLs.

		As of December 31,		
		2021	2020	2019
		(€ thousands, except %)		
Numerator	Housing NPLs[(1)]	285,361	437,913	621,954
Denominator	NPLs[(2)]	717,621	1,012,938	1,293,161
=	**Housing NPLs over NPLs[APM]**	**39.76%**	**43.23%**	**48.10%**

Notes:—

(1) Source: See NPLs by sector[APM].

(2) Source: Note 3.5.4 to the Annual Accounts.

51. **LTV ratio[APM]**:

Definition: Amount of the mortgage loan portfolio divided by the value of the latest available appraisal of the mortgage collateral.

Relevance: We use this APM as an indicator of the quality of our mortgage loan portfolio.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Mortgage loan portfolio[1]	20,714,558	21,568,967	22,521,864
Denominator	Appraised value	41,296,966	42,176,314	43,461,721
=	**LTV ratio^{APM}**	**50.16%**	**51.14%**	**51.82%**

Notes:—

Source: Calculated by dividing the book value of each transaction as of its reference date by the amount resulting from the latest available appraisal or valuation of its collateral.

(1) Source: Note 3.5.5.1 to the Annual Accounts.

52. **NPLs evolution^{APM}**:

Definition: Variation of NPLs during a period, showing the entries and the exits depending on the reason for the exit.

Relevance: We use this APM to monitor our NPLs.

	For the years ended December 31,		
	2021	**2020**	**2019**
	(€ thousands)		
(a) (+) NPLs at the beginning of the period...........	1,012,938	1,293,161	2,274,558
(+) Gross NPLs entries...	200,830	271,592	346,982
			1,328,379
(-) Exits..	496,147	551,815	
Recoveries...	*224,106*	*288,639*	*429,325*
Write offs...	*143,804*	*181,823*	*250,602*
Foreclosures..	*73,586*	*78,203*	*79,284*
Wholesale transactions and other	*54,651*	*3,150*	*569,168*
(b) NPLs at the end of the period...........................	717,621	1,012,938	1,293,161
NPLs evolution^{APM} ((b) – (a))	**(295,317)**	**(280,223)**	**(981,397)**

Notes:—

Source: NPLs evolution^{APM} in any given period is calculated as the difference between gross NPL inflows and outflows, distinguishing between those arising from recoveries, write-offs, foreclosures and wholesale transactions and other.

53. **Cash recoveries of NPLs over NPLs at the beginning of the period^{APM}:**

Definition: cash recoveries of NPLs divided by NPLs at the beginning of the period.

Relevance: We use this APM to monitor the degree of recovery (return to performing loans) of NPLs.

		As of December 31,		
		2021	**2020**	**2019**
		(*€ thousands, except %*)		
Numerator	Cash recoveries of NPLs(1)	224,106	288,639	429,325
Denominator	NPLs at the beginning of the period......	1,012,938	1,293,161	2,274,558
=	**Cash recoveries of NPLs over NPLs at the beginning of the period**APM	**22.12%**	**22.32%**	**18.88%**

Notes:—

(1) See NPLs evolutionAPM

54. **Foreclosed assets evolution**APM:

Definition: Variation of foreclosed assets during a period, showing the entries and the exits depending on the reason for the exit.

Relevance: We use this APM to monitor our foreclosed assets.

	For the years ended December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
(a) (+) Foreclosed assets at the beginning of the period..	619,527	624,890	766,967
(+) New foreclosed assets	100,381	111,532	98,351
(-) Sales of foreclosed assets.............................	177,667	116,895	240,428
(b) Foreclosed assets at the end of the period	542,241	619,527	624,890
Foreclosed assets evolutionAPM **((b) – (a))**	**(77,286)**	**(5,363)**	**(142,077)**

Notes:—

Source: Foreclosed assets evolutionAPM is calculated as the difference between new foreclosed assets and sales of foreclosed assets for each period.

55. **Guaranteed Credit Lines drawn over loans to businesses**APM**:**

Definition: Guaranteed Credit Lines drawn divided by loans to businesses.

Relevance: We use this APM to monitor the exposure of loans to businesses that is guaranteed by ICO.

		As of December 31,		
		2021	**2020**	**2019**
		(*€ thousands, except %*)		
Numerator	Guaranteed Credit Lines drawn(1)	1,667,880	1,454,067	---
Denominator	Loans to businesses(2)	8,360,507	7,952,846	8,272,611
=	**Guaranteed Credit Lines drawn over loans to businesses**APM	**19.95%**	**18.28%**	**---**

Notes:—

(1) Source: Note 11.6.1 to the Annual Accounts.

(2) See definition of "Gross loans and advances to customers[APM].

56. Loans to sectors most affected by the COVID-19 pandemic over gross loans and advances to customers[APM]:

Definition: Loans to sectors most affected by the COVID-19 pandemic divided by gross loans and advances to customers[APM]. The sectors more affected by the COVID-19 pandemic are: transport and storage, hospitality (which refers to accommodation and food service activities), and leisure (which refers to arts, entertainment and recreation).

Relevance: We use this APM to monitor the credit risk portfolio of the loans to sectors most affected by the COVID-19 pandemic.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Loans to sectors most affected by the COVID-19 pandemic (1)	631,293	633,487	474,919
	Of which: Guaranteed Credit Lines drawn .	*197,024*	*182,917*	-
Denominator	Gross loans and advances to customers APM	31,195,451	31,589,582	32,563,315
=	**Loans to sectors most affected over gross loans and advances to customers[APM]........**	**2.02%**	**2.01%**	**1.46%**

Notes:—

(1) Source: This breakdown has been obtained by classifying our loans by template F.06.01 distribution of NFC loans and advances by NACE code of the Bank of Spain (excluding financing to individual entrepreneurs). The headings that are taken into account are: H (transport and storage), I (accommodation and food service activities) and R (arts, entertainment and recreation).

57. Loans with outstanding moratoria over gross loans and advances to customers[APM]:

Definition: Loans affected by any Legal Moratoria or Sectorial Moratoria measures divided by gross loans and advances to customers.

Relevance: We use this APM to monitor the exposure of credit risk portfolio affected by the Legal Moratoria and Sectorial Moratoria.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Loans affected by Legal Moratoria or Sectorial Moratoria measures(1)......................	25,533	366,129	-
Denominator	Gross loans and advances to customers APM ...	31,195,451	31,589,582	32,563,315
=	**Loans with outstanding moratoria over gross loans and advances to customers[APM] .**	**0.08%**	**1.16%**	**-**

Notes:—

(1) Source: Note 11.6.1 to the Annual Accounts.

The table below shows a breakdown of the loans affected by Legal Moratoria or Sectorial Moratoria measures which have matured by stages:

	As of December 31,				
	2021		2020		2019
	(€ *thousands, except %*)				
Principal amount expired of loans and advances subject to Legal Moratoria and Sectorial Moratoria(1)	**715,150**	**100.00%**	**375,292**	**100.00%**	-
Stage 1	*501,908*	*70.18%*	*280,113*	*74.64%*	-
Stage 2	*189,780*	*26.54%*	*79,159*	*21.09%*	-
Stage 3	*23,462*	*3.28%*	*16,020*	*4.27%*	-

Notes:—

Source: This breakdown has been obtained by classifying the amount of loans and advances subject to Legal Moratoria and Sectorial Moratoria by the following categories: (i) Stage 1: a transaction is considered to be at Stage 1 (performing) when no significant increase in risk has occurred since its initial recognition. Where applicable, the allowance for losses (or provision) will reflect the expected credit losses resulting from possible defaults during the 12 months following the reporting date, (ii) Stage 2: a transaction is considered to be at Stage 2 (performing on special watch) when the risk has significantly increased from the date on which the transaction was initially recognised, but without yet leading to impairment. In this case, the amount related to the valuation adjustment for losses will reflect the expected losses due to defaults over the residual life of the financial instrument, and (iii) Stage 3: a transaction is considered to be at Stage 3 (NPL) when it shows effective signs of impairment as a result of one or more events that have already occurred and is expected to result in a loss. In this case, the amount related to the allowance for losses shall reflect the expected credit risk losses over the expected residual life of the financial instrument.

(1) Source: Note 11.6.1 to the Annual Accounts.

APMs related to business volume

58. **Retail deposits[APM]**:

Definition: Sum of demand deposits (current accounts) and term deposits (excluding mortgage covered bonds).

Relevance: We use this APM as an indicator of our on-balance retail funding.

	As of December 31,		
	2021	2020	2019
	(€ *thousands*)		
(+) Demand deposits(1)	34,673,081	33,014,125	28,509,031
(+) Term deposits(1)	3,485,694	4,688,146	6,009,517
(-) Mortgage covered bonds (includes nominal amount and issue premium)	1,027,605	1,536,960	1,746,096
Nominal mortgage covered bonds(1)	*1,100,470*	*1,625,470*	*1,842,137*
Issue premium mortgage covered bonds(2)	*(72,865)*	*(88,510)*	*(96,041)*
Term deposits (excluding mortgage covered bonds)	*2,458,089*	*3,151,186*	*4,263,421*
Retail deposits[APM]	**37,131,170**	**36,165,311**	**32,772,452**

Notes:—

(1) Source: Note 19.3 to the Annual Accounts.
(2) Represents the difference between the nominal value of a security and the price at which it was issued. In this particular case, the multi-cedent bonds (those in which several entities participate in the total issue) were issued below par, at a cost below the nominal amount.

The following table shows the breakdown of retail deposits[APM] by market:

	As of December 31,					
	2021		2020		2019	
			(€ thousands, except %)			
Home Markets.............	24,911,114	67.09%	24,279,444	67.14%	21,983,501	67.08%
Aragón	*17,162,266*	*46.22%*	*16,657,347*	*46.06%*	*15,054,745*	*45.94%*
Rest of Home Markets	*7,748,848*	*20.87%*	*7,622,097*	*21.08%*	*6,928,756*	*21.14%*
Growth Markets	9,907,292	26.68%	9,663,982	26.72%	8,862,565	27.04%
Madrid	*6,318,557*	*17.02%*	*6,146,404*	*17.00%*	*5,529,939*	*16.87%*
Mediterranean basin	*3,588,735*	*9.66%*	*3,517,578*	*9.72%*	*3,332,626*	*10.17%*
Rest of Spain	2,312,764	6.23%	2,221,885	6.14%	1,926,386	5.88%
Retail deposits[APM].......	**37,131,170**	**100.00%**	**36,165,311**	**100.00%**	**32,772,452**	**100.00%**

Notes:—
Source: This breakdown has been obtained by classifying our retail deposits[APM] by the location of the branch in which the accounts are opened.

59. **Asset management and life savings insurance funds[APM]**:

Definition: Sum of mutual funds (includes third-party funds, but excludes the assets of funds that invest in Ibercaja Gestión funds), pension funds and life savings insurance products.

Relevance: It provides information about the amount of customer savings we manage through our Financial Group. We consider this APM to be relevant to us because the management of customer off-balance funds is one of our main sources of income.

	As of December 31,		
	2021	2020	2019
		(€ thousands)	
(+) Mutual funds[(1)]	19,600,522	16,234,844	14,708,533
(+) Pension funds[(1)]	6,562,703	5,907,074	5,668,503
(+) Life savings insurance products[(2)]	6,868,109	7,103,732	7,493,363
Asset management and life savings insurance funds[APM]...	**33,031,334**	**29,245,650**	**27,870,399**

Notes:—
(1) Source: Note 27.4 to the Annual Accounts.
(2) Source: Note 24.4 to the individual annual accounts of Ibercaja Banco for the information as of December 31.

The following table shows the breakdown of asset management and life savings insurance funds^APM by market:

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Home Markets	24,282,799	73.51%	21,631,960	73.97%	20,560,958	73.77%
Aragón	*18,329,856*	*55.49%*	*16,201,922*	*55.40%*	*15,247,412*	*54.71%*
Rest of Home Markets	*5,952,943*	*18.02%*	*5,430,038*	*18.57%*	*5,313,546*	*19.06%*
Growth Markets	6,493,941	19.66%	5,670,914	19.39%	5,443,453	19.53%
Madrid	*3,863,976*	*11.70%*	*3,401,275*	*11.63%*	*3,296,559*	*11.83%*
Mediterranean basin	*2,629,965*	*7.96%*	*2,269,639*	*7.76%*	*2,146,894*	*7.70%*
Rest of Spain	2,254,594	6.83%	1,942,776	6.64%	1,865,988	6.70%
Asset management and life savings insurance funds^APM	**33,031,334**	**100.00%**	**29,245,650**	**100.00%**	**27,870,399**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our asset management and life savings insurance funds^APM by the location of the branch in which the off-balance sheet products are opened.

60. **Retail customer funds^APM**:

Definition: Sum of retail deposits^APM (as defined and calculated above) and asset management and life savings insurance funds^APM (as defined and calculated above).

Relevance: We use this APM as an indicator of the total retail savings managed by us.

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
(+) Retail deposits^APM	37,131,170	52.92%	36,165,311	55.29%	32,772,452	54.04%
(+) Asset management and life savings insurance funds^APM	33,031,334	47.08%	29,245,650	44.71%	27,870,399	45.96%
Retail customer funds^APM	**70,162,504**	**100.00%**	**65,410,961**	**100.00%**	**60,642,851**	**100.00%**

The following table shows the breakdown of retail customer funds^APM by market:

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Home Markets	49,193,913	70.11%	45,911,404	70.19%	42,544,459	70.16%
Aragón	*35,492,122*	*50.58%*	*32,859,269*	*50.24%*	*30,302,157*	*49.97%*
Rest of Home Markets	*13,701,791*	*19.53%*	*13,052,135*	*19.95%*	*12,242,302*	*20.19%*
Growth Markets	16,401,233	23.38%	15,334,896	23.44%	14,306,018	23.59%
Madrid	*10,182,533*	*14.52%*	*9,547,679*	*14.60%*	*8,826,498*	*14.55%*
Mediterranean basin	*6,218,700*	*8.86%*	*5,787,217*	*8.84%*	*5,479,520*	*9.04%*
Rest of Spain	4,567,358	6.51%	4,164,661	6.37%	3,792,374	6.25%

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Retail customer funds[APM]	**70,162,504**	**100.00%**	**65,410,961**	**100.00%**	**60,642,851**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our retail customer funds[APM] by the location of the branch in which the accounts, deposits or off-balance sheet products are opened.

The following table shows the breakdown of retail customer funds[APM] by market and by component:

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Home Markets	**49,193,913**	**70.11%**	**45,911,404**	**70.19%**	**42,544,459**	**70.16%**
(+) Retail deposits[APM]..............	*24,911,114*	*35.50%*	*24,279,444*	*37.12%*	*21,983,501*	*36.25%*
(+) Asset management and life savings insurance funds[APM] ...	*24,282,799*	*34.61%*	*21,631,960*	*33.07%*	*20,560,958*	*33.91%*
Growth Markets	**16,401,233**	**23.38%**	**15,334,896**	**23.44%**	**14,306,018**	**23.59%**
(+) Retail deposits[APM]..............	*9,907,292*	*14.12%*	*9,663,982*	*14.77%*	*8,862,565*	*14.61%*
(+) Asset management and life savings insurance funds[APM] ...	*6,493,941*	*9.26%*	*5,670,914*	*8.67%*	*5,443,453*	*8.98%*
Rest of Spain	**4,567,358**	**6.51%**	**4,164,661**	**6.37%**	**3,792,374**	**6.25%**
(+) Retail deposits[APM]..............	*2,312,764*	*3.30%*	*2,221,885*	*3.40%*	*1,926,386*	*3.18%*
(+) Asset management and life savings insurance funds[APM] ...	*2,254,594*	*3.21%*	*1,942,776*	*2.97%*	*1,865,988*	*3.08%*
Retail customer funds[APM].......	**70,162,504**	**100.00%**	**65,410,961**	**100.00%**	**60,642,851**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our retail customer funds[APM] by the location of the branch in which the accounts, deposits or off-balance sheet products are opened.

61. **External funding[APM]**:

Definition: Sum of deposits of central banks, deposits of credit institutions, customer deposits, debt securities issued and the AT1 issue accounted for as shareholders' equity.

Relevance: We use this APM as an indicator of our funding from external sources and to measure the weight of the different external sources of funding.

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Deposits of central banks[(1)]....	5,871,128	12.61%	5,371,202	11.64%	1,628,990	3.82%
Deposits of credit institutions[(1)]..........................	745,174	1.60%	1,207,820	2.62%	4,304,232	10.08%
Customer deposits[(1)]	38,268,280	82.21%	37,881,253	82.08%	34,924,627	81.81%
(A) *of which retail deposits[APM]*......................	*37,131,170*	*79.76%*	*36,165,311*	*78.36%*	*32,772,452*	*76.77%*
Debt securities issued[(1)]	1,316,321	2.83%	1,340,670	2.90%	1,480,421	3.47%
AT1 issue[(1)]...........................	350,000	0.75%	350,000	0.76%	350,000	0.82%
External funding[APM] (B)......	**46,550,903**	**100.00%**	**46,150,945**	**100.00%**	**42,688,270**	**100.00%**

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Of which Retail funding (=(A))	*37,131,170*	*79.76%*	*36,165,311*	*78.36%*	*32,772,452*	*76.77%*
Of which Financing from wholesale lending markets (=(B) – (A))	*9,419,733*	*20.24%*	*9,985,634*	*21.64%*	*9,915,818*	*23.23%*

Notes: —

(1) Source: Consolidated balance sheet in the Annual Accounts.

62. **Gross loans and advances to customers exluding reverse repurchase agreements[APM], gross loans and advances to customers[APM] and net loans and advances to customers[APM]**:

Definition: Sum of all the loans and advances to our customers, in accordance with rule 52.1.b of Bank of Spain Circular 4/2017. Reverse repurchase agreements refer to the amount of receivables in exchange for securities temporarily transferred through a non-optional reverse repurchase agreement or as cash collateral for securities borrowed. This item is commonly accepted in the banking industry as a "one-off activity on loans and advances to customers", since these are one-off transactions carried out from the capital markets and not linked to the activity of our customer base, for which reason we exclude it for the purpose of calculating portfolio variations and geographic distribution.

Relevance: We use this APM to measure the total amount of financing granted to our customers as this is the most relevant item in our balance sheet in terms of weight and income derived from it.

	As of December 31,		
	2021	2020	2019
	(€ thousands)		
(+) Non-trading financial assets mandatorily measured at fair value with changes through profit and loss – loans and advances to customers(1)	1,496	1,542	12,197
(+) Financial assets at amortized cost – loans and advances to customers(1)	30,653,530	30,940,862	31,906,748
Net loans and advances to customers[APM]	**30,655,026**	**30,942,404**	**31,918,945**
(+) NPL provisions[APM]	540,425	647,178	644,270
Gross loans and advances to customers[APM]	**31,195,451**	**31,589,582**	**32,563,215**
(-) Reverse repurchase agreements(2)	1,615,394	1,620,857	1,615,753
Gross loans and advances to customers excluding reverse repurchase agreements[APM]	**29,580,057**	**29,968,725**	**30,947,462**

Notes:—

(1) Source: Consolidated balance sheet in the Annual Accounts.

(2) Source: Note 11.4 to the Annual Accounts.

The following table shows the breakdown of Gross loans and advances to customers[APM] by sector:

	As of December 31,					
	2021		2020		2019	
	(€ *thousands, except %*)					
Loans to businesses.........	**8,360,507**	**26.80%**	**7,952,846**	**25.18%**	**8,272,611**	**25.40%**
Real estate construction and development.............	*1,044,664*	*3.35%*	*1,033,183*	*3.27%*	*1,203,767*	*3.70%*
Non-real estate activities...	*7,315,843*	*23.45%*	*6,919,663*	*21.91%*	*7,068,844*	*21.70%*
Loans to individuals........	**20,191,233**	**64.73%**	**20,939,027**	**66.28%**	**21,259,453**	**65.29%**
Housing	*18,385,389*	*58.94%*	*19,052,798*	*60.31%*	*19,553,933*	*60.05%*
Consumer loans and other	*1,805,844*	*5.79%*	*1,886,229*	*5.97%*	*1,705,520*	*5.24%*
Loans to public sector and other..........................	**2,643,711**	**8.47%**	**2,697,709**	**8.54%**	**3,031,151**	**9,31%**
Gross loans and advances to customers[APM]	**31,195,451**	**100.00%**	**31,589,582**	**100.00%**	**32,563,215**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our gross loans and advances to customers[APM] following the Bank of Spain PC9 template for breakdown of loans to customers by activity (*Distribución de los Préstamos a la Clientela por Actividad Consolidado Público*). The definition of loans to customers in this template includes all transactions of this nature regardless of the item in which they are included in the balance sheet. loans by sector are classified according to their purpose and not according to the debtor's NACE. Loans to businesses include financing to non-financial corporations and individual entrepreneurs (the activity of individual entrepreneurs is considered to be that carried out by individuals in the exercise of their business activities). Loans to individuals are classified based on their purpose according to the criteria defined in rule 69.2e) of Bank of Spain Circular 4/2017, of November 27, to credit institutions, on public and reserved financial reporting standards and financial statement models. Loans to public sector and other includes loans to public sector and financing to financial companies (mainly reverse repurchase agreements).

The following table shows the breakdown of Gross loans and advances to customers excluding reverse repurchase agreements[APM] by sector:

	As of December 31,					
	2021		2020		2019	
	(€ *thousands, except %*)					
Loans to businesses	**8,360,507**	**28.26%**	**7,952,846**	**26.54%**	**8,272,611**	**26.73%**
Real estate construction and development..............	*1,044,664*	*3.53%*	*1,033,183*	*3.45%*	*1,203,767*	*3.89%*
Non-real estate activities ...	*7,315,843*	*24.73%*	*6,919,663*	*23.09%*	*7,068,844*	*22.84%*
Loans to individuals........	**20,191,233**	**68.26%**	**20,939,027**	**69.87%**	**21,259,453**	**68.70%**
Housing.............................	*18,385,389*	*62.15%*	*19,052,798*	*63.58%*	*19,553,933*	*63.18%*
Consumer loans and other	*1,805,844*	*6.11%*	*1,886,229*	*6.29%*	*1,705,520*	*5.51%*
Loans to public sector and other..........................	**1,028,317**	**100.00%**	**1,076,852**	**3.59%**	**1,415,398**	**4.57%**
Gross loans and advances to customers excluding reverse repurchase agreements[APM].........................	**29,580,057**	**100.00%**	**29,968,725**	**100.00%**	**30,947,462**	**100.00%**

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Notes:—

Source: This breakdown has been obtained by classifying our gross loans and advances to customers excluding reverse repurchase agreements [APM] classified following the Bank of Spain PC9 template for breakdown of loans to customers by activity (*Distribución de los Préstamos a la Clientela por Actividad Consolidado Público*). The definition of loans to customers in this templante includes all transactions of this nature regardless of the item in which they are included in the balance sheet. loans by sector are classified according to their purpose and not according to the debtor's NACE. Loans to businesses include financing to non-financial corporations and individual entrepreneurs (the activity of individual entrepreneurs is considered to be that carried out by individuals in the exercise of their business activities). Loans to individuals are classified based on their purpose according to the criteria defined in rule 69.2e) of Bank of Spain Circular 4/2017, of November 27, to credit institutions, on public and reserved financial reporting standards and financial statement models. Loans to public sector and other includes loans to public sector and financing to financial companies (mainly reverse repurchase agreements).

63. **Net loans and advances to customers over total assets[APM]**:
Definition: Net loans and advances to customers[APM] (as defined and calculated above) divided by total assets.

Relevance: We use this APM to monitor the weight of the loan portfolio in our balance sheet.

		As of December 31,		
		2021	**2020**	**2019**
		(*€ thousands, except %*)		
Numerator	Net loans and advances to customers[APM]...............................	30,655,026	30,942,404	31,918,945
Denominator	Total assets[(1)]...............................	58,631,409	58,400,790	55,422,015
=	**Net loans and advances to customers over total assets[APM]**..	**52.28%**	**52.98%**	**57.59%**

Notes:—

(1) Source: Consolidated balance sheet in the Annual Accounts.

64. **Performing loans excluding reverse repurchase agreements[APM]**:
Definition: Gross loans and advances to customers[APM] excluding NPLs and reverse repurchase agreements.

Relevance: We use this APM as an indicator of our main source of revenues.

	As of December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
(+) Gross loans and advances to customers[APM]........	31,195,451	31,589,582	32,563,215
(-) NPLs[(1)]..	717,621	1,012,938	1,293,161
(-) Reverse repurchase agreements[(2)].......................	1,615,394	1,620,857	1,615,753
Performing loans excluding reverse repurchase agreements[APM]...	**28,862,436**	**28,955,787**	**29,654,301**

Notes:—

(1) Source: Note 3.5.4 to the Annual Accounts.

(2) Source: Note 11.4 to the Annual Accounts.

The following table shows the breakdown of performing loans excluding reverse repurchase agreements[APM] by sector:

	As of December 31,					
	2021		2020		2019	
	(*€ thousands, except %*)					
Performing loans to businesses........................	**8,015,693**	**27.77%**	**7,497,607**	**25.89%**	**7,718,333**	**26.03%**
Real estate construction and development	*973,401*	*3.37%*	*940,570*	*3.25%*	*1,057,731*	*3.57%*
Non-real estate activities ...	*7,042,292*	*24.40%*	*6,557,037*	*22.64%*	*6,660,602*	*22.46%*
Performing loans to individuals.......................	**19,818,759**	**68.67%**	**20,382,751**	**70.40%**	**20,523,501**	**69.21%**
Housing..............................	*18,100,029*	*62.71%*	*18,614,885*	*64.29%*	*18,931,979*	*63.84%*
Consumer loans and other	*1,718,730*	*5.96%*	*1,767,866*	*6.11%*	*1,591,522*	*5.37%*
Performing loans to public sector and other	**1,027,984**	**3.56%**	**1,075,429**	**3.71%**	**1,412,567**	**4.76%**
Performing loans excluding reverse repurchase agreements[APM]	**28,862,436**	**100.00%**	**28,955,787**	**100.00%**	**29,654,301**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our perfoming loans excluding reverse repurchase agreements[APM] following the Bank of Spain PC9 template for breakdown of loans to customers by activity (*Distribución de los Préstamos a la Clientela por Actividad Consolidado Público*). The definition of loans to customers in this templante includes all transactions of this nature regardless of the item in which they are included in the balance sheet. loans by sector are classified according to their purpose and not according to the debtor's NACE. Loans to businesses include financing to non-financial corporations and individual entrepreneurs (the activity of individual entrepreneurs is considered to be that carried out by individuals in the exercise of their business activities). Loans to individuals are classified based on their purpose according to the criteria defined in rule 69.2e) of Bank of Spain Circular 4/2017, of November 27, to credit institutions, on public and reserved financial reporting standards and financial statement models. Loans to public sector and other includes loans to public sector and financing to financial companies (mainly reverse repurchase agreements).

The following table shows the breakdown of performing loans excluding reverse repurchase agreements[APM] by market:

	As of December 31,					
	2021		2020		2019	
	(*€ thousands, except %*)					
Home Markets........................	11,946,712	41.39%	12,216,584	42.19%	12,709,871	42.86%
Aragón	*8,236,406*	*28.54%*	*8,414,209*	*29.06%*	*8,893,180*	*29.99%*
Rest of Home Markets............	*3,710,306*	*12.85%*	*3,802,375*	*13.13%*	*3,816,691*	*12.87%*
Growth Markets	12,537,245	43.44%	12,385,302	42.77%	12,465,523	42.04%
Madrid	*7,330,086*	*25.40%*	*7,258,256*	*25.07%*	*7,317,085*	*24.68%*
Mediterranean basin.............	*5,207,159*	*18.04%*	*5,127,046*	*17.70%*	*5,148,438*	*17.36%*
Rest of Spain..........................	4,378,479	15.17%	4,353,901	15.04%	4,478,907	15.10%

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Performing loans excluding reverse repurchase agreements[APM]......................	**28,862,436**	**100.00%**	**28,955,787**	**100.00%**	**29,654,301**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our performing loans excluding reverse repurchase agreements[APM] by the location of the branch through which we manage the relevant customer (specifically, for loans, the location of the branch granting the loan).

65. **Retail business volume[APM]**:

Definition: Sum of performing loans excluding reverse repurchase agreements[APM] and retail customer funds[APM] (each as defined and calculated above).

Relevance: We use this APM to measure aggregated changes in our main business metrics with our customers.

	As of December 31,		
	2021	2020	2019
	(€ thousands)		
(+) Performing loans excluding reverse repurchase agreements[APM]	28,862,436	28,955,787	29,654,301
(+) Retail customer funds[APM].......................................	70,162,504	65,410,961	60,642,851
Retail business volume[APM]...	**99,024,940**	**94,366,748**	**90,297,152**

The following table shows the breakdown of retail business volume[APM] by market:

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Home Markets......................	61,140,625	61.74%	58,127,988	61.60%	55,254,330	61.19%
Aragón	*43,728,528*	*44.16%*	*41,273,478*	*43.74%*	*39,195,337*	*43.41%*
Rest of Home Markets..........	*17,412,097*	*17.58%*	*16,854,510*	*17.86%*	*16,058,993*	*17.78%*
Of which: Badajoz	*3,765,990*	*3.80%*	*3,641,893*	*3.86%*	*3,371,615*	*3.73%*
Growth Markets	28,938,478	29.23%	27,720,198	29.37%	26,771,541	29.65%
Madrid	*17,512,619*	*17.69%*	*16,805,935*	*17.81%*	*16,143,583*	*17.88%*
Mediterranean basin...........	*11,425,859*	*11.54%*	*10,914,263*	*11.56%*	*10,627,958*	*11.77%*
Rest of Spain........................	8,945,837	9.03%	8,518,562	9.03%	8,271,281	9.16%
Retail business volume[APM].	**99,024,940**	**100.00%**	**94,366,748**	**100.00%**	**90,297,152**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our retail business volume[APM] by the location of the branch through which we manage the relevant customer (the location of the branch granting the loan or in which the accounts, deposits or off-balance sheet products are opened).

The following table shows the breakdown of retail business volume^APM by market and by component:

	As of December 31,					
	2021		2020		2019	
			(€ thousands, except %)			
Home Markets....................	**61,140,625**	**61.74%**	**58,127,988**	**61.60%**	**55,254,330**	**61.19%**
(+)Performing loans excluding reverse repurchase agreements^APM	11,946,712	12.06%	12,216,584	12.95%	12,709,871	14.07%
(+)Retail customer funds^APM	49,193,913	49.68%	45,911,404	48.65%	42,544,459	47.12%
Growth Markets.................	**28,938,478**	**29.23%**	**27,720,198**	**29.37%**	**26,771,541**	**29.65%**
(+)Performing loans excluding reverse repurchase agreements^APM	12,537,245	12.67%	12,385,302	13.12%	12,465,523	13.81%
(+)Retail customer funds^APM	16,401,233	16.56%	15,334,896	16.25%	14,306,018	15.84%
Rest of Spain.......................	**8,945,837**	**9.03%**	**8,518,562**	**9.03%**	**8,271,281**	**9.16%**
(+)Performing loans excluding reverse repurchase agreements^APM	4,378,479	4.42%	4,353,901	4.61%	4,478,907	4.96%
(+)Retail customer funds^APM	4,567,358	4.61%	4,164,661	4.42%	3,792,374	4.20%
Retail business volume^APM.	**99,024,940**	**100.00%**	**94,366,748**	**100.00%**	**90,297,152**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying our retail business volume^APM by retail customer funds and performing loans and based on the location of the branch through which we manage the relevant customer (the location of the branch granting the loan or in which the accounts, deposits or off-balance sheet products are opened).

The following table shows the breakdown of retail business volume^APM by customer segment:

	As of December 31,					
	2021		2020		2019	
			(€ thousands, except %)			
Rest of Families	27,938,483	28.21%	28,335,778	30.02%	28,640,895	31.72%
Personal Banking	44,083,588	44.52%	41,628,359	44.11%	39,190,883	43.40%
Private Banking	8,485,750	8.57%	7,384,797	7.83%	6,702,200	7.42%
Real Estate Companies	1,487,360	1.50%	1,375,268	1.46%	1,479,057	1.64%
Non Real Estate Companies	9,259,797	9.35%	8,758,179	9.28%	7,917,827	8.77%
Institutions, Public Sector and Others........................	7,769,962	7.85%	6,884,367	7.30%	6,366,290	7.05%
Retail business volume^APM.	**99,024,940**	**100.00%**	**94,366,748**	**100.00%**	**90,297,152**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying retail business volume^APM by the customer segmentation we use to differentiate homogeneous client groups based on the commercial strategy we use to approach them, which takes into account their nature and financial needs.

66. **Retail business volume per employee**$^{\mathbf{APM}}$:
Definition: Retail business volume^{APM} (as defined and calculated above), divided by number of total Group employees.

Relevance: We use this APM to measure the productivity of our employees.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except number of employees)		
Numerator	Retail business volume^{APM}	99,024,940	94,366,748	90,297,152
Denominator	Number of total Group employees(1).....	4,880	5,307	5,304
=	**Retail business volume per employee**$^{\mathbf{APM}}$.......................................	**20,292**	**17,782**	**17,024**

Notes:—

(1) Source: Note 38.1 to the Annual Accounts.

67. **Breakdown by maturity and type of interest rate (fixed or floating) of gross loans and advances to customers**$^{\mathbf{APM}}$**:**

Definition: Breakdown of our loan portfolio by maturity and type of interest rate (fixed or floating).

Relevance: We use this APM to identify which part of the loan portfolio is exposed to changes in interest rates.

	As of December 31,					
	2021		**2020**		**2019**	
	(€ million)					
One year or less..	3,731,810	**100%**	3,185,779	**100%**	4,751,044	**100%**
Fixed interest-bearing loans	*3,127,302*	*84%*	*2,428,628*	*76%*	*3,550,656*	*75%*
Floating interest-bearing loans.....................	*604,508*	*16%*	*757,151*	*24%*	*1,200,388*	*25%*
Over one year to five years or less	2,596,487	**100%**	3,287,658	**100%**	2,215,785	**100%**
Fixed interest-bearing loans	*1,878,395*	*72%*	*2,264,728*	*69%*	*966,303*	*44%*
Floating interest-bearing loans.....................	*718,092*	*28%*	*1,022,930*	*31%*	*1,249,482*	*56%*
Over five years to fifteen years or less	4,079,130	**100%**	3,379,409	**100%**	3,442,994	**100%**
Fixed interest-bearing loans	*2,046,616*	*50%*	*1,137,325*	*34%*	*926,715*	*27%*
Floating interest-bearing loans.....................	*2,032,514*	*50%*	*2,242,084*	*66%*	*2,516,279*	*73%*
Over fifteen years..	20,788,024	**100%**	21,736,736	**100%**	22,153,392	**100%**
Fixed interest-bearing loans	*3,269,466*	*16%*	*2,380,870*	*11%*	*1,382,369*	*6%*
Floating interest-bearing loans.....................	*17,518,558*	*84%*	*19,355,866*	*89%*	*20,771,023*	*94%*
Gross loans and advances to customers$^{\mathbf{APM}}$...	**31,195,451**	**100%**	**31,589,582**	**100%**	**32,563,215**	**100%**
Fixed interest-bearing loans	*10,321,779*	*33%*	*8,211,551*	*26%*	*6,826,043*	*21%*
Floating interest-bearing loans.....................	*20,873,672*	*67%*	*23,378,031*	*74%*	*25,737,172*	*79%*

Notes:—

Source: This breakdown has been obtained by classifying our gross loans and advances to customers^{APM} classified by contractual maturity of the loan and taking into account whether the loan is at a fixed rate or whether it is repriced periodically according to a reference interest rate.

68. **Total exposure of the fixed income and equity instruments portfolio[APM]**:

Definition: Sum of debt securities, equity instruments and investments in joint ventures and associates.

Relevance: We use this APM to assess the total amount of the Group's securities portfolio.

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Non-trading financial assets mandatorily measured at fair value with changes through profit or loss......	1,668,437	853,721	375,885
Debt securities (1)...	-	*28,009*	*78,783*
Equity instruments (2)...	*1,666,941*	*824,170*	*284,905*
Loans and advances..	*1,496*	*1,542*	*12,197*
Financial assets at fair value through profit and loss .	7,451	8,602	8,939
Debt securities (3)...	*7,451*	*8,602*	*8,939*
Financial assets at fair value through other comprehensive income	6,464,034	7,023,328	8,086,430
Debt securities (4)...	6,118,358	*6,669,456*	*7,688,599*
Equity instruments (5)...	345,676	*353,872*	*397,831*
Financial assets at amortized cost	40,989,400	*39,726,825*	*39,768,768*
Debt securities (6)...	9,974,513	*8,474,312*	*7,218,228*
Loans and advances..	31,014,887	*31,252,513*	*32,550,540*
Investments in joint ventures and associates (7)	101,328	106,525	109,815
Total exposure of the fixed income and equity instruments portfolio[APM] (1) +(2) + (3)+ (4)+ (5) +(6)+ (7)	**18,214,267**	**16,464,946**	**15,787,100**

Notes:—

Source: Consolidated balance sheet in the Annual Accounts.

The table below shows a breakdown of our total exposure of the fixed income and equity instruments portfolio by business activity:

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Banking business	10,900,580	8,908,586	8,271,950
From which fixed income/ ALCO portfolio.............	*10,462,235*	*8,439,326*	*7,724,942*
From which fixed income / subsidiaries portfolio....	*34,932*	*39,280*	*66,647*
From which equity	*403,413*	*429,980*	*480,361*
Insurance business	7,313,687	7,556,360	7,515,150
From which fixed income portfolio.........................	*5,603,155*	*6,701,773*	*7,202,960*
Adjustments and deletions.............................	*(23,665)*	*(34,635)*	*(161,337)*
Ibercaja Vida gross fixed income portfolio ...	*5,626,820*	*6,736,408*	*7,364,297*
From which equity	*1,710,532*	*854,587*	*312,190*
Total exposure of our fixed income and equity instruments portfolio[APM]	**18,214,267**	**16,464,946**	**15,787,100**

Notes:—

Source: This breakdown has been obtained by classifying the exposure of our fixed income and equity instruments portfolio[APM] by the Group company which holds the securities, distinguishing between: the portfolio related to the insurance activity of Ibercaja Vida and that linked to the banking business (mainly the ALCO portfolio of Ibercaja Banco and other subsidiary companies).

The table below shows the composition of our ALCO portfolio by type of asset:

	As of December 31,					
	2021		**2020**		**2019**	
	(€ thousands, except %)					
Spanish sovereign debt	6,581,550	62.91%	5,291,254	62.70%	4,472,408	57.90%
Foreign sovereign debt....................	1,422,399	13.60%	689,875	8.17%	651,149	8.43%
Public administrations and autonomous organizations.........	688,219	6.58%	655,296	7.76%	680,477	8.81%
SAREB..	1,628,700	15.57%	1,653,300	19.59%	1,702,200	22.04%
Private fixed income	141,367	1.35%	149,601	1.77%	218,708	2.83%
Total...	**10,462,235**	**100.00%**	**8,439,326**	**100.00%**	**7,724,942**	**100.00%**

Notes:—

Source: This breakdown has been obtained by classifying the ALCO portolio[APM] by the issuer of the securities: securities issued by the state, autonomous regions and other public bodies, foreign sovereign debt, SAREB and other private fixed-income products.

69. **Total exposure of the fixed income and equity instruments portfolio[APM] over total assets[APM]:**

Definition: Group's securities portfolio divided by total assets.

Relevance: We use this APM to measure the weight of the securities portfolio over the Group's total assets.

		As of December 31,		
		2021	**2020**	**2019**
		(€ thousands, except %)		
Numerator	Total exposure of the fixed income and equity instruments portfolio[APM]	18,214,267	16,464,946	15,787,100
Denominator	Total assets[(1)]..................................	58,631,409	58,400,790	55,422,015
=	**Total exposure of the fixed income and equity instruments portfolio over total assets[APM]**.....	**31.07%**	**28.19%**	**28.49%**

Notes:—

(1) Source: Consolidated balance sheet in the Annual Accounts.

70. **Breakdown by customers' turnover of the loans to non-real estate activities[APM]**

Definition: Breakdown of our portfolio of the loans to non-real estate activities per customer turnover.

Relevance: We use this APM to measure by type of company the composition of our loan to non real estate activities portfolio.

	As of December 31,		
	2021	**2020**	**2019**
	(%)		
Corporate (annual turnover of more than €50 million).......	24.7	21.2	18.0
Mid-sized (annual turnover of between €10 and €50 million)...	19.1	18.3	15.9

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	As of December 31,		
	2021	2020	2019
		(%)	
Small-sized (annual turnover of between €2 and €10 million)	21.0	21.5	22.3
Micro (annual turnover of less than €2 million)	19.5	22.2	26.3
Self-employed and others	15.7	16.8	17.5
	100	**100**	**100**

Notes:—

Source: This breakdown has been obtained by classifying our loans to non-real estate activities[APM] by the turnover of the relevant customer to whom the loan was granted based on EU recommendation of May 6, 2003 (2003/361/EC) in connection with the definition of micro, small and medium-sized enterprises (SME). SMEs consists of enterprises that employ fewer than 250 persons and whose annual turnover does not exceed €50 million or whose annual balance sheet total does not exceed €43 million. A small enterprise is defined as an enterprise which employs less than 50 persons and whose annual turnover or annual balance sheet total does not exceed €10 million. A micro enterprise is defined as an enterprise which employs less than 10 persons and whose annual turnover or annual balance sheet total does not exceed €2 million.

APMs related to liquidity

71. **Loan-to-Deposit (LTD) ratio**:

Definition: Net loans and advances to customers[APM] (as defined and calculated above) excluding reverse repurchase agreements divided by retail deposits[APM] (as defined and calculated above).

Relevance: We use this APM to assess the extent to which the loans and advances we grant to our customers are financed with retail deposits[APM].

		As of December 31,		
		2021	2020	2019
			(*€ thousands, except %*)	
Numerator	(a) Net loans and advances to customers[APM]	30,655,026	30,942,404	31,918,945
	(b) Reverse repurchase agreements[(1)]	1,615,394	1,620,857	1,615,753
	Net loans and advances to customers[APM] excluding reverse repurchase agreements ((a) – (b))	29,039,632	29,321,547	30,303,192
Denominator	Retail deposits[APM]	37,131,170	36,165,311	32,772,452
=	**LTD ratio[APM]**	**78.21%**	**81.08%**	**92.47%**

Notes:—

(1) Source: Note 11.4 to the Annual Accounts.

72. **Liquid assets[APM]**:

Definition: Sum of cash and central banks, available on policy, eligible off-policy assets and other marketable assets not eligible by the ECB, in accordance with the criteria of the Bank of Spain.

Relevance: We use this APM to know the volume of our available assets in the event of a possible outflow of customer funds.

	As of December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
Cash and central banks	6,183,416	7,319,717	3,671,499
Available on policy	1,050,679	891,981	4,982,938
Eligible assets not included in the policy	7,590,280	6,421,078	2,432,048
Other marketable assets not eligible by the Central Bank	425,796	326,665	381,397
Liquid assets[APM]	**15,250,171**	**14,959,441**	**11,467,882**

Notes:—

Source: Note 3.8.2 to the Annual Accounts.

73. **Available liquidity position[APM]**:

Definition: Sum of our liquid assets and our issuance capacity for mortgage covered bonds.

Relevance: We use this APM to calculate the amount of our assets that would potentially be available in the event of a sudden outflow of customer funds.

	As of December 31,		
	2021	**2020**	**2019**
	(*€ thousands*)		
(+) Liquid assets[APM]	15,250,171	14,959,441	11,467,882
(+) Issuance capacity for mortgage covered bonds(1)	8,776,402	8,379,866	7,307,407
Available liquidity position[APM]	**24,026,573**	**23,339,307**	**18,775,289**

Notes:—

(1) Source: Note 3.8.2 to the Annual Accounts.

74. **Liquid assets over total assets[APM]**:

Definition: Liquid assets divided by total assets.

Relevance: We use this APM to measure the weight of our liquid assets over our total assets.

		As of December 31,		
		2021	**2020**	**2019**
		(*€ thousands, except %*)		
Numerator	Liquid assets[APM]	15,250,171	14,959,441	11,467,882
Denominator	Total assets(1)	58,631,409	58,400,790	55,422,015
=	**Liquid assets over total assets[APM]**	**26.01%**	**25.62%**	**20.69%**

Notes:—

(1) Source: Consolidated balance sheet in the Annual Accounts.

BUSINESS

1. Overview

We are a Spanish 100% retail-focused bank based in Zaragoza. We are a "one-stop-shop" for our customers' financial needs, offering a wide range of banking and financial products and services, with a special focus on first home mortgages, asset management and life savings insurance products, SME lending and risk insurance products.

We were created in 2011 as a result of the segregation and contribution to Ibercaja Banco of the financial activity of the former savings bank Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (the "**Ibercaja Savings Bank**", now transformed into the Ibercaja Foundation pursuant to the Banking Foundations Act, as set out below). In 2013, we absorbed Banco Caja3, an entity formed by the segregation and subsequent merger of the financial activity of three former savings banks which have since then become foundations: Fundación Inmaculada de Aragón, Fundación Caja Badajoz and Fundación Círculo de Burgos, and are, as of the date of this Registration Document, our shareholders, together with the Ibercaja Foundation.

Our main activity is retail banking focused on individuals, families and SMEs. Our retail focus is reflected in our simple balance sheet structure and low risk profile, with net loans and advances to customers over total assets^{APM} accounting for 52.28% and retail deposits^{APM} accounting for 79.76% of our external funding^{APM} as of December 31, 2021. As of December 31, 2021, we had €58.6 billion of total assets and stood as the ninth largest Spanish bank in terms of assets, with a market share of 2.4% in loans to individuals and non-financial entities (*source: Bank of Spain public report on loans to households and non-financial entities as of December 31, 2021*) and had €55.4 billion of total liabilities with a market share of 2.7% in customer deposits (*source: Bank of Spain public report on deposits to households and non-financial entities as of December 31, 2021*). As of December 31, 2021, we had a national market share of 3.6% in terms of home retail mortgage loans (*source: Bank of Spain public report on home retail mortgages as of December 31, 2021*). We also were the fourth largest domestic financial entity in asset management and life savings insurance with €32.8 billion in assets under management ("**AuM**") and technical provisions and a total market share of 5.1% as of December 31, 2021 (*source: calculated by the Company as the sum of mutual funds, pension funds and life savings insurance products using data from Inverco public reports on mutual and pension funds and ICEA public reports on life savings insurance products as of December 31, 2021; includes AuM managed by each bank and excludes third party products*). As of December 31, 2021 we had 4,880 employees.

We carry out our business exclusively in Spain and mainly in the autonomous regions of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz (our Home Markets). We also have a well-established presence in Madrid and in the Mediterranean basin, which includes the autonomous region of Catalonia and the Valencian Community (our Growth Markets).

We use an omni-channel distribution strategy that combines our 914-branch network as of December 31, 2021, and digital channels such as our mobile banking application (the "**Ibercaja App**") and our online banking platform.

The table below sets forth information related to our key APMs and solvency ratios as of and for the years ended December 31, 2021, 2020 and 2019.

	As of and for the years ended December 31,		
	2021	2020	2019
Total assets	€58.6 billion	€58.4 billion	€55.4 billion
Gross loans and advances to customers^{APM}	€31.2 billion	€31.6 billion	€32.6 billion
Retail deposits^{APM}	€37.1 billion	€36.2 billion	€32.8 billion
Recurring cost-to-income ratio^{APM}	64.25%	62.45%	63.70%
Cost-to-income ratio^{APM}	62.84%	56.64%	64.76%
Profit before provisions^{APM}	€341.0 million	€283.3 million	€326.5 million
Profit before tax	€214.8 million	€53.5 million	€128.6 million
Profit for the year	€151.0 million	€23.6 million	€84.0 million
ROA^{APM}	0.26%	0.04%	0.16%
ROTE^{APM}	5.69%	0.90%	3.25%
Adjusted ROTE^{APM}	5.41%	4.61%	5.32%
LTD ratio^{APM}	78.21%	81.08%	92.47%
NPL ratio^{APM}	2.30%	3.21%	3.97%
NPL coverage ratio^{APM}	75.31%	63.89%	49.82%
NPA ratio^{APM}	3.97%	5.07%	5.78%
NPA coverage ratio^{APM}	68.79%	62.15%	51.63%
Liquid assets over total assets^{APM}	26.01%	25.62%	20.69%
CET1 ratio (fully-loaded)	12.7%	12.6%	11.4%
Total capital ratio (fully-loaded)	17.4%	17.3%	15.5%
Leverage ratio (fully-loaded)	5.8%	5.9%	5.5%
Maximum Distributable Amount	5.20%	5.49%	3.27%

2. History

Our history spans 145 years, and starts with the foundation of the Ibercaja Savings Bank in 1873 and the commencement of its operations in 1876 with the aim of stimulating the economies of the autonomous regions of Aragón and La Rioja by pursuing social welfare projects.

The main milestones of our history are described below:

- between 1933 and 1964, the Ibercaja Savings Bank carried out its first expansion plan with the opening of branches in Aragón, La Rioja and Guadalajara;
- in 1988, the Ibercaja Savings Bank created the Financial Group to offer products and services outside the scope of core banking;
- in 1989, the Ibercaja Savings Bank initiated an expansion plan with the opening of branches in Madrid and the Mediterranean basin, that has led to our current well-established presence in these Growth Markets;
- in 1991, the Ibercaja Savings Bank acquired Caja Rural de Catalunya;
- in July 2011, within the framework of the restructuring of the Spanish financial system, the general assembly of the Ibercaja Savings Bank approved the creation of Ibercaja Banco, to which all of the assets and liabilities related to its financial activity were contributed;
- in 2012, despite the turmoil in the Spanish banking sector, we passed the bottom-up stress test conducted by Oliver Wyman and were classified within the group of banks with no capital shortfall identified, complying with applicable capital requirements without any state aid;

- in July 2013, we acquired 100% of the share capital of Banco Caja3, whose restructuring plan (approved by the Bank of Spain and the European Commission) included its integration into a larger financial group. As part of its restructuring plan, Banco Caja3 received €407 million of public funds through the subscription by the FROB of contingent convertible bonds to be issued by Banco Caja3 (the "**Banco Caja3 CoCos**"). The acquisition of Banco Caja3 was structured as a capital increase of Ibercaja amounting to €325.5 million, which was subscribed by the shareholders of Banco Caja3 in exchange for Banco Caja3's entire share capital. Fundación Inmaculada de Aragón, Fundación Caja Badajoz and Fundación Círculo de Burgos received in consideration an aggregate of 11.96% of our share capital, while the Ibercaja Savings Bank held the remaining 88.04% (both as amended by the valuation adjustment on the assets transferred to SAREB). The deed of merger by absorption of Banco Caja3 by us was executed in October 2014 and Banco Caja3 ceased to exist by dissolution without liquidation and all of its assets and liabilities were transferred to us by means of universal succession;
- in September 2014, the Ibercaja Savings Bank was transformed into the Ibercaja Foundation. Since then, the Ibercaja Foundation has been our controlling shareholder retaining the aforementioned 88.04% shareholding and with a view to reduce its stake pursuant to the Banking Foundations Act;
- in 2015, the current management team was appointed;
- between March 2016 and March 2017, with the consent of the ECB, we completed the early redemption of all Banco Caja3 CoCos;
- in April, 2021, Ibercaja Banco launched its "Plan Desafío 2023" Strategic Plan; and
- in June 2021, Ibercaja Banco celebrated its 145 years of history.

3. Key strengths

We believe we benefit from the following competitive strengths:

3.1 Attractive geographical footprint

Based on the location of the branch managing our clients, we segment our activities into the following geographical markets:

- **Home Markets**: autonomous regions or provinces that were originally serviced by the Ibercaja Savings Bank, namely, Aragón, La Rioja and Guadalajara, together with, as result of the integration of Banco Caja3, Burgos and Badajoz;
- **Growth Markets**: autonomous regions or provinces where we expanded our business starting in 1989, namely, Madrid and the Mediterranean basin (Catalonia and Valencian Community);
- **Rest of Spain**: other autonomous regions or provinces where we are present.

See "—*Markets*" below for information related to our performing loans excluding reverse repurchase agreements^{APM}, customer deposits, asset management and life savings insurance products, retail business volume^{APM} and branches in each of our Home Markets and Growth Markets as of December 31, 2021 .

We believe we offer an attractive geographical mix, with a clear leadership in our Home Markets which accounted for 61.74% of our retail business volume^{APM} as of December 31, 2021 (where we had a market share of 26.7% in terms of deposits and loans as of December 31, 2021 (*source: Bank of Spain latest available data as of December 31, 2021*)), particularly in Aragón with a market share of 37.3% as of December 31, 2021 (*source: Bank of Spain, latest available data as of December 31, 2021*). In addition, our long-established presence in our Growth Markets is increasing. From December 31, 2019 until December 31, 2021, our retail business volume^{APM} in our Growth Markets increased by 8.09%, representing 29.23% of our retail business volume^{APM} as of December 31, 2021. Our Home Markets represented 70.11% of our retail customer funds^{APM}, 41.39% of our performing loans excluding reverse repurchase agreements^{APM}, 61.2% of our customers and 62.07% of our recurring revenues^{APM} as of December 31, 2021. Among our Home Markets, Aragón is the most important market representing 44.16% of our retail business volume^{APM}. Our Growh Markets represented

23.38% of our retail customer funds[APM], 43.44% of our performing loans excluding reverse repurchase agreements[APM], 29.8% of our customers and 30.54% of our recurring revenues[APM] as of December 31, 2021. Among our Growth Markets, Madrid is our most important market (second most important market overall) and represented 17.69% of our retail business volume[APM] as of December 31, 2021.

Our overall geographic position is very attractive in terms of exposure to the most economically dynamic regions of Spain. We are mainly based in the northeast of Spain, which is one of the wealthiest areas in the country. Aragón, which represented 44.16% of our retail business volume[APM] as of December 31, 2021, stood out as one of the wealthiest, more competitive and resilient regions of the Spanish economy in the year ended December 31, 2020, with a GDP per capita of €26,512 thousand (11.9% above the Spanish average) (*source: INE, GDP per capita latest available data as of December 31, 2020*). In addition, our exposure to Madrid and the Mediterranean basin provides us with a significant strength, as these regions represented 47.6% of the Spanish GDP as of December 31, 2020 (*source: INE GPD 2020 latest available data as of December 31, 2020*) and constituted the biggest banking markets, as they represented 54.7% and 49.6% of private sectors' total loans and deposits, respectively (*source: Bank of Spain, latest available data as of December 31, 2021*). For a further description of the macroeconomic indicators in our Home Markets and Growth Markets, see "—*Markets*" below.

In our Home Markets we are the market leader, with an especially remarkable positioning in Aragón (*source: Bank of Spain*) after the acquisition of our second competitor in the region, Banco Caja3, in 2013.

The following table shows our market share in terms of loans, deposits and total loans and deposits in each of our Home Markets as of December 31, 2021:

	As of December 31, 2021		
	Loans market share(1)	**Deposits market share(2)**	**Total loans and deposits market share(3)**
Aragón	30.7%	42.8%	37.3%
La Rioja	11.9%	17.7%	15.3%
Guadalajara	21.9%	34.1%	28.3%
Burgos	10.6%	18.2%	15.4%
Badajoz	8.7%	13.7%	11.4%
Total Home Markets	**21.8%**	**30.5%**	**26.7%**

Notes:—

Source: Bank of Spain, latest available data.

(1) Loans granted to Spanish resident private sector.

(2) Deposits by Spanish resident private sector.

(3) The market share shown in this column for each province or area of activity is calculated by taking the absolute value of our loans and deposits in each of the provinces or areas of activity over the absolute value of loans and deposits of the Spanish banking system as a whole.

In our Home Markets we had 1.1 million customers (as defined in "*–Definitions*") as of December 31, 2021.

Our Home Markets represent a source of stable retail customer funds[APM]. As of December 31, 2021, €49,194 million out of our €61,141 million retail business volume[APM] in our Home Markets corresponded to retail customer funds[APM], representing four times our stock of performing loans. Our leadership position in these markets has been a key driver of our growth in asset management and life savings insurance funds. Since December 31, 2019, our asset management and life savings insurance funds have grown at an 8.87% annual growth rate and, as of December 31, 2021, amounted to €33,031 million. See "*We are a specialist in the* *diversification of our client's savings, which has made us a market leader in Spain in the asset management and bancassurance businesses*".

Since the late 1980s and through the 1990s, we built a significant presence in our Growth Markets (Madrid and the Mediterranean basin) where, as of December 31, 2021, we had 0.5 million customers, 251 branches and €28,938 million of retail business volume^{APM}, representing 29.23% of our retail business volume^{APM}. As of December 31, 2021, we had a 1.9% market share in terms of total loans and a 1.3% market share in terms of deposits (*source: Bank of Spain, latest available data as of December 31, 2021*).

As of December 31, 2020, our market share in terms of mutual funds and individual pension funds in Aragón (the most important market among our Home Markets) was 53.11% and 38.13%, respectively (*source: INVERCO latest available data as of December 31, 2020*). In addition, our market share in terms of mutual funds and individual pension funds in our Growth Markets has increased since 2019. The following table shows the evolution of our market share in terms of mutual funds in our Home Markets and our Growth Markets for the period between December 31, 2019 and December 31, 2020.

	Mutual funds	
	2020	**2019**
Aragón	53.11%	51.03%
Rest of Home Markets	29.57%	27.43%
Madrid	2.55%	2.49%
Mediterranean basin	1.68%	1.50%
Catalonia	*1.29%*	*1.14%*
Valencian Community	*2.68%*	*2.42%*
Rest of Spain	0.90%	0.79%
Total market share in Spain	**5.52%**	**5.06%**

Source: INVERCO, latest available data

The following table shows the evolution of our market share in terms of individual pension funds in our Home Markets and our Growth Markets for the period between December 31, 2019 and December 31, 2020.

	Individual Pension funds	
	2020	**2019**
Aragón	38.13%	37.48%
Rest of Home Markets	16.39%	15.69%
Madrid	1.95%	1.91%
Mediterranean basin	1.05%	1.01%
Catalonia	*0.79%*	*0.77%*
Valencian Community	*1.68%*	*1.59%*
Total market share in Spain	**3.35%**	**3.22%**

Source: INVERCO, latest available data

Based on this data, we believe we have a well-established presence in Madrid and the Mediterranean basin and that we have proven our ability to compete in these regions. In addition, in the year ended December 31, 2021, 51.4% of all our new lending transactions have been originated in our Growth Markets (48.20% and 47.13% for the years ended December 31, 2020 and 2019, respectively)[21], which has contributed to stabilize our stock of performing loans (in our Growth Markets our retail business volume^{APM} is more biased towards lending). During this same period, retail business volume^{APM} in our Growth Markets has grown by 8.09%. This is also evidenced by the comparable product penetration and productivity metrics in both our Growth and

[21] See definition, explanation, use, calculation and breakdown of Total new lending^{APM} which are set out in "Alternative Performance Measures".

our Home Markets. For example, as of December 31, 2021, asset management and life savings insurance funds in our Growth Markets represented 9.26% of retail customer funds^{APM} in our Growth Markets (compared to 34.61% in our Home Markets) and the number of products and services per customer in our Growth Markets was 6.2 (compared to 7.5 in our Home Markets).

3.2 Simple balance sheet with low-risk profile

We are a 100% retail-focused bank with a simple balance sheet and low-risk profile. We are a specialist in residential mortgages which represented 62.15% of our gross loans and advances to customers excluding reverse repurchase agreements^{APM} as of December 31, 2021[22], and our growing focus is on loans to businesses non-related to the real estate sector (mainly to SMEs) which represented 24.73% of our gross loans and advances to customers excluding reverse repurchase agreements^{APM} as of December 31, 2021. We have a stable and balanced funding with an LTD ratio^{APM} of 78.21% as of December 31, 2021.

Since December 31, 2019 until December 31, 2021, and despite the impact of the COVID-19 pandemic, we were able to reduce our NPAs^{APM} by 34.32% (€658.2 million), with NPLs falling by 44.51% (€575.5 million) and gross value of foreclosed assets by 13.23% (€82.6 million) during this period. During the same period, the NPL ratio^{APM} fell by 167 basis points, standing at 2.30% as of December 31, 2021) with the average NPL ratio^{APM} of the sector being 4.29% (*source: Bank of Spain*). Our NPA ratio^{APM} also fell by 181 basis points standing at 3.97% as of December 31, 2021, below our peers' average of 5.2% (*source: peers' publicly available information as of December 31, 2021*)[23].

During this period, we have managed to increase our NPA coverage ratio^{APM} and our NPL coverage ratio^{APM} to 68.79% and 75.31%, respectively, as of December 31, 2021 (51.63% and 49.82%, respectively, as of December 31, 2019), which is above peers' average (57.8% and 62.6%, respectively (*source: peers' publicly available information as of December 31, 2021*))[24]. As a result, our Net NPAs^{APM} have decreased substantially (from €927.7 million as of December 31, 2019 to €393.2 million as of December 31, 2021) and we have the lowest NPAs over total assets^{APM} (0.67%) among our peers as of December 31, 2021 (peers' average being 1.2%) (*source: peers' publicly available information as of December 31, 2021*)[25]. In addition, our focus on

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[22] See definition, explanation, use, calculation and breakdown of Gross loans and advances to customers excluding reverse repurchase agreements^{APM} which are set out in "Alternative Performance Measures".

[23] NPA ratio of our peers is calculated using reported numbers of gross NPLs, gross foreclosed assets and gross loans as of December 31, 2021 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs and gross loans) and applying the same method of calculation as described for NPA ratio^{APM} in section "*Alternative Performance Measures*". Caixabank's figures exclude BPI. Sabadell's figures exclude TSB Bank's reported numbers. Unicaja's foreclosed assets do not include Liberbank's rental portfolio. Average is calculated as the simple arithmetic mean of our peers' NPA ratios.

[24] NPA coverage ratio and NPL coverage ratio of our peers are calculated using reported numbers of gross NPLs, gross foreclosed assets, NPL provisions and foreclosed assets provisions as of December 31, 2021 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs and NPL provisions) and applying the same method of calculation as described for NPA coverage ratio^{APM} and NPL coverage ratio^{APM} in section "*Alternative Performance Measures*". Caixabank's figures exclude BPI. Sabadell's figures exclude TSB Bank's reported numbers. Unicaja's foreclosed assets do not include Liberbank's rental portfolio. Average is calculated as the simple arithmetic mean of peers' NPA coverage ratios and NPL coverage ratios, as applicable.

[25] Net NPAs over total assets of our peers is calculated using reported numbers of gross NPLs, gross foreclosed assets, NPL provisions, foreclosed assets provisions and total assets as of December 31, 2021 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs and NPL provisions) and applying the same method of calculation as described for Net NPAs over total assets^{APM} in section "*Alternative Performance Measures*". Caixabank's figures exclude BPI. Sabadell's figures exclude TSB Bank's reported numbers. Unicaja's foreclosed assets do not include Liberbank's rental portfolio.

reducing NPLs related to the real estate sector resulted in NPLs related to residential mortgage loans (which have a lower expected loss) have a higher weight on our NPLs, representing 39.76% of our NPLs as of December 31, 2021, compared to the sector average of 29.7% (*source: Bank of Spain statistics for doubtful assets, latest available data as of December 31, 2021*).

Our NPA reduction during this period and especially during the COVID-19 pandemic (34.3%) was the highest among peers (peers' average being 25.3%) (*source: peers' publicly available information as of December 31, 2021*)[26]. This reduction in NPAs[APM] was partially driven by the successful execution of three wholesale transactions: a sale of a portfolio of NPLs with an aggregate nominal amount of €534 million to MELF Investment Holding II S.à. r.l. in 2019 (the Ordesa Transaction), a sale of a portfolio of NPLs for an aggregate nominal amount of approximately €73 million to DSSV, S. à. r.l. in 2019 (the Costa Transaction) and a sale of a portfolio of NPLs with an aggregate nominal amount of €51 million to the companies LM IV B S.V. and Axactor España S.L. in 2021 (the Oroel Transaction). We have also worked in the implementation of a new NPA recovery model. See "*Operating and financial review for the years ended December 31, 2021, 2020 and 2019– Key factors affecting comparability of results of operations – Sales of loans and NPAs[APM]*".

In addition, as of the date of this Registration Document, NPL entries and early delinquency indicators are already below pre-COVID-19 levels and approximately 96.55% of the Legal Moratoria and Sectorial Moratoria granted has already expired with no meaningful impact on our asset quality.

The evolution of Stage 2 loans has been relatively stable since December 31, 2019, except for a peak in April, 2020 due to the COVID-19 pandemic crisis. As of December 31, 2021, Stage 2 and Stage 3 exposures represented 5.0% and 2.3% of our gross loans and advances to customers[APM], respectively[27], reflecting the quality of our portfolio, which has a significant weight of retail mortgage loans, which have a lower expected loss than other type of loans. Our exposure to Stage 2 loans is lower than peers (peers' average being 6.5%) (*source: peers' publicly available information*)[28] due to the profile of our credit portfolio and our reduced exposure to sectors most affected by the COVID-19 pandemic.

As of December 31, 2021, we had granted €741 million in loans with Legal Moratoria and Sectorial Moratoria (of which €693 million were related to mortgage loans, €4 million to consumer loans and the remaining €44 million were mostly related to transactions with individuals other than mortgage loans and consumer loans) and as of December 31, 2021 the outstanding balance of these loans stood at €26 million. Since the implementation of Legal Moratoria and Sectorial Moratoria measures, we have granted €741 million in loans with Legal Moratoria and Sectorial Moratoria, representing 2.4% of our gross loans and advances to customers[APM29] (significantly below to the peers' average of 4.1% (*source: peers' publicly available*

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[26] NPA reduction of our peers is calculated using reported numbers of gross NPLs and gross foreclosed assets as of December 31, 2021 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs) and December 31, 2019 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for NPAs[APM] in section "*Alternative Performance Measures*". Caixabank's figures used for this calculation come from the consolidated annual report as of December 31, 2019 pro-forma Bankia merger and Unicaja's figures used for this calculation come from the consolidated annual report as of December 31, 2019 pro-forma Liberbank merger. Caixabank's figures exclude BPI. Sabadell figures exclude TSB Bank's reported numbers. Unicaja's foreclosed assets do not include Liberbank's rental portfolio.

[27] See definition, explanation, use, calculation and breakdown of Loan portfolio by stages[APM] which are set out in "Alternative Performance Measures".

[28] Exposure to Stage 2 loans of our peers is calculated using Stage 2 loans and gross loans figures as of December 31, 2021 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Loan portfolio by stages[APM] in section "*Alternative Performance Measures*". Average is calculated as the simple arithmetic mean of peers' exposures to Stage 2 loans.

[29] See definition, explanation, use, calculation and breakdown of Loans with outstanding moratoria over gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

information))[30]. In addition, our exposure to sectors most affected by the COVID-19 pandemic stood at 2.02% of our gross loans and advances to customers[APM] as of December 31, 2021[31] (compared to peers' average of 5.4%[32]).

In addition, in 2021 we granted €2,137 million in Guaranteed Credit Lines. As of December 31, 2021 the drawn amount of Guaranteed Credit Lines stood at €1,668 million (of which 77.1% of the total outstanding balance was guaranteed by the Spanish government), representing 19.95% of our loans to businesses[33]. As of December 31, 2021, 93% of the Guaranteed Credit Lines granted by us had been granted centrally by the credit risk area and only 7% by our network.

As a result of our low risk profile and despite the uncertainties generated by the COVID-19 pandemic, we expect to outperform the sector and to continue to keep a NPA ratio[APM] below 4% in the medium term.

We are compliant with the Basel III liquidity requirements and we believe we have a strong liquidity and funding position. Liquid assets[APM] amounted to €15,250 million or 26.01% of total assets as of December 31, 2021. Our LTD ratio[APM] as of December 31, 2021 was 78.21% (81.08% and 92.47% as of December 31, 2020 and 2019, respectively). As of December 31, 2021, our LCR was 452.0% (468.1% and 307.1% as of December 31, 2020 and 2019, respectively), the highest among peers (peers' average being 273.2%) (*source: peers' publicly available information as of December 31, 2021*)[34] and our NSFR was 152.2% (151.5% and 131.4% as of December 31, 2020 and 2019, respectively), both above their respective minimum requirement. The LCR and NSFR are regulatory ratios established pursuant to CRR (see "*Regulation—Liquidity requirements*").

After the extraordinary provision effort made due to the COVID-19 pandemic in 2020, our cost of risk[APM] had returned to normalized levels as of December 31, 2021. As of December 31, 2021, cost of risk[APM] stood at 0.35%, decreasing by 36 basis points since December 31, 2020, when cost of risk[APM] stood at 0.71% (of which 0.27% was related to extraordinary provisions made during the COVID-19 pandemic), compared to 0.40% for the year ended December 31, 2019. As of December 31, 2021, we maintained an unused post-model adjustment provision of €52 million.

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[30] Loans subject to Legal Moratoria and Sectorial Moratoria of our peers are calculated using the reported numbers on granted moratoria and gross loans figures as of December 31, 2021 (as derived from their respective consolidated annual report except for Caixabank figures and Unicaja granted moratoria) and applying the same method of calculation as described for Loans with outstanding moratoria over gross loans and advances to customers[APM] in section "*Alternative Performance Measures*". Caixabank's figures exclude Portugal. For Unicaja the numbers on granted moratoria are derived from its quarterly reporting as of September 30, 2021 due to lack of more recent disclosure. Average is calculated as the simple arithmetic mean of peers' loans subject to Legal Moratoria and Sectorial Moratoria.

[31] See definition, explanation, use, calculation and breakdown of Loans to sectors most affected by the COVID-19 pandemic over gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

[32] Calculated using the latest available EBA Transparency exercise information on loans for Ibercaja and peers (June 2021). Unicaja figures are pro-forma Liberbank, using latest figures available for Liberbank (EBA EU-wide Transparency exercise as of June 2020). Average is calculated as the simple arithmetic mean of peers' exposure to sectors most affected by the COVID-19 pandemic.

[33] See definition, explanation, use, calculation and breakdown of Guaranteed Credit Lines drawn over loans to businesses[APM] which are set out in "Alternative Performance Measures".

[34] LCR ratio of our peers is calculated using consolidated reported numbers as derived from their respective consolidated annual report. Average is calculated as the simple average of our peers' LCR ratio.

During 2021, we achieved the largest NPL reduction among peers (29.15% compared to peers' average reduction of 0.9%)[35] while posting one of the lowest reported costs of risk[APM] (0.35% compared to 0.40% for peers' average) (*source: peers' public available information*)[36].

Prudent approach towards lending taken during COVID-19 pandemic and defensive composition of loan portfolio should materialise in lower cost of risk[APM] in the medium term.

Retail deposits[APM] represented 79.76% of our external funding[APM] as of December 31, 2021. Our deposit base is granular, with 84.25% of our retail deposits[APM] considered to have a stable balance[37]. Our top 20 deposit customers accounted for only 2.5% of our total deposits as of December 31, 2021. As of December 31, 2021, we had ECB funding amounting to €5,871 million (representing 10.61% of our total liabilities), which all was TLTRO III. We do not have any significant concentration in institutional funding maturities.

Finally, we believe we have a sound capital position. Our capital ratios as of December 31, 2021 were above the requirements for 2021 (our capital ratios are reported and supervised by our regulators in accordance with applicable law):

- CET1 ratio fully-loaded: we were required to maintain a CET1 ratio phased-in of 8.125% and we had a CET1 ratio fully-loaded of 12.71% (12.59% and 11.35% as of December 31, 2020 and 2019, respectively);
- Total capital ratio fully-loaded: we were required to maintain a total capital ratio phased-in of 12.65% and we had a total capital ratio fully-loaded of 17.43% (17.26% and 15.45% as of December 31, 2020 and 2019, respectively); and
- Leverage ratio fully-loaded: we were required to maintain a leverage ratio phased-in of 3% and we had a leverage ratio fully-loaded of 5.75% (5.85% and 5.48% as of December 31, 2020 and 2019, respectively).

For the description of our capital requirements applicable since March 2022 and our capital ratios as of December 31, 2021, 2020 and 2019, see "*Regulation—Capital requirements—Our capital requirements and capital ratios for 2021, 2020 and 2019*".

We believe we have a strong capital generation capacity. Since December 31, 2019 to December 31, 2021, we have generated over 136 basis points of CET1 fully-loaded ratio. This was driven by organic capital generation (retained earnings) and the reduction of RWAs fully-loaded (which have decreased by 11.31% or €2,297.5 million since December 31, 2019 to December 31, 2021). During this period, our total capital ratio fully-loaded increased by 198 basis points and we have completed our hybrid capital instruments buckets with the issuance of €500,000 thousand of a new Tier 2 instrument after acquiring in the market part of the 2015 Tier 2 instrument in January 2020. As a result of this increase in capital levels and our low risk profile, subject to any restrictions to dividend distributions imposed by the ECB, we intend to increase our cash dividend payout ratio[APM] to around 60% in the medium term.

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[35] NPL reduction of our peers is calculated using reported numbers of gross NPLs as of December 31, 2021 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs) and December 31, 2020 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs). Caixabank's figure for December 31, 2020 is pro-forma Bankia merger and Unicaja figure for December 31, 2020 (as derived from its consolidated annual report) is pro-forma Liberbank merger. Caixabank's figures exclude BPI. Sabadell's figures exclude TSB Bank's reported numbers. Average is calculated as the simple arithmetic mean of peers' NPL reduction in %.

[36] Cost of risk of our peers as of December 31, 2021 (as derived from their respective consolidated annual report). Average is calculated as the simple average of our peers' cost of risk.

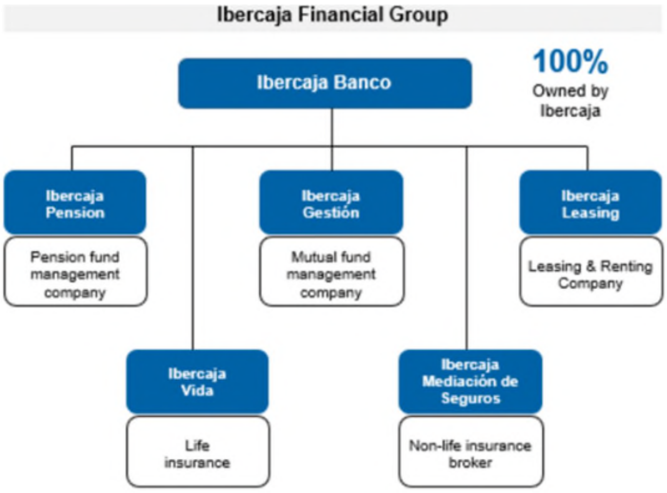
[37] Stable funds are those that are backed by the Guaranteed Deposit Fund (FGD) and correspond to deposits from linked-customers or funds that are deposited in transactional accounts.

We had a RWAs density[APM] of 30.79% as of December 31, 2021. We calculate our RWAs under standard methodology.

3.3 High-quality and diversified revenue mix

We are a specialist in the diversification of our clients' savings, which has made us one of the market leaders in Spain in the asset management and bancassurance businesses in terms of market share (*source Inverco and ICEA*).

Our Financial Group was created in late 1980s and is comprised of a group of subsidiaries (Ibercaja Gestión, Ibercaja Pensión, Ibercaja Vida, Ibercaja Mediación and Ibercaja Leasing) that are responsible for the management of our mutual funds and pension funds, our insurance business and our leasing and renting business.The following graph shows the corporate structure of the Financial Group:



The following table sets out information related to key metrics, market share and ranking of the subsidiaries composing our Financial Group as of and for the year ended December 31, 2021.

	Business	Ownership	Key metrics(1)	Market share in Spain	Ranking
Ibercaja Gestión................	Management of mutual funds	100%	€18.4 billion AuM(2)	5.8%(2)	#6(2)
Ibercaja Pensión	Management of pension funds	100%	€7.6 billion AuM(2)	6.0%(2)	#4(2)
Ibercaja Vida	Life insurance	100%	€6.8 billion technical provisions(3)	3.5%(3)	#7(3)
Ibercaja Leasing	Leasing and Renting	100%	€0.6 billion portfolio(4)	2.9%(4)	#8(4)
Ibercaja Mediación............	Non-life Risk insurance brokerage	100%	€0.3 billion in premiums annually	Alliance with CASER	

Notes:—

(1) The main differences between our Asset management and life savings insurance funds[APM] and the information provided in this table based on INVERCO and ICEA is that data from INVERCO/ICEA does not include the volume distributed to third parties (only the assets managed by us) and, in the case of pension plans, INVERCO considers the mathematical provisions as assets, while our Asset management and life savings insurance funds[APM] do not.

(2) *Source: Inverco reports on mutual funds and pension funds as of December 31, 2021 published in www.inverco.es.*

(3) *Source: ICEA report on life savings insurance products as of December 31, 2021 published in www.icea.es.*

(4) *Source: Asociación Española de Leasing public report on leasing as of December 31, 2021 published in www.ael.es.*

As a result of our differential proprietary model and the strength of our subsidiaries, as of December 31, 2021 we registered an 8.9% CAGR in asset management and life savings insurance funds[APM] since December 31, 2019. This growth exceeded the Spanish system growth (4.5% CAGR) over the same period (*source: consolidated reported information from INVERCO and ICEA considering the sum of mutual funds, pension funds and life savings insurance products as of December 31, 2021*), resulting in an increase in our market share of more than 30 basis points since December 31, 2019, clearly above our deposits market share of 2.7%, becoming the fourth largest entity in Spain in the asset management and bancassurance businesses (*source: Inverco and ICEA as of December 31, 2021*). As a result of this growth, as of December 31, 2021, asset management and life savings insurance funds[APM] represented 47.08% of our retail customer funds[APM] (the highest among peers (*source: peers' publicly available information as of December 31, 2021*))[38]. The evolution of our asset management and life savings insurance funds was very resilient during the COVID-19 pandemic so we were able to recover our 2019 levels in 2021 (our market share in asset under management and life savings insurance products as of December 31, 2021 was 5.1% compared to 4.8% as of December 31, 2019 (*source: Inverco and ICEA*)).

Since 2019, the asset gathering industry is experimenting a strong momentum. In particular, in Spain there is a strong growth potential of this type of products on the back of a high life expectancy and the low

[38] Asset management and life savings insurance funds of our peers are calculated using reported numbers of off-balance sheet funds as of December 31, 2021 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Asset management and life savings insurance funds[APM] in section "*Alternative Performance Measures*". Retail customer funds of our peers are calculated using reported numbers of customer deposits and off-balance sheet funds (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Retail customer funds[APM] in section "*Alternative Performance Measures*". Average is calculated as the simple average of our peers' asset management and life savings insurance funds and retail customer funds, as applicable.

weighting of financial wealth over total wealth per capita (*source: World Bank, Global Wealth Databook 2021, OECD*). In addition, the following drivers for further growth in asset under management and life savings insurance products are still in place: (i) we are paying 0% on new deposits and have started charging negative interest on large deposits and deposits from large companies and public entities, (ii) our customers' savings have increased due to a conservative economic approach to the COVID-19 pandemic and (iii) the underpenetration of asset under management in Spain (financial assets in Spain represented just 210% of GDP compared to an average of 264% in the EU (*source: Inverco as of September 30 2021, latest available data*).

We have also focused our growth on the sale of risk insurance products. Since December 31, 2019 to December 31, 2021, our risk insurance portfolio in terms of premiums grew by 2.91% (-0.09% and 4.09% in life and non-life risk insurance products, respectively). We directly distribute our life risk insurance products through Ibercaja Vida and we have an alliance with CASER for the distribution of non-life risk insurance products. Risk insurance premiums grew 3.0% from December 31, 2020 to December 31, 2021.

The strength of our non-banking business has helped us overcome the current low interest rate environment. For example, our recurring revenues^{APM} for the year ended December 31, 2021 grew 2.50% (or €22.7 million) compared to the same period of 2020, while the average 12-month Euribor for the year has decreased by 19 basis points during the same period, from -0.30% as of December 31, 2020 to -0.49% as of December 31, 2021. This increase in recurring revenues^{APM} is mostly based on the growth of our non-banking business.

As a result of this strategic commitment to the asset management and bancassurance businesses and by maintaining full ownership of both businesses, today we have a diversified recurring revenues base. In the year ended December 31, 2021, 42.75% of our recurring revenues^{APM} were generated from non-banking products (mutual funds, pension funds, insurance and leasing). As a result, we have one of the highest proportions of non-banking commissions over recurring revenues^{APM} (31.02%) among Spanish retail banks (peers' average being 11.57%) (*source: public information of each peer*)[39].

Our Financial Group generated €410 million of recurring revenues^{APM} in the year ended December 31, 2021, which represented 44% of our recurring revenues^{APM} for such year. For a breakdown of our recurring revenues^{APM} by products, see "*Alternative Performance Measures*". As a result, we benefit from a diversified revenue base with three main drivers: (i) banking business, (ii) asset management and life savings insurance and (iii) risk insurance.

3.4 Loyal customer base and clear roadmap for digital transformation

We have developed a strong commercial model that provides best-in-class customer service levels.

As result of this differentiated customer-centric approach, we have a loyal customer base, with an average customer tenure of more than 20 years and high cross selling ratios reaching an average number of products/services per customer of 7.0 as of December 31, 2021. In addition, our customers are very satisfied with our services. As of December 31, 2021, the Group ranked above peers in terms of customer satisfaction, being the second ranked entity in Spain with a score of 7.45 on a scale from 0 to 10 in global customer satisfaction (*source: BMKS – Benchmarking Customer Satisfaction in the Financial Sector as of December 31, 2021*).

In 2016, we initiated a digital transformation process to benefit from the opportunities of the technology and the digital economy. The objective of our digital transformation is to bring our DNA to the digital world through an omnichannel model. Our digital transformation is guided by the following principles:

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[39] Non-banking commissions over recurring revenues of our peers is calculated using reported numbers of non-banking commissions, net interest income and net fee income and exchange differences as of December 31, 2021 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Non-banking commissions over recurring revenues^{APM} in section "*Alternative Performance Measures*". Average is calculated as the simple average of our peers' non-banking commission over recurring revenues.

- Customer focus. Technology is at the service of our customers' needs;
- Corporate focus and alignment. We share a vision embedded in our corporate strategy;
- Efficacy and agility. We consider key being agile and learning fast;
- Strategic alliances. We focus on our core skills and promote alliances for the rest.

Microsoft is our strategic partner in our digital transformation process by virtue of a collaboration agreement entered into on May 2016 and has acted as a catalyst for our digital transformation process.

Since then, we have completely transformed our digital assets (*see "Digital Transformation – Digital Assets"*). As of December 31, 2021, we had increased our number of digital customers by 14.8%, primarily due to an 39.6% increase in Ibercaja App users (compared to December 31, 2019) and our transactions through digital channels represented 74.3% of our total transactions. As of December 31, 2021, Ibercaja App ranked first among peers in Play Store (4.7 stars) and Apple Store (4.5 stars) (*source: weighted average between the scores received from the users of Android and IOS Apps*)[40]. In addition, the new technological capabilities have resulted in an increase in the efficiency and commercial productivity of our branch managers.

3.5 *Effective measures that mitigate impact of current environment on P&L*

Strength of recurring revenues[APM]

The strength of our non-banking business has helped us overcome the current low interest rate environment. Our strategic commitment to fee-based businesses (asset management and life savings insurance businesses) has allowed us to achieve a highly diversified recurring revenues[APM] base, ranking as one of the Spanish domestic banks with the highest proportion of net fee income and exchange differences over recurring revenues[APM], representing 47.09% for the year ended December 31, 2021, clearly above our peers' average of 33% (source*: peers' publicly available data as of December 31, 2021*)[41]. As of December 31, 2021, our net fee income and exchange differences over average total assets[APM] also outperformed our peers' (peers' average being 0.55%) representing 0.76% (*source: peers' publicly available data as of December 31, 2021*) [42].

Non-banking commissions have proven resiliency and sustained structural growth. In the period 2019-2021, our non-banking commissions grew by 18.90% contributing to offset the drop in net interest income. For the year ended December 31, 2021, non-banking commissions were already substantially above pre-COVID-19 levels (€288.9 million for the year ended in December 31, 2021 compared to €230.2 million for the year ended December 31, 2020 (25.50% growth)).

The evolution of our recurring revenues[APM] shows a decreasing dependency on net interest income. For the year ended December 31, 2021, net interest income represented 52.91% of our recurring revenues[APM]

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[40] The calculation of the score is an average between the scores received from users of the Android and IOS Apps (weighting each score by 50%). We have calculated the weighted average of our peers.

[41] Net fee income and exchange differences of our peers is calculated using reported numbers of net fee and commission income as of December 31, 2021 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Net fee income and exchange differences[APM] in section "*Alternative Performance Measures*". Recurring revenues of our peers are calculated using reported numbers of net interest income and net fee and commission income as of December 31, 2021 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Recurring revenues[APM] in section "*Alternative Performance Measures*". Average is calculated as the simple average of our peers' net fee income and exchange differences.

[42] Net fee income and exchange differences over average total assets of our peers is calculated using reported net fee and commission income as of December 31, 2021 and the average between reported total assets as of December 31, 2021 and December 31, 2020 (as derived from their respective consolidated annual report) and applying the same method of calculation as described for Net fee income and exchange differences over average total assets[APM] in section "*Alternative Performance Measures*". Average is calculated as the simple average of our peers' net fee income and exchange differences over average total assets.

(58.73% and 58.09% for the years ended December 31, 2020 and 2019, respectively). Despite the 7.65% year-on-year drop in net interest income for the year ended December 31, 2021, our recurring revenues[APM] for such period have grown (2.50% year-on-year growth), as the reduction in net interest income (€40.8 million) has been offset by the increase in net fee income and exchange differences[APM] (€63.6 million).

We expect net interest income pressures to come to an end on the back of:

- European Union recovery package to support Member States hit by the COVID-19 pandemic ("**Next Generation funds**") and positive dynamics in the housing market, which are expected to positively impact business loan and mortgage volumes in Spain;
- Normalisation of ALCO portfolio contribution to total interest income[43], representing 6.19% as of December 31, 2021, compared to 8.94% and 10.40% for the years ended December 31, 2020 and 2019, respectively;
- Mortgage portfolio repricing: mortgage portfolio has already been repriced to current Euribor levels. Euribor forward curve points to an increase in coming quarters (*Source: Bloomberg as of December 31, 2021*).

Operating efficiency

Our continuous cost-cutting efforts resulted in a 5.4% reduction in recurring operating expenses[APM] from €600,087 thousand for the year ended December 31, 2019, to €567,465 for the year ended December 31, 2020. In the year 2021, recurring operating expenses[APM] grew by 5.4% year-on-year as a result of the launch of our new "Desafío 2023" Strategic Plan and the lower operating cost base registered in 2020 as a result of the COVID-19 pandemic.

In December 2020, we reached an agreement to reduce our workforce by up to 750 employees (equivalent to 15% of our headcount) and to close up to 199 branches by June 30, 2022 (departures will occur in a staggered manner until June 2022 and the bulk of costs savings will be visible during 2022).

We have improved our productivity by 19.2% since 2019, with retail business volume per employee[APM] increasing to €20,292 thousand as of December 31, 2021 (compared to €17,782 thousand and €17,024 thousand as of December 31, 2020 and 2019, respectively), broadly in line with our peers' average (€21,107 thousand)[44]. We will reduce our recurring operating expenses[APM] by €40 million from 2022 onwards as a result of the reduction in staff expenses as a consequence of the implementation of the 2021-2022 Redundancy Plan.

3.6 *Sound corporate governance and experienced management team with a proven track record*

We have a sound corporate governance already complying with the main recommendations of the Corporate Governance Code (see "*Corporate governance legal provisions and recommendations*"). In particular, the roles of Chief Executive Officer and Chairman are separated, independent directors represent 50% of our Board of Directors and our main Board Committees (Audit and Compliance Committee, Appointments Committee, Compensation Committee and Large Risks and Solvency Committee) are chaired by an independent director.

We are managed by a strong executive team, with an average tenure of over 20 years at Ibercaja Banco. Under the leadership and guidance of our highly professional management team, we have witnessed a significant strengthening of our business over the years. Since the arrival of our current management team in 2015, we have accomplished a large number of significant milestones for our business:

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[43] See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

[44] Retail business volume per employee of our peers is calculated using numbers on employees, gross loans and customer deposits as of December 31, 2021 (as derived from their respective consolidated annual report), assets under management as of December 31, 2021 (INVERCO) and life insurance provisions as of December 31, 2021 (ICEA).

- we have completed the Banco Caja3 integration capturing cost synergies and executing a commercial turnaround;
- between March 2016 and March 2017, with the consent of the ECB, we completed the early redemption of the Banco Caja3 CoCos;
- we have strengthened our balance sheet while protecting our shareholders' value, without selling any strategic assets or doing a capital increase;
- we have shown out access to capital markets, being one of the first non-listed banks in Europe to complete our AT1 and Tier 2 capital buckets; and
- we have reduced our cost base while boosting our commercial model complemented with our digital transformation process.

Our management team continues to be fully committed to the implementation of our business plan and will continue to seek opportunities to increase our profitability going forward.

4. Strategy

In April 2021, we launched our Strategic Plan "Plan Desafío 2023" for 2021 to 2023. The main objectives of this plan are to improve the Company's recurring profitability, to reinforce Ibercaja Banco's leadership in customer experience as a distinctive value and to accelerate our transformation to ensure our future competitiveness.

We have a clear roadmap to achieve our Plan Desafío 2023's objectives, which is focused on the following areas:

- Banking for companies: developing our customer segments related with companies is one of our main strategic objectives, primarily with a focus on companies with annual turnover of over €2 million. For such purposes, we have created the Directorate of Companies.

  We are improving the optimization of our commercial model establishing an excellent service model at three levels: managers, specialized middle office and back-office and at the same time promoting the new digital banking model. In addition, we are in the process of consolidating our commercial systematics and risk-adjusted intelligence models.

  Our focus is on the partnership we have created with Mazars and Silo for the purposes of providing new advising services to our corporate customers in relation to the access to Next Generation Funds.

- Mortgage loan market: with the aim of increasing our customer acquisition capacity, we have (i) increased our investment in advertising and digital presence, (ii) reached agreements with mortgage loan platforms and real estate portals, (iii) reinforced our commercial specialization, (iv) individualized our mortgage loan origination objectives, (v) launched the "100% digital mortgage loan" and (vi) reviewed our internal processes and circuits.

- Risk insurance products: our strategy is focused on (a) individual customers, for whom we have improved our products, creating the single account and modular and pre-quoted products, and (b) corporate customers to whom we offer a new range of specific products and the Platinum program.

  We believe that our digital transformation process plays a key role in our risk insurance products strategy. In this sense, we have implemented the "digital manager model" and we are encouraging the adoption of remote sales tools by the branch network.

- Asset management and life savings insurance products: we have an affluent customer acquisition plan. We have expanded the scope of our advisory services to tax planning, inheritance and will drafting, among others. We are taking advantage of the behavioral economics of our customers by advising customers willing to save. Finally, we are boosting our ESG products and increasing our sales capabilities, remote personal relationship and digital assets.

In order to achieve our Plan Desafío 2023's objectives we have launched two strategic programs: (i) "Customers and Profitable Growth" ("*Clientes y Crecimiento Rentable*"), and (ii) "Productivity and Efficiency" ("*Productividad y Eficiencia*"). Additionally, we will implement certain cross-cutting initiatives that we expect to be key for the implementation of these programs. Our capital expenditure (CapEx) for our "Plan Desafío 2023" Strategic Plan is approximately €100 million annually.

4.1 Customers and Profitable Growth

This program is aimed at improving customer satisfaction while achieving profitable growth in our business. The entire organization has to focus on its customers and on fully satisfying their needs, even by anticipating these, with a personalized value proposition and a global service that makes a difference. By doing so, we believe we will achieve an equal and fair monetization of the value and utility offered to customers.

As part of this program, we will launch different initiatives to (a) improve and develop customer knowledge and business intelligence tools and (b) implement new collection models based on the personalization of the products and services we offer. On the commercial front, we will prioritize profitable growth in companies, risk insurance and personal banking.

4.2 Productivity and Efficiency

With this program, we want to be an organization that is able to redirect its resources and focus them on value creation. The aim is to reduce unproductive operating costs and invest them in accelerating our digital transformation. To achieve this goal, we will launch process optimization and re-engineering initiatives and implement zero-base budgeting measures.

4.3 Cross-cutting initiatives

In addition, we will implement two blocks of cross-cutting initiatives that we believe will be key to the implementation of the abovementioned programs:

- Initiatives to focus on value creation: these measures are aimed at improving our knowledge of the risks assumed by us as well as their overall management. Risk-adjusted return should be the basic criteria in decision-making. The main initiatives will be (i) internal credit risk models (IRB models), (ii) pricing and efficient capital allocation and (iii) data governance.
- Initiatives to make us a talent-attractive organization and to enable us to adapt to the changing environment. These initiatives will include (i) the transformation of our technology model, (ii) strategic people planning and (iii) the integration of our sustainability and corporate purpose into our financial activity.

These strategic programs have been conceived and structured to help us achieve our medium-term objectives (see *"Medium-term financial objectives"* below).

5. Medium-term financial objectives

In the context of our "Plan Desafío 2023" strategic plan launched in April 2021, we set certain medium-term financial objectives which were updated in December 2021 as communicated to the market through a corporate presentation published by means of a communication of other relevant information (*comunicación de otra información relevante*) on December 9, 2021. In terms of profitability, we aim to achieve in the medium term (i) a ROTE^{APM} of approximately 9.0% (5.7% as of December 31, 2021); and (ii) a recurring cost-to-income ratio^{APM} of approximately 55.0% (64.2% for the year ended December 31, 2021).

In terms of asset quality, we aim to achieve in the medium term (i) a cost of risk^{APM} of 0.30% (0.35% as of December 31, 2021); (ii) a NPA ratio^{APM} of approximately 4.0% (4.0% as of December 31, 2021); and (iii) a NPA coverage ratio^{APM} of at least 65.0% (68.8% as of December 31, 2021).

In terms of solvency, we aim to maintain in the medium term a CET1 ratio of 12.5% (12.7% as of December 31, 2021) with AT1 and Tier 2 buckets already completed, and a total capital ratio fully-loaded of

17.0% (17.4% as of December 31, 2021). We also aim to distribute a cash dividend payout ratio[APM] of approximately 60.0% in the medium term (65.00% for the year ended December 31, 2021).

These objectives take into account the Euribor forward curve as of November 29, 2021 which implies that the 12-month Euribor rate will remain (on average) at -0.48%, -0.36% and -0.08% in 2021, 2022 and 2023, respectively. These medium-term objectives are based on the assumption of a tax rate of 30%. We have also carried out a sensitivity analysis with the Euribor forward curve as of February 28, 2022 which was 80 basis points above the Euribor forward curve used for stating out medium-term objectives in our "Plan Desafío 2023" strategic plan. If this Euribor forward curve were to materialize, our ROTE medium-term objective would foreseeably be revised up to 10.5%.

5.1 Business volume growth

In 2021 performing loans excluding reverse repurchase agreements[APM] fell 0.3% which shows an improvement compared to 2020 when performing loans excluding reverse repurchase agreements[APM] fell by 2.4%. We expect 2022 to represent the turning point back to credit volume growth after the decline experienced over the past years, allowing us to target a moderate growth of the performing loan book in the medium term. In aggregate, we target to increase our stock of performing loans by 2.5% to 3.5% per year in the medium term.

We aim to stabilize the retail mortgage portfolio in the medium term benefiting from the recent strength in the residential real estate market. In addition, we aim to increase our loans to companies by 7.0% to 9.0% annually in the medium term supported by the deployment of Next Generation funds.

We aim to increase our retail customer funds[APM] by approximately 3.5% annually in the medium term, below our recent historical performance (this growth does not take into account market performance in assets under management). We believe that our Personal Banking customer segment will be the main driver for this growth. In term of products, we aim to grow by 5.0% to 6.0% annually in the medium term in asset management and life savings insurance products (particularly, mutual funds, pension funds and unit-linked products). Precautionary retail deposits gathered by our customers during the COVID-19 pandemic are expected to shift towards other investment products, primarily due to the negative interest rates environment.

5.2 Gradual recovery of our net interest income towards pre-COVID-19 levels (2019)

We expect net interest income to increase by 3.0% to 4.5% annually in the medium term driven by:

(i) the expected Euribor evolution based on forward rates as of November 29, 2021;

(ii) a customer spread[APM] of approximately 1.4% in the medium term due to an increase in Euribor rates, an ongoing change in the mix of the portfolio and the cost of new term deposits remaining at 0%;

(iii) a targeted increase in the performing loan book of 2.5% to 3.5% annually in the medium term with the stabilization of the retail mortgage portfolio and a targeted increase in the companies' portfolio of 7% to 9% annually in the medium term;

(iv) an increase in the ALCO portfolio size as a result of our growth in liquidity;

(v) broadly stable contribution from our life insurance business; and

(vi) the redemption of TLTRO III funding and the reduction of associated excess liquidity.

5.3 Increase of fee income driven by non-banking commissions

We expect an increase in net fee income and exchange differences[APM] at an approximately 5.5% CAGR in the medium term driven by the contribution of our Financial Group. Particularly, our non-banking commissions will be the main contributor through the growth of our asset gathering and risk insurance businesses. We aim to increase our non-life risk insurance premiums on an annual basis by approximately 6% in the medium term, bolstered by our commercial agreement with CASER.

We also expect a slight growth in banking commissions driven by banking business, the recovery of the economy and tariffs optimization.

5.4 Increase of operating efficiency

We have recently demonstrated our ability to reduce our operating costs: in May 2017 we reached an agreement to reduce our workforce by up to 590 employees and to close up to 140 branches by June 2018. Overall, in 2017 and 2018, our employees decreased by 314 and 279, respectively, and the number of branches decreased by 96 and 32, respectively. However, we believe there is room to deliver additional efficiency and productivity gains by reducing operating expenses^{APM} by at least €40 million (before taxes) in the medium term, mainly through further cost optimization measures. In this sense, the 2021-2022 Redundancy Plan will reduce our workforce by up to 750 employees (15% of our headcount). We target a recurring cost-to-income ratio^{APM} of approximately 55.0% in the medium term (64.2% for the year ended December 31, 2021).

5.5 Outperforming the sector in non-performing assets and cost of risk

After a strong provisioning effort and the successful implementation of our new recovery model, we have achieved best-in-class asset quality metrics.

We aim to maintain a NPL ratio^{APM} of approximately 2.5% and a NPA ratio^{APM} of approximately 4.0% in the medium term.

We target to maintain a NPA coverage ratio^{APM} of at least 65.0% in the medium term, from 68.8% as of December 31, 2021.

We intend to stabilize our cost of risk^{APM} at 0.30% in the medium term, following the prudent approach towards lending taken during the COVID-19 pandemic and based on the defensive composition of the loan book.

5.6 Best in class capital position

Our target is to maintain a CET1 ratio of 12.5% and a total capital ratio of 17.0% in the medium term.

We became one of the first regional banks in Europe to complete our hybrid capital buckets after issuing AT1 and Tier 2 instruments in April 2018 and July 2015, respectively, strengthening our capital position (*source: EBA 2019 transparency test*). In January 2020, we issued a new Tier 2 instrument after repurchasing in the market part of the 2015 Tier 2 instrument.

Our medium-term capital objectives are consistent with our MREL requirements and the issuance of €0.7 billion to €0.8 billion MREL-eligible instruments is factored in our targets.

The calculation of our RWAs is fully based on the standardized approach methodology. Our objectives do not consider a potential migration to an internal model approach (which could result in lower RWAs), and we assume RWA density to remain stable.

On the basis of these medium-term financial objectives, our overall underlying objective is to increase our ROTE^{APM} to approximately 9% in the medium term, from 5.7% for the year ended December 31, 2021. The medium-term ROTE^{APM} objective is driven by a reduction in recurring operating expenses^{APM}, stabilization of cost of risk, growth in net fee income and exchange differences^{APM} and gradual recovery of net interest income towards pre-COVID-19 levels (2019). Most of these drivers are under our control or based on recent years' track record and, as a result, we have high visibility on our ROTE^{APM} medium-term target based on an Adjusted ROTE^{APM} for the year ended December 31, 2021 and for the year ended December 31, 2020 of 5.4% and 4.6%, respectively. This ROTE^{APM} objective is consistent with a CET1 ratio target of 12.5% in the medium term.

In particular, we target our medium-term financial objectives to contribute to our objective of ROTE^{APM} as follows:

Medium-term financial objective	**Contribution to ROTE^{APM}**
Increase in net interest income	between +0.7 and 1.1%
Increase in net fee income	+1.2%
Reduction in recurring operating expenses^{APM}	+1.1%
Decrease in cost of risk^{APM}	+0.4%
Other negative impacts (including net profit from financial assets and liabilities^{APM}, other operating income and expenses^{APM}, other gains and losses^{APM} and the increase in tangible equity as a result of the 40% profit not distributed as dividend taking into consideration the medium-term objective of a 60% cash dividend pay-out ratio^{APM})	-0.5%

ROTE^{APM}, adjusted ROTE^{APM}, recurring cost-to-income ratio^{APM}, recurring revenues^{APM}, cost of risk^{APM}, NPA ratio^{APM}, NPA coverage ratio^{APM}, retail customer funds^{APM}, customer spread^{APM}, net fee income and exchange differences^{APM}, retail business volume per employee^{APM}, recurring profit before provisions^{APM}, NPL ratio^{APM} and recurring operating expenses^{APM} are APMs, the definition, explanation, use and reconciliation of which are set out in "*Alternative Performance Measures*".

The financial objectives included in this section constitute forward-looking information and are subject to risks and uncertainties that could cause actual results to differ materially from these objectives, including, but not limited to, our performance, industry performance, general and economic conditions, competition, adverse changes in applicable laws, regulations or rules, and the various risks and uncertainties set forth in this Registration Document that could materially adversely affect our future results. We cannot give any assurance that these objectives will be realized or that actual results will not vary significantly from these objectives. See also "*Presentation of Financial and Other Information—Objectives*".

6. Recent Developments and Current Trading

Since December 31, 2021 until the date of this Registration Document, there has been no significant change in the financial position or financial performance of the Group.

7. Markets

We conduct all of our business in Spain. Based on the location of the branch managing our clients, we segment our activities into the following geographical markets (i) our Home Markets (which are the autonomous regions of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz) which constitute our traditional geographic markets and where we have a leading presence (*source: market share information from the Bank of Spain*), (ii) our Growth Markets (which are the autonomous region of Madrid and the Mediterranean basin (which includes the autonomous regions of Catalonia and the Valencian Community)) where we have a well-established presence taking into consideration that the retail business volume^{APM} in these markets represented 29.23% of our retail business volume^{APM} as of December 31, 2021 and that Madrid now represents the second most relevant market for us accounting for 17.69% of our retail business volume^{APM} as of December 31, 2021 and (iii) the Rest of Spain.

The following table shows the percentage that each of these markets represented over our total business volume^{APM} and recurring revenues^{APM} as of December 31, 2021, 2020 and 2019:

	As of December 31,					
	2021		2020		2019	
	Retail business volume[APM]	Recurring revenues[APM]	Retail business volume[APM]	Recurring revenues[APM]	Retail business volume[APM]	Recurring revenues[APM]
	(%)					
Home Markets	61.74%	62.07%	61.60%	59.18%	61.19%	57.00%
Growth Markets.............	29.23%	30.54%	29.37%	32.53%	29.65%	34.04%
Rest of Spain..................	9.03%	7.39%	9.03%	8.29%	9.16%	8.96%
Total...............................	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

7.1 Home Markets

The following table shows the number of customers and branches in each of our Home Markets and the percentage they represented over our total number of customers and branches, as well as the retail business volume[APM] and the recurring revenues[APM] of each of our Home Markets, and their contribution to our retail business volume[APM] and recurring revenues[APM], as of and for the year ended December 31, 2021:

	As of and for the year ended December 31, 2021							
	Customers[(1)]		Branches[(2)]		Retail business volume[APM]		Recurring revenues[APM]	
	Millions	*%*	*Number*	*%*	*€ thousands*	*%*	*€ thousands*	*%*
Aragón	0.71	39.4	333	36.43	43,728,528	44.16%	470,883	50.56%
Rest of Home Markets..	0.39	21.7	251	27.46	17,412,097	17.58%	107,233	11.51%
Total Home Markets...	**1.10**	**61.1**	**584**	**63.89**	**61,140,625**	**61.74%**	**578,116**	**62.07%**

Notes:—

(1) Our total number of customers is approximately 1.8 million.

(2) Our total number of branches is 914.

The following table shows information related to performing loans excluding reverse repurchase agreements[APM], retail deposits[APM], asset management and life savings insurance funds[APM] and retail customer funds[APM] in each of our Home Markets as of December 31, 2021:

	As of December 31, 2021							
	Performing loans excluding reverse repurchase agreements[APM]		Retail deposits[APM]		Asset management and life savings insurance funds[APM]		Retail customer funds[APM]	
	€ thousands	*%*	*€ thousands*	*%*	*€ thousands*	*%*	*€ thousands*	*%*
Aragón	8,236,406	28.54%	17,162,266	46.22%	18,329,856	55.49%	35,492,122	50.58%
Rest of Home Markets..	3,710,306	12.85%	7,748,848	20.87%	5,952,943	18.02%	13,701,791	19.53%
Total Home Markets...	**11,946,712**	**41.39%**	**24,911,114**	**67.09%**	**24,282,799**	**73.51%**	**49,193,913**	**70.11%**

Aragón

Aragón is our main market.

Aragón is an autonomous region located in the northeast of Spain, with a population of around 1.3 million, which represented 2.8% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*). Its territory is divided into three provinces: Zaragoza, Huesca and Teruel.

The GDP per capita generated by the Aragonese economy in 2020 reached €26,512 thousand, which was 11.9% above the Spanish average GDP per capita (*source: INE, latest available data*). Aragón's GDP accounted for 3.1% of the Spanish GDP as of December 31, 2020 (*source: INE, latest available data*). The industrial sector and exports of goods contributed 19.8% and 37.9%, respectively, to Aragón's GDP in 2020, both of which were above the Spanish average (14.7% and 23.3%, respectively) (*source: INE and ICEX, latest available data*). As of December 31, 2021, the unemployment rate in Aragón was 9.0%, which was below the Spanish average of 13.3% (*source: INE, latest available data*).

With regard to the financial sector, Aragón accounted for 2.8%, 2.8% and 4.5% of the aggregate volume of Spanish loans to the private sector (€35.4 billion), deposits from the private sector (€37.9 billion) and number of branches (856), respectively, as of December 31, 2021 (*source: Bank of Spain, latest available data*).

Rest of Home Markets

In addition to Aragón, our Home Markets include the regions of La Rioja, Guadalajara, Burgos and Badajoz.

La Rioja is an autonomous region located in the northeast of Spain, with a population of around 0.3 million, which represented 0.7% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*).

The GDP per capita generated by the economy of La Rioja in 2020 reached €25,714 thousand, which was 8.5% above the Spanish average GDP per capita (*source: INE, latest available data*). La Rioja's GDP accounted for 0.7% of the Spanish GDP as of December 31, 2020 (*source: INE, latest available data*). As of December 31, 2021, the unemployment rate in La Rioja was 10.5%, which was below the Spanish average of 13.3% (*source: INE, latest available data*).

Guadalajara is a province located in the center of Spain with a population of around 0.3 million, which represented 0.6% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*).

As of December 31, 2021, the unemployment rate in Guadalajara was 10.8%, which was below the Spanish average of 13.3% (*source: INE, latest available data*).

Burgos is a province located in the north of Spain with a population of around 0.4 million, which represented 0.8% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*).

As of December 31, 2021, the unemployment rate in Burgos was 10.0%, which was below the Spanish average of 13.3% (*source: latest available date*).

Badajoz is a province located in the southeast of Spain, with a population of around 0.7 million, which represented 1.4% of the total population of Spain as of January 1, 2021 (*source: INE, latest available information*).

As of December 31, 2021, the unemployment rate in Badajoz was 19.7%, which was above the Spanish average of 13.3% (*source: INE, latest available information*).

7.2 Growth Markets

In the late 1980s, we expanded our activities to our Growth Markets.

The following table shows the number of customers and branches in each of our Growth Markets and the percentage they represented over our total number of customers and branches, as well as the retail business volume[APM] and the recurring revenues[APM] of each of our Growth Markets and their contribution to our retail business volume[APM] and recurring revenues[APM] as of and for the year ended December 31, 2021.

	As of and for the year ended December 31, 2021							
	Customers[(1)]		Branches[(2)]		Retail business volume[APM]		Recurring revenues[APM]	
	Millions	*%*	*Number*	*%*	*€ thousands*	*%*	*€ thousands*	*%*
Madrid	0.32	17.8	135	14.77	17,512,619	17.69%	191,201	20.53%
Mediterranean basin	0.22	12.2	116	12.69	11,425,859	11.54%	93,239	10.01%
Growth Markets	**0.54**	**30.0**	**251**	**27.46**	**28,938,478**	**29.23%**	**284,440**	**30.54%**

Notes:—

(1) Our total number of customers is approximately 1.8 million.

(2) Our total number of branches is 914.

The following table shows information related to performing loans excluding reverse repurchase agreements[APM], retail deposits[APM], asset management and life savings insurance funds[APM] and retail customer funds[APM] in each of our Growth Markets as of December 31, 2021:

	As of December 31, 2021							
	Performing loans excluding reverse repurchase agreements[APM]		Retail deposits[APM]		Asset management and life savings insurance funds[APM]		Retail customer funds[APM]	
	€ thousands	*%*	*€ thousands*	*%*	*€ thousands*	*%*	*€ thousands*	*%*
Madrid	7,330,086	25.40%	6,318,557	17.02%	3,863,976	11.70%	10,182,533	14.52%
Mediterranean basin	5,207,159	18.04%	3,588,735	9.66%	2,629,965	7.96%	6,218,700	8.86%
Growth Markets	**12,537,245**	**43.44%**	**9,907,292**	**26.68%**	**6,493,941**	**19.66%**	**16,401,233**	**23.38%**

Madrid

Madrid is our second most important market by retail business volume[APM]. Located in the center of Spain, Madrid is the third largest autonomous region in Spain in terms of population with a population of around 6.8 million (which represented 14.2% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*)).

The GDP per capita generated by the Madrid economy in 2020 reached €32,048 thousand, which was 35.3% above the Spanish average GDP per capita (*source: INE, latest available data*). Madrid's GDP accounted for 19.3% of the Spanish GDP as of December 31, 2020 (*source: INE, latest available data*). The industrial sector and exports of goods contributed 9.9% and 13.5%, respectively, to Madrid's GDP in 2020, both of which were below the Spanish average (14.7% and 23.3%, respectively) (*source: Bank of Spain and ICEX, latest available data*). As of December 31, 2021, the unemployment rate in Madrid was 10.1%, which was below the Spanish average of 13.3% (*source: INE, latest available data*).

With regard to the financial sector, Madrid accounted for 29.2%, 26.5% and 11.8% of the aggregate volume of Spanish loans to the private sector (€366.1 billion) and deposits to the private sector (€363.1 billion) and number of branches (2,242), respectively, as of December 31, 2021 (*source: Bank of Spain, latest available data*).

Mediterranean basin

The Mediterranean basin includes the autonomous regions of Catalonia and the Valencian Community.

Catalonia is an autonomous region located in the northeast of Spain, is the second largest autonomous region in Spain in terms of population with a population of around 7.8 million (which represented 16.4% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*)). Its territory is divided into four provinces: Barcelona, Tarragona, Gerona and Lérida.

The GDP per capita generated by the Catalonian economy in 2020 reached €27,812 thousand, which was 17.4% above the Spanish average GDP per capita (*source: INE, latest available data*). Catalonia's GDP accounted for 19.0% of the Spanish GDP in 2020 (*source: INE, latest available data*). The industrial sector and exports of goods contributed 17.5% and 31.1%, respectively, to Catalonia's GDP in 2020, both of which were above the Spanish average (14.7% and 23.3%, respectively) (*source: Bank of Spain and ICEX, latest available data*). As of December 31, 2021, the unemployment rate in Catalonia was 10.2%, which was below the Spanish average of 13.3% (*source: INE*).

The Valencian Community is an autonomous region located in the east of Spain, is the fourth largest autonomous region in Spain in terms of population with a population of around 5.1 million (which represented 10.7% of the total population of Spain as of January 1, 2021 (*source: INE, latest available data*)). Its territory is divided into three provinces: Alicante, Castellón and Valencia.

The GDP per capita generated by the Valencian economy in 2020 reached €20,792 thousand, which was 12.2% below the Spanish average GDP per capita (*source: INE, latest available data*). The Valencian Community's GDP accounted for 9.3% of the Spanish GDP in 2020 (*source: INE, latest available data*). The industrial sector and exports of goods contributed 17.5% and 27.3%, respectively, to the Valencian Community's GDP in 2020, both of which were above the Spanish average (14.7% and 23.3%, respectively) (*source: Bank of Spain and ICEX, latest available data*). As of December 31, 2021, the unemployment rate in the Valencian Community was 14.4%, which was above the Spanish average of 13.3% (*source: INE, latest availble data*).

With regard to the financial sector, the Mediterranean basin accounted for 25.5%, 23.1% and 21.6% of the aggregate volume of Spanish loans to the private sector (€319.4 billion), deposits from the private sector (€316.4 billion) and number of branches (4,108), respectively, as of December 31, 2021 (*source: Bank of Spain, latest available data*).

7.3 Rest of Spain

We also carry out our activities outside our Home Markets and our Growth Markets ("**Rest of Spain**"). The following table shows the number of customers and branches in the Rest of Spain and the percentage they represented over our total number of customers and branches, as well as the retail business volume^APM and the recurring revenues^APM of the Rest of Spain and their contribution to our retail business volume^APM and recurring revenues^APM as of and for the year ended December 31, 2021:

	As of and for the year ended December 31, 2021							
	Customers(1)		**Branches(2)**		**Retail business volume^APM**		**Recurring revenues^APM**	
	Millions	*%*	*Number*	*%*	*€ thousands*	*%*	*€ thousands*	*%*
Rest of Spain................	**0.16**	**8.9**	**79**	**8.64**	**8,945,837**	**9.03%**	**68,813**	**7.39%**

Notes:—

(1) Our total number of customers is approximately 1.8 million.

(2) Our total number of branches is 914.

The following table sets out information related to performing loans excluding reverse repurchase agreements^APM, retail deposits^APM, asset management and life savings insurance funds^APM products and retail customer funds^APM in the Rest of Spain as of December 31, 2021:

	As of December 31, 2021							
	Performing loans excluding reverse repurchase agreements^APM		**Retail deposits^APM**		**Asset management and life savings insurance funds^APM**		**Retail customer funds^APM**	
	€ thousands	*%*	*€ thousands*	*%*	*€ thousands*	*%*	*€ thousands*	*%*
Rest of Spain................	**4,378,479**	**15.17%**	**2,312,764**	**6.23%**	**2,254,594**	**6.83%**	**4,567,358**	**6.51%**

Also see "*Alternative Performance Measures*" for a breakdown by market of retail business volume^APM, recurring revenues^APM, performing loans excluding reverse repurchase agreements^APM, retail deposits^APM, asset management and life savings insurance funds^APM and retail customer funds^APM.

8. Operations and activities

Our customer-focused strategy is based on the segmentation of our customers on the basis of their financial needs, which allows us to provide our customers with a diversified portfolio of tailored products and solutions, including through the specialization of our employees.

Our commercial strategy is based on a differentiated retail business model defined around sound customer relationships and distribution models with potential for further development. Such retail business model relies on the following selling proposition and implementation framework:

- Specialization: Covering our clients' emotional needs through specialized models tailored to their financial needs and/or relationships expectations. We are increasing the number of specialized employees who provide tailored financial solutions to our customers. As of December 31, 2021, we had 781 specialized employees: 493 in our Personal Banking segment (of which 67 were Digital Managers), 76 in our Private Banking segment and 212 in our Non-Real Estate Companies segment. In this regard, 98.7% of our employees who are required to hold a specific certificate to provide advisory services, and 79.1% of the rest of employees of our branch network, hold the European Investment Practitioner (EIP) certificate or a higher qualification to provide investment advisory services. .

- Focus on advisory: Over the years, we have developed an industrialized advisory process. In 2012, we became the first Spanish bank certified by the Spanish Association for Standardization and Certification (AENOR) for its excellence in personal banking advisory services. In addition, Ibercaja Banco holds since 2007 the Seal for European Excellence 500+ granted by the European Foundation for Quality Management (EFQM).

- Omnichannel relationship model: Adapting to our customers' relational needs, characteristics, context and life cycle so that they can decide the most appropriate method to interact with us at each time, through an advisory model oriented to cover key and recurrent customer needs and to maximize commercial effectiveness. The underlying rationale for the creation of our omnichannel system is providing our customers a unique and recognizable experience.

  Our customers rely on face-to-face value-added interactions to cover their advisory needs while using digital channels for their day-to-day transactions, benefitting from a unique and recognizable customer experience while having a consistent and recognizable customer experience in all the channels. In the year ended December 31, 2021, 41% of our individual customers operated through both branches and digital and ATM channels (omnichannel customers or human to human digital according to internal nomenclature), while 55% operated only through digital or ATM channel and 5% operated only through branches (only branch customers).

  Omnichannel customers are the highest generators of our revenues. As of December 31, 2021, the average number of products and services of omnichannel customers was 2.3 higher than the average number of products and services of customers who operated only through branches (in relation to customers with asset management and life savings insurance products and customers with risk insurance products the average number of products and services of omnichannel customers was 1.5 and 1.8, respectively, higher than the average products and services of customers who operated only through branches).

Digitalization is a key tool to respond to our customers' needs, especially after the outbreak of the COVID-19 pandemic. In the last three years, we have renewed our main channels (Private Digital Banking, Company Digital Banking, Mobile Banking, ATMs and Public Website) and we have implemented an advanced design system to maintain an agile and uniform performance across all of them. According to FSR INMARK, we have fulfilled our main objectives in the area of digital transformation, both in terms of the use of channels and in the level of satisfaction generated.

- Personalized product offering: our product factories (Ibercaja Gestión, Ibercaja Pensión and Ibercaja Vida) have a strong reputation in the sector. In this regard, Ibercaja Pensión was named as the best pension fund management company by Expansión AllFunds in 2020, 2018, 2017 and 2016 and Ibercaja Gestión was named as the best national mutual fund management company by Expansion AllFunds in 2017.

As a result of our commercial strategy, our customers are very satisfied with our services. For individual customers, as of December 31, 2021 we ranked above peers in terms of: (i) customer general satisfaction, (ii) loyalty and (iii) recommendation, being among the two top ranked entities in Spain with a score of 7.6, 7.0 and 7.0 respectively, using the same scale from 0 to 10 in all the three ranks (*source: BMKS*).

Our customers' loyalty and trust results in long-lasting relationships, which our commercial efficiency turns into sales of our key products, being the basis of our differentiated revenue generation model.

The following table shows our customer tenure and average number of products for individual customers as of December 31, 2021:

	As of December 31, 2021	
	Customer tenure	**Average products**
	(%)	*(nº of products)*
Less than two years	5.6	3.7
Between two and 10 years	15.3	4.0
Between 10 and 20 years	26.2	5.7
More than 20 years	52.9	8.8
Total	100	7.0

The following table shows the penetration of our key products as of December 31, 2021:

	As of December 31, 2021		
	Mutual funds	**Pension funds**	**Risk insurance**
Total retail customers	12%	14%	29%
of which: Customers with at least €10,000 in retail customer funds[APM]	29%	24%	36%

Based on the type of customer, we divide our business activities in the following divisions: (i) Rest of Families, (ii) Personal Banking, (iii) Private Banking, (iv) Non-Real Estate Companies, (v) Real Estate Companies and (vi) Institutions, Public Sector and Others.

As of December 31, 2021, we had approximately 1.8 million customers, of which 73.3% were Rest of Families, 16.3% Personal Banking, 0.6% Private Banking, 5.0% Non-Real Estate Companies, 0.3% Real Estate Companies and 4.5% Institutions, Public Sector and Others customers, respectively.

8.1 Rest of Families

The Rest of Families customer segment comprises our largest customer segment and represents the main source and user of our lending and deposit-taking services, respectively. The management of the branch network in this segment focuses on capturing new customers and consolidating the relationship with and loyalty of existing ones. This is done through proposals adapted to our customers' personal needs, depending on the risk profile and disposable income of each customer.

Within our lending activity, we have historically specialized in financing housing for individuals.

Other products offered to our Rest of Families segment include ordinary banking products such as current and savings accounts, term deposits, credit and debit cards and consumer loans, as well as other products from the Financial Group such as mutual funds, pension funds and insurance products.

The Rest of Families customer segment, including both banking and asset management and life savings insurance funds, accounted for 28.21% (€27,938,483 thousand) of our retail business volume[APM] as of December 31, 2021 (30.02% (€28,335,778 thousand) and 31.72% (€28,640,895 thousand) as of December 31, 2020 and 2019, respectively).

8.2 Personal Banking

The Personal Banking customer segment includes individuals with a net worth (retail customer funds[APM] and securities) of between €100,000 and €500,000 in our Home Markets (and between €75,000 and €500,000 outside of our Home Markets).

This segment offers a management model based on a personal manager who assists customers in their financial planning, advises them on their investments, and gives them detailed information on the products and services that best meet their financial needs. Personal managers intend to offer customers the best investment strategy for their risk profile and preferences. Customers have their own digital banking service, preferential access to certain services and tailored products, making our service model a "one-stop premium shop".

As of December 31, 2021, our Personal Banking segment was managed by 426 full time managers, offering personalized solutions to 290,000 customers. In addition, 67 personal digital managers support 40,000 clients. The majority of specialized advisors assigned to this segment have a solid training, achieved through internal and external programs, recognized by well-known entities, such as the European Financial Planning Association. The Financial Group plays a key role in the product design of the Personal Banking segment, as does the Private Banking segment by training Personal Banking managers. The Personal Banking Service model has been certified by Aenor guaranteeing a best-in-class service to our customers. In fact, in 2020 we obtained the certification of service excellence management for the Personal Banking segment granted by Aenor, being the first Spanish financial institution to receive it. This certification is in addition to the certification for personal wealth management advice, also awarded by Aenor, which we hold since 2012.

The Personal Banking segment, including both banking and asset management and life savings insurance products, accounted for 44.52% (€44,083,588 thousand) of our retail business volume[APM] as of December 31, 2021 (44.11% (€41,628,359 thousand) and 43.40% (€39,190,883 thousand) as of December 31, 2020 and 2019, respectively).

8.3 Private Banking

The Private Banking customer segment is addressed to individuals with a net worth (retail customer funds[APM] and securities) in excess of €500,000 (€300,000 in Extremadura). This segment offers banking services to 11,000 customers who have more sophisticated banking needs and investment profiles, providing them with a specialized, personalized and high-quality service. Private Banking customers are advised by 76 specialized advisors and have access to all types of financial assets such as listed securities, mutual funds, variable capital investment companies (*Sociedades de Inversión de Capital Variable* or "**SICAVs**") or structured deposits. Private Banking customers, together with Personal Banking customers, are the main target of our asset management business.

The Private Banking segment, including both banking and asset management and life savings insurance funds, accounted for 8.57% (€8,485,750 thousand) of our retail business volume^{APM} as of December 31, 2021 (7.83% (€7,384,797 thousand) and 7.42% (€6,702,200 thousand) as of December 31, 2020 and 2019, respectively).

8.4 Non-Real Estate Companies

Our Non-Real Estate Companies banking services are focused on financing corporate activities including corporate loans, credit lines, financing of fixed assets and working capital, treasury management, insurance, leasing, factoring and interest rates hedging to companies outside the real estate sector.

As of December 31, 2021, our Non-Real Estate Companies customer segment offered services to almost 90,000 customers who were served by a team of 212 full-time specialized corporate account managers. The aim of these managers is to provide specialized solutions to these companies and give them comprehensive financial advice. In addition, we have 130 commercial business managers, a new position created in 2020, whose task is to manage our relationship with non-real estate companies with a turnover of less than €2 million.

Besides our branch network, we have eight business centers for non-real estate companies located in Zaragoza, Madrid, Barcelona, Valencia, Alicante and the Basque Country. These centers are responsible for the management of customers with a turnover of more than €6 or €10 million, depending on the area, and who require a higher degree of specialization.

The Non-Real Estate Companies customer segment, including banking, asset management, life savings insurance products and leasing and renting, accounted for 9.35% (€9,259,797 thousand) of our retail business volume^{APM} as of December 31, 2021 (9.28% (€8,758,179 thousand) and 8.77% (€7,917,827 thousand) as of December 31, 2020 and 2019, respectively).

8.5 Real Estate Companies

Our Real Estate Companies banking services are focused on financing corporate activities including corporate loans, credit lines, financing of fixed assets and working capital, treasury management, insurance, leasing, factoring and interest rates hedging to companies in the real estate sector.

Our Real Estate Companies customer segment served almost 6,500 customers as of December 31, 2021.

The Real Estate Companies customer segment, including banking, asset management, life savings insurance products and leasing and renting, accounted for 1.50% (€1,487,360 thousand) of our retail business volume^{APM} as of December 31, 2021 (1.46% (€1,375,268 thousand) and 1.64% (€1,479,057 thousand) as of December 31, 2020 and 2019, respectively).

8.6 Institutions, Public Sector and Others

Through the Institutions, Public Sector and Others customer segment, we cooperate with public and private entities at national and regional levels, which gives us access to this source of business and, at the same time, helps our customers in their dealings with the public authorities.

In the public sector, we cooperate with central, regional and local administrations under financing agreements, youth programs and sponsorships. In addition, we are actively engaged in the introduction and dissemination of systems for the handling of electronic payments and their administration, and we have agreements in place with different entities for the collection and management of taxes, handling of university enrolments and other administrative formalities.

We also develop a range of personalized services for private sector groups, including professional associations, members of the civil service, owners' associations and employees of large companies as well as members of condominium activities.

Our Institutions, Public Sector and Others customer segment served almost 81,000 customers as of December 31, 2021. This customer segment, including banking, asset management, life savings insurance products and leasing and renting, accounted for 7.85% (€7,769,962 thousand) of our retail business volume[APM] as of December 31, 2021 (7.30% (€6,884,367 thousand) and 7.05% (€6,366,291 thousand) as of December 31, 2020 and 2019, respectively).

9. Financial Group - Asset Management, Insurance and Leasing and Renting

The Financial Group was created in 1988 and consists of a group of subsidiaries specialized in the management of mutual funds and pension funds and our insurance and leasing-renting businesses.

The Financial Group offers a wide range of products aimed at our retail customers, complementing traditional banking products and services. Assets under management and bancassurance (which include mutual funds, pension funds and insurance products) generated 42.75% of our recurring revenues[APM] for the year ended December 31, 2021. For a breakdown of our recurring revenues[APM] by products, see "*Alternative Performance Measures*".

9.1 Mutual funds

Through Ibercaja Gestión S.G.I.I.C., S.A. ("**Ibercaja Gestión**") we manage our mutual funds. As of December 31, 2021, AuM by Ibercaja Gestión amounted to €18,367 million (€15,248 million and €13,981 million as of December 31, 2020 and 2019, respectively) (*source: Inverco*)[45], ranking sixth in its sector in Spain, with a market share of 5.78% (5.56%[46] and 5.06% as of December 31, 2020 and 2019, respectively) (*source: Inverco*).

The portfolio of Ibercaja Gestión includes a broad range of mutual funds adapted to particular market circumstances and investor risk profiles.

The following table shows the volume and distribution of Ibercaja Gestión's mutual funds, by type of fund, as of December 31, 2021, 2020 and 2019 (*source: Inverco*):

	As of December 31,					
	2021		**2020**		**2019**	
	Volume	*%*	*Volume*	*%*	*Volume*	*%*
			(€ thousands except %)			
Fixed income funds	6,610,918	36.0%	5,594,910	36.6%	4,840,920	34.6%
Equity funds	3,061,283	16.7%	2,341.420	15.4%	2,262,560	16.2%
Mixed funds	5,756,898	31.3%	5,378,220	35.3%	4,553,580	32.6%
Global funds	45,453	0.3%	47,290	0.3%	134,640	1.0%
Guaranteed funds	646,893	3.5%	834,880	5.5%	967,400	6.9%
Absolute return funds	2,245,422	12.2%	1,051,530	6.9%	1,221,920	8.7%

45 Inverco data reports the funds of Ibercaja Gestión while the mutual funds data recorded under asset management and life savings insurance funds[APM] includes, not only Ibercaja Gestión's funds but also the third party funds distributed by us among our private banking customers resulting in a mismatch between both metrics.

46 Inverco, with the publication of the April investment fund statistics, standardised the criteria for excluding the assets of funds that invest in the manager's own funds (funds of funds). This change led to a decrease in the overall assets of the system and a readjustment of quotas that raised Ibercaja Gestión's share at the end of December 2020 to 5.56%.

	As of December 31,					
	2021		2020		2019	
	Volume	*%*	*Volume*	*%*	*Volume*	*%*
			(€ thousands except %)			
Total[(1)]	**18,366,867**	**100.0%**	**15,248,250**	**100.0%**	**13,981,020**	**100.0%**

Notes:—

(1) The change in volume during a period is broken down into net subscriptions (as described in table below) plus the market effect.

The following table sets out net subscriptions, by type of fund, as of December 31, 2021, 2020 and 2019 (*source: Inverco*):

	As of December 31,		
	2021	2020	2019
		(€ thousands)	
Fixed income funds	1,008,211	461,023	(53,466)
Equity funds	199,045	(25,661)	(396,155)
Mixed funds	1,104,653	798,111	1,221,669
Global funds	(67,005)	(80,790)	(106,579)
Guaranteed funds	(176,241)	169,450	167,375
Absolute return funds	267,944	(155,581)	(97,961)
Total	**2,336,607**	**1,166,552**	**734,883**

Ibercaja Gestión offers fund portfolio management agreements to our customers, who benefit from a diversified basket of suitable mutual funds selected according to their particular risk profile. As of December 31, 2021, Ibercaja Gestión also managed 13 SICAVs (11 and 10 as of December 31, 2020 and 2019, respectively), with an equity of €72 million.

Mutual funds generated 21.80% of our recurring revenues[APM] in the year ended December 31, 2021 (16.93% and 17.86% as of December 31, 2020 and 2019, respectively).

In the 2021 edition of the Expansión-AllFunds Bank awards, Ibercaja Gestión was recognized as "Best Asset Allocation Manager" and was a finalist in the "Best National Manager" and "Best Fixed Income Manager" categories.

9.2 Pension funds

Through Ibercaja Pensión, E.G.F.P., S.A.U. ("**Ibercaja Pensión**") we manage our pension funds. As of December 31, 2021, AuM by Ibercaja Pensión amounted to €7,640 million (€7,010 million and €6,794 million as of December 31, 2020 and 2019, respectively) (*source: Inverco*)[47], ranking fourth in its sector in Spain, with a market share of 5.97% (*source: Inverco*).

[47] Inverco data refers to the position account of a fund that is defined as the totality of the consolidated rights of participants and beneficiaries. The position account results from the sum of the managed equity, mathematical provisions (for defined benefit pension plans) and funds pending transfer or rebalancing plan. Mathematical provisions are not included in our accounting, causing a mismatch between pension funds from Inverco data and pension funds data regarding asset management and life savings insurance funds[APM].

Ibercaja Pensión offers (i) fixed-income plans; (ii) mixed fixed-and-variable income plans; (iii) variable-income plans; (iv) global plans; and (v) guaranteed plans.

Ibercaja Pension manages assets under plans established by employers or by individuals. AuM in individual pension funds amounted to €3,090 million as of December 31, 2021 (€2,751 million and €2,574 million as of December 31, 2020 and 2019, respectively), ranking sixth in its sector in Spain with a market share of 3.46% (*source: Inverco*). AuM in employment plans amounted to €4,548 million as of December 31, 2021 (€4,258 million and €4,220 million as of December 31, 2020 and 2019, respectively), ranking third in its sector in Spain, with a market share of 12.04% (*source: Inverco*).

Pension funds generated 4.57% of our recurring revenues[APM] in the year ended December 31, 2021 (4.15% and 3.89% as of December 31, 2020 and 2019, respectively).

In the 2021 edition of the Expansión-AllFunds Bank awards, Ibercaja Pensión was a finalist in the category of "Best Pension Fund Manager", the sixth consecutive time it has been nominated and has won the award on four occasions. Likewise, PIP Sostenible y Solidario was a finalist for the fourth consecutive year in the "Best Solidarity Fund" category.

9.3 Insurance products

Our insurance business is carried out through two subsidiaries that operate in the life and non-life insurance segments.

Through Ibercaja Vida we manage our life savings insurance and life risk insurance products, which are brokered by Ibercaja Mediación. As of December 31, 2021, Ibercaja Vida ranked seventh in its sector in Spain in terms of volume of technical provisions (which include life savings insurance and life risk insurance technical provisions), which amounted to €6,775 million as of December 31, 2021 (€7,002 million and €7,379 million as of December 31, 2020 and 2019, respectively) (*source: ICEA*), and with a market share of 3.46% (*source: ICEA*).

The following table shows the volume of technical provisions[48] of Ibercaja Vida as of December 31, 2021, 2020 and 2019:

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Unearned premium reserve and current risks	23,260	22,475	22,856
Mathematical provisions[(1)]	4,956,650	6,031,161	6,965,422
Systematic savings plan	*2,531,442*	*3,425,307*	*4,243,124*
Temporary annuities	*2,234,835*	*2,404,384*	*2,509,009*
Others	*190,373*	*201,470*	*213,289*
Life insurance in which the investment risk is borne by the policyholders (Unit linked)	1,693,706	851,005	314,496
Unit linked mathematical provisions	*1,690,196*	*849,573*	*313,924*
Provisions for benefits pending payment	*3,510*	*1,432*	*573*
Benefits pending payment	96,109	92,728	71,710
Profit sharing and returned premiums	5,470	4,396	5,026

48 Mathematical provisions represent the value of the insurer's obligations net of the policy holder's obligations in relation to the life-risk insurance as of the dates indicated. They represent the difference between the actuarial present value of Ibercaja Vida's future obligations and those of the policyholder or, if applicable, the insured. Mathematical provisions are calculated on a policy-by-policy basis, using an individual system and applying a prospective method, taking as a basis for calculation the inventory premium accrued in the year. Mathematical provisions are calculated pursuant to the provisions of Royal Decree 2486/1998 on the organization and supervision of private insurance companies, Royal Decree 239/2007 and Order EHA/339/2007, as well as its subsequent amendments and the resolutions of the Directorate General of Insurance of July 6, 2012 and March 9, 2015.

	As of December 31,		
	2021	**2020**	**2019**
Technical provisions	**6,775,195**	**7,001,765**	**7,379,510**

Notes:—

Source: Ibercaja Vida's audited annual accounts as of December 31, 2021, 2020 and 2019.

(2) The difference between the mathematical provisions recorded in Ibercaja Vida's internal accounting records and audited annual accounts (€4,956,650 thousand, €6,031,161 thousand and €6,965,422 thousand as of December 31, 2021, 2020 and 2019, respectively) and the mathematical provisions in Note 20 to our Annual Accounts (€5,303,003 thousand, €6,551,263 thousand and €7,370,449 thousand as of December 31, 2021, 2020 and 2019, respectively) (see "*Risk Factors – Our insurance business is exposed to actuarial risk*"), corresponds to certain corrections for accounting asymmetries which are recorded in our Annual Accounts. The correction consists of symmetrically recognizing the changes in the fair value of financial assets related to the insurance business classified in the categories "Financial assets not held for trading mandatorily measured at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" with liabilities for the same amount under the heading "Liabilities under insurance or reinsurance contracts". See Note 2.19 to our Annual Accounts for the explanation of this correction. The difference between technical provisions of Ibercaja Vida recorded in Ibercaja Vida's internal accounting records and audited annual accounts (€6,775,195 thousand, €7,001,765 thousand and €7,379,510 thousand as of December 31, 2021, 2020 and 2019, respectively) and the liabilities under insurance of reinsurance contracts included in Note 20 to our Annual Accounts (€7,121,494 thousand, €7,521,867 thousand and €7,784,537 thousand as of December 31, 2021, 2020 and 2019, respectively) corresponds to the abovementioned accounting correction to the mathematical provisions.

The following table shows Ibercaja Vida's premiums distributed per life savings insurance and risk insurance products for the years ended December 31, 2021, 2020 and 2019:

	For the years ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Premiums from life-risk insurance products.....................	75,549	73,606	75,209
Premiums from life savings insurance products.....................	825,974	883,695	862,247
Ibercaja Vida total premiums.	**901,523**	**957,301**	**937,456**

The premiums for insurance contracts detailed in the table above are presented in the income statement under the heading "Income from assets covered by insurance or reinsurance contracts", which amounted to €904,463 thousand, €960,230 thousand and €940,528 thousand as of December 31, 2021, 2020 and 2019, respectively. In addition, this item includes income from reinsurance which amounted to €2,940 thousand, €2,929 thousand and €3,072 thousand as of December 31, 2021, 2020 and 2019, respectively.

The fixed income portfolio of Ibercaja Vida amounted to €5,627 million as of December 31, 2021, of which 62.3% was Spanish public debt, 24.3% was private fixed income, 6.4% was related to public administrations and 7.0% was foreign sovereign debt.

Through Ibercaja Mediación we manage our general insurance brokerage business, principally non-life risk insurance products for individuals and companies but also life savings insurance products and life-risk insurance products.

Our insurance business (life savings insurance products and risk insurance) generated approximately 16.38% of our recurring revenues[APM] for the year ended December 31, 2021 (16.45% and 16.32% as of December 31, 2020 and 2019, respectively).

We offer two main types of insurance products:

9.3.1 Life savings insurance products

Ibercaja Vida offers products aimed at promoting long-term savings by our customers. It offers, among others, systematic savings policies, deferred capital policies, temporary annuities, investment savings plans, insured benefit plans, group insurance policies and unit linked policies.

Our life savings insurance products generated approximately 5.56% of our recurring revenues[APM] for the year ended December 31, 2021 (6.18% and 6.66% for the years ended December 31, 2020 and 2019).

The following table shows the number of life savings insurance policies and amount of premiums for the years ended December 31, 2021, 2020 and 2019:

	For the year ended December 31,		
	2021	**2020**	**2019**
Policies	446,418	489,335	531,554
Premiums *(€ thousands)*	825,974	883,695	862,247

The following table shows the distribution of the volume of mathematical provisions of life savings insurance products as of December 31, 2021, 2020 and 2019:

	As of December 31,					
	2021		**2020**		**2019**	
	(*€ thousands, except %*)					
Systematic savings plan	2,531,442	38.1%	3,425,307	49.8%	4,243,124	58.3%
Temporary annuities	2,234,835	33.6%	2,404,384	35.0%	2,509,009	34.5%
Unit linked policies	1,690,196	25.5%	849,573	12.3%	313,924	4.3%
Others(1)	186,621	2.8%	198,856	2.9%	210,978	2.9%
Total(2)	**6,643,094**	**100.0%**	**6,878,120**	**100.0%**	**7,277,035**	**100.0%**

Notes:—

Source: the information as of December 31, 2021, 2020 and 2019 has been obtained from Ibercaja Vida's audited annual accounts of the relevant period.

(1) The difference between "others" mathematical provisions of life savings insurance products included in this table (€186,621 thousand, €198,856 thousand and €210,978 thousand as of December 31, 2021, 2020 and 2019, respectively) and the "others" mathematical provisions recorded in Ibercaja Vida's internal accounting records and audited annual accounts (€190,373 thousand, €201,470 thousand and €213,289 thousand as of December 31, 2021, 2020 and 2019, respectively) corresponds to mathematical provisions associated to life risk insurance products.

(2) This amount is comprised of "Mathematical provisions" (€4,956,650 thousand, €6,031,161 thousand and €6,965,422 thousand as of December 31, 2021, 2020 and 2019, respectively) and "Unit-linked mathematical provisions" (€1,690,196 thousand, €849,573 thousand and €313,9244 thousand as of December 31, 2021, 2020 and 2019, respectively). It does not include mathematical provisions associated to life risk insurance products/The difference between "others" mathematical provisions of life savings insurance products included in this table (€186,621 thousand, €198,856 thousand and €210,978 thousand as of December 31, 2021, 2020 and 2019, respectively) and the "others" mathematical provisions recorded in Ibercaja Vida's internal accounting records and audited annual accounts (€190,373 thousand, €201,470 thousand and €213,289 thousand as of December 31, 2021, 2020 and 2019, respectively) corresponds to mathematical provisions associated to life risk insurance products. The difference between the mathematical provisions recorded in Ibercaja Vida's internal accounting records and audited annual accounts (€4,956,650 thousand, €6,031,161 thousand and €6,965,422 thousand as of December 31, 2021, 2020 and 2019, respectively) and the mathematical provisions in Note 20 to our Annual Accounts (€5,303,003 thousand, €6,551,263 thousand and €7,370,449 thousand as of December 31, 2021, 2020 and 2019, respectively) (see "*Risk Factors – Our insurance business is exposed to actuarial risk*") corresponds to certain corrections for accounting asymmetries which are recorded in our Annual Accounts. The correction consists of symmetrically recognizing the changes in the fair value of financial assets related to the insurance business

classified in the categories "Financial assets not held for trading mandatorily measured at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" with liabilities for the same amount under the heading "Liabilities under insurance or reinsurance contracts". See Note 2.19 to our Annual Accounts for the explanation of this correction.

9.3.2 Risk insurance products

As of December 31, 2021, we had more than 983,000 risk insurance policies and risk insurance premiums amounted to €284.1 million (€275.9 million and €276.1 million as of December 31, 2020 and 2019, respectively). Risk insurance products generated 10.82% of our recurring revenues[APM] for the year ended December 31, 2021 (10.27% and 9.66% for the years ended December 31, 2020 and 2019). We offer two types of risk insurance products:

(i) *Life-risk insurance products*. Ibercaja Vida manages insurance policies, related and unrelated to credit transactions, in which the beneficiary receives financial compensation in the event of a loss (death or disability), which are brokered by Ibercaja Mediación. The new production of life-risk insurance products[49] increased from €6,131 thousand for the year ended December 31, 2020 to €9,374 thousand for the year ended December 31, 2021 (€6,997 thousand for the year ended December 31, 2019).

The table below shows the amount of life risk insurance premiums for the periods indicated:

	For the years ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Life risk insurance premiums	77,776	75,770	77,848
Of which: Ibercaja Vida[(1)]	72,700	70,727	72,405

Notes:—

(1) In addition, Ibercaja Vida generates premiums for approximately €3 million in group risk insurance linked to the pension plan for Ibercaja Banco employees.

(ii) *Non-life risk insurance products*. We offer these products through Ibercaja Mediación, which acts as an insurance broker.

The table below shows the amount of our non-life risk insurance premiums for the periods indicated:

	For the years ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Non-life risk insurance premiums..................................	206,360	200,085	198,273
Of which: CASER agreement	183,147	*171,800*	*169,752*

In 2012, we reached a strategic agreement with CASER for us to exclusively market CASER's non-life risk insurance products through our branch network (see "*—Material contracts—CASER Agency Agreement*" below). In the period between December 31, 2020 and December 31, 2021, the premiums associated to these products grew by 6.6% and as of December 31, 2021 they amounted to €183 million, which represented 89% of our non-life risk insurance premiums as of such date. New non-life risk insurance products under the

[49] The new production of life-risk insurance products refers to the premiums (expressed in annual terms as these are insurance policies which are renewed on an annual basis) of our life-risk insurance policies which effective date is within the relevant time limits (i.e. for the years ended December 31, 2021, 2020 and 2019, the period starts on January 1, 2021, 2020 and 2019, respectively, and ends on December 31, 2021, 2020 and 2019, respectively).

CASER Agency Agreement increased from €26,002 thousand for the year ended December 31, 2020 to €37,866 thousand for the year ended December 31, 2021 (€29,391 thousand for the year ended December 31, 2019).

9.4 Leasing and Renting

Through Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito ("**Ibercaja Leasing**") we manage our leasing and renting arrangements. It provides products to enable SMEs and professionals to finance their fixed-asset investments and to use equipment under operating leases.

Leasing and renting generated 1.25% of our recurring revenues[APM] for the year ended December 31, 2021 (1.35% and 1.09% for the years ended December 31, 2020 and 2019, respectively).

As of December 31, 2021, the outstanding risk was €562 million (€561 million and €619 million as of December 31, 2020 and 2019, respectively), which ranked Ibercaja Leasing as eighth in its sector in Spain, with a market share of 2.86% (*source: Asociación Española de Leasing*).

The NPL ratio of Ibercaja Leasing was 1.93% as of December 31, 2021 (2.65% and 2.40% as of December 31, 2020 and 2019, respectively), lower than the sector average of 6.89%[50] (*source: Bank of Spain Statistical Bulletin*).

10. Distribution channels

Our omnichannel strategy is aimed at bringing services closer to customers so that they can use them at any place and time. Our aim is to integrate traditional and new channels while maintaining the ongoing and trusting relationship accomplished by personal contact. New contents and technological innovations are regularly being added so that remote banking services can be accessed through different devices such as tablets and smartphones. We are currently implementing a digital transformation process with the aim of incorporating the leading technological solutions to our business (see "*–Digital transformation*").

The following table shows the percentage of transactions carried out by each of our distribution channels in the years indicated therein:

	As of December 31,		
	2021	**2020**	**2019**
Digital channels[(1)]	74.3%	76.0%	72.0%
Branch network	10.0%	9.6%	12.8%
PoS terminals	13.0%	11.4%	11.0%
ATMs and other methods of payment	2.7%	3.0%	4.2%
Total	**100.0%**	**100.0%**	**100.0%**

Notes:—

(1) Through the Ibercaja website and the Ibercaja App.

10.1 Branch network

Our branch network is the cornerstone of our omnichannel distribution model. We have a national branch network, significantly covering our Home and Growth Markets. Branches are the basic instrument of customer relations, providing a close, personalized, quality service. Our branch network is broad, covering all our markets, and is supported by alternative channels. In recent years, we have adapted our traditional customer service to new market requirements through the incorporation of technological support and management changes in order to streamline the relationship with our customers. In December 2020, as part of the 2021-

[50] This average is not calculated by us. It is published through the Bank of Spain Statistical Bulletin and is defined as doubtful assets of credit to the private sector over credit to the private sector.

2022 Redundancy Plan, we reached an agreement to close up to 199 branches which is to be implemented through June 30, 2022. In 2021 we closed 117 branches with no material cost associated.

As of December 31, 2021, we had 914 branches in 50 Spanish provinces. 63.90% of our branches are located in our Home Markets (584), 27.46% are located in our Growth Markets (251) and 8.64% are located in the Rest of Spain (79). The geographical distribution of our branches across the various autonomous regions of Spain as of December 31, 2021, 2020 and 2019, respectively, was as follows:

	As of December 31,					
	2021		**2020**		**2019**	
	Total	**Of which rural branches (1)**	**Total**	**Of which rural branches (1)**	**Total**	**Of which rural branches (1)**
Andalusia	28	0	29	0	29	0
Aragon	333	147	375	164	376	165
Principality of Asturias	2	0	3	0	3	0
Balearic Islands	2	0	2	0	2	0
Basque Country	3	0	3	0	3	0
Canary Islands	2	0	2	0	2	0
Cantabria	1	0	1	0	1	0
Castile-La Mancha	56	18	59	16	59	15
Castile and León	70	28	78	28	78	27
Catalonia	70	14	88	24	89	24
Extremadura	87	18	94	21	100	26
Galicia	5	0	6	0	6	0
La Rioja	60	28	64	25	90	52
Madrid	135	0	160	0	179	0
Murcia	6	0	6	0	6	0
Navarre	8	2	8	2	8	1
Valencian Community	46	0	53	0	53	0
Total branches	**914**	**255**	**1,031**	**280**	**1,084**	**310**

Notes:—

(1) Branches that are present in rural areas with low population and which serve to one or more towns. In some areas, due to the low volume of activity, we are the only entity providing services. Our rural branches have a limited cost base as our opening hours are very limited. Usually, rural branches employees work in several branches during the same week.

Our network structure includes full-service branches, branches that provide personalized services, corporate centers, Branches+ (branches in markets with high growth potential in the Personal Banking, Private Banking and Companies Banking segments) and Agro branches (branches with a range of specialized products customized for rural areas). Managers specializing in corporate, personal and private banking support the network, providing additional high-value services.

As of December 31, 2021, we had 659 city branches and 255 rural branches. Rural branches are concentrated in rural areas and have a very efficient cost structure. City branches are the main focus of our branch network optimization process through branch combinations, job specialization, new relational channels and commercial features and branch closures.

We are also improving our commercial effectiveness by the specialization of our employee base and the implementation of a new management model (see "*Business – Strategy*"). As of December 31, 2021, we had 212 employees specialized in corporate banking, 426 in our Personal Banking customer segment and 76 in our Private Banking customer segment. In addition, we had 83 digital managers (67 in our Personal Banking customer segment and 16 in our Private Banking customer segment).

The branch network optimization process also involves offloading back-office and self-service transactions from branches and digitalizing the relationship model. As of the date of this Registration Document, we have 122 digital managers serving 94,388 customers. Following a differential model based on our customers' global finance, digital managers have the same sales and assessment capacity than face-to-face managers but the number of customers each digital manager can serve is multiplied by three with respect to a face-to-face manager, which results in an important improvement in terms of savings for us.

10.2 Digital Channels

We offer our customers access to online services and products through several remote channels. Customers can operate through our online banking platform ("**Ibercaja Directo**"), Ibercaja App and Ibercaja Pay. The situation created by the COVID-19 pandemic has accelerated the use of virtual services and digital assets. The digitalisation strategy that we have been implementing in the last few years has enabled us to respond to the greater demand for online services, while maintaining the quality service. See "*Business – Digital Transformation*". As a result, 74.3% of our customers transactions are carried out through digital channels.

10.3 ATMs and other methods of payment

We have an extensive network of ATMs that allows customers to carry out usual transactions such as obtaining cash and information on account balances or movements, paying bills, activating cards, recharging mobile phones and buying shows and sports events tickets.

We had 1,172 ATMs as of December 31, 2021 (1,287 and 1,316 as of December 31, 2020 and 2019, respectively), with a market share in Spain of 2.4% (2.6% and 2.6% as of December 31, 2020 and 2019, respectively) (*source: Sociedad, Sistema de Tarjetas y Medios de Pago, S.A.*). As of December 31, 2021, as part of our ATM replacement scheme, 82% of our ATMs had been replaced. The new software installed in our ATMs offers a design homogeneous with the rest of our distribution channels and allows the access to the ATM through contactless cards o mobile phones, selection of bills in cash withdrawals, payment of taxes with cards from other banks and the management of direct debits.

We had 1,562,130 activated cards (including pre-payment, debit and credit cards) as of December 31, 2021 (1,608,221 and 1,570,167 activated cards as of December 31, 2020 and 2019, respectively) with a total value of €5,547 million[51] (€4,704 million and €4,495 million in 2020 and 2019, respectively). Our market share in Spain in terms of turnover volume was 2.3% as of December 31, 2021 (2.3% and 2.2% as of December 31, 2020 and 2019, respectively) (*source: Sociedad, Sistema de Tarjetas y Medios de Pago, S.A.*). In January 1, 2018 and September 2019, we entered into strategic alliances with Visa and Mastercard, respectively, to improve our positioning in the retail and corporate card issue businesses, respectively, and to increase our business volume obtained through this channel.

10.4 Point-of-Sale terminals

We had 34,044 point-of-sale ("**PoS**") terminals at stores throughout Spain as of December 31, 2021 (31,910 and 29,640 as of December 31, 2020 and 2019, respectively). PoS terminals are particularly suitable for self-employed individuals and professionals who are required to deliver services "on the go". As of December 31, 2021, our PoS market share in Spain stood at 1.5% (1.5% and 1.5% as of December 31, 2020 and 2019, respectively) (*source: Sociedad, Sistema de Tarjetas y Medios de Pago, S.A.*). All our PoS terminals are adapted to operate with contactless technology. In September 2018, we reached an agreement with the Ingenico group for the maintenance of our existing PoS and the rental and maintenance of new PoS.

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[51] Represents the amount of purchases carried out with the card and therefore excludes cash withdrawals at ATMs.

11. Digital transformation

In 2016, we initiated a digital transformation process to benefit from the opportunities of the technology and the digital economy. We are focused on four key areas:

- Positioning and attraction: evolve our approach to the market in order to gain notoriety and attraction, offering trust and accompaniment to our clients and transmitting our values;
- Clients: achieve greater benefits for our customers in order to enhance our relationship with users, which translates into greater loyalty, a more efficient relationship and more opportunities to sell our products;
- People: preserve the human factor as one of our greatest strengths, allowing people to drive the change by implementing new processes and tools; and
- Processes and technology: incorporate the processes and technology required to materialize the targets set, as well as to improve our ability to adapt which will allow us to achieve these objectives in a sustainable, flexible and scalable way.

Since 2016, we have made good progress in developing all of our digital assets (improving user experience and functionalities), evolving the way we attract and interact with our customers, changing the way we work and collaborate, both internally and externally, improving our data analytics capabilities and becoming, from a process and IT perspective, a more efficient and agile bank. In relation to our IT budget, 40% is spent in operation and maintenance and the rest is used for transformation, with the latter experimenting an upward trend.

We also continue to invest and enhance our cybersecurity models as an integral part of our digital transformation (approximately 5% of our IT budget is spent in cybersecurity and technology risks). We use a dedicated and specialized Security Operations Center to monitor our cybersecurity health in real time, leveraging top security technologies. Given our technology strategy with Microsoft as strategic alliance partner, Microsoft is also an integral part of our cybersecurity strategy as we are able to use its latest innovation and technology solutions.

Since 2019, we have increased our number of digital customers by 14.8%, primarily due to an 39.6% increase in Ibercaja App users since that year. As of December 31, 2021, transactions through remote channels represented 74.27% of our total transactions, compared to 72.03% as of December 31, 2019. In addition, the digitalization process has resulted in more flexible and efficient operating models that allow us to use our resources more efficiently, to achieve greater flexibility and scalability with capacity on demand, to offload installed capacity in branches and corporate services and to transform and redesign processes. As of December 31, 2021, day-to-day transactions in branches had decreased by 46.78% since 2019 (equivalent to 187.6 full time employees).

In 2020, our capital expenditure (CapEx) for the digitalization process was €59 million. With our "Plan Desafío 2023" Strategic Plan we aim to achieve better results speeding up our digital transformation process and to focus on an enhanced sales culture. We aim to increase our sales by (a) establishing an information environment for sales decision making, (b) optimizing our main channel for sales (*gestor*), (c) developing and improving all of our sales remote channels, (d) setting a distinctive positioning and (e) displaying such positioning in every interaction with our customers. We aim to achieve 790,000 Ibercaja App users[52] by 2023 (compared to 603,459 as of December 31, 2021) and digital sales representing 45% of our total sales (compared to 36.4% as of December 31, 2021). As of December 31, 2021, investments made for these purposes amounted to €75 million. Our budget for 2022 for these purposes amounts to €100 million.

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[52] Ibercaja App users are those customers that have used the app through identified access at least once in a month.

Digital Assets

We offer our customers access to online services and products through our digital assets: Ibercaja Directo, Ibercaja App and Ibercaja Pay. As of December 31, 2021, the number of digital customers (number of customers who have used our digital assets at least once in the last month) was approximately 878,818 (842,486 and 765,585 as of December 31, 2020 and 2019, respectively). Our customers are very satisfied with our digital assets. As of December 31, 2021, Ibercaja App ranked first among peers in Play Store (4.7 stars) and Apple Store (4.5 stars) (*source: weighted average between the scores received from the users of Android and IOS Apps*)[53].

Ibercaja Directo provides options tailored to different customer segments, with specific versions for retail and business customers, young people and stores.

The Ibercaja App was launched in 2016 and was the first development of Ibercaja in association with Microsoft. The Ibercaja App's design facilitates browsing, optimizes existing transactions, allowing faster and simpler use, and includes other alternatives such as loan requests, instalment plans for purchases, card limit changes and card activation. In 2017, the Ibercaja App was upgraded to incorporate personal finance management service in collaboration with Meniga, an Icelandic Fintech company. Digital onboarding is available since November 2018. In 2020, we implemented a "beginners' mode" which facilitates the execution of all types of transactions by our customers in an easy and intuitive manner. We believe that the final result is satisfactory and the rate of growth in new users has increased significantly. The number of users of the Ibercaja App (customers that have used the Ibercaja App in the last month) has increased from approximately 432,211 users as of December 31, 2019 to approximately 603,459 users as of December 31, 2021. According to the FRS INMARK retail report, we scored 71.5% in mobile banking satisfaction in 2021.

The Ibercaja Pay application has been upgraded to complement the Ibercaja App. It allows the integration of the purchase process in physical stores and payment between individuals (P2P) through the Bizum platform. The number of users of Ibercaja Pay (customers that have used Ibercaja Pay in the last month) has increased from approximately 86,040 users as of December 31, 2019 to approximately 322,975 users as of December 31, 2021.

12. Competition

Historically, there has been significant competition in the Spanish retail banking sector. Since the start of the global financial crisis in 2007, the Spanish banking sector has undergone unprecedented consolidation and a large number of banks and savings banks have merged, resulting in a decrease in the number and increase in size of active banks. Greater capital levels, stricter regulatory provisioning requirements, and strong pressure on profitability, among other factors, have continued to underpin the domestic consolidation process among Spanish institutions with the aim of gaining critical mass and scale, maximizing efficiency and reinforcing their balance sheets. In the current low interest rate environment, Spanish banks are still facing significant pressure on profitability along with subdued loan growth, which has resulted in increased competition for credit origination and fee and commission income.

Our main competitors in our Home Markets are CaixaBank and Grupo Caja Rural, based on the number of branches as of September 30, 2021 (with 308 and 210 branches, respectively, in these markets (*source: Registry of supervised entities branches, Bank of Spain, latest available data*)). Other nationwide banking entities such as Banco Santander, BBVA and Sabadell also compete with us in both our Home Markets and our Growth Markets, as well as in the Rest of Spain, based on the number of branches. The entry of online banks and FinTechs into the Spanish banking system has further increased competition, mainly in deposit-taking and off-balance sheet products. Insurance companies and other financial services firms also compete for customer funds.

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[53] The calculation of the score is a weighted average between the scores received from users of the Android and IOS Apps (weighting each score by 50%). We have calculated the weighted average of our peers.

In addition, other competitors include shadow banks, non-traditional providers of banking services, such as Internet based e-commerce providers, mobile telephone companies and internet search engines. See "*Risk Factors—Increased competition in the markets where we operate may adversely affect our growth prospects and operations*".

13. Property, plant and equipment

The following table shows the number of owned and leased branch offices as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021	**2020**	**2019**
Number of branches owned	300	333	345
Number of branches leased	523	596	636
Number of branches leased-back	91	102	103
Total	**914**	**1,031**	**1,084**

As of December 31, 2021, there were no liens or encumbrances on any of our assets classified as property, plant and equipment.

14. Technology

We believe that technology is a great competitive advantage to achieve the best value proposition, customer experience and operational efficiency and, therefore, for the development of our business. We are focused on the strategic alignment of our business with our technology to generate customer-oriented solutions. In addition, technology is key to being flexible and rapidly adapting to an increasingly changing and uncertain environment.

To this end, we maintain high standards of information protection and security, being our aim to use the best available technologies and capabilities at all times.

Our in-house information technology (IT) department manages our technology infrastructure, information systems and their operation. This internal management is complemented by the support of specialized third-party suppliers who provide hardware, software and specialized technological services.

The operation and service of our technology infrastructure are based on two own data processing centers (CPDs), for which contingency systems and procedures are available to ensure high accessibility and service quality and which are regularly monitored and tested. Our primary systems are backed up to a secondary data processing center, in near-real time, which allows it to act as our primary system in case a contingency arises. In addition, security copies are kept for safekeeping and can be retrieved when needed.

Our most relevant technology and service providers are:

- Fujitsu, which provides and maintains the vast majority of the base hardware and software used on our main servers. Fujitsu is also the provider of the hardware, service and operation of our ATMs.
- Microsoft is our strategic partner in our digital transformation process by virtue of a collaboration agreement entered into on May 2016. Microsoft provides the technology for informational platforms and channels, as well as operating system software and database for our open system servers. It also provides the base software and applications for our workstations.
- Hewlett Packard Enterprise (HPE) is our main provider for technological infrastructure of servers and open systems.

- In terms of data communications, we have a dual network and provider strategy in all our branches, which ensures greater availability and service quality. It is supported by two operators, Telefónica and Vodafone.
- Telefónica is the provider of fix-line voice communications and Vodafone of mobile-line voice communications.
- Other significant providers of specialized technological services are Ingenico for the rental and maintenance of PoS terminals, IECISA for the provision and maintenance of workstations and Solitium/HP for the provision and maintenance of corporate printing services.

15. Corporate culture and Sustainability

15.1 Corporate culture

Since our inception, our culture of being a financial entity rooted to the territory where we are located, born to encourage savings and with a desire to help society, is still very present in our day-to-day operations. Our corporate culture reflects our commitment to society and the environment.

Our corporate purpose is "helping people build their life story because their story will become ours".

15.2.1 Mission

Our mission is to contribute to improving the lives of families and businesses, helping them to manage their finances by offering comprehensive and bespoke financial services, improving and offering the most innovative products and helping them achieve their financial targets.

15.2.2 Corporate values

Our corporate values include a personal touch, professionalism, commitment, excellence, soundness and the ability to adapt to our environment.

Since our incorporation, we have shown our capability to adapt to the changes affecting our industry and environment thanks to the solidity and strength of our founding principles, which are captured in our corporate values.

15.2.3 Vision

Our vision is to be an excellent and better bank every day anticipating our stakeholders' needs.

Our commitment to our clients underpins our day-to-day operations with a view to offering an excellent and quality service.

15.2.4 Ethical code

The ethical code is an important piece of our corporate culture, which reflects how our values are reflected in our daily activity. Our ethical code includes the ethical commitments that govern the behavior of all the people who are part of our institution, promoting a professional, committed, capable of adapting, solid and excellence-oriented behavior that emphasizes our relationships with our clients.

15.2 Sustainability

We are firmly committed with the United Nations Sustainable Development Goals ("**SDGs**") of the 2030 Agenda and we are a signatory of the United Nations Principles for Responsible Banking to advance in the setting up of a sustainable banking system.

The challenge that we have taken on is to ensure that our business objectives promote sustainable development, preserving natural resources and promoting a fairer and more inclusive society. In order to do this, we are progressing with the integration of ESG (environmental, social and good governance) aspects in our strategy and decision-making processes.

Our sustainability strategy is based on five pillars:

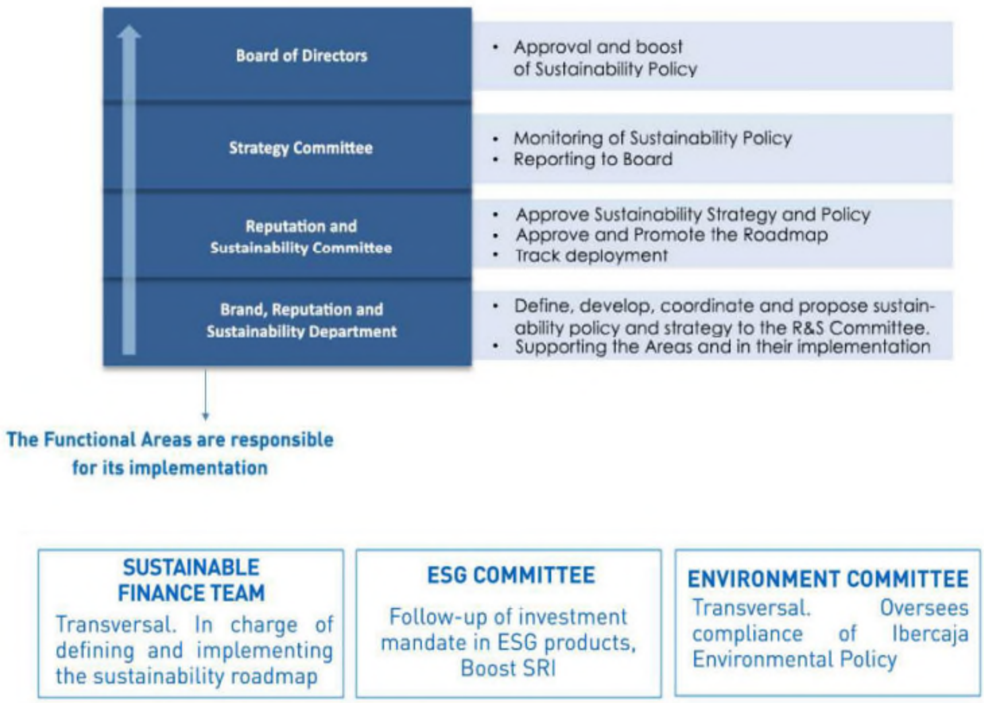
- ESG risks: identification and management of ESG risks for their gradual integration into our global risk analysis.

- Sustainable business: analyzing needs and identifying opportunities for business development to accompany clients in the transition to a sustainable economy, including climate change.
- People: comprehensive development of employees, providing them with adequate training and promoting a work, personal and family life balance.
- Transparency for all of our stakeholders, promoting communication of both financial and non-financial aspects of our business.
- Protection of the environment and its resources, mitigating climate change and favoring the development of a more inclusive and egalitarian society.

In December 2020, the Board of Directors approved our sustainability policy, as a declaration of our firm desire to contribute to the development of a more sustainable economy and financial activity, aligned with the principles, guidelines and current regulations on ESG. This sustainability policy demonstrates and formalises our commitment to sustainable development and value creation through our activity. Furthermore, it establishes our global action framework in sustainability matters, setting forth the commitments voluntarily assumed by us with our stakeholders to promote long-term sustainable, inclusive and environmentally-friendly growth.

The amount spent and invested by our brand, reputation and sustainability unit since 2019 exceeds €1.35 million.

We have implemented a governance structure that we believe will allow us to achieve our sustainability objectives:



15.2.1 Equality

We are committed to equality between men and women and we have set up the goal that 40% of our management positions will be held by women by 2023 (as of December 31, 2021, 31.3% of our senior managers were female).

15.2.2 Contribution to society

Through the Ibercaja Foundation, we promote equal opportunities. The Ibercaja Foundation uses the amounts received from our dividend distributions to develop certain projects to contribute to society. In 2021, the Ibercaja Foundation contributed over €14 million to social activities which benefitted approximately one million individuals (through its own projects and through projects carried out in collaboration with other entities).

In 2021, the Ibercaja Foundation continued with its purpose to improve the financial culture of the population by means of carrying out the eighth edition of the National Financial Education Plan, which is part of the financial education plan led by the Bank of Spain and the CNMV. On the basis that financial education is key to any individual's independence at any stage of life, the National Financial Education Plan offers resources directed at different groups and ages with the aim to provide basic financial education on a continous basis and to respond to different needs.

Furthermore, the corporate volunteer programs are one of our priorities, encouraging social action through our employees. In 2021, 250 of our employees participated in volunteer programs.

15.2.3 Environment

We have made the commitment to protect the environment and fight against climate change, taking into consideration the environmental impact of our own installations as well as that of our financial activity.

Since 2020, we are neutral in terms of CO^2 emissions (including scope 1 and 2 emissions[54]) and all the energy we use is green. In 2021, we achieved the award "Calculo-Reduzco", granted by the Climate Change Office of MITECO. The reports on our carbon footprint are available on our corporate website (www.ibercaja.com). In addition, we have been awarded with the ISO 14001 certificate in environmental management since 2007.

We are part of the UNEP-FI United Nations Environment Programme Finance Initiative, which seeks to promote private sector financing for sustainable development by fostering a financial sector that positively impacts people and the planet. In addition, Ibercaja Pensión and Ibercaja Gestión are signatories of the United Nations Principles for Responsible Investment (UNPRI) and have joined the Carbon Disclosure Project engagement platform, a non-profit organization that manages a system for companies to disclose environmental information to investors to better manage their environmental impacts.

In 2019, we acceded to the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), as a guide for the preparation of climate-related information. In addition, in 2019 we signed the Collective Commitment to Climate Action together with the main Spanish credit institutions, with the aim of measuring the carbon footprint of their balance sheets and reducing the climate impact of their financial activity. Together with the Spanish Banking Association (AEB), CECA and ICO and the other member credit institutions, we are analysing possible methodologies in order to make progress towards this objective.

In the year ended December 31, 2021 our sustainable investments[55] amounted to €2,105 million (of which €1,432 million were investment funds, €669 million were individual pension funds and €4 million were SICAVs) increasing by €1,254 million compared to December 31, 2020. Our sustainable investment funds include (i) Ibercaja Sostenible y Solidario, (ii) Ibercaja Megatrends, (iii) Ibercaja New Energy and (iv) Ibercaja Renta Fija Sostenible. Our sustainable pension funds include (i) Ibercaja Pensiones Europa Sostenible, (ii)

[54] Direct emissions (scope 1), energy indirect emissions (scope 2) and other indirect emissions (scope 3).

[55] The parameters by which sustainable investments are defined are those set forth in Article 8 of the EU Sustainability Disclosure Regulation for the Financial Services Sector (2019/2088) ("**SFDR**"). A fund as defined in Article 8 is a fund that "promotes environmental and social characteristics" provided that the investee companies follow good governance practices. In the SFDRs of each fund we are required to, and we inform that these funds fall under Article 8.

Ibercaja Pensiones Megatrends, (iii) Ibercaja Pensiones Confianza Sostenible and (iv) Ibercaja Pensiones Sostenible y Solidario. Our sustainable SICAV is Asguard, launched in 2021.

In the context of our sustainable finance strategy, we have implemented new green financing products addressed to individuals and corporates with the aim to improve the energy efficiency and accessibility of buildings, as well as products to implement Next Generation funds.

In April 2021, we signed the Net Zero Banking Alliance (NZBA) of the banking sector, promoted by the United Nations and UNEP-FI, setting out the objective to be carbon neutral by 2050. In 2021 we joined the Net Zero Asset Managers initiative, with the commitment to reach neutrality of own emissions and the emissions of their portfolios by 2050.

Our sustainability strategy has as a priority the identification, management and monitoring of climate and environmental risks, for their progressive incorporation into our global risk framework.

During 2021, we have incorporated ESG aspects into the policies and procedures manuals of credit, operational, liquidity and market risks, in order to take them into account in the management and control activity.

We are also working on the integration of climate and environmental risks in the processes of the RAF and the Capital and Liquidity Self-Assessments, considering the supervisory expectations of both the ECB and the EBA.

15.2.4 Employees

We are a family-responsible company, actively working to reconcile our employees' family, personal and work life.

In 2019, we obtained the FRC certification as a "family-responsible company", granted by the foundation Más Familia. This certification acknowledges companies that are committed with their employee's well-being and which encourage the active management of reconciliation and equality. We have a FRC Plan, which sets forth lines of action and objectives to promote an effective harmony between the personal, family and work spheres, based on the principles of efficiency, flexibility and responsibility.

16. Employees

The following table sets forth the number of employees of the Group as of December 31, 2021, 2020 and 2019, respectively. As of such dates, all of our employees were based in Spain.

	As of December 31,		
	2021	**2020**	**2019**
Employees in our banking business (Ibercaja Banco).	4,587	5,055	5,053
Employees in our Financial Group (Ibercaja Gestión, Ibercaja Pensión, Ibercaja Vida, Ibercaja Mediación and Ibercaja Leasing)..	161	153	150
Employees in other subsidiaries	132	99	101
Group employees	**4,880**	**5,307**	**5,304**

The following table sets forth the breakdown of our Group employees by gender as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021	**2020**	**2019**
Men	2,456	2,760	2,741
Women..	2,424	2,547	2,563

	As of December 31,		
	2021	**2020**	**2019**
Group employees	**4,880**	**5,307**	**5,304**

The following table sets forth the number of our branch network employees (not including the employees of central services and subsidiaries) and the distribution of network employees by markets as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021	**2020**	**2019**
Home Markets	2,051	2,358	2,383
Growth Markets	1,334	1,409	1,441
Rest of Spain	430	450	451
Network employees	**3,815**	**4,217**	**4,275**

In December 2020, we reached an agreement with the employees' representatives to carry out the 2021-2022 Redundancy Plan. See "*—2021-2022 Redundancy Plan*". As of December 31, 2021, we had reduced our workforce by 525 employees and we had closed 117 branches.

Provisions recognized in connection with the 2021-2022 Redundancy Plan resulted in staff expenses amounting to €151,041 thousand which were recorded in our income statement for the year ended December 31, 2020. In 2021, we recorded an additional expense of €12,842 thousand.

Compensation policy

Our current compensation policy is aligned with the standards set by the Financial Stability Board ("**FSB**") and the regulations of the EU, according to the requirements set by the Bank of Spain. The general compensation policy also complies with the conditions set by the agreement with our workers union, our strategy and the internal employment agreements we have with labor union representatives. This policy is based on the responsibility held by the employee and the professional evolution of each person, and attempts to avoid discrimination of any kind.

Our compensation practices have the goal of talent attraction and retention, and, in general, adequate compensation for the work of each employee, both from the point of view of the results achieved and the behavior of the employee and methods used in attaining those results.

17. Material Contracts

17.1 Ibercaja Foundation Services Agreement

On December 22, 2011, Ibercaja Banco entered into a services agreement with the Ibercaja Foundation (the "**Initial Ibercaja Foundation Services Agreement**"). According to its terms, the Initial Ibercaja Foundation Services Agreement should terminate if the Ibercaja Foundation ceased to have control (as defined under article 42 of the Spanish Commercial Code (*Código de Comercio*)) over Ibercaja Banco. On December 20, 2019 Ibercaja Banco and the Ibercaja Foundation entered into a new services agreement in order to replace the Initial Ibercaja Foundation Services Agreement in its entirety and which entered into force on January 1, 2020 (the "**Ibercaja Foundation Services Agreement**"). The services to be provided and their financial conditions are annually renewed and updated, if applicable, through amendments to the Ibercaja Foundation Services Agreement. The last amendment to its financial conditions was made on October 29, 2021. The services to be provided by Ibercaja Banco under the Ibercaja Foundation Services Agreement comprise, among others, marketing assistance, tax and accounting advising, management of all information related to data protection regulation and IT services. In turn, the Ibercaja Foundation provides certain services which are detailed in separate agreements, such as, the transfer of the usage of certain facilities to store information, renting other amenities and artistic heritage, organizing corporate volunteering and in general performing activities to promote Ibercaja Banco's reputation. In addition, the agreement also determines the general framework for collaboration in matters of social responsibility, establishes information channels between the Foundation and Ibercaja Banco, and enacts the rules and criteria applicable in the tax consolidation process. In the event that the Ibercaja Foundation reduces its stake in Ibercaja Banco's share capital under 20%, the Ibercaja Foundation Services Agreement will be automatically terminated. For further detail on the services provided under the Ibercaja Foundation Services Agreement see "*Related Party Transactions—Related party transactions with our shareholders*".

17.2 CASER Agency Agreement

On December 21, 2012, Ibercaja Mediación entered into an agency agreement with CASER for the distribution of non-life risk insurance products on an exclusive basis (as amended on June 12, 2014, December 14, 2017 and January 23, 2020, the "**CASER Agency Agreement**").

The purpose of the CASER Agency Agreement is the collaboration between Ibercaja Mediación and CASER to promote, distribute and sell, on an exclusive basis, CASER's non-life risk insurance products in the Spanish territory through our branch network.

The term of the CASER Agency Agreement is 25 years commencing on January 23, 2020 (the "**Effective Date**"). It can be terminated (i) only after 10 years from the Effective Date have elapsed, by Ibercaja Mediación with 30 days' prior notice or (ii) at any time, upon the occurrence of certain events (including certain change of control events affecting either party and breach of obligations of either party), in each case with the corresponding indemnity obligations set out therein. The formula for calculating such indemnities varies depending on when the triggering event arises. Upon the termination of the CASER Agency Agreement (including by the end of the term of the agreement), we have a call option to acquire all the CASER non-life risk insurance products commercialized through our brokerage, which would be exercised by Ibercaja Mediación, other entities within the Group or the insurance company designated by Ibercaja Mediación in the 36 months following the termination of the agreement through a written notice to CASER. The risk insurance products would necessarily be acquired by an insurance company which is authorized to hold the portfolio. If the call option is exercised and CASER's negligence prevents the transfer of the portfolio of non-life risk insurance products, CASER must indemnify Ibercaja Mediación with 25% of the premiums issued by Ibercaja Mediación in the fiscal year prior to CASER's negligent conduct.

In the year ended December 31, 2021, the non-life risk insurance premiums written in the context of the CASER Agency Agreement amounted to €183 million, which represented 89% of our non-life risk insurance premiums.

Pursuant to the last amendment of the CASER Agency Agreement we are entitled to receive as consideration for such novation (i) a fixed commission of €70 million as complementary consideration for carrying out insurance mediation activities, (ii) commissions on sales of insurance products which, as customary in the industry, are charged monthly on the net premium collected in accordance with the comissions established in the contract signed by the parties, and (iii) two additional payments up to €50 million (€25 million due by the end of 2024 and €25 million due by the end of 2029) for participating in the business results if the objectives of the strategic plan set out in the CASER Agency Agreement are fulfilled. The additional payments referred to in (iii) above are conditional on achieving a certain level of results generated by the accumulated premium portfolio over the 10-year term of such plan (i.e. from 2020 to 2029). Although the entire €70 million fixed commission has been already received by Ibercaja Mediación for the signing of the novation agreement modifying the CASER Agency Agreement, only €15 million of this amount were recognized in the 2020 Annual Accounts in light of the particular accounting policies which are applicable to this specific case. The remaining amount of the fixed commission already paid (i.e. €55 million) is being accrued during a period of 10 years following the Effective Date in the consolidated profit and loss account in accordance with the provisions of the aforementioned accounting standard. For additional information, see Note 10.1 of each of the 2020 Annual Accounts and the 2021 Annual Accounts.

17.3 Depositary Assignment Agreements with Cecabank

On December 17, 2012, Ibercaja Gestión and Ibercaja Pensión entered into two assignment agreements with Cecabank, S.A. ("**Cecabank**"), by virtue of which Ibercaja Banco assigned to Cecabank its activity as depositary and related contractual position in respect of mutual and pension funds managed by Ibercaja

Gestión and Ibercaja Pensión, respectively (the "**2012 Depositary Assignment Agreements**"). In addition, on October 25, 2016, we entered into a third assignment agreement with Cecabank, by virtue of which Ibercaja Banco assigned to Cecabank its activity as depositary and related contractual position in respect of certain SICAVs managed by Ibercaja Gestión (the "**2016 Depositary Assignment Agreement**" and, together with the 2012 Depositary Assignment Agreements, the "**Depositary Assignment Agreements**").

On December 27, 2017, Ibercaja Gestión and Ibercaja Pensión entered into two extension agreements in relation to the Depositary Assignment Agreements (the "**Extension Agreements with Cecabank**"), by virtue of which Cecabank will continue as the exclusive depositary for 80% of the AuM related to the mutual funds, SICAVs and pension funds of Ibercaja Gestión and Ibercaja Pensión, until December 31, 2027. Additionally, Cecabank will continue as the exclusive depositary of the remaining 20% until December 31, 2022. During 2022, we will evaluate the option to internalize the management of this 20% of the business or the option to outsource its management again.

In order to sign the Extension Agreements with Cecabank, on December 22, 2017, Ibercaja Banco entered into an agreement with Cecabank under which Ibercaja Banco was mandated as mediator between Cecabank, on one side, and Ibercaja Gestión and Ibercaja Pensión, on the other side (the "**Mediation Agreement with Cecabank**").

The amounts received under the Depositary Assignment Agreements do not have a material impact on our results.

17.4 Aktua Services Agreement

On March 10, 2016, Ibercaja Banco, Residencial Murillo and Cerro Murillo entered into a services provision agreement with Global Acamar, S.L. ("**Global Acamar**") and Aktua Soluciones Inmobiliarias, S.L., two companies of the Aktua group (as amended on November 6, 2018, the "**Aktua Services Agreement**").

By virtue of the Aktua Services Agreement, Global Acamar is the exclusive real estate services provider (including services such as administration, management, promotion, leasing and assignment to third parties) of the on-balance real estate assets (including on-balance sheet real estate, foreclosed futures and third-party assets financed by Ibercaja Banco) of Ibercaja Banco, Residencial Murillo and Cerro Murillo and any other affiliates of the Ibercaja Group owning in-balance real estate assets, from time to time. The real estate assets of our subsidiaries Cerro Goya, S.L. and Inmobinsa Inversiones Inmobiliarias, S.A., as well as any receivables arising from financing transactions (either or not secured by mortgages) are excluded from the Aktua Services Agreement.

The initial term of the Aktua Services Agreement is until February 1, 2026. Following such date, the Aktua Services Agreement will be automatically renewed annually provided that the service levels agreed under the Aktua Services Agreement are complied with. Either of the parties may terminate the Aktua Services Agreement with 180 days' prior notice before the relevant termination date.

Ibercaja Banco, Residencial Murillo and Cerro Murillo may terminate the Aktua Services Agreement (i) upon the occurrence of certain events, including a change of control event affecting Global Acamar and a serious and relevant breach of the obligations of Global Acamar and (ii) from December 30, 2020, without any reason and upon payment of a termination fee to Global Acamar. Global Acamar may terminate the Aktua Services Agreement upon the occurrence of certain events, including a breach of payment obligations that exceed and amount of €1,000,000 or a breach of exclusivity obligations by Ibercaja Banco, Residencial Murillo and Cerro Murillo.

Separately, under the amendment of the Aktua Services Agreement dated November 6, 2018, Ibercaja Banco, Residencial Murillo and Cerro Murillo granted in favour of Aktua Soluciones Financieras Holding, S.L. the right to acquire, individually, those assets that are about to be acquired as a result of the debt and loan recovery management activity of the Ibercaja Group and whose credits are classified as being in an "irregular situation", meaning that they have not been paid for at least 90 days.

The amounts paid under the Aktua Services Agreement do not have a material impact on our results.

18. Legal proceedings

We have been and are involved in disputes and litigation related to our business. The legal proceedings outstanding in which we are involved as of the date of this Registration Document are summarized below. An outcome adverse to the Group in any of these proceedings, or proceedings involving other financial institutions, but which affect us, could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

18.1 Claims relating to floor clauses in mortgage loan agreements with consumers

We have not marketed any mortgage loan agreements containing "floor clauses" (clauses that set minimum interest rates payable by borrowers, whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate). However, as a result of acquiring Banco Caja3 in July 2013, our portfolio includes certain mortgage agreements containing floor clauses, which represented approximately 8% of our total mortgage loan agreements by outstanding amount at the time of acquisition (approximately 3.55%[56] as of December 31, 2021).

18.1.1 General overview

In Spain, borrowers have challenged the legal validity of "floor clauses" in mortgage loan agreements in recent years on various grounds.

The Spanish Supreme Court (since its first decision on the validity of certain floor clauses on May 9, 2013) established the criteria to determine which floor clauses were unfair from a legal standpoint due to the lack of transparency and held that if a floor clause was declared null and void by a valid court order, for lack of transparency or any other reason, the difference between the interest paid under such floor clause and the interest that would have otherwise been payable without such clause must be reimbursed by the relevant financial institution to the borrower for the period beginning on the date of publication of the Spanish Supreme Court judgment dated May 9, 2013.

However, on December 21, 2016, the CJEU declared that the limitation on retroactive application imposed by the Spanish Supreme Court criteria is incompatible with Directive 93/13 and upheld full retroactive reimbursement in relation to floor clauses.

On January 20, 2017, the Spanish government approved Royal Decree-Law 1/2017, which encourages out-of-court settlements between financial institutions and those borrowers affected by floor clauses, with the aim of avoiding overloading the Spanish courts with these claims. Financial institutions and consumers are not obliged to reach an agreement and, therefore, affected consumers still have the right to sue financial institutions, including us. Pursuant to Royal Decree-Law 1/2017, we created a new service on February 10, 2017 as part of our Customer Service Care (CSC) to handle the resolution of these claims.

On December 12, 2019, the Spanish Supreme Court issued a ruling declaring that the completion or termination of a mortgage agreement containing floor clauses does not prevent a consumer from challenging the validity of the floor clause and claiming the reimbursement of the amounts paid under such floor clauses.

On November 5, 2020 the Spanish Supreme Court determined that an agreement between a lender and a consumer whereby the consumer accepts an amendment to the floor clause and waives his right to claim against the lender is valid provided that the consumer was duly informed about the amendment and that such waiver only covers claims relating to the floor clause (and therefore does not extend to claims other than those relating to the floor clause). Therefore, the Spanish Supreme Court ruled that the provisions which modified the original floor clause were valid but those provisions which established a general waiver of rights to claim by the customer were void. As a result, since this resolution from the Spanish Supreme Court (a) entities were obliged to reimburse customers with the amounts paid under the rate of the floor clauses from the beginning

[56] It represents €1,017 million of outstanding principal amount of mortgage loans containing floor clauses less €652 million of outstanding amount in respect of mortgage loans from which we have deleted the floor clause divided by the total loan agreements by outstanding amount as of December 31, 2021 (€18,385 million).

of the original agreement until the amendment and (b) the new floor clauses which were introduced by virtue of the settlement agreements were considered valid and in place since the date of the relevant settlement agreement.

18.1.2 Situation of Ibercaja

As of December 31, 2021, out of the approximately €1,017 million of the outstanding principal amount of our 19,134 outstanding mortgage loans containing floor clauses:

- €944 million corresponded to 16,518 mortgage loans amended in negotiated settlements (out of which we have reduced the floor clause of 9,824 mortgage loans amounting to €580 million and deleted the floor clause from 6,698 mortgage loans amounting to €365 million), and
- €73 million corresponded to 2,616 mortgage loans containing floor clauses which have not been subject to negotiated settlements and which were still claimable as of such date.

With respect to the status of the abovementioned outstanding principal amount of our outstanding mortgage loans containing floor clauses, as of December 31, 2021:

- €220 million corresponded to 3,493 mortgage loans with respect of which claims had been submitted to our customer service department and were rejected by us taking into consideration the applicable regulations and court criteria in force at the relevant time and which have not been challenged before Spanish courts,
- €121 million corresponded to 3,050 mortgage loans in respect of which claims had been accepted by our customer service and are pending settlement with our customers,
- €290 million corresponded to 4,429 mortgage loans in respect of which claims have been challenged before Spanish courts and are subject to the Spanish courts decision, and
- €313 million corresponded to 5,546 mortgage loans in respect of which no claim or lawsuit has been filed.

Only 8% of the rejection decisions delivered by us in the past year have been challenged and are subject to the Spanish courts which are expected to rule based on the Spanish Supreme Court's criteria at the relevant time.

With respect to the status of the outstanding claims before the Spanish courts (irrespective of whether the related mortgage loan is outstanding or not), up to December 31, 2021, Spanish courts had issued:

- 661 non-final decisions which have been appealed before the courts of appeal, out of which 371 claims are related to mortgage loans subject to negotiated settlements, and
- 1,466 non-final decisions from the courts of appeal which have been appealed before the Spanish Supreme Court, out of which 1,085 judicial non-final decisions were not favourable to us and appealed by us. We expect that these 1,085 appeals, as well as the 371 lawsuits related to mortgage loans subject to negotiated settlements that are outstanding, will be partially favourable to us given the Spanish Supreme Court criteria.

Since we were first involved in claims related to the application of floor clauses in 2016 until December 31, 2021, we have made disbursements amounting to €84.9 million in relation to this matter. As of December 31, 2021, our provisions related to this matter amounted to €10.2 million, which cover our estimate of the risk from outstanding and potential claims arising from non-amended and amended loans. In this regard, during 2021 we made a provision of €5,526 thousand after having performed a new analysis of the recent rulings in order to cover the claims expected in the future in relation to this contingency.We believe our provisions are sufficient to cover this risk on floor clause litigation.

The quantification of actual losses recorded in the loss database in 2021 shows that the total annual amount of losses (net of direct and insurance recoveries) for operational risk events amounted to €39,584 thousand corresponding to 15,457 events, of which 667 events for €22,182 thousand derived from losses related to floor clauses (which were related to interest repayments of €20,631 thousand and legal costs of €1,551 thousand).

18.2 Claims arising from the alleged violation of article 1.2 of the abolished Act 57/68

We are subject to claims for alleged violations of Article 1.2 of the abolished Act 57/1968, on the receipt of sums prior to the construction and sale of properties (*Ley 57/1968, de 27 de julio, sobre percibo de cantidades anticipadas en la construcción y venta de viviendas*). That article required credit institutions that opened bank accounts for housing developers to deposit sums on account paid by purchasers of housing under development to confirm that those amounts were secured by a bank guarantee or a surety insurance. The intent of the article was to ensure that property buyers would be refunded in the event that the development failed.

As of December 31, 2021, we had 221 legal proceedings ongoing related to these types of claims from purchasers with no bank guarantee, seeking a total of €13,694 thousand from us, of which we have already paid €8,331 thousand.

As of December 31, 2021, we had provisions amounting to €5 million in relation to these claims, which we believe are sufficient to cover the legal risk. We expect that any new claims filed from January 2021 will be expired due to the change in the prescription period from 15 years to five years.

18.3 Claims relating to the invalidity of clauses related to expenses contained in mortgage agreements with consumers

We are currently subject to claims arising from the initial declaration by the Spanish courts that clauses contained in certain mortgage agreements entered into with consumers related to opening fees (*comisión de apertura*), taxes and expenses are invalid due to unfair terms.

In its ruling dated January 23, 2019, the Spanish Supreme Court declared the clauses relating to opening fees valid as it considered that these fees are part of the price paid for a service provided by the relevant bank. Therefore, such fees are considered a key element of the agreement which is not subject to the transparency test. In relation to taxes and expenses, the Spanish Supreme Court declared that stamp duty (*actos jurídicos documentados*) must be borne by the borrower, registration fees must be borne by the bank and the notary's fees and management fees (*honorarios de la gestoría*) must be divided between the bank and the borrower.

On July 16, 2020, the CJEU issued a new ruling on this matter establishing that, in principle, a contractual clause which is declared unfair is null and void and thus has never existed, and national courts shall apply the provisions of national law which regulate the allocation of expenses. The CJEU states that if these provisions result in the borrower being liable for all or part of these expenses, neither Article 6(1) nor Article 7(1) of Directive 93/13 precludes the consumer from not being reimbursed for the costs that such customer had to bear.

Contrary to the Spanish Supreme Court's criteria, in relation to opening fees, in its ruling of July 16, 2020, the CJEU stated that opening fees are not a key element of a mortgage loan agreement and therefore should be subject to the transparency requirements. In our view, this ruling should not change the Spanish Supreme Court's criteria in relation to opening fees given that such fees are the price paid for a service provided by the bank and they are negotiated in a transparent manner being the customer at all times aware of the economic consequences of such fees. Notwithstanding the above, the Spanish Supreme Court has not expressed its opinion after the CJEU ruling with regards to the opening fee issue.

The Spanish Supreme Court issued a new ruling on July 24, 2020 stating that the CJEU had confirmed the Spanish Supreme Court's position (set out in its ruling dated January 23, 2019) through its decision of July 16, 2020. Furthermore, on October 26, 2020, the Spanish Supreme Court issued a ruling imposing agency fees on the lender.

For mortgage agreements entered into after June 16, 2019, Spanish Act 5/2019, of March 15, on regulation of real estate loans (*Ley 5/2019, de 15 de marzo, reguladora de los contratos de crédito inmobiliario*) (the "**Real Estate Loans Law**"), which entered into force on June 16, 2019, has set out the distribution of the expenses between borrower and lender.

Notwithstanding the above, before the Real Estate Loans Law was passed, there was no legal provision regulating management costs. The Spanish Supreme Court ruling of October 26, 2020, followed the CJEU's ruling of July 16, 2020 stating that "in the absence of a national rule which applies in case there is a lack of an agreement negotiated among the parties imposing on the borrower the payment of all or part of those expenses, the borrower could not be denied the return of the amounts paid under the clause that has been declared unfair". The Spanish Supreme Court ruling of January 27, 2021, confirmed this position and also applied this conclusion to the appraisal costs (but only when the Real Estate Loans Law is not applicable, because if it applied, it would allocate appraisal costs to the borrower).

As of December 31, 2021, we had received a total of 13,067 claims in connection with these clauses, of which 2,038 are still outstanding as of the date of this Registration Document. The average cost of one of these claims, based on historical proceedings, is of approximately €869.

As of December 31, 2021, we had provisions amounting to €2,466 thousand in relation to these claims, which we believe are sufficient to cover this risk.

18.4 Claim relating to IRPH

18.4.1 General overview

A preliminary ruling was filed on February 16, 2018 before the CJEU that challenges the validity, due to alleged lack of transparency, of mortgage agreements subject to the mortgage benchmark rate in Spain (*Indice de Referencia de Préstamos Hipotecarios,* "**IRPH**").

The subject of the debate was the transparency test set forth in article 4.2 of Directive 93/13 applicable when the borrower is a consumer. Since the IRPH is related to the price of the contract and it falls within the definition of the essential subject matter of the contract, it must be drafted in plain, intelligible language, so that the consumer is in a position to evaluate, on the basis of clear, intelligible criteria, what the economic consequences derived from such contract are.

This preliminary ruling was filed by a Court of First Instance and Investigation several months after the Spanish Supreme Court, on December 14, 2017, established the legality of these contracts.

We consider that compliance with the transparency test under Directive 93/13 should not be questioned because (i) the Spanish Supreme Court declared the validity of these contracts on December 14, 2017; (ii) the IRPH is an official benchmark rate published and managed by the Bank of Spain; (iii) there is jurisprudence (*jurisprudencia*) of the CJEU that confirms the transparency of contracts referenced to other official benchmark rates, and (iv) there is an APR indicator (annual percentage rate or "*TAE*" in Spain) that must be mandatorily communicated to consumers, and that allows for the comprehension of the economic burden and the comparison of different mortgage offers, whatever the benchmark rate index applied is.

On September 10, 2019, the advocate general of the CJEU issued its opinion in relation to this matter, according to which (i) Directive 93/13 is applicable to the use of IRPH and (ii) the national judge should be the competent authority to monitor the transparency of the disputed clause and verify, taking into account the set of circumstances that surrounded the signing of the contract at the time it was executed: (a) whether the contract set out the method for calculating the interest rate transparently, so that the consumer was in a position to evaluate, based on precise, intelligible criteria, the economic consequences that the contract would have for him and (b) whether the contract meets all the information requirements provided by the national regulations.

The advocate general's opinion did not consider the IRPH or the clause which incorporates it in the relevant mortgage loan agreements to be, per se, abusive or void.

On March 3, 2020, the CJEU resolved the aforementioned preliminary ruling and ruled that national courts must verify the transparency of IRPH interest rate clauses in mortgage loan agreements, stating that IRPH interest rate clauses are deemed to be transparent if they are couched in a manner that is understandable to a reasonably observant and circumspect consumer and have been reported in accordance with national law. The CJEU also stated that in the event that the national court concludes that the clause is void because of lack of transparency, it is possible for the national court to replace the original index with a legal index in the absence of an agreement to the contrary by the parties to the contract, provided that the mortgage loan contract could not survive if the unfair term was removed and that the annulment of the contract in its entirety would leave the consumer exposed to particularly harmful consequences.

After this ruling, various Spanish regional courts have maintained different criteria. Several courts considered interest rate clauses including IRPH to be transparent and, therefore, not abusive, and others, conversely, considered them to be non-transparent, declaring such clauses as abusive, replacing the IRPH with the Euribor or with the credit institution's IRPH.

In November 2020, the Spanish Supreme Court issued five rulings related to the IRPH. In four of such cases, the Spanish Supreme Court ruled in favour of the credit institutions concluding that, although the IRPH clause is not transparent because the customer was not informed of the past performance of the index, such clause is to be deemed non-abusive for the following reasons: (i) IRPH clauses may not be easily rigged in favour of the lender (in fact, IRPH is controlled by the public administration, whereas Euribor is calculated by a private entity), (ii) a significant imbalance to the consumer's detriment cannot be derived from the mere evolution of the index during the duration of the loan, even if unfavourable to the consumer, and (iii) the use of an official index does not contravene the good faith principle.

Thus, following the last rulings by the Spanish Supreme Court, as of the date of this Registration Document, we believe that the risk of the application of the IRPH being declared abusive is lower than in the past and is limited to potential decisions by certain Spanish courts at a lower level. However, these rulings have been controversial and certain courts at a lower level have instead decided not to follow the Spanish Supreme Court case law, declaring the IRPH clause void and replacing it with Euribor and ordering the restitution of the amounts paid in excess after such replacement. In addition, other Spanish regional courts have presented questions to the CJEU for a preliminary ruling on whether the latest rulings issued by the Supreme Court regarding IRPH contravene European law. On November 17, 2021 the CJEU resolved one of these preliminary rulings in line with the rulings of the Spanish Supreme Court of November 2020. In its decision, the CJEU upheld the validity of mortgages indexed to IRPH and clarified that credit entities are not obliged to include a complete definition of the index into the contract or to deliver a brochure that reflects the previous evolution of that index as these aspects are made public officially. On January 28, 2022, the Spanish Supreme Court delivered its first rulings after the CJEU decision of November 2021 confirming the criteria established in its rulings of November 2020. In addition, the Spanish Supreme Court declared in its decision of February 15, 2022 that consumers should not pay the costs if they had withdrawn their appeals after the CJEU decision of November 2021.

18.4.2 Situation of Ibercaja

As of December 31, 2021, we had 1,580 mortgage loan agreements with individuals indexed to the IRPH for an original principal amount of €86.3 million (which represented less than 0.1% of the gross loan portfolio as of the same date), of which €19.8 million was outstanding (which represented 0.1% of our gross loans and advances to customers for housing (€18,385.4 million)).

As of December 31, 2021, we only had 47 claims from borrowers requesting the nullity of mortgage loan agreements indexed to the IRPH. As of the date of this Registration Document, all of the rulings regarding this matter have been favorable to us. Therefore, we believe that our exposure to mortgage agreements indexed to IRPH with individuals is low We have not made any provisions relating to this matter.

18.5 The Bandenia case

In July 2015 the Court of Investigation of the Spanish National Court agreed to open an investigation in relation to the activity carried out by Caixabank, Ibercaja and ING Bank (the "**Spanish Entities**") in connection with Bandenia Banca Privada PLC and Bandenia Banca Privada Sucursal en España (collectively, "**Bandenia**") in order to determine if the Spanish Entities had assisted Bandenia in the implementation of fraudulent and money laundering transactions through the accounts that Bandenia had opened with the Spanish Entities. The volume of transactions that are being investigated which may have been conducted through accounts opened with us amounts to between €1.9 and €3 million out of a total of, approximately, €20 million.

After having carried out an internal investigation and having commissioned an external third party to carry out a forensic report, we believe that we complied with our due diligence obligations and, based on the information on customers and operations that it was reasonable to obtain during that period of time (from May 2012 to June 2013), we did not detect any indications that the activity conducted by Bandenia through us could be related to money laundering.

We believe we have complied with our obligations as a regulated entity and as of the dates and for the periods to which the facts refer, we adopted due diligence measures in compliance with anti-money laundering and terrorist financing regulations. Based on the foregoing, as of the date of this Registration Document, no provision has been made in relation to this matter.

18.6 Sanctioning proceedings relating to "TAE"

In December 2020, the Bank of Spain initiated disciplinary proceedings against us in connection with certain miscalculations in the applicable Annual Percentage Rate charge ("*TAE*") ("**APR**") to certain mortgage transactions executed between 2015 and the end of 2017.

On December 18, 2021, the Bank of Spain agreed to terminate the disciplinary proceedings after we had acknowledged our responsibility and paid a fine of €1,080,000 in 2020, after having applied the bonus for prompt payment to the initial proposed fine of €1,800,000.

Separately, in September 2020, the Bank of Spain initiated disciplinary proceedings regarding compliance with the reporting obligations to the Bank of Spain regarding statistical information in connection with the APR for the period between November 2020 and January 2021. The Bank of Spain considered that while the APR reported to customers was correct, the calculation of the APR reported to the Bank of Spain did not comply with the former Circular 8/1990 of the Bank of Spain which is no longer in place. In this regard, in February 2022, we were notified of the proposed resolution regarding such disciplinary proceedings which consisted on a fine amounting to €5,000,000 due to the inaccurate submission of the information to be reported to the Bank of Spain. We intend to appeal this resolution as we absolutely disagree with the proposal. In case our appeal is rejected, we would be allowed to apply certain reductions to the amount of the fine until the issuance of the final resolution (20% for acknowledgment of liability and 20% for payment prior to the issuance of the final resolution) and as a result, the proposed fine could be reduced to €3,000,000. As of December 31, 2021 we had not made any provisions relating to this matter.

18.7 Provisioning policy

We estimate our legal risk provisions on the basis of hypotheses, assumptions and estimates we consider to be reasonable. However, these estimates may not be complete, may not have factored in all customers or former customers that could potentially file claims, and may not reflect the most recent facts or legal trends adopted by the Spanish courts, or any other circumstances that could be relevant for establishing the impact of these clauses for us or the successful outcome of the claims filed in relation to these clauses. Consequently, the provisions made by us could prove to be inadequate.

19. Insurance

We maintain the types and amounts of insurance that are customary for businesses in the sectors in which we operate. We believe that our insurance policies are sufficient to protect us against potential damage and liabilities incurred in the ordinary course of business although we can provide no assurance that our insurance coverage will adequately protect us from all the risks that may arise or in amounts sufficient to prevent material loss.

OPERATING AND FINANCIAL REVIEW FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

The following discussion should be read together with our Annual Accounts, which have been prepared under IFRS-EU. Our Annual Accounts (including the independent auditors' reports thereon) are included elsewhere in this Registration Document.

You should also read the following discussion together with the sections entitled "Forward-Looking Statements", "Risk Factors", "Presentation of Financial and Other Information", "Business", "Selected Financial Information" and "Selected Statistical and Other Information on Assets and Liabilities".

The discussion below includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in or implied by these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this document, including under "Risk Factors".

Overview

See "*Business—Overview*" for an overview of our business.

Key factors affecting comparability of results of operations

IFRS 16 "Leases"

The impact of the application of IFRS 16 on our fully-loaded CET1 ratio was 4 basis points as of December 31, 2019. We have also recognized right-of-use assets amounting to €62 million and lease liabilities of an equal amount in 2019. This recognition is mainly due to the requirement to recognize right-of-use assets and the lease liability arising from all the leases in effect on the date of first-time application.

Sales of loans and NPAs^{APM}

In June 2019, we sold to MELF Investment Holding II S.à. r.l. a portfolio of NPLs with an aggregate nominal amount of €534 million (the "**Ordesa Transaction**"). In December 2019, we sold a portfolio of NPLs for an aggregate nominal amount of approximately €73 million to DSSV, S. à. r.l. (the "**Costa Transaction**)".

In 2019, the Ordesa Transaction and the Costa Transaction generated losses of €27 million and €15 million, respectively, recorded under "Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" in our consolidated income statement for the year ended December 31, 2019.

On December 23, 2021, we entered into an agreement for the sale of a portfolio of NPLs with an aggregate nominal amount of €51,260 thousand to the companies LM IV B S.V. and Axactor España S.L. (the "**Oroel Transaction**"). The negative impact of the transaction was €9,623 thousand which was recorded under "Gains/(losses) derecognition of financial assets and liabilities not valued at fair value through profit or loss, net" in our consolidated income statement for the year ended December 31, 2021 (Note 34 to the 2021 Annual Accounts).

These transactions have accelerated the rate of reduction of our NPAs^{APM}, strengthened our financial solidity and allowed us to free up funds assigned to non-productive assets.

Sale of portfolio at amortized cost

In 2020, we carried out an extraordinary sale of a portfolio of domestic public debt securities for a nominal amount of €1,381,770 thousand, of which €300,000 thousand was sold in the form of a forward sale (the "**Public Debt Sale Transaction**"). The Public Debt Sale Transaction was carried out to obtain liquidity in response to the extraordinary circumstances of the COVID-19 pandemic and resulted in a gain amounting to €114,619 thousand which was recognized under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortized cost" in our consolidated income statement for the year ended December 31, 2020. As of December 31, 2021, the item "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortized cost" included €33,102 thousand corresponding to the result of the execution of the forward sale of part of the Public Debt Sale Transaction.

The 2021-2022 Redundancy Plan

In December 2020, we reached an agreement to reduce our workforce by up to 750 employees (equivalent to 15% of our workforce as of December 31, 2020) and to close up to 199 branches, which is to be implemented through June 30, 2022 (the "**2021-2022 Redundancy Plan**"). As of December 31, 2021, 525 employee departures had occurred with the remaining departures to take place on a gradual basis until the end of the first half of 2022. In addition, we closed 117 branches in 2021. The 2021-2022 Redundancy Plan has resulted in staff expenses amounting to €151,041 thousand during the year ended December 31, 2020. In 2021, we recorded an additional expense of €12,842 thousand in connection with the 2021-2022 Redundancy Plan due to changes in the exit date of some employees. Pursuant to the agreement reached with the employees' representatives in the context of the 2021-2022 Redundancy Plan, we shall not carry out a new redundancy plan until December 31, 2023 unless previously agreed with the employees' representatives. .

Impact of COVID-19 on credit risk coverage

In 2020, we made a non-recurring provision of €90,124 thousand, €52,000 thousand of which was registered as a post-model adjustment to cover the increase in credit risk of customers who were not in default at the end of 2020, but who, due to the persistent deterioration of the current macroeconomic situation, were expected to transfer to Stage 2 in 2021. Such amount was determined using macroeconomic projections, mainly those published by the Bank of Spain, and taking into account the characteristics of our portfolio. The provision was recognized under "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss - Financial assets at amortized cost" in the consolidated income statement for the year ended December 31, 2020. As of December 31, 2021, we maintained, for reasons of prudence and in view of the validity and extension of the government support measures, the post-model adjustment in the amount of €52,000 thousand.

Increased effective tax rate

Our effective CIT tax rate increased from the statutory 30% to 34.7% in 2019 and 55.9% in 2020. In 2021, our effective CIT tax rate returned to be close to the statutory CIT tax rate (29.7%).

Part of the increase in the 2019 and 2020 effective CIT tax rate responds to the compulsory recapture of the accounting stock provisions that were considered tax deductible in the past. According to the CIT Act, for fiscal years starting on or after January 1, 2016, equity impairment losses that were deducted from the taxable base in fiscal years previous to 2013 (when equity impairments were still tax deductible), must be annually recaptured on a straight line basis over a five-year period, with these recaptures being fully taxable.

This compulsory recapture applied whether or not the relevant entity generated profit and was not tied to the provisional taxable base. Therefore, the lower the accounting income was, the higher the impact of this adjustment. In particular, the impact resulting from this compulsory claw-back has been approximately €6,111 thousand in 2019 and €5,494 thousand in 2020.

The increase in the 2020 effective tax rate mainly responds to the reduction of tax credits associated with negative tax bases generated by a subsidiary of the Group prior to its entry into the tax group in the amount of €19,210 thousand.

Novation of CASER Agency Agreement

In 2012, we reached a strategic agreement with CASER for us to exclusively market CASER's non-life risk insurance products through our branch network (see "*Business—Material contracts—CASER Agency Agreement*"). Pursuant to the last amendment of the CASER Agency Agreement we are entitled to receive as consideration for such novation (i) a fixed commission of €70 million as complementary consideration for carrying out insurance mediation activities, (ii) commissions on sales of insurance products which, as customary in the industry, are charged monthly on the net premium collected in accordance with the commissions established in the contract signed by the parties, and (iii) two additional payments of up to €50 million (€25 million due by the end of 2024 and €25 million due by the end of 2029) for participating in the business results if the objectives of the strategic plan set out in the CASER Agency Agreement are fulfilled.

The additional payments referred to in paragraph (iii) above are conditional on achieving a certain level of results generated by the accumulated premium portfolio over the 10-year term of such plan (i.e. from 2020 to 2029). Although the entire €70 million fixed commission has been already received by Ibercaja Mediación for the signing of the novation agreement modifying the CASER Agency Agreement, only €15 million of this amount were recognized in the 2020 Annual Accounts in light of the particular accounting policies which are applicable to this specific case. The remaining amount of the fixed commission already paid (i.e. €55 million) is being accrued during a period of 10 years following the Effective Date in the consolidated profit and loss account in accordance with the provisions of the aforementioned accounting standard. For additional information, see Note 10.1 of the 2020 Annual Accounts.

Key factors and trends affecting results of operations

Our financial condition and results of operations are affected by a number of factors. We believe that the factors listed below are of particular importance to us.

Economic and market conditions – COVID- 19

We operate in and derive all of our revenues from Spain and as a result, our performance depends on the health of the Spanish economy, which itself is affected by the macro-economic conditions in the European Union and, more broadly, the global economic environment. The spread of the COVID-19 pandemic in 2020 has caused the global economy to suffer a severe contraction. In particular, the contraction of the GDP in the Eurozone amounted to 6.5% during 2020 (*source: Eurostat*), affecting differently among European countries. Southern European countries such as Spain were more affected, as their economy is more dependent on the tertiary sector.

The Spanish GDP in particular decreased by 10.8% during 2020 (*source: Eurostat*) due to different factors such as an initial more severe lockdown, the high contribution to the GDP of tourism-related sectors and the high rate of structural unemployment which made our economy more vulnerable to the effects of the crisis.

As a result, domestic demand decreased, household consumption fell and investment shrunk by 12.4% (*source: INE*), with the construction sector being especially affected and only public expenditure acted as a counterweight. On the employment market, following a significant destruction of jobs in March and April 2020, unemployment reached 16.1% in the fourth quarter of 2020 (*source: INE*). In addition, inflation has been conditioned by the drop in the price of oil, a weak demand, the strength of the euro and the changes in consumption patterns caused by mobility restrictions. In 2021, inflation has increased driven by several factors, mainly: i) the rise in energy and commodity prices from the significantly lower levels recorded in 2020 as a consequence of the economic meltdown produced by the COVID-19 outbreak; and ii) the impact of global supply chain disruptions as a result of shortages and transportation congestions affecting the manufacturing sectors.

The Spanish government, through various royal decrees, established the Legal Moratoria for individuals and professionals allowing them to temporarily suspend their payment commitments as debtors, under certain circumstances. It also implemented the Guaranteed Credit Lines, partially guaranteed by the government, through the ICO, with the aim of guaranteeing companies' liquidity and thus maintaining productive activity. On their part, the credit institutions belonging to CECA agreed to grant the Sectorial Moratoria, to which Ibercaja adhered in order to extend the scope of the Legal Moratoria. At the same time, the ECB adopted measures to provide liquidity to the system, promote credit and enable European governments to pursue an expansionary fiscal policy. The EU approved the Recovery Plan for Europe which, through transfers and loans, will support the most affected economies over the coming years.

In relation to the measures described above, the loans and advances to customers in respect of which we had granted a Legal Moratoria or Sectorial Moratoria amounted to €740,683 thousand as of December 31, 2021, and the Guaranteed Credit Lines granted by us amounted to €2,137,350 thousand as of the same date. As of December 31, 2021 the outstanding balance of the loans and advances to customers subject to Legal

Moratoria and Sectorial Moratoria amounted to €25,533 thousand and the outstanding balance of the total amount granted by us under Guaranteed Credit Lines amounted to €1,667,880 thousand.

The COVID-19 pandemic, together with the exceptional measures implemented to mitigate its effects, have impacted our results due to, among other factors, (i) longer periods of lower interest rates as a consequence of the economic contraction and the efforts by the ECB to reactivate the global and local economy by means of repurchase programs (see "*Risk factors - Changes in interest rates, continued low interest rates or persistent inflation may negatively affect our business*"), and (ii) a continued decrease in the global economic activity which increases our credit risk and our cost of risk^APM as a consequence of the contraction of GDP in 2020, increased unemployment, the reduction of our customers' income and the increase of the probability of default in our credit portfolio. The most relevant impact of the COVID-19 pandemic on the Group's results in 2020 was the extraordinary credit risk provision of €90,124 thousand (of which €52,000 thousand corresponded to the post-model adjustment).

In relation to the quality of our credit portfolio, the main impact of the COVID-19 pandemic on our results as of December 31, 2021 was the increase of transactions classified as Stage 2 (over 11.2% volume increase since December 31, 2019), which meant that the impairment risk of those transactions had significantly increased from the date on which they were initially recognized. As of December 31, 2021, 5.00% of gross loans and advances to customers^APM was classified as Stage 2 (5.31% and 4.31% as of December 31, 2020 and 2019, respectively)[57].

Funding

We have traditionally been characterized by a conservative liquidity and financing policy, based on a vocation to finance our lending activity with retail resources and to manage liquidity and our sources of financing in a diversified, prudent and balanced manner, anticipating the need for funds in order to meet our obligations on time and not conditioning investment activity to the situation of the wholesale financing markets.

Retail deposits^APM, our main source of liquidity and funding, accounted for 79.76% of our external funding^APM as of December 31, 2021 (78.36% and 76.77% as of December 31, 2020 and 2019, respectively). Over the periods under review, our LTD ratio^APM decreased to 78.21% as of December 31, 2021 (81.08% and 92.47% as of December 31, 2020 and 2019, respectively).

Wholesale funding complements the funding obtained from individuals and companies. It is focused on the medium and long term and includes balances held with the ECB, covered bonds, securitizations, subordinated liabilities and other issuances. Financing from wholesale lending markets amounted to €9,419,733 thousand, representing 20.24% of our external funding^APM as of December 31, 2021 (€9,985,634 thousand and €9,915,818 thousand representing 21.64% and 23.23% of our external funding^APM as of December 31, 2020 and 2019, respectively).

After the impact of the COVID-19 pandemic, the tension in the markets initially caused by the crisis was eased as a result of measures taken by central banks. The ECB made extraordinary liquidity facilities available to banks. In addition, the retail deposit base increased, together with the decline in consumption and the increase in savings.

As a result of the downward trend in market interest rates, the cost of financing, both retail and wholesale, has been reduced, improving our net interest income. Interest expense on retail deposits has decreased from €4,948 thousand for the year ended December 31, 2019 to an income of €6,574 for the year ended December 31, 2021. On the other hand, interest expense on debt securities issued and mortgage covered bonds decreased from €65,597 thousand in the year ended December 31, 2019 to €32,634 thousand in the year ended December 31, 2021.

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57 See definition, explanation, use, calculation and breakdown of Loan portfolio by stages^APM which are set out in "Alternative Performance Measures".

We have been awarded funding provided by the ECB through the TLTRO III program which has positively impacted our funding. The balance drawn down as of December 31, 2021 amounted to €5,959,000 thousand (€5,400,000 thousand as of December 31, 2020 and €1,650,000 thousand as of December 31, 2019). On April 30, 2020, the Governing Council of the ECB established that for entities that met a certain volume of eligible loans between March 1, 2020 and March 31, 2021, the interest rate applicable to the TLTRO III program can be -1% for the period from June 2020 to June 2021. Additionally, in December 2020, the ECB extended the conditions associated with the TLTRO III program establishing that, if a certain volume of eligible loans was met between October 1, 2020 and December 31, 2021, the -1% interest rate applicable to the TLTRO III program can also be applied for the period between June 2021 and June 2022. Considering the behavior of our eligible loan portfolio up to December 31, 2021 and the projections estimated in our business plan, we believe that the interest rate applicable to us in connection with the TLTRO III program will be -1% until June 2022. Thus, as of December 31, 2021, the interest accrued on the financing taken from TLTRO III amounts to €68,352 thousand.

Lending activity

The market conditions caused by the COVID-19 pandemic have increased our new lending activity, boosted by the granting of Guaranteed Credit Lines. Total new lending[APM] amounted to €5,421,416 thousand for the year ended December 31, 2021 (€6,423,587 thousand and €5,435,982 thousand for the years ended December 31, 2020 and 2019, respectively), with a clear prominence of financing to companies (€2,415,361 thousand, €3,762,196 thousand and €2,849,565 thousand for the years ended December 31, 2021, 2020 and 2019, respectively). Granting of new loans for residential mortgages reached €1,431,202 thousand for the year ended December 31, 2021 (€1,439,998 thousand and €1,146,985 thousand for the years ended December 31, 2020 and 2019, respectively).

In 2021, the demand for new credit to companies decreased as a result of lower investments in fixed capital and a reduction in liquidity needs to finance working capital[58]. At the same time, there was an increase in the perceived risks related to the economic situation and the solvency of some borrowers in the sectors most affected by the crisis. In addition, home purchase loan originations are gradually recovering after the sharp drop in transactions that occurred during the peak months of the COVID-19 pandemic. The attraction of this type of financing to individuals has triggered fierce competition between credit institutions and a fall in the average interest rate.

Asset under management and bancassurance products

Market conditions also affect volume and demand for the asset management and bancassurance products we offer through our Financial Group. During the periods under review, we have carried out a proactive strategy of transferring customer deposits to asset management and life savings insurance funds, mainly mutual funds. In addition, we have devoted resources to selling risk insurance products. The increase in the asset management and bancassurance activity has translated into an increase in the commissions associated with these products.

Non-banking commissions[59] contributed €288,925 thousand for the year ended December 31, 2021 (€230,218 thousand and €242,992 thousand for the years ended December 31, 2020 and 2019, respectively). Non-banking commissions over recurring revenues**[APM]** amounted to 31.02% for the year ended December 31, 2021 (25.34% and 25.79% for the years ended December 31, 2020 and 2019, respectively).

Changes in interest rates

Our earnings are significantly dependent on our net interest income, which is determined primarily by the volume of our interest-earning assets and interest-bearing liabilities and our net interest margin[APM], which

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[58] See definition, explanation, use, calculation and breakdown of Total new lending[APM] which are set out in "Alternative Performance Measures".

[59] See definition, explanation, use, calculation and breakdown of Net fee income and exchange differences[APM] which are set out in "Alternative Performance Measures".

is the difference between interest earned from interest-earning assets, such as loans and investment securities, and interest paid on interest-bearing liabilities, such as deposits and borrowings. Net interest margin[APM] is an important indicator of our profit margin. Net interest income and net interest margins[APM] are affected by a number of factors, including, in particular, changes in interest rates.

Interest-earning assets consist principally of mortgage loans to individuals, loans and other lines of credit to SMEs, consumer loans, corporate loans and real estate loans, as well as the ALCO portfolio and the fixed-income portfolio of Ibercaja Vida.

Interest rates are highly sensitive to many factors beyond our control, including monetary policies and domestic and international economic and political conditions. We are currently being adversely affected by the sustained extremely low level of interest rates (even negative in some cases), which puts downward pressure on our assets yields and net interest income. A significant part of our loan portfolio bears interest at a floating rate (67%, 74% and 79% as of December 31, 2021, 2020 and 2019, respectively)[60], of which the largest portion (in particular, mortgages) are primarily set with reference to 12-month Euribor rates. The average 12-month Euribor has decreased in the year ended December 31, 2021 and in each of the years under review (-0.49%, -0.30% and -0.22% for the years ended December 31, 2021, 2020 and 2019, respectively), which has negatively impacted our net interest income.

Interest-bearing liabilities consist principally of customer deposits and credit institutions, debt and capital instruments issued by us, and borrowings from credit institutions. During the periods under review, we significantly increased the weight of savings accounts and significantly reduced the cost of the remaining term deposits. This commercial strategy has allowed us to significantly reduce our deposit cost to historically low levels. The current low cost of our customer deposits limits our ability to offset additional decreases in the credit yield, as we do not expect to charge for our retail deposits[APM] as a general rule.

Furthermore, changes in market interest rates may lead to temporary repricing gaps between our interest-earning assets and our interest-bearing liabilities, which can affect our net interest income. Generally, our interest-bearing liabilities adjust more rapidly than our interest-earning assets such as mortgage loans, which usually have their interest rates reset only once or twice a year. As a result, increases in interest rates can temporarily reduce our net interest income and net interest margin[APM] until we can pass them on to borrowers.

We seek to use derivatives as a hedging instrument to limit the impact of changes in interest rates on our interest margins particularly given that our asset portfolio tends to adjust more slowly to interest changes than our liability portfolio. However, our hedging arrangements may not be successful, and we may be exposed to risk in such transactions (including counterparty risk).

Net interest income is the largest component of our gross income. Net interest income over gross income[APM] accounted for 51.75%, 53.27% and 59.06% for the years ended December 31, 2021, 2020 and 2019, respectively. Our net interest margin[APM] (0.85%, 0.96% and 1.04% for the years ended December 31, 2021, 2020 and 2019, respectively) has decreased slightly, mainly due to historically low levels of interest rates, the reduction in the contribution of ALCO portfolio as well as modest economic growth and persistently high unemployment rates. We have historically generated most of our interest income from loans and receivables. For the year ended December 31, 2021, income from loans and advances to customers[APM] accounted for 62.29% of our total interest income[61] (63.04% and 65.60% for the years ended December 31, 2020 and 2019, respectively).

Finally, due to the effects of the COVID-19 pandemic, longer periods of lower interest rates are expected as a consequence of the economic contraction and the efforts by the ECB to reactivate the global and local

[60] See definition, explanation, use, calculation and breakdown of Breakdown by maturity and type of interest rate (fixed or floating) of gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

[61] See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

economy by means of repurchase programs affecting the Group as described in "*Risk factors - Changes in interest rates, continued low interest rates or persistent inflation may negatively affect our business*".

Asset quality

Credit risk is the most significant risk on our balance sheet. We are exposed to the creditworthiness of our customers and counterparties, so we may experience losses in the event of total or partial default in their payment obligations as a result of declines in the credit quality and recoverability of assets.

As a credit institution, we are exposed to credit risk given the weight of loans and advances to customers[APM] on our assets. As of December 31, 2021, our net loans and advances to customers[APM] amounted to €30,655,026 thousand (€30,942,404 thousand and €31,918,945 thousand as of December 31, 2020 and 2019, respectively), representing 52.3% of our assets (53.0% and 57.6% as of December 31, 2020 and 2019, respectively).

During the periods under review, we have managed NPAs in order to improve the risk profile and strengthen the quality of our balance sheet. Thus, a new model for the recovery of irregular investment was implemented and best-in-class IT tools were developed to identify the tasks that make debt recovery more efficient. In addition, in the wholesale area, three portfolios of doubtful loans were sold (the Ordesa Transaction, the Costa Transaction and the Oroel Transaction) for a total amount of €658 million. In addition, we have taken a prudent approach towards the granting of Guaranteed Credit Lines during the COVID-19 pandemic which has lowered the impact of the crisis on our asset quality. The improvement of internal processes, combined with wholesale sales, allowed our NPA ratio[APM] to fall by 181 basis points between 2019 and December 31, 2021.

As of December 31, 2021, our NPLs amounted to €717,621 thousand (€1,012,938 thousand and €1,293,161 thousand as of December 31, 2020 and 2019, respectively). Since December 31, 2019 we have achieved the largest reduction among peers in terms of NPLs (peers' average of 9.3% reduction) (*source: peers' publicly available information as December 31,* 2021)[62]. Our overall NPL ratio[APM] decreased in each of the periods under review and stood at 2.30% as of December 31, 2021 (down from 3.21% as of December 31, 2020 and 3.97% as of December 31, 2019).

In addition, foreclosed real estate assets amounted to €542,241 thousand as of December 31, 2021 (€619,527 thousand and €624,890 thousand as of December 31, 2020 and 2019, respectively). The overall exposure to NPAs[APM] was reduced to €1,259,862 thousand as of December 31, 2021 (€1,632,465 thousand and €1,918,051 thousand as of December 31, 2020 and 2019, respectively). Our NPA ratio[APM], which includes NPLs and foreclosed assets, has also decreased in each of the periods under review and stood at 3.97% as of December 31, 2021 (down from 5.07% and 5.78% as of December 31, 2020 and 2019, respectively). In parallel with the decrease in foreclosed assets, NPA coverage ratio[APM] rose during the period under review, standing at 68.79% as of December 31, 2021 (62.15% as of December 31, 2020 and 51.63% as of December 31, 2019).

During the periods under review, we significantly reduced our exposure in relation to the real estate development sector. In this regard, our NPL ratio by sector [APM] (real estate development) stood at 6.82% as of December 31, 2021 (8.96% as of December 31, 2020 and 12.13% as of December 31, 2019).

Our cost of risk[APM], calculated as the percentage of credit and real estate impairments relative to average exposure, was 0.35% for the year ended December 31, 2021 (0.71% for the year ended December 31, 2020 and 0.40% for the year ended December 31, 2019). The increase in 2020 was mainly due to the extraordinary

[62] NPL reduction of our peers is calculated using reported numbers of gross NPLs as of December 31, 2021 (as derived from their consolidated annual report except for Caixabank and Sabadell gross NPLs) and December 31, 2019 (as derived from their respective consolidated annual report except for Caixabank and Sabadell gross NPLs). Caixabank's figure for December 31, 2019 in pro-forma Bankia merger and Unicaja's figure for December 31, 2019 (as derived from its consolidated annual report) in pro-forma Liberbank merger. Caixabank's figures exclude BPI. Sabadell's figures exclude TSB Bank's reported numbers. Average is calculated as the simple arithmetic mean of our peers' NPL reduction in %.

provisions recorded in the context of the COVID-19 pandemic. Excluding this extraordinary provision, our cost of risk[APM] would have been of 0.43% as of December 31, 2020.

ALCO portfolio

As of December 31, 2021 our ALCO portfolio[63] amounted to €10,462,235 thousand having increased by 35.4% since 2019. During 2021 our ALCO portfolio increased by €2,022,909 thousand due to certain public debt acquisitions carried out to recompose the portfolio after the sales of public debt completed during 2020 and also as a result of the increase in our liquidity due to higher retail deposits from our customers who took precautionary measures in response to the COVID-19 pandemic.

Our ALCO portfolio has a low risk profile, mainly comprised of Spanish sovereign debt, which represented 62.91% of our ALCO portfolio as of December 31, 2021[64], and bonds issued by the Spanish company for the management of assets arising from the restructuring of the banking system (Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.) ("**SAREB**") and subscribed by Banco Caja3 in exchange for the transfer of certain of Banco Caja3's non-performing real estate assets to SAREB, which are backed by an irrevocable guarantee of the Spanish government, which represented 15.57% of our ALCO portfolio as of December 31, 2021. As of December 31, 2021, the average duration of our ALCO portfolio was 5.3 years and the average interest rate on average ALCO portfolio[65] stood at 0.34% (0.42%[66] excluding bonds issued by SAREB). 97% of our ALCO portfolio is accounted for at amortized cost. In terms of maturities, less than 10% of our ALCO portfolio will mature over the next 3 years (€259 million in 2022, €16 million in 2023 and €681 million in 2024). The ALCO portfolio contribution to our total interest income represented 6.19% as of December 31, 2021, compared to 8.94% and 10.40% for the years ended December 31, 2020 and 2019[67], respectively, and below our peers's average of 10.5% (*source: peers' publicly available information*)[68].

Investments and divestments

We invest in business projects that are complementary to our main activities, that promote the economic development in the areas in which we are present and that are guided by socially and environmentally responsible criteria. We have equity investments in several sectors, including tourism, real estate, media, logistics and services. Our equity investments are intended to support the domestic productive sectors (preferably SMEs) through projects that help to create wealth and employment across our areas of influence, support entrepreneurs and diversify our sources of income.

In accordance with our strategic plans, "Plan + 2020" and "Plan Desafío 2023", we have continued our active policy of divesting from non-core business holdings, as well as other investments that have reached a sufficient degree of development and autonomy. As such, in 2022 (up to the date of this Registration Document) we have completed two full divestments and one partial divestment, with a divestment value of

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63 See definition, explanation, use, calculation and breakdown of Total exposure of the fixed income and equity instruments portfolio[APM] which are set out in "Alternative Performance Measures".

64 See definition, explanation, use, calculation and breakdown of Total exposure of the fixed income and equity instruments portfolio[APM] which are set out in "Alternative Performance Measures".

65 See definition, explanation, use, calculation and breakdown of Average rates on interest-earning assets[APM] which are set out in "Alternative Performance Measures".

66 Assuming SAREB bonds' interest rate is 0%.

67 See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

68 The ALCO portfolio contribution to the total interest income of our peers is calculated using reported numbers of revenue from fixed income portfolio and interest income as of December 31, 2021 (as derived from their respective consolidated annual report). Average is calculated as the simple average of peers' ALCO portfolio contribution to the total interest income.

€19.8 million. The most significant divestments in 2022 was Solavanti, S.L. (full divestment). In 2021, we completed seven full divestments and five partial divestments, with a divestment value of €18.6 million. The most significant divestments in 2021 were (i) Estudio Técnico de Inversiones, S.A. (full divestment) (ii) Energías Alternativas de Teruel, S.A. (full divestment) (iii) Ahorro Corporación Infraestructuras F.C.R (partial divestment), (iv) C y E Badajoz Servicios Sociosanitarios, S.A. (full divestment) and (v) Rioja Nueva Economía, S.A. (partial divestment). In 2020, we completed eight full divestments and six partial divestments with a divestment value of more than €59 million. The most significant divestments in 2020 were (i) CASER[69] (partial divestment) (which represents €53 million out of the total €59 million in divestments recorded in 2020) and (ii) Ahorro Corporación Infraestructuras F.C.R (partial divestment). In 2019, we completed five full divestments and nine partial divestments with a divestment value of €12.9 million. The most significant divestments in 2019 were (i) Concessia, Cartera y Gestión de Infraestructuras, S.A. (partial divestment), (ii) Rioja Nueva Economía, S.A. (partial divestment), (iii) EBN Vaccaria F.C.R. (partial divestment) and (v) Ahorro Corporación. S.A. (full divestment).

In addition, since December 31, 2019 up to the date of this Registration Document, we have completed investments for a total amount of €1.9 million. The most significant investments were (i) Viacajas, S.A., (ii) Foresta Private Individual I, S.A. and (ii) Foresta Private Equity II, S.C.R.

Explanation of key income statement items

Net interest income

Net interest income includes interest income less interest expense and expenses on share capital repayable on demand.

In general, net interest income items are accounted on an accruals basis, applying the effective interest method defined in IFRS 9 – Annex A taking into account the effective yield of the asset or liability or an applicable floating rate. Interest income and expense include the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Under IFRS-EU, loan origination and other related fees, net of associated direct costs, are recognized in interest income, and accrued, over the expected average life of the loan.

Fee and commission income and fee and commission expense

Fee and commission income includes fees and commissions received by us for a variety of activities, including mainly fees relating to collection and payment services, fees relating to marketing of non-bank financial products (mutual funds, pension funds and risk insurance products), commissions and fees relating to the buying and selling of securities by our customers, foreign currency exchange fees, contingent risk and commitment fees and other fees.

Fee and commission expense mainly include commissions assigned to other banks and correspondent banks and commission expense on securities transactions.

Income and expense relating to commissions and similar fees, which are not included in the calculation of the effective interest rate of transactions and/or do not form part of the acquisition cost of financial assets

[69] On January 24, 2020, we entered into a purchase and sale agreement with Helvetia Schweizerische Versicherungsgesellschaft AG for a portion of our stake in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("**CASER**"), representing 4.45% of CASER's share capital and voting rights. On June 25, 2020, we obtained the relevant regulatory authorizations to formalize the aforementioned sale, which was completed for a final price of €53 million. The recording of this transaction resulted in a reclassification from "Accumulated other comprehensive income" to "Other reserves" in the amount of €32 million (the "**CASER Sale Transaction**"). After the execution of the CASER Sale Transaction, we maintain a 9.5% shareholding in CASER. The positive impact of the CASER Sale Transaction on our CET1 fully-loaded ratio as of June 30, 2020 was 24 basis points. Additionally, on the same date, Ibercaja entered into a novation of the CASER Agency Agreement.

or liabilities, except for those carried at fair value through the income statement, are recognized in the income statement using different methods depending on their nature. The most significant methods used are explained below:

(i) Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognized in the consolidated income statement at the payment date.

(ii) Amounts arising from long-term transactions or services are recognized in the consolidated income statement over the term of the transactions or services.

(iii) Amounts relating to one-off events are recorded in the consolidated income statement when the relevant event takes place.

Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit and loss

Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit and loss mainly comprise "Financial assets at fair value through other comprehensive income", "financial assets at amortized cost" and "financial liabilities at amortized cost".

Other operating income and other operating expenses

Other operating income mainly comprises "income from investment property", "income from other operating leases", "sales and income from provision of services" and "other items". Other operating expenses mainly comprises "operating expenses on investment properties", "contribution to National Resolution Fund", "contribution to Deposit Guarantee Fund" and "other items".

Income from assets covered by insurance and reinsurance contracts and liability expenses covered by insurance or reinsurance contracts

Income from assets covered by insurance and reinsurance contracts, includes the amounts of insurance premiums collected and insurance or reinsurance income earned by subsidiaries.

Liability expenses covered by insurance or reinsurance contracts, includes the amounts of benefits paid and other expenses directly associated with insurance contracts, premiums paid to third parties for reinsurance and net provisions made to cover the risks of insurance contracts accrued by subsidiaries.

These income statement items should be analyzed together and their net impact on the income statement is not material.

Administration expenses

Administration expenses includes staff expenses and other administration expenses.

Staff expenses

Staff expenses mainly include wages and salaries, social security contributions, contributions to pension funds and insurance policies and severance payments, including staff expenses derived from the 2021-2022 Redundancy Plan. Wages and salaries, social security contributions and other salary-related costs are recognized over the period in which the employees provide the services to which the payments relate. Expenses related to individuals not on our payroll, such as external consultants, are included in other administration expenses.

Other administration expenses

Other administration expenses include, among other items, buildings, installations and office equipment, charges and taxes, communications and equipment maintenance, licenses, works and computer software.

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

The carrying value of financial assets is generally adjusted against the consolidated income statement when there is objective evidence that there are impairment losses. This is the case where:

- for debt instruments, when there is an event which has a negative impact on the relevant future cash flows to be received; and
- for equity instruments, when there is an event that evidences it is impossible to recover their carrying value.

Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets includes impairments or reversals on: (i) tangible assets including tangible assets for own use, investment property and inventory; (ii) intangible assets including goodwill and other intangible assets; and (iii) other assets.

Gains/(Losses) on derecognized of non-financial assets

Gains/(Losses) on derecognized of non-financial assets and shareholdings comprise the result obtained through the disposal of: (i) tangible assets including foreclosed assets that are classified as inventory; and (ii) investments in joint ventures and associates.

Gains/(losses) from non-current assets and disposal group of items classified as held for sale not qualifying as discontinued operations

Gains/(losses) from non-current assets and disposal group of items classified as held for sale not qualifying as discontinued operations comprises the result of the disposal of non-current assets, including tangible assets classified as non-current assets held for sale and equity instruments.

Profit/(loss) before tax from continuing operations

Profit/(loss) before tax from continuing operations is defined as the gross income less administrative expenses, amortization and depreciation expenses, provisions or reversal of provisions, impairment losses on financial assets not measured at fair value through profit and loss, impairment losses on investments in joint ventures or associates, impairment losses on non-financial assets, gains/(losses) on derecognized of non-financial assets (net), negative goodwill recognized in profit or loss and gains/(losses) on profit or loss from non-current assets and disposals groups of items classified as held for sale not qualifying as discontinued operations.

Expense or income from taxes on income from continuing operations

Tax expense or income from taxes on income from continuing operations is recognized in the consolidated income statement. Income tax for the year is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from temporary differences, tax deductions and allowances, and any tax loss.

We consider that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is treated as the tax base. A taxable temporary difference is a difference that will generate a future obligation for us to make a payment to the relevant authority. A deductible temporary difference is a difference that will generate a refund right or a reduction in a payment to be made to the relevant authority in the future.

Tax credits for deductions and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on the completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided we consider that application in future years is probable.

Profit/(Loss) from continuing operations

Profit/(Loss) from continuing operations is defined as the profit/(loss) before tax from continuing operations less income tax.

Profit/(Loss) from discontinued operations

Profit from discontinued operations is defined as income and expense, regardless of their nature, including those relating to impairment adjustments that arise during the year from a component of our operations that has been classified as discontinued. Even if those results are generated before that classification, these are presented net of the tax effect in the consolidated income statement as a single amount under this heading, both if the component remains in the consolidated balance sheet and if eliminated. This heading also includes the results from the sale or other disposal of those operations.

Profit/(Loss)

Profit is defined as the consolidated profit/(loss) from continuing operations less profit from discontinued operations.

Profit/(Loss) attributable to owners of the parent

Profit attributable to owners of the parent is defined as the profit less profit/(loss) attributable to non-controlling interest.

Explanation of key balance sheet items

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income mainly include debt instruments which are managed using a mixed business model whose objective combines collection of contractual cash flows and sales, and whose contractual terms give rise to cash flows on specified dates (payments of principal and interest on the outstanding principal amount).

Financial assets at amortized cost

Financial assets at amortized cost include financial assets that are held to collect their contractual cash flows and whose contractual terms give rise to cash flows on specified dates (payments of principal and interest on the outstanding principal amount).

Tangible assets

Tangible assets consist of property, plant and equipment for own use, investment property and property, plant and equipment assigned under operating lease. This category also includes right-of-use assets recognized under IFRS 16.

In general, tangible assets are presented on the balance sheet at cost, this being the fair value of any consideration paid plus all cash payments made or committed net of accumulated depreciation and any value adjustment resulting from comparing the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not depreciated. The annual expense for depreciation is charged to the consolidated statement of profit or loss.

Tax assets

Tax assets consist of current and deferred tax assets. Current tax assets are amounts that are regarded as being recoverable from the corresponding tax authority within twelve months as from the year end. Deferred tax assets are amounts that we expect to recover from the corresponding tax authority in future years.

Deferred tax assets are reviewed at each balance sheet date to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

Other assets

Inventories

This category is the main component of the caption “other assets” and records non-financial assets that we:

- hold for sale in the ordinary course of business;
- are currently producing, building or developing for this purpose; or
- plan to consume in the production process or in the provision of services.

Inventories are valued at the lower of their cost, including all acquisition and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realizable value. The net realizable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realizable value of inventories, below their carrying amount, are recognized in the consolidated statement of profit or loss in the financial year they are incurred, under "Impairment or reversal of impairment of non-financial assets (net) - Other".

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated statement of profit or loss under "Other operating expenses" in the year the income from their sale is recognized.

Financial liabilities at amortized cost

Financial liabilities included in this category are initially measured at fair value, adjusted by the transaction costs directly attributable to their issue. Subsequently, they are valued at their amortized cost, calculated through the application of the effective interest rate method. This category also includes lease liabilities recognized under IFRS 16.

The interest accruing on these securities, calculated using such method, is registered under the "interest expense" heading in the consolidated income statement.

Results of operations

Consolidated Income Statement

The following table sets out our consolidated income statement for the years ended December 31 2021, 2020 and 2019:

	For the year ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Interest income	549,923	632,798	663,561
(Interest expenses)	(57,097)	(99,125)	(116,315)
NET INTEREST INCOME	**492,826**	**533,673**	**547,246**
Dividend income	9,542	5,208	12,652
Share of profit of entities accounted for using the equity method	5,589	579	431
Fee and commission income	457,495	390,771	412,375
(Fee and commission expenses)	(19,509)	(16,636)	(18,636)
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	46,108	128,856	8,261
Gains/(losses) on financial assets and liabilities held for trading, net	645	1,149	1,220
Gains/(losses) on non-trading financial assets mandatorily measures at fair value through profit or loss, net	103	(10,476)	(3,718)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	—	—	747
Gains/(losses) from hedge accounting, net	(194)	(364)	567
Net exchange differences	557	852	1,104
Other operating income	37,944	47,022	37,073
(Other operating expenses)	(78,553)	(78,581)	(72,473)

	For the year ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Income from assets covered by insurance and reinsurance contracts...	904,463	960,230	940,528
(Liability expenses covered by insurance or reinsurance contracts).....	(904,756)	(960,461)	(940,798)
GROSS INCOME..	**952,260**	**1,001,822**	**926,579**
(Administration expenses)...	(544,249)	(655,588)	(532,859)
(Staff expenses)..	*(375,183)*	*(502,568)*	*(360,944)*
(Other administration expenses)	*(169,066)*	*(153,020)*	*(171,915)*
(Amortization and depreciation)..	(66,973)	(62,918)	(67,228)
(Provisions or (-) reversal of provisions)..	(5,722)	14,236	(37,330)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)......................................	(78,008)	(219,646)	(124,637)
(Impairment or (-) reversal of impairment on investments in joint businesses or associates)	(128)	—	—
(Impairment or (-) reversal of impairment on non-financial assets).....	(11,927)	(1,559)	(5,612)
Gains/(losses) on derecognition of non-financial assets and shareholdings, net..	(5,199)	(3,047)	(6,544)
Gains/(losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations....	(25,281)	(19,830)	(23,732)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**214,773**	**53,470**	**128,637**
(Expense or (-) income from taxes on income from continuing operations)...	63,788	29,868	44,648
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**150,985**	**23,602**	**83,989**
PROFIT/(LOSS) FOR THE YEAR...	**150,985**	**23,602**	**83,989**
Attributable to owners of the parent...	150,985	23,602	83,989

Comparison of consolidated income statement movements for the years ended December 31, 2021 and 2020

Interest income

Interest income decreased by 13.1%, from €632,798 thousand for the year ended December 31, 2020 to €549,923 thousand for the year ended December 31, 2021. This decrease was primarily due to the reduction in income from loans and advances to customers, a lower contribution from the ALCO portfolio and reduced income from our life savings insurance business portfolio.

The following table sets out the principal components of our interest income for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(*€ thousands, except %*)		
Non-trading financial assets mandatorily measured at fair value through profit or loss...	85	181	(53.0)%
Financial assets measured at fair value through other comprehensive income	95,251	111,533	(14.6)%
Financial assets at amortized cost..	423,097	493,287	(14.2)%
Interest rate hedging derivatives	(37,378)	(11,026)	239.0%
Other assets..	516	1,008	(48.8)%
Interest income from liabilities[(1)]	68,352	37,815	80.8%

	For the year ended December 31,		
	2021	2020	Change
	(€ *thousands, except %*)		
Total interest income	**549,923**	**632,798**	**(13.1)%**

Notes:—

(1) Includes interest income from the application of negative interest rates on the TLTRO liquidity tenders of €59,074 thousand as of December 31, 2021 (€33,173 thousand as of December 31, 2020).

The following table sets out the contribution to interest income from the categories of interest-earning assets detailed below for the years indicated[70]:

	For the year ended December 31,		
	2021	2020	Change
	(€ *thousands, except %*)		
Financial intermediaries(1)(2)	67,410	54,017	24.8%
Loans and advances to customers(2)	342,556	398,933	(14.1)%
ALCO portfolio(2)	34,028	56,592	(39.9)%
Life insurance business portfolio(2)	105,269	121,937	(13.7)%
Other assets(2)	660	1,319	(50.0)%
Total interest income	**549,923**	**632,798**	**(13.1)%**

Notes:—

(1) In accordance with Regulation (EU) 2021/451, income derived from the application of negative rates are allocated according to their nature. The asset "financial intermediaries" includes the negative interest from the balance of the liability "financial intermediaries", the most significant being the income from the TLTRO financing.

(2) Adjusted for the effect of interest rate hedging transactions.

Interest income from financial intermediaries increased by 24.8%, from €54,017 thousand for the year ended December 31, 2020 to €67,410 thousand for the year ended December 31, 2021. This increase was primarily due to the favorable conditions of the financing granted by the ECB in the TLTRO III auctions. The higher contribution is due to a higher funds balance (€5,959,000 thousand as of December 2021 compared to €5,400,000 thousand as of December 2020) and the application of a -1% interest rate from June 24, 2020.

Interest income from loans and advances to customers decreased by 14.1%, from €398,933 thousand for the year ended December 31, 2020 to €342,556 thousand for the year ended December 31, 2021. This decrease was primarily due to a lower average interest rate on average loans and advances to customers[APM] (1.19% compared to 1.36% for the year ended December 31, 2020) due to the repricing of the mortgage loan portfolio following the decline in the 12-month Euribor, the lower market interest rates for corporate financing and the high volume of Guaranteed Credit Lines formalized with a reduced return to which the cost of the guarantee is imputed. Income from loans and advances to customers accounted for 63.04% of our total interest income for the year ended December 31, 2020, compared to 62.29% for the year ended December, 2021.

Interest income from ALCO portfolio decreased by 39.9%, from €56,592 thousand for the year ended December 31, 2020 to €34,028 thousand for the year ended December 31, 2021. The decrease was primarily due to a lower average interest rate on average ALCO portfolio[APM] (0.34% compared to 0.66% for the year

[70] See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

ended December 31, 2020) due to the rotation of securities and sales made in 2020. Income from ALCO portfolio accounted for 8.94% of our total interest income[71] for the year ended December 31, 2020, compared to 6.19% for the year ended December 31, 2021.

Interest income from our life insurance business portfolio decreased by 13.7%, from €121,937 thousand for the year ended December 31, 2020 to €105,269 thousand for the year ended December 31, 2021. This decrease was primarily due to the reduction in interest income generated by the fixed income portfolio, mainly due to lower market interest rates (Euribor) and to the decrease in the balance resulting from maturities, which was partly offset by the increase in unit-linked products.

Interest expense

Interest expense decreased by 42.4%, from €99,125 thousand for the year ended December 31, 2020 to €57,097 thousand for the year ended December 31, 2021. This decrease was primarily due to lower cost of retail and wholesale funding.

The following table sets out the principal components of our interest expense for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Financial liabilities at amortized cost	(81,055)	(119,568)	(32.2)%
Interest rate hedging derivatives	50,108	59,367	(15.6)%
Liabilities under insurance contracts	(1,704)	(15,227)	(88.8)%
Other liabilities	(1,572)	(9,285)	(83.1)%
Interest expense from assets	(22,874)	(14,412)	58.7%
Total interest expense	**(57,097)**	**(99,125)**	**(42.4)%**

The following table sets out the contribution to interest expense from the categories of our interest-bearing liabilities detailed below for the years indicated[72]:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Financial intermediaries[(1)(2)]	(23,819)	(29,669)	(19.7)%
Retail deposits[(2)]	6,574	2,509	162.0%
Debt securities issued and mortgage covered bonds[(2)]	(32,634)	(52,469)	(37.8)%
Liabilities under insurance contracts[(2)]	(1,704)	(15,227)	(88.8)%
Other liabilities[(2)]	(5,514)	(4,269)	29.2%
Total interest expense	**(57,097)**	**(99,125)**	**(42.4)%**

Notes:—

[71] See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

[72] See definition, explanation, use, calculation and breakdown of Total interest expense by interest-bearing liabilities categories[APM] which are set out in "Alternative Performance Measures".

(1) The liability “financial intermediaries” includes the negative interest from the balance of the asset “financial intermediaries”.

(2) Adjusted for the effect of interest rate hedging transactions.

Interest expense from issued debt securities and mortgage covered bonds decreased by 37.8%, from €52,469 thousand for the year ended December 31, 2020 to €32,634 thousand for the year ended December 31, 2021. The decrease was primarily due to the maturity of non-renewed mortgage covered bonds and due to the fact that in the first half of 2020 part of the subordinated wholesale debt issued in 2015 remained on the balance sheet. This was redeemed in full in July 2020 and replaced by another lower-cost issue.

Negative interest expense on retail deposits[APM] increased by 162.0%, from an income of €2,509 thousand for the year ended December 31, 2020 to an income of €6,574 thousand for the year ended December 31, 2021. The increase was primarily due to a lower balance and rate of term deposits and as a consequence of our policy of collecting deposits from certain groups of customers (due to the charge for the balance on deposit from certain customers there is income instead of a cost and the average rate is more negative (reflecting additional income)). The average interest rate on average retail deposits[APM] changed to -0.02% for the year ended December 31, 2021 compared to -0.01% for the year ended December 31, 2020.

Dividend income

Dividend income increased by 83.2%, from €5,208 thousand for the year ended December 31, 2020 to €9,542 thousand for the year ended December 31, 2021. This increase was primarily due to the dividend income from CASER (€3,453 thousand for the year ended December 31, 2021 compared to no dividend for the year ended December 31, 2020) and the fact that many companies suspended dividend distributions in 2020 for prudential reasons in the context of the COVID-19 crisis.

Share of profit/(loss) of entities accounted for using the equity method

We had a profit related to entities accounted for using the equity method of €5,589 thousand for the year ended December 31, 2021, compared to a profit of €579 thousand for the year ended December 31, 2020. The increase was due to the result of Rioja de Nueva Economía, following the sale of its subsidiary Energía de Alternativas Eólicas Riojanas (recorded under “Other equity accounted entities”).

The following table sets out the principal components of our share of profit/(loss) of equity-accounted entities for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Aramón Montañas de Aragón, S.A.	(4,230)	1,398	(402.6)%
Concessia Cartera y Gestión de Infraestructuras, S.A.	(44)	(84)	(47.6)%
Henneo Media, S.A. (formerly Grupo Heraldo)	(112)	(2,716)	(95.9)%
Other equity accounted entities	9,975	1,981	403.5%
Share of profit/(loss) of equity accounted entities)	**5,589**	**579**	**865.3%**

Fee and commission income

Fee and commission income increased by 17.1%, from €390,771 thousand for the year ended December 31, 2020 to €457,495 thousand for the year ended December 31, 2021. This increase was mainly due to a higher contribution from non-bank financial product marketing fees, asset management fees and collection and payment services fees.

The following table sets out the principal components of our fee and commission income for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Contingent risk fees	8,643	8,581	0.7%
Contingent commitment fees	2,723	3,421	(20.4)%
Foreign currency exchange fees	107	90	18.9%
Collection and payment services fees	123,161	113,084	8.9%
Securities service fees	49,581	38,992	27.2%
of which: asset management	*41,627*	*29,751*	39.9%
of which: sale of securities held in custody	*7,954*	*9,241*	(13.9)%
Non-bank financial product marketing fees	254,860	206,590	23.4%
Other fees	18,420	20,013	(8.0)%
Total fee and commission income	**457,495**	**390,771**	**17.1%**

Non-bank financial product marketing fees and securities service fees related to our asset management activities[73] increased by 25.4%, from €236,341 thousand for the year ended December 31, 2020 to €296,487 thousand for the year ended December 31, 2021. This increase was primarily due to higher volume of assets under management, mainly mutual funds, and higher success fees, reflecting the strong performance of the markets throughout 2021.

Collection and payment services fees increased by 8.9%, from €113,084 thousand for the year ended December 31, 2020 to €123,161 thousand for the year ended December 31, 2021. This increase was primarily due to higher commercial activity compared to 2020 and the increase in fees charged for some services.

Securities service fees related to the sale of securities held in custody decreased by 13.9%, from €9,241 thousand for the year ended December 31, 2020 to €7,954 thousand for the year ended December 31, 2021. This decrease was primarily due to the exceptionally high volume of transactions in 2020, mainly in the months of March and April as a result of the COVID-19 pandemic.

Contingent risk fees and contingent commitment fees decreased by 5.3% from €12,002 thousand for the year ended December 31, 2020 to €11,366 thousand for the year ended December 31, 2021. This decrease was primarily due to lower income from loan commitments and financial guarantees granted.

Fee and commission expense

Fee and commission expense increased by 17.3%, from €16,636 thousand for the year ended December 31, 2020 to €19,509 thousand for the year ended December 31, 2021. This increase was primarily due to the increase of fees and commissions assigned to other entities and other fees which mainly include rebates on mutual fund commissions and the costs associated with the pension funds' permanence promotions.

[73] This item includes the income generated by management fees charged to subscribers of mutual and pension funds, as well as fees for intermediation of private insurance contracts between insurers and customers of the network and marketing fees for other investment funds unrelated to the Group.

The following table sets out the principal components of our fee and commission expense for the years indicated:

	For the year ended December 31,		
	2021	2020	Change
	(€ thousands, except %)		
Fees and commissions assigned to other entities	(6,809)	(5,792)	17.6%
Fees for securities transactions	(2,442)	(2,605)	(6.3)%
Other fees	(10,258)	(8,239)	24.5%
Total fee and commission expense	**(19,509)**	**(16,636)**	**17.3%**

Net gains/(losses) on financial assets and liabilities

Net gains on financial assets and liabilities decreased by 60.8%, from €119,165 thousand for the year ended December 31, 2020 to €46,662 thousand for the year ended December 31, 2021. This decrease was primarily due to lower results from financial assets at amortized cost.

The following table sets out the principal components of our gains/(losses) on financial assets and liabilities for the years indicated:

	For the year ended December 31,		
	2021	2020	Change
	(€ thousands, except %)		
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit and loss	46,108	128,856	(64.2)%
Financial assets measured at fair value through other comprehensive income	*7,508*	*12,856*	(41.6)%
Financial assets at amortized cost	*40,779*	*125,366*	(67.5)%
Financial liabilities at amortized cost	*(2,179)*	*(9,366)*	(76.7)%
Net gains/(losses) on financial assets and liabilities held for trading	645	1,149	(43.9)%
Net gains/(losses) on non-trading financial assets mandatorily measured at fair value through profit or loss	103	(10,476)	(101.0)%
Net gains/(loss) from hedge accounting	(194)	(364)	(46.7)%
Net profit from financial assets and liabilities[APM]	**46,662**	**119,165**	**(60.8)%**

Net gains on the disposal of financial asset and liability accounts not measured at fair value through profit and loss decreased by 64.2%, from €128,856 thousand during the year ended December 31, 2020 to €46,108 thousand for the year ended December 31, 2021. This decrease was primarily due to lower results from the sale of assets. As of December 31, 2020, the item "Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortized cost" included, among others, the impact of the Public Debt Sale Transaction as explained in Note 11.2 to the 2020 Annual Accounts. As indicated therein, part of the Public Debt Sale Transaction was carried out by means of a forward sale, generating a result of €33,102 thousand in 2021. Additionally, as of December 31, 2021, this item included both the impact of the sale of a portfolio of domestic government debt securities carried out in 2021 (as explained in Note 11.2 to the 2021 Annual Accounts), which resulted in a positive result of €18,686 thousand, and the impact of the sale of a portfolio of doubtful loans formalized at the end of 2021 (as explained in Note 11.5 to the 2021 Annual Accounts), which resulted in a negative impact of €9,623 thousand.

As of December 31, 2020, "Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial liabilities at amortized cost" mainly reflected the impact of the subordinated obligations repurchase transaction, under which we paid an average premium of 2.14% to the holders of the issue who participated in the buy-back offer. The final impact of this subordinated obligations repurchase transaction was a negative result of €9,363 thousand.

Other operating income

Other operating income decreased by 19.3%, from €47,022 thousand for the year ended December 31, 2020 to €37,944 thousand for the year ended December 31, 2021. As of December 31, 2020, "Other items" mainly included the initial recognition of €15 million in revenue, as part of the €70 million fixed commission already received by Ibercaja Mediación for the signing of the novation agreement modifying the CASER Agency Agreement. The rest of the initial fixed commission which has not been recognized (i.e. €55 million) is being accrued in our consolidated income statement during a period of 10 years following the Effective Date as non-banking commissions.

The following table sets out the principal components of our other operating income for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Income from investment property	3,905	4,141	(5.7)%
Income from other operating leases	16,475	15,350	7.3%
Sales and income from provision of services	4,187	4,416	(5.2)%
Other items	13,377	23,115	(42.1)%
Other operating income	**37,944**	**47,022**	**(19.3)%**

Other operating expenses

Other operating expenses remained stable, from €78,581 thousand for the year ended December 31, 2020 to €78,553 thousand for the year ended December 31, 2021. The higher expense incurred as a result of the contribution made to the National Resolution Fund is offset by the lower cost associated to the contribution to the Deposit Guarantee Fund.

The following table sets out the principal components of our other operating expenses for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Operating expenses on investment properties	(1,079)	(1,591)	(32.2)%
Contribution to the National Resolution Fund	(13,794)	(11,094)	24.3%
Contribution to the Deposit Guarantee Fund	(51,819)	(53,269)	(2.7)%
Other items	(11,861)	(12,627)	(6.1)%

	For the year ended December 31,		
	2021	2020	Change
	(€ thousands, except %)		
Other operating expense	**(78,553)**	**(78,581)**	**0.0%**

Administration expenses

Administration expenses include staff expenses and other administration expenses.

Staff expenses

Staff expenses decreased by 25.3%, from €502,568 thousand for the year ended December 31, 2020 to €375,183 thousand for the year ended December 31, 2021. Excluding the extraordinary staff expenses under the 2021-2022 Redundancy Plan (€151,041 thousand in 2020 and €12,842 thousand in 2021, as described in Note 38 of the 2021 Annual Accounts), staff expenses increased by 3.1% in 2021. This increase was primarily due to the fulfillment of certain variable remuneration objectives in 2021 and lower expenses in 2020 as a consequence of sick leaves taken during the COVID-19 pandemic. The cost savings from the 2021-2022 Redundancy Plan will materialize in the coming quarters as employee terminations are being staggered until June 2022. As of December 31, 2021, we had reduced our workforce by 525 employees and we had closed 117 branches out of the 750 exits and 199 closures, respectively, agreed under the 2021-2022 Redundancy Plan.

In December 2020, as part of the 2021-2022 Redundancy Plan, we reached an agreement with the employees' representatives to reduce our workforce by up to 750 employees. We primarily chose these employees on the basis of age or the closure of the relevant work center. The employee departures have taken place on a gradual basis during 2021 and will continue during the first half of 2022. In accordance with point 165 of "IAS 19 - Employee benefits" and the conditions established in "IAS 37 - Provisions for the recognition of restructuring costs", the 2021-2022 Redundancy Plan has led to staff expenses amounting to €151,041 thousand in 2020 (see Note 21 of the 2020 Annual Accounts which includes the outstanding liabilities associated with the 2021-2022 Redundancy Plan). In 2021, we have recorded an additional expense of €12,842 thousand due to changes in the exit date of some employees, with the rest of the expense corresponding to a contingency linked to labor costs arising from restructuring processes carried out in previous years due to changes in social security legislation during 2021.

The following table sets out the principal components of our staff expenses for the years indicated:

	For the year ended December 31,		
	2021	2020	Change
	(€ thousands, except %)		
Wages and salaries	(270,847)	(263,920)	2.6%
Social security contributions	(68,638)	(68,660)	0.0%
Contributions to pension funds and insurance policies	(17,667)	(17,698)	(0.2)%
Severance payments	(16,333)	(151,072)	(89.2)%
Other staff costs	(1,698)	(1,218)	39.4%
Staff expenses	**(375,183)**	**(502,568)**	**(25.3)%**

For the year ended December 31, 2021, we have recorded an expense of €1,544 thousand in "wages and salaries" corresponding to the accrual of the Incentive Plan (Note 2.13.5 to our 2021 Annual Accounts).

Other administration expenses

Other administration expenses increased by 10.5%, from €153,020 thousand for the year ended December 31, 2020 to €169,066 thousand for the year ended December 31, 2021. This increase was primarily due to the slowdown of activity in 2020 as a result of the COVID-19 pandemic and the launch of our "Desafío 2023" Strategic Plan, which has increased the cost of external services and technical reports associated with the implementation of the various initiatives contemplated therein.

The following table sets out the principal components of our other administration expenses for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Buildings, installations and office equipment	(27,668)	(26,484)	4.5%
Equipment maintenance, licenses, works and computer software	(21,879)	(22,239)	(1.6)%
Communications	(12,154)	(10,864)	11.9%
Advertising and publicity	(5,771)	(5,003)	15.4%
Charges and taxes	(18,170)	(20,221)	(10.1)%
Other management and administration expenses	(83,424)	(68,209)	22.3%
Other administration expenses	**(169,066)**	**(153,020)**	**10.5%**

Other management and administration costs increased by 22.3% in 2021, mainly due to higher expenses related to legal counsel and external services.

Provisions or reversals of provisions

Provisions or reversals of provisions changed from reversals of provisions of €14,236 thousand for the year ended December 31, 2020 to provisions of €5,722 thousand for the year ended December 31, 2021. As of December 31, 2020, the reversal of provisions was mainly related to the reversal of the provision recorded in 2019 related to the repurchase of subordinated bonds and the expiration of a contingency related to labor costs. As of December 31, 2021, the provision was mainly related to a provision for contingencies related to floor clauses and mortgage loan expenses.

The table below shows a description of the categories of provisions on our balance sheet and the changes during the years ended December 31, 2021 and 2020:

	Pensions and other post-employment defined benefit obligations	**Other long-term employee remuneration**	**Lawsuits and guarantees given**	**Commitments and guarantees given**	**Other provisions**	**Total**
			(€ thousands)			
Balances as of January 1, 2020	**123,610**	**466**	**7,930**	**22,515**	**161,174**	**315,695**
Allowances charged to income statement						
Interest expense	2	-	-	-	-	2
Allowances to provisions and other	-	432	434	17,307	23,450	41,623
Staff Costs(1)	2,359	-	-	-	151,041	153,400

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(€ thousands)			
Reversal of provisions taken to income statement	-	-	-	(20,435)	(35,424)	(55,859)
Provisions utilized	(311)	(776)	(584)	-	(13,539)	(15,210)
Other movements	(6,535)	-	-	90	(40,106)	(46,551)
Balances as of December 31, 2020	**119,125**	**122**	**7,780**	**19,477**	**246,596**	**393,100**
Allowances charged to income statement						
Interest expense	3	-	-	-	-	3
Allowances to provisions and other	-	562	1,019	7,887	8,611	18,079
Staff Costs[1]	2,254	1,544	-	-	16,333	20,131
Reversal of provisions taken to income statement	-	-	-	(10,636)	(1,721)	(12,357)
Provisions utilised	(308)	(684)	(1,636)		(115,554)[2]	(118,182)
Other movements	(31,835)			(21)	25	(31,831)
Balances as of December 31, 2021	**89,239**	**1,544**	**7,163**	**16,707**	**154,290**	**268,943**

Notes:—

(1) Source: Note 38 to the Annual Accounts.

(2) Includes €90 million for the 2021-2022 Redundancy Plan, €16 million related to floor clauses, €5.5 million related to claims related to expenses included in mortgage agreements and €3.6 million related to claims related to the invalidity of clauses related to expenses included in mortgage agreements.

The following tables show the variation in provisions or reversals of provisions during 2020 and 2021, respectively:

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(€ thousands)			
Allowances to provisions and other	-	432	434	17,307	23,450	41,623
Reversal of provisions taken to income statement	-	-	-	(20,435)	(35,424)	(55,859)
2020 net variation	**-**	**432**	**434**	**(3,128)**	**(11,974)**	**(14,236)**

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(€ thousands)			
Allowances to provisions and other	-	562	1,019	7,887	8,611	18,079
Reversal of provisions taken to income statement...........................	-	-	-	(10,636)	(1,721)	(12,357)
2021 net variation.........................	**-**	**562**	**1,019**	**(2,749)**	**6,890**	**5,722**

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss decreased by 64.5%, from €219,646 thousand for the year ended December 31, 2020 to €78,008 thousand for the year ended December 31, 2021. This decrease was primarily due to an extraordinary non-recurrent credit risk provision of €90,124 thousand recorded in 2020 to cover the potential impact of the economic effects associated with the COVID-19 pandemic. Stripping out this extraordinary provision, impairment or reversal of impairment of financial assets not measured at fair value through profit or loss decreased by 39.8% due to lower NPLs entries.

Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets increased by 665.0%, from €1,559 thousand for the year ended December 31, 2020 to €11,927 thousand for the year ended December 31, 2021. The increase was primarily due to higher impairments linked to foreclosed assets.

The following table sets out the principal components of our impairment or reversal of impairment in non-financial assets for the years indicated:

	For the year ended December 31,		
	2021	2020	Change
	(€ thousands, except %)		
Tangible assets...	(4,414)	(1,471)	200.1%
Property, plant and equipment...	*(1,765)*	*(386)*	357.3%
Investment property...	*(2,649)*	*(1,085)*	144.1%
Others	(7,513)	(88)	—
Impairment or reversal of impairment losses in the value of non-financial assets...	**(11,927)**	**(1,559)**	**665.0%**

The increase in impairment recorded in “Others” corresponded mainly to the effects of the recalibration of the foreclosed assets internal model in 2021.

Gains or losses on derecognition of non-financial assets, net

Gains or losses on derecognition of non-financial assets, net increased by 70.6% from losses of €3,047 thousand for the year ended December 30, 2020 to losses of €5,199 thousand for the year ended December 31, 2021. The results of other non-current non-classified assets held for sale in 2021 mainly included the sale of land of a real estate subsidiary of the Group, which generated a loss of €4.4 million, without the remaining transactions being material.

The following table sets out the components of our gains or losses on derecognition of non-financial assets for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Gains/(losses) on disposal of assets not classified as non-current for sale	(5,594)	(3,066)	82.5%
Gains/(losses) from sales of investments	395	19	—
Gains or losses on derecognition of non-financial assets, net	**(5,199)**	**(3,047)**	**70.6%**

Gains or losses from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations

Losses from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations increased by 27.5% from losses of €19,830 thousand for the year ended December 31, 2020 to losses of €25,281 thousand for the year ended December 31, 2021. The increase in impairment of other non-current assets for sale corresponded mainly to the effects of the recalibration of the foreclosed assets internal model in 2021. The higher profit from disposal of other non-current assets for sale was due to an increase in sales volume caused by the economic recovery in 2021.

The following table sets out the principal components of our gains or losses from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Gains/(losses) for impairment of other non-current assets for sale	(31,166)	(18,861)	65.2%
Profit/loss from disposal of other non-current assets for sale	5,885	(969)	(707.3)%
Gains/(losses) from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	**(25,281)**	**(19,830)**	**27.5%**

Expense or income from taxes on income from continuing operations

Expense from taxes on income from continuing operations increased by 113.6% from €29,868 thousand for the year ended December 31, 2020 to €63,788 thousand for the year ended December 31, 2021. This increase was primarily due to a higher consolidated profit before tax (€53,470 thousand for the year ended December 31, 2020 to €214,773 thousand for the year ended December 31, 2021).

The following table sets out the reconciliation of the accounting and tax results for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Consolidated profit before tax	**214,773**	**53,470**	**301.7%**
Corporate income tax at the 30% tax rate	64,432	16,041	301.7%
Positive permanent differences	6,165	(1,958)	(414.9)%
Other adjustments on consolidation	(1,677)	(174)	863.8%
Tax deductions and tax credits	(2,143)	(1,163)	84.3%
Write-off of deferred tax assets	—	19,210	—
Corporate income tax expense for the year	**66,777**	**31,956**	**109.0%**
Adjustments to prior-year tax expense	(2,989)	(2,088)	43.2%
Total corporate income tax expense	**63,788**	**29,868**	**113.6%**

Comparison of consolidated income statement movements for the years ended December 31, 2020 and 2019

Interest income

Interest income decreased by 4.6%, from €663,561 thousand for the year ended December 31, 2019 to €632,798 thousand for the year ended December 31, 2020. This decrease was primarily due to the decrease in income from loans and advances to customers, a small contribution from the fixed-income portfolio and the reduction of the income of the life savings insurance business portfolio of the Group.

The following table sets out the principal components of our interest income for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Financial assets held for trading	—	—	—
Non-trading financial assets mandatorily measured at fair value through profit or loss	181	420	(56.9)%
Financial assets at fair value through profit and loss	—	—	—
Financial assets measured at fair value through other comprehensive income	111,533	131,258	(15.0)%
Financial assets at amortized cost	493,287	536,531	(8.1)%
Interest rate hedging derivatives	(11,026)	(19,709)	(44.1)%
Other assets	1,008	751	34.2%
Interest income from liabilities[1]	37,815	14,310	164.3%
Total interest income	**632,798**	**663,561**	**(4.6)%**

Notes:—

(1) Includes interest income from the application of negative interest rates on the TLTRO liquidity tenders of €33,173 thousand as of December 31, 2020 (€13,306 thousand as of December 31, 2019).

The following table sets out the contribution to interest income from the categories of interest-earning assets detailed below for the years indicated[74]:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Financial intermediaries(1)(2)	54,017	14,004	285.7%
Loans and advances to customers(2)	398,933	435,281	(8.4)%
ALCO portfolio(2)	56,592	69,023	(18.0)%
Life insurance business portfolio(2)	121,937	144,550	(15.6)%
Other assets(2)	1,319	703	87.6%
Total interest income	**632,798**	**663,561**	**(4.6)%**

Notes:—

(1) In accordance with the Regulation (EU) 2021/451, income derived from the application of negative rates are allocated according to their nature. The asset "financial intermediaries" includes the negative interest from the balance of the liability "financial intermediaries", the most significant being the income from the TLTRO financing.

(2) Adjusted for the effect of interest rate hedging transactions.

Interest income from financial intermediaries increased by 285.7%, from €14,004 thousand for the year ended December 31, 2019 to €54,017 thousand for the year ended December 31, 2020. This increase was primarily due to the favorable conditions of the financing granted by the ECB in the TLTRO III auction in June 2020.

Interest income from loans and advances to customers decreased by 8.4%, from €435,281 thousand for the year ended December 31, 2019 to €398,933 thousand for the year ended December 31, 2020. This decrease was primarily due to the decrease in the volume of loans and advances to customers and a lower average interest rate. The average interest rate on average loans and advances to customers[APM] was 1.36%, reflecting a nine basis points decrease compared to 2019, as a result of the repricing of the mortgage loan portfolio after the drop in the 12-month Euribor (eight basis points on average compared to 2019) and the granting of Guaranteed Credit Lines at reduced interest rates. Income from loans and advances to customers accounted for 63.04% of our total interest income[75] for the year ended December 31, 2020, compared to 65.60% for the year ended December 31, 2019.

Interest income from ALCO portfolio decreased by 18.0%, from €69,023 thousand for the year ended December 31, 2019 to €56,592 thousand for the year ended December 31, 2020. The decrease was due to the reduction of the average interest rate on average ALCO portfolio[76] (0.66% compared to 0.97% in 2019), due to the portfolio rotation which was partially offset by the higher average balance. Interest income from ALCO portfolio accounted for 8.94% of our total interest income for the year ended December 31, 2020 compared to 10.40% for the year ended December 31, 2019.

Interest income from our life insurance business portfolio decreased by 15.6%, from €144,550 thousand for the year ended December 31, 2019 to €121,937 thousand for the year ended December 31, 2020. This

[74] See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

[75] See definition, explanation, use, calculation and breakdown of Total interest income by interest-earning assets categories[APM] which are set out in "Alternative Performance Measures".

[76] See definition, explanation, use, calculation and breakdown of Average rates on interest-earning assets[APM] which are set out in "Alternative Performance Measures".

decrease was primarily due to the reduction in interest income generated by the fixed income portfolio, mainly due to lower market interest rates (Euribor) and by the decrease in the balance resulting from maturities, which was not partly offset by the increase in unit-linked products.

Interest expense

Interest expense decreased by 14.8%, from €116,315 thousand for the year ended December 31, 2019 to €99,125 thousand for the year ended December 31, 2020. This decrease was primarily due to lower cost of retail and wholesale funding.

The following table sets out the principal components of our interest expense for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Financial liabilities at amortized cost	(119,568)	(146,915)	(18.6)%
Interest rate hedging derivatives	59,367	78,142	(24.0)%
Liabilities under insurance contracts	(15,227)	(32,078)	(52.5)%
Other liabilities	(9,285)	(3,747)	147.8%
Interest expense from assets	(14,412)	(11,717)	23.0%
Total interest expense	**(99,125)**	**(116,315)**	**(14.8)%**

The following table sets out the contribution to interest expense from the categories of our interest-bearing liabilities detailed below for the years indicated[77]:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Financial intermediaries(1)(2)	(29,669)	(9,945)	198.3%
Retail deposits(2)	2,509	(4,948)	-
Debt securities issued and mortgage covered bonds(2)	(52,469)	(65,597)	(20.0)%
Liabilities under insurance contracts(2)	(15,227)	(32,078)	(52.5)%
Other liabilities(2)	(4,269)	(3,747)	13.9%
Total interest expense	**(99,125)**	**(116,315)**	**(14.8)%**

Notes:—

(1) The liability "financial intermediaries" includes the negative interest from the balance of the asset "financial intermediaries".

(2) Adjusted for the effect of interest rate hedging transactions.

Interest expense from issued debt securities and mortgage covered bonds decreased by 20.0%, from €65,597 thousand for the year ended December 31, 2019 to €52,469 thousand for the year ended December 31, 2020, mainly due to the repurchase and redemption of €500,000 thousand Tier 2 capital instruments issued in 2015 and the subsequent issuance of €500,000 thousand of new Tier 2 capital instruments at a lower rate

[77] See definition, explanation, use, calculation and breakdown of Total interest expense by interest-bearing liabilities categories[APM] which are set out in "Alternative Performance Measures".

(2.75% compared to 5% interest rate of the redeemed Tier 2 capital instruments), as well as the maturity of non-renewed covered bonds.

Interest expense on retail deposits[APM] decreased by 150.7%, from an expense of €4,948 thousand for the year ended December 31, 2019 to an income of €2,509 thousand for the year ended December 31, 2020. The decrease was primarily due to lower balance and rate of term deposits and the collection, under certain circumstances, of credit balances of companies (SMEs and corporates) on demand accounts.

Dividend income

Dividend income decreased by 58.8%, from €12,652 thousand for the year ended December 31, 2019 to €5,208 thousand for the year ended December 31, 2020. This decrease was primarily due to the absence of dividends from CASER following the partial sale of our stake by virtue of the CASER Sale Transaction).

Share of profit/(loss) of entities accounted for using the equity method

We had a profit related to entities accounted for using the equity method of €579 thousand for the year ended December 31, 2020, compared to a profit of €431 thousand for the year ended December 31, 2019. The increase was due to higher profits from Aramón Montañas de Aragón, S.A, together with higher profits from other equity-accounted entities, which was partially offset by losses from Henneo Media, S.A.

The following table sets out the principal components of our share of profit/(loss) of equity-accounted entities for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Aramón Montañas de Aragón, S.A.	1,398	418	234.4%
Concessia Cartera y Gestión de Infraestructuras, S.A.	(84)	712	—
Henneo Media, S.A. (formerly Grupo Heraldo)	(2,716)	(582)	366.7%
Other equity accounted entities	1,981	(117)	—
Share of profit/(loss) of equity accounted entities)	**579**	**431**	**34.3%**

Fee and commission income

Fee and commission income decreased by 5.2%, from €412,375 thousand for the year ended December 31, 2019 to €390,771 thousand for the year ended December 31, 2020. The decline is mainly due to reduced activity and market evolution resulting from the economic effects of the COVID-19 pandemic.

The following table sets out the principal components of our fee and commission income for the years indicated:

	For the year ended December 31,		
	2020	2019	Change
	(€ thousands, except %)		
Contingent risk fees	8,581	10,102	(15.1)%
Contingent commitment fees	3,421	3,653	(6.4)%
Foreign currency exchange fees	90	267	(66.3)%
Collection and payment services fees	113,084	117,601	(3.8)%
Securities service fees	38,992	61,501	(36.6)%
of which: asset management	*29,751*	*53,603*	*(44.5)%*
of which: sale of securities held in custody	*9,241*	*7,898*	*17.0%*
Non-bank financial product marketing fees	206,590	195,389	5.7%
Other fees	20,013	23,862	(16.1)%
Total fee and commission income	**390,771**	**412,375**	**(5.2)%**

Non-bank financial product marketing fees and securities service fees related to our asset management activities[78] decreased by 5.1%, from €248,992 thousand for the year ended December 31, 2019 to €236,341 thousand for the year ended December 31, 2020. This decrease was primarily due to the reduction of success fees under portfolio management and private banking arrangements as a result of the market evolution resulting from the COVID-19 pandemic.

Collection and payment services fees decreased by 3.8%, from €117,601 thousand for the year ended December 31, 2019 to 113,084 thousand for the year ended December 31, 2020. This decrease was primarily due to a fall in retail activity, reduced ATM transactions and foreign currency card payments as a result of the COVID-19 pandemic.

Securities service fees related to the sale of securities held in custody increased by 17.0%, from €7,898 thousand for the year ended December 31, 2019 to €9,241 thousand for the year ended December 31, 2020. This increase was primarily due to a higher number of transactions, especially in March 2020.

Contingent risk fees decreased by 15.1%, from €10,102 thousand for the year ended December 31, 2019 to €8,581 thousand for the year ended December 31, 2020. This decrease was primarily due to the reduced levels of business activity during a significant part of 2020 as a result of the COVID-19 pandemic that affected commissions related to financial guarantees granted.

Fee and commission expense

Fee and commission expense decreased by 10.7%, from €18,636 thousand for the year ended December 31, 2019 to €16,636 thousand for the year ended December 31, 2020. This decrease was primarily due to the reduction of fees and commissions assigned to other entities and other fees, which mainly include rebates on mutual fund commissions and the costs associated with the pension funds' permanence promotions.

The following table sets out the principal components of our fee and commission expense for the years indicated:

[78] This item includes the income generated by management fees charged to subscribers of mutual and pension funds, as well as fees for intermediation of private insurance contracts between insurers and customers of the network and marketing fees for other investment funds unrelated to the Group.

	For the year ended December 31,		
	2020	2019	Change
	(*€ thousands, except %*)		
Fees and commissions assigned to other entities	(5,792)	(7,597)	(23.8)%
Fees for securities transactions	(2,605)	(1,791)	45.4%
Other fees	(8,239)	(9,248)	(10.9)%
Total fee and commission expense	**(16,636)**	**(18,636)**	**(10.7)%**

Net gains/(losses) on financial assets and liabilities

Net gains on financial assets and liabilities increased by 1,583.8%, from €7,077 thousand for the year ended December 31, 2019 to €119,165 thousand for the year ended December 31, 2020. This increase was primarily due to gains from the sale of bonds in the portfolio at amortized cost. Net gains on financial assets and liabilities for the year ended December 31, 2019 recorded the negative impact of €42 million of the Ordesa Transaction and the Costa Transaction.

The following table sets out the principal components of our gains/(losses) on financial assets and liabilities for the years indicated:

	For the year ended December 31,		
	2020	2019	Change
	(*€ thousands, except %*)		
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit and loss	128,856	8,261	1,459.8%
Financial assets measured at fair value through other comprehensive income	*12,856*	*30,669*	*(58.1)%*
Financial assets at amortized cost	*125,366*	*(23,757)*	—
Financial liabilities at amortized cost	*(9,366)*	*477*	—
Other	—	*872*	—
Net gains/(losses) on financial assets and liabilities held for trading	1,149	1,220	(5.8)%
Net gains/(losses) on non-trading financial assets mandatorily measured at fair value through profit or loss	(10,476)	(3,718)	181.8%
Net gains/(losses) on financial assets and liabilities designated at fair value	—	747	—
Net gains/(loss) from hedge accounting	(364)	567	—
Net gains/(losses) on financial assets and liabilities	**119,165**	**7,077**	1,583.8%

Net gains on the disposal of financial asset and liability accounts not measured at fair value through profit and loss increased by 1,459.8%, from €8,261 thousand during the year ended December 31, 2019 to €128,856 thousand for the year ended December 31, 2020. This increase was primarily due to the gains, obtained on the sale of Spanish government debt securities of the portfolio at amortized cost by means of the Public Debt Sale Transaction to obtain liquidity in response to the extraordinary circumstances of the COVID-19 pandemic, which amounted to €114,619 thousand, explained in Note 11.2 of the 2020 Annual Accounts.

Other operating income

Other operating income increased by 26.8%, from €37,073 thousand for the year ended December 31, 2019 to €47,022 thousand for the year ended December 31, 2020. This increase was primarily due to the initial recognition of €15,000 thousand (included under "other items" in the table below) for the signing of the novation agreement modifying CASER's non-life insurance distribution contract which was offset by the decrease in income from investment property by 23.0% and the decrease in sales and income from provision services by 17.4%, both as a result of the slowdown in activity caused by the COVID-19 pandemic. Although the entire €70 million fixed commission has been already received by Ibercaja Mediación for the signing of the novation agreement modifying the CASER Agency Agreement, this amount was not recognized in full upon the signing of the novation agreement in January 2020. The application of IFRS 15 to this specific case is technically complex, with different interpretations being admitted, so that, following the interpretation of the CNMV, only €15 million was recognised in the consolidated profit and loss account as of December 31, 2020. The remaining amount of the initial fixed fee, i.e. €55 million, is being accrued in the consolidated profit and loss account during the 10 years following the Effective Date in accordance with the provisions of IFRS 15.

The following table sets out the principal components of our other operating income for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Income from investment property	4,141	5,376	(23.0)%
Income from other operating leases	15,350	14,276	7.5%
Sales and income from provision of services	4,416	5,344	(17.4)%
Other items	23,115	12,077	91.4%
Other operating income	**47,022**	**37,073**	**26.8%**

Other operating expenses

Other operating expenses increased by 8.4%, from €72,473 thousand for the year ended December 31, 2019 to €78,581 thousand for the year ended December 31, 2020. This increase was primarily due to the higher expense incurred as a result of the contributions made to the Deposit Guarantee Fund, arising from the increase in savings balances (see Note 1.8.2 of the 2020 Annual Accounts).

The following table sets out the principal components of our other operating expenses for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Operating expenses on investment properties	(1,591)	(1,977)	(19.5)%
Contribution to the National Resolution Fund	(11,094)	(10,350)	7.2%
Contribution to the Deposit Guarantee Fund	(53,269)	(48,520)	9.8%
Other items	(12,627)	(11,626)	8.6%
Other operating expense	**(78,581)**	**(72,473)**	**8.4%**

Administration expenses

Administration expenses include staff expenses and other administration expenses.

Staff expenses

Staff expenses increased by 39.2%, from €360,944 thousand for the year ended December 31, 2019 to €502,568 thousand for the year ended December 31, 2020. Excluding the extraordinary staff expenses of €151,041 thousand in 2020 under the 2021-2022 Redundancy Plan (Note 38 of the 2020 Annual Accounts), staff expenses fell by 2.6% primarily due to lower wages and salaries, social security contributions and training costs.

In December 2020, as part of the 2021-2022 Redundancy Plan, we reached an agreement with the employees' representatives to reduce our workforce by up to 750 employees. We primarily chose these employees on the basis of age or the closure of the relevant work center. The employee departures have taken place on a gradual basis during 2021 and will continue during the first half of 2022. In accordance with point 165 of "IAS 19 - Employee benefits" and the conditions established in "IAS 37 - Provisions for the recognition of restructuring costs", the 2021-2022 Redundancy Plan has led to staff expenses amounting to €151,041 thousand in 2020 (see Note 21 of the 2020 Annual Accounts which includes the outstanding liabilities associated with the 2021-2022 Redundancy Plan).

The following table sets out the principal components of our staff expenses for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Wages and salaries	(263,920)	(270,066)	(2.3)%
Social security contributions	(68,660)	(71,018)	(3.3)%
Contributions to pension funds and insurance policies	(17,698)	(17,255)	2.6%
Severance payments	(151,072)	—	
Other staff costs	(1,218)	(2,605)	(53.2)%
Staff costs	**(502,568)**	**(360,944)**	**39.2%**

Other administration expenses

Other administration expenses decreased by 11.0%, from €171,915 thousand for the year ended December 31, 2019 to €153,020 thousand for the year ended December 31, 2020. This decrease was primarily due to lower expenditure on other management and administration expenses, buildings, installations and office equipment, advertising and publicity and communications as a result of the cost restraint, the COVID-19 pandemic and the closure of 55 offices during 2020.

The following table sets out the principal components of our other administration expenses for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(€ thousands, except %)		
Buildings, installations and office equipment	(26,484)	(30,744)	(13.9)%
Equipment maintenance, licenses, works and computer software	(22,239)	(21,776)	2.1%
Communications	(10,864)	(12,096)	(10.2)%

	For the year ended December 31,		
	2020	2019	Change
	(*€ thousands, except %*)		
Advertising and publicity	(5,003)	(6,493)	(22.9)%
Charges and taxes	(20,221)	(19,766)	2.3%
Other management and administration expenses	(68,209)	(81,040)	(15.8)%
Other administration expenses	**(153,020)**	**(171,915)**	**(11.0)%**

Provisions or reversals of provisions

Provisions or reversals of provisions changed from provisions of €37,330 thousand for the year ended December 31, 2019 to reversal of provisions of €14,236 thousand for the year ended December 31, 2020. Provisions recorded in 2019 were mainly related to provisions made to anticipate the impact from an accelerated NPA reduction and to the repurchase of subordinated bonds. As of December 31, 2020, a net reversal of €14,236 thousand was recorded, essentially due to an allowance for contingencies related to floor clauses, the reversal of the provision recorded in 2019 related to the repurchase of subordinated bonds and the expiration of a contingency linked to labor costs.

The table below shows a description of the categories of provisions on our balance sheet and the changes during the years ended December 31, 2020 and 2019:

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(*€ thousands*)			
Balances as of January 1, 2019	**124,265**	**1,931**	**9,027**	**33,465**	**180,123**	**348,811**
Allowances charged to income statement						
Interest expense	2	-	-	-	-	2
Allowances to provisions and other	-	603	333	26,298	50,568	77,802
Staff Costs (Note 38)	2,225	-	-	-	-	2,225
Reversal of provisions taken to income statement	-	-	-	(37,271)	(3,201)	(40,472)
Provisions utilised	(317)	(2,068)	(1,430)	-	(67,452)	(71,267)
Other movements	(2,565)	-	-	23	1,136	(1,406)
Balances as of December 31, 2019	**123,610**	**466**	**7,930**	**22,515**	**161,174**	**315,695**
Allowances charged to income statement						
Interest expense	2	-	-	-	-	2
Allowances to provisions and other	-	432	434	17,307	23,450	41,623
Staff Costs (Note 38)	2,359	-	-	-	151,040	153,400
Reversal of provisions taken to income statement	-	-	-	(20,435)	(35,424)	(55,859)

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(€ thousands)			
Provisions utilised..........................	(311)	(776)	(584)	-	(13,539)	(15,210)
Other movements...........................	(6,535)	-	-	90	(40,106)	(46,551)
Balances as of December 31, 2020	**119,125**	**122**	**7,780**	**19,477**	**246,596**	**393,100**

The following tables show the variation in provisions or reversals of provisions during 2019 and 2020, respectively:

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(€ thousands)			
Allowances to provisions and other	-	603	333	26,298	50,568	77,802
Reversal of provisions taken to income statement............................	-	-	-	(37,271)	(3,201)	(40,472)
2019 net variation.........................	**-**	**603**	**333**	**(10,973)**	**47,367**	**37,330**

	Pensions and other post-employment defined benefit obligations	Other long-term employee remuneration	Lawsuits and guarantees given	Commitments and guarantees given	Other provisions	Total
			(€ thousands)			
Allowances to provisions and other	-	432	434	17,307	23,450	41,623
Reversal of provisions taken to income statement............................	-	-	-	(20,435)	(35,424)	(55,859)
2020 net variation.........................	**-**	**432**	**434**	**(3,128)**	**(11,974)**	**(14,236)**

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss increased by 76.2%, from €124,637 thousand for the year ended December 31, 2019 to €219,646 thousand for the year ended December 31, 2020. This increase was primarily due to a €90,124 thousand credit risk provision to cover the potential impact of the economic effects associated with the COVID-19 pandemic. This non-recurring provision has been determined on the basis of the new macroeconomic scenario arising from the COVID-19 pandemic, the credit risk monitoring measures that have been implemented, the expert analysis of individually-significant borrowers, and the particular impact this crisis may have on certain economic sectors such as transport and storage and hospitality and leisure (see Note 11.6.3 to our 2020 Annual Accounts).

The following table shows the breakdown by stage and by purpose of the €90,124 thousand credit risk provision recorded in connection with the potential impact of the economic effects of the COVID-19 pandemic:

	As of December 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	(€ thousands)			
Mortgage to individuals	1,092	29,665	12,624	**43,381**
Self-employed and SMEs	234	31,962	2,706	**34,902**
Large corporations	70	8,021	805	**8,896**
Other segments	88	1,840	1,017	**2,945**
Total	**1,484**	**71,488**	**17,152**	**90,124**

Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets decreased by 72.2%, from €5,612 thousand for the year ended December 31, 2019 to €1,559 thousand for the year ended December 31, 2020. The decrease, reflected in the "Others" line of the table below, was primarily due to lower impairment related to foreclosed assets accounted for inventories in the balance sheet.

The following table sets out the principal components of our impairment or reversal of impairment in non-financial assets for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(*€ thousands, except %*)		
Tangible assets	(1,471)	(569)	158.5%
Property, plant and equipment	*(386)*	*(115)*	*235.7%*
Investment property	*(1,085)*	*(454)*	*139.0%*
Intangible assets	—	—	
Goodwill	—	—	
Other intangible assets	—	—	
Others	(88)	(5,043)	(98.3)%
Impairment or reversal of impairment losses in the value of non-financial assets	**(1,559)**	**(5,612)**	**(72.2)%**

Gains or losses on derecognition of non-financial assets, net

The following table sets out the components of our gains or losses on derecognition of non-financial assets for the years indicated:

	For the year ended December 31,		
	2020	**2019**	**Change**
	(*€ thousands, except %*)		
Gains/(losses) on disposal of assets not classified as non-current for sale	(3,066)	(6,576)	(53.4)%
Gains/(losses) from sales of investments	19	32	(40.6)%

	For the year ended December 31,		
	2020	2019	Change
	(€ thousands, except %)		
Gains/(losses) for other reasons	—	—	
Gains or losses on derecognition of non-financial assets, net	**(3,047)**	**(6,544)**	**(53.4)%**

Gains or losses from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations

The following table sets out the principal components of our gains or losses from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations for the years indicated:

	For the year ended December 31,		
	2020	2019	Change
	(€ thousands, except %)		
Gains/(losses) for impairment of other non-current assets for sale	(18,861)	(16,957)	11.2%
Profit/loss from disposal of other non-current assets for sale	(969)	(6,775)	(85.7)%
Gains/(losses) from non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	**(19,830)**	**(23,732)**	**(16.4)%**

Expense or income from taxes on income from continuing operations

Expense from taxes on income from continuing operations decreased from €44,648 thousand for the year ended December 31, 2019 to €29,868 thousand for the year ended December 31, 2020. This decrease was primarily due to a decrease in the tax expense income from continuing operations primarily due to a lower consolidated profit before tax (€128,637 thousand in 2019 compared to €53,470 thousand in 2020) (see Note 25.3 to our 2020 Annual Accounts) which was partially offset by a write-off of deferred tax assets (tax losses of a subsidiary generated prior to its entry in the tax group) amounting to €19,210 thousand.

Our effective CIT rate increased from 34.7% for the year ended December 31, 2019 to 55.9% for the year ended December 31, 2020. See "*Operating and financial review for the years ended December 31, 2021, 2020 and 2019—Key factors affecting comparability of results of operations—Increased effective tax rate*".

The following table sets out the reconciliation of the accounting and tax results for the years indicated:

	For the year ended December 31,		
	2020	2019	Change
	(€ thousands, except %)		
Consolidated profit before tax	**53,470**	**128,637**	**(58.4)%**
Corporate income tax at the 30% tax rate	16,041	38,591	(58.4)%
Positive permanent differences	(1,958)	1,296	—
Other adjustments on consolidation	(174)	(129)	34.9%

	For the year ended December 31,		
	2020	2019	Change
	(€ thousands, except %)		
Tax deductions and tax credits	(1,163)	(1,062)	9.5%
Write-off of deferred tax assets	19,210	—	
Corporate income tax expense for the year	**31,956**	**38,696**	**(17.4)%**
Adjustments to prior-year tax expense	(2,088)	5,952	—
Total corporate income tax expense	**29,868**	**44,648**	**(33.1)%**

Consolidated balance sheet

The following table sets out our consolidated balance sheet as of December 31, 2021, 2020 and 2019:

	As of December 31,		
	2021	2020	2019
	(€ thousands)		
ASSETS			
Cash and cash balances at central banks and other demand deposits	6,388,624	7,572,609	3,929,202
Financial assets held for trading	2,864	5,503	8,963
Non-trading financial assets mandatorily measured at fair value with changes through profit and loss	1,668,437	853,721	375,885
Financial assets at fair value through profit or loss	7,451	8,602	8,939
Financial assets at fair value through other comprehensive income	6,464,034	7,023,328	8,086,430
Financial assets at amortized cost	40,989,400	39,726,825	39,768,768
Derivatives - Hedge accounting	71,866	142,020	137,210
Investments in joint ventures and associates	101,328	106,525	109,815
Assets under insurance or reinsurance contracts	390	429	539
Tangible assets	1,004,091	960,967	983,710
Property, plant and equipment	*748,138*	*714,068*	*719,045*
Investment property	*255,953*	*246,899*	*264,665*
Intangible assets	269,167	237,226	212,673
Goodwill	*144,934*	*144,934*	*144,934*
Other intangible assets	*124,233*	*92,292*	*67,739*
Tax assets	1,304,032	1,345,136	1,339,805
Current tax assets	*11,880*	*9,511*	*13,097*
Deferred tax assets	*1,292,152*	*1,335,625*	*1,326,708*
Other assets	148,297	155,526	192,867
Inventories	*89,654*	*108,102*	*135,284*
Remaining other assets	*58,643*	*47,424*	*57,583*
Non-current assets and disposal groups classified as held for sale	211,428	262,373	267,209
TOTAL ASSETS	**58,631,409**	**58,400,790**	**55,422,015**
LIABILITIES			
Financial liabilities held for trading	8,775	5,630	9,469

	As of December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
Financial liabilities at amortized cost	47,285,113	46,627,380	43,448,320
Derivatives - Hedge accounting	275,690	216,202	233,888
Fair value changes of the hedged items in portfolio hedges for interest rate risk	17,758	37,593	37,617
Liabilities under insurance or reinsurance contracts	7,121,494	7,521,867	7,784,537
Provisions	268,943	393,100	315,695
Pensions and other post-employment defined benefit obligations	*89,239*	*119,125*	*123,610*
Other long-term employee remuneration	*1,544*	*122*	*466*
Lawsuits and litigation for outstanding taxes	*7,163*	*7,780*	*7,930*
Commitments and guarantees given	*16,707*	*19,477*	*22,515*
Other provisions	*154,290*	*246,596*	*161,174*
Tax liabilities	160,221	167,326	178,164
Current tax liabilities	*772*	*165*	*1,551*
Deferred tax liabilities	*159,449*	*167,161*	*176,613*
Other liabilities	223,014	213,272	173,228
TOTAL LIABILITIES	**55,361,008**	**55,182,370**	**52,180,918**
EQUITY			
Shareholders' equity	3,253,857	3,160,630	3,139,017
Capital	214,428	*214,428*	*214,428*
Equity instruments issued other than capital	350,000	*350,000*	*350,000*
Retained earnings	621,589	*602,663*	*545,893*
Revaluation reserves	3,288	*3,297*	*3,305*
Other reserves	1,960,567	*1,966,640*	*1,941,402*
Profit attributable to owners of the parent	150,985	*23,602*	*83,989*
Interim dividend	*(47,000)*	-	-
Accumulated other comprehensive income	16,544	57,790	102,080
Items that will not be reclassified to profit or loss	25,282	*10,132*	*48,162*
Items that may be reclassified to profit or loss	(8,738)	*47,658*	*53,918*
TOTAL EQUITY	**3,270,401**	**3,218,420**	**3,241,097**
TOTAL EQUITY AND LIABILITIES	**58,631,409**	**58,400,790**	**55,422,015**
Memorandum items: off-balance sheet exposures:			
Guarantees granted	3,220,412	3,288,448	2,966,973
Contingent commitments granted	97,630	93,631	76,204
Other commitments given	820,619	795,006	856,027

Comparison of consolidated balance sheet movements as of December 31, 2021 and December 31, 2020

Cash and cash balances at central banks and other demand deposits

Cash and cash balances at central banks and other demand deposits decreased by €1,183,985 thousand from €7,572,609 thousand as of December 31, 2020 to €6,388,624 thousand as of December 31, 2021. This decrease was primarily due to the increase in debt securities (which are recorded in financial assets at amortized cost).

Non-trading financial assets mandatorily measured at fair value with changes through profit and loss

Non-trading financial assets mandatorily measured at fair value with changes through profit and loss increased by €814,716 thousand from €853,721 thousand as of December 31, 2020 to €1,668,437 thousand as of December 31, 2021. The change was due to the increase in equity instruments as a result of Ibercaja Vida's greater investment in shares in mutual funds that are managed jointly with liabilities for insurance contracts (unit-linked) recorded at fair value.

We classify financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities (unit-linked products) measured at fair value, which comprise almost the entire balance.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income decreased by 8.0%, from €7,023,328 thousand as of December 31, 2020, to €6,464,034 thousand as of December 31, 2021. This decrease was primarily due to the decrease in debt securities linked to the insurance activity carried out by Ibercaja Vida.

Financial assets at amortized cost

Financial assets at amortized cost increased by 3.2%, from €39,726,825 thousand as of December 31, 2020 to €40,989,400 thousand as of December 31, 2021. This increase was primarily due to purchases of debt securities from Ibercaja Banco, mainly consisting of Spanish public debt.

The following table sets out the principal components of our financial assets at amortized cost as of the dates indicated:

	As of December 31,		
	2021	**2020**	**Change**
	(€ thousands, except %)		
Debt securities	9,974,513	8,474,312	17.7%
Loans and advances to credit institutions	361,357	311,651	15.9%
Loans and advances to customers	30,653,530	30,940,862	(0.9)%
Financial assets at amortized cost	**40,989,400**	**39,726,825**	**3.2%**

Loans and advances to customers decreased by 0.9%, from €30,940,862 thousand as of December 31, 2020 to €30,653,530 thousand as of December 31, 2021. This decrease was primarily due to a decline in performing loans to individuals (housing) by 2.8%, as well as a contraction of NPLs by 29.2%.

Debt securities increased by 17.7%, from €8,474,312 thousand as of December 31, 2020 to €9,974,513 thousand as of December 31, 2021. The increase was due to the acquisitions carried out during the year, mainly of Spanish public debt, to restore it after the sale of securities in 2020 and to make the excess liquidity on the balance sheet profitable.

Loans and advances to credit institutions increased by 15.9%, from €311,651 thousand as of December 31, 2020 to €361,357 thousand as of December 31, 2021. The decrease in reverse repurchase agreements is compensated with the advance of security granted in cash.

Tax assets

Our tax assets decreased by 3.1%, from €1,345,136 thousand as of December 31, 2020 to €1,304,032 thousand as of December 31, 2021. This decrease was mainly due to the deferred tax assets offset in the Corporate Income Tax due for fiscal year 2021. Deferred tax assets decreased by 3.3% from €1,335,625 thousand as of December 31, 2020 to €1,292,152 thousand as of December 31, 2021.

A portion of our DTAs arising from temporary differences are enforceable against public authorities in the above circumstances (monetisable assets), meaning that recoverability is not dependent on the existence of future taxable profits, which justified the recognition of the relevant amounts. As of December 31, 2021, these DTAs amounted to €634 million (€629 million as of December 31, 2020)

In addition, as of December 31, 2021 we had DTAs for tax-loss carryforwards and for unused tax credits amounting to €411,003 thousand (€433,099 thousand as of December 31, 2020). The vast majority of these tax assets result from prior-year losses, which were extraordinary and non-recurring, primarily due to the write-down of real estate assets in 2012 and renegotiated assets in 2013, as disclosed in the financial statements for those years. These tax credits were recorded for accounting purposes on the premise that future tax benefits would allow tax-loss carryforwards to be offset in a reasonably short period of time. According to applicable regulations, there is no time limit for offsetting these DTAs.

Financial liabilities at amortized cost

Financial liabilities at amortized cost increased by 1.4%, from €46,627,380 thousand as of December 31, 2020 to €47,285,113 thousand as of December 31, 2021. This increase was mainly due to the increase in retail deposits and deposits by central banks which offset the fall of deposits by credit institutions.

The following table sets out the principal components of our financial liabilities measured at amortized cost as of December 31, 2021 and 2020:

	As of December 31,		
	2021	**2020**	**Change (%)**
	(*€ thousands*)		
Deposits by central banks	5,871,128	5,371,202	9.3%
Deposits by credit institutions	745,174	1,207,820	(38.3)%
Customer deposits	38,268,280	37,881,253	1.0%
of which: retail deposits[APM]	*37,131,170*	*36,165,311*	2.7%
Debt securities issued	1,316,321	1,340,670	(1.8)%
Other financial liabilities[(1)]	1,084,210	826,435	31.2%
Financial liabilities at amortized cost	**47,285,113**	**46,627,380**	**1.4%**

Notes:—

(1) Other financial liabilities include the items set out in Standard 53.1g of Bank of Spain Circular 4/2017.

Deposits by central banks increased by €499,926 thousand from €5,371,202 thousand as of December, 2020 to €5,871,128 thousand as of December, 2021. This increase was due to the granting of €559,000 thousand in the TLTRO III auction of March, 2021.

Deposits by credit institutions decreased by 38.3% from €1,207,820 thousand as of December 31, 2020 to €745,174 thousand as of December 31, 2021. The decrease was due to the reduction in term deposits and repurchase agreements.

Customer deposits increased by 1.0% from €37,881,253 thousand as of December 31, 2020 to €38,268,280 thousand as of December, 2021. The increase was primarily due to a rise in demand deposits which offset the decline in term deposits, repurchase agreements and the maturity of singular mortgage covered bonds.

Debt securities issued decreased by 1.8% from €1,340,670 as of December 31, 2020 to €1,316,321 thousand as of December 31, 2021. This decrease was due to the combined effect of the maturity of securitization liabilities and the issuance of senior preferred debt, eligible for compliance with MREL requirements, amounting to €50 million.

Tax liabilities

Tax liabilities decreased by 4.2%, from €167,326 thousand as of December 31, 2020 to €160,221 thousand as of December 31, 2021. This decrease was primarily caused by the deferred tax liabilities included in the estimated Corporate Income Tax due for the fiscal year 2021. Deferred tax liabilities decreased by 4.6%, from €167,161 thousand as of December 31, 2020 to €159,449 thousand as of December 31, 2021.

Shareholders' equity

Shareholders' equity increased by 2.9%, from €3,160,630 thousand as of December 31, 2020 to €3,253,857 thousand as of December 31, 2021. This increase was primarily due to profit for the period after deducting dividend payments (interim dividend and dividend charged to the result for 2020) and the coupon paid on our AT1 capital instruments. According to IFRS 12, both the AT1 capital instruments coupon (€24.5 million annually for the current AT1 capital instruments issuance) and the tax effect (fiscal savings of €7.3 million) are deducted from shareholders' equity.

Accumulated other comprehensive income

Accumulated other comprehensive income decreased by 71.4%, from €57,790 thousand as of December 31, 2020 to €16,544 thousand as of December 31, 2021. This decrease was mainly due to a reduction in unrealized capital gains related to debt instruments and impairment losses recognized in shareholders' equity for cash flow hedges.

Comparison of consolidated balance sheet movements as of December 31, 2020 and December 31, 2019

Cash and cash balances at central banks and other demand deposits

Cash and cash balances at central banks and other demand deposits increased by €3,643,407 thousand from €3,929,202 thousand as of December 31, 2019 to €7,572,609 thousand as of December 31, 2020. This increase was due to the funding obtained from the ECB through TLTRO III auctions and higher liquidity resulting from the growth in retail deposits[APM].

Non-trading financial assets mandatorily measured at fair value with changes through profit and loss

Non-trading financial assets mandatorily measured at fair value with changes through profit and loss increased by €477,836 thousand from €375,885 thousand as of December 31, 2019 to €853,721 thousand as of December 31, 2020. The change was due to the increase in equity instruments as a result of Ibercaja Vida's greater investment in shares in mutual funds that are managed jointly with liabilities for insurance contracts (Unit Linked) accounted for at fair value.

We classify financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities (unit-linked products) measured at fair value, which comprise almost the entire balance.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income decreased by 13.1%, from €8,086,430 thousand as of December 31, 2019, to €7,023,328 thousand as of December 31, 2020. This decrease was mainly due to the reduction in debt securities, mainly Spanish sovereign debt, as a result of sales and amortizations carried out in the period as part of the ordinary management of our balance sheet.

Financial assets at amortized cost

Financial assets at amortized cost decreased by 0.1%, from €39,768,768 thousand as of December 31, 2019 to €39,726,825 thousand as of December 31, 2020. This decrease was mainly due to the decrease in loans and advances to credit institutions and to customers, which was partially offset by an increase in debt securities.

The following table sets out the principal components of our financial assets at amortized cost as of the dates indicated:

	As of December 31,		
	2020	2019	Change
	(€ thousands, except %)		
Debt securities	8,474,312	7,218,228	17.4%
Loans and advances to credit institutions	311,651	643,792	(51.6)%
Loans and advances to customers	30,940,862	31,906,748	(3.0)%
Financial assets at amortized cost	**39,726,825**	**39,768,768**	**(0.1)%**

Loans and advances to customers decreased by 3.0%, from €31,906,748 thousand as of December 31, 2019 to €30,940,862 thousand as of December 31, 2020. This decrease was primarily due to a decline in loans to individuals (housing) by 2.6%, as well as a contraction of NPLs by 21.7%.

Debt securities increased by 17.4%, from €7,218,228 thousand as of December 31, 2019 to €8,474,312 thousand as of December 31, 2020. The increase is due to a higher amount of purchases compared to sales in 2020 compared to 2019. In 2020, in response to the extraordinary circumstances derived from the COVID-19 pandemic, we carried out a sale of Spanish government-issued bonds classified at amortized cost for a nominal amount of €1,382 million (the Public Debt Sale Transaction).

Loans and advances to credit institutions decreased by 51.6%, from €643,792 thousand as of December 31, 2019 to €311,651 thousand as of December 31, 2020. This decrease was primarily due to a decrease in cash guarantees.

Tax assets

Our tax assets increased by 0.4%, from €1,339,805 thousand as of December 31, 2019 to €1,345,136 thousand as of December 31, 2020. This increase was mainly due to an increase in deferred tax assets by 0.7%, from €1,326,708 thousand as of December 31, 2019 to €1,335,625 thousand as of December 31, 2020.

A portion of our DTAs arising from temporary differences are enforceable against public authorities in the above circumstances (monetizable assets), meaning that recoverability is not dependent on the existence of future taxable profits, which justified the recognition of the relevant amounts. As of December 31, 2020, these DTAs amounted to €629 million (€643 million as of December 31, 2019)

In addition, as of December 31, 2020 we had DTAs for tax-loss carryforwards and for unused tax credits amounting to €433,099 thousand (€451,997 thousand as of December 31, 2019). The vast majority of these tax assets result from prior-year losses, which were extraordinary and non-recurring, primarily due to the write-down of real estate assets in 2012 and renegotiated assets in 2013, as disclosed in the financial statements for those years. These tax credits were recorded for accounting purposes on the premise that future tax benefits would allow tax-loss carryforwards to be offset in a reasonably short period of time. According to applicable regulations, there is no time limit for offsetting these DTAs.

Financial liabilities at amortized cost

Financial liabilities at amortized cost increased by 7.3%, from €43,448,320 thousand as of December 31, 2019 to €46,627,380 thousand as of December 31, 2020. This increase was mainly due to the increase in deposits by central banks and customer deposits which was partially offset by the decrease in deposits by credit institutions.

The following table sets out the principal components of our financial liabilities measured at amortized cost as of December 31, 2020 and 2019:

	As of December 31,		
	2020	2019	Change (%)
	(€ thousands)		
Deposits by central banks	5,371,202	1,628,990	229.7
Deposits by credit institutions	1,207,820	4,304,232	(71.9)
Customer deposits	37,881,253	34,924,627	8.5
of which: retail deposits[APM]	36,165,311	32,772,452	*10.4*
Debt securities issued	1,340,670	1,480,421	(9.4)
Other financial liabilities[(1)]	826,435	1,110,050	(25.5)
Financial liabilities at amortized cost	**46,627,380**	**43,448,320**	**7.3**

Notes:—

(1) Other financial liabilities include the items set out in Standard 53.1g of Bank of Spain Circular 4/2017.

Deposits by central banks increased €3,742, 212 thousand from €1,628,990 thousand as of December, 2019 to €5,371,202 thousand as of December, 2020. This increase was due to the maturity of the financing under TLTRO II (€1,650,000 thousand) and the granting of €5,400,000 thousand in the TLTRO III auction of June, 2020.

Deposits by credit institutions decreased by 71.9% from €4,304,232 thousand as of December 31, 2019 to €1,207,820 thousand as of December 31, 2020. The decrease was due to the redemption of short term transactions in the monetary market during 2020.

Customer deposits increased by 8.5% from €34,924,627 thousand as of December 31, 2019 to €37,881,253 thousand as of December, 2020. The increase was due to an increase in demand deposits which offset the decline in term deposits and the maturity of singular mortgage covered bonds.

Debt securities issued decreased by 9.4% from €1,480,421 as of December 31, 2019 to €1,340,670 thousand as of December 31, 2020. This decrease was mainly due to the maturity of mortgage covered bonds (€87,312 thousand in principal amount) and other securities linked to transferred financial assets (€51,133 thousand of nominal amount). During 2020, we issued subordinated debt instruments for a nominal amount of €500,000 thousand to refinance an issue for the same amount made in 2015 (we repurchased an amount of €359,600 thousand during the first half of 2020 and the remaining principal amount was repurchased in July, 2020).

Tax liabilities

Tax liabilities decreased by 6.1%, from €178,164 thousand as of December 31, 2019 to €167,326 thousand as of December 31, 2020. This decrease was primarily due to a decrease in deferred tax liabilities by 5.4%, from €176,613 thousand as of December 31, 2019 to €167,161 thousand as of December 31, 2020.

Shareholders' equity

Shareholders' equity increased by 0.7%, from €3,139,017 thousand as of December 31, 2019 to €3,160,630 thousand as of December 31, 2020. This increase was mainly due to profit for the period after deducting dividend payments, charged to profit for 2019, and the coupon paid on our AT1 capital instruments, as well as the reclassification of €32,000 thousand from accumulated other comprehensive income to other reserves as a result of the CASER Sale Transaction.

Accumulated other comprehensive income

Accumulated other comprehensive income decreased by 43.4%, from €102,080 thousand as of December 31, 2019 to €57,790 thousand as of December 31, 2020. This decrease was mainly due to a reduction in unrealized capital gains related to equity instruments (See "*Shareholder's equity"* above for a description of the reclassification as a result of the CASER Sale Transaction) and debt securities.

Liquidity and capital resources

Liquidity

Liquidity is a critical component of our business. Liquidity risk is the possibility of incurring losses due to not having access to sufficient liquid funds to meet our payment obligations.

We are exposed to daily demands on our available cash resources to meet contractual obligations related to financial instruments, such as maturing deposits, drawdowns of credit facilities and settlements on derivatives.

Our liquidity risk management strategy is established by the Board of Directors, following a report from the Large Risk and Solvency Committee documented in the manual of policies and procedures for the management of liquidity risk (the "**Liquidity Manual**"). The basic principles governing our liquidity risk management strategy are as follows: actively managing through a regular control system based on internal limits and indicators documented in the Liquidity Manual; establishing measures and actions to respond to scenarios of crisis (contingency plans); harnessing the various alternatives offered by the market to diversify investments in relation to their duration and ensure a suitable mix of highly-liquid instruments; and maintaining a significant asset buffer at the ECB to cover possible tensions.

Liquidity risk is measured by taking into account the estimated cash flows from assets and liabilities, as well as any additional collateral or instruments that may be needed so as to ensure alternative sources of liquidity. Short, medium and long-term outlooks are prepared in order to gauge financing needs and to ensure compliance. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown on the balance sheet, as well as contingent liabilities and derivative products. Liquidity risk is also controlled by establishing exposure limits, and keeping our exposure within ranges that are compatible with the approved policies.

See Note 3.8 of our 2021 Annual Accounts for more details regarding our liquidity risk management strategy.

As of December 31, 2021, our liquid assets amounted to €15,250 million (€14,959 million as of December 31, 2020), and our capacity to issue covered bonds, measured in accordance with Law 2/1981, of March 25, on mortgage market, as amended ("**Law 2/1981**") and 44/2002, of November 22, on financial system reform measures ("**Law 44/2002**") amounted to €8,776 million (€8,380 million as of December 31, 2020). Thus, total availability stood at €24.027 million, an increase of €687 million compared to December 31, 2020.

The total amount of the ECB guarantees facility was €6,938 million as of December 31, 2021, of which €5,959 million have been drawn down.

As of December 31, 2021, our LCR (excluding Ibercaja Vida), which measures the reserve of high-quality liquid assets to enable survival of a 30-day stress period, was 452.0%, well above the 100% regulatory threshold. As of December 31, 2021, our NSFR (excluding Ibercaja Vida), which expresses the portion of capital and liabilities expected to be reliable over the time horizon of one year and is aimed at ensuring a balanced structure on the balance sheet, restricting excessive dependence on short-time wholesale financing, was 152.2%.

Maturities of issues on wholesale markets are distributed over a staggered repayment timetable that goes up to 2027. Our policy of diversification in time of wholesale issue maturities enables us to cover maturities in the coming years, while maintaining a comfortable liquidity position.

During 2021, wholesale maturities were paid for a nominal amount of €605 million: mortgage covered bonds (€525 million) and securitization bonds owned by third parties (€80 million). We have also repurchased own issues for €14 thousand through securitization bonds.

Below is a breakdown of the contractual maturities of our assets and liabilities (liquidity gap) as of December 31, 2021:

	Demand(1)	Up to 1 month	Between one and three months	Between three months and one year	Between one and five years	After 5 years	Total
				(€ thousands)			
Assets							
Deposits in credit institutions	35,825	3,343	42,935	-	-	123,716	205,820
Loans to other financial institutions	-	6	1,482	310	1,552	34,934	38,255
Temporary acquisitions of securities and securities lending	-	1,615,394	-	-	-	-	1,615,394
Loans (including matured, non-performing, written-off and foreclosed)	-	745,825	1,111,982	2,472,290	8,453,918	17,959,748	30,743,764
Securities portfolio settlement	-	211,000	232,741	223,151	3,690,115	5,094,077	9,451,084
Hedging derivatives	-	49	4,381	33,821	16,586	1,291	56,128
Trading derivatives	-	-	-	-	-	-	-
Net interest income	-	48,120	61,074	313,670	-	-	422,864
Total	**35,825**	**2,623,735**	**1,454,596**	**3,049,243**	**12,162,141**	**23,213,766**	**42,533,307**
Liabilities							
Wholesale issues	-	3,343	6,664	48,996	2,447,215	279,792	2,786,010
Deposits by credit institutions	17,256	10,928	2,000	-	290	2,371	32,845
Deposits by other financial institutions and bodies	381,698	303	435	8,655	39,695	-	430,726
Deposits by large non-financial companies	169,579	1	-	2,200	-	-	171,779
Financing from the rest of the customers	33,968,149	321,502	484,036	1,518,114	403,988	2.694	36,698,483
Funds from brokered loans	-	2,928	2,881	19,954	59,508	26,246	111,517
Financing with secured securities	-	511,906	89,066	-	5,959,000	-	6,559,972
Other net outflows	-	35,670	61,094	278,008	43,364	51,284	469,421
Hedging derivatives	-	6,249	4,746	(7,807)	16,680	4,121	23,989
Formalized loans pending settlement	-	487,454	-	-	-	-	487,454
Commitments available for third parties	3,220,412	-	-	-	-	-	3,220,412
Financial guarantees issued	9,015	3,041	278	1,468	1,782	1,122	16,707
Total	37,766,108	1,383,325	651,200	1,869,589	8,971,462	367,631	51,009,315
Total Gap	**(37,730,283)**	**1,240,411**	**803,396**	**1,173,654**	**3,190,679**	**22,846,135**	

Note:—

(1) The maturity of on-demand deposits is not contractually determined. These deposits have been included in the first column (*Demand*) although most of them are generally stable.

Funding

Retail deposits[APM] are our main source of external financing. Wholesale financing supplements funding obtained from individuals and businesses. It is focused on the medium to long-term and includes reverse repurchase agreements and balances we hold at the ECB, mortgage covered bonds, securitizations, subordinated debt and other issues. Maturities of issues on wholesale markets are distributed over a staggered schedule of repayments that goes up to 2027.

Set out below is a breakdown of our wholesale financing by maturity as of December 31, 2021:

	Demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
				(€ thousands)			
Senior debt	-	-	-	-	50,000	-	50,000
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	-	850,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	-	19.444	1,416,026	165,000	1,600,470
Securitizations	-	3,343	6,664	29.551	131,190	114,792	285,540
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,343**	**6,664**	**48,996**	**2,447,215**	**279,792**	**2,786,010**
Financing with long-term secured securities	**-**	**-**	**-**	**-**	**5,959,000**	**-**	**5,959,000**
Maturities in the period		**3,343**	**6,664**	**48,996**	**8,406,215**	**279,792**	**8,745,010**
Accumulated maturities	**-**	**3,343**	**10,007**	**59,002**	**8,465,217**	**8,745,010**	**-**

Notes: Wholesale issues appear as net of treasury shares. However, multi-senior covered bonds appear for their gross amount issued while the treasury shares are recognized as liquid assets in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

For more information on our funding see "*Selected statistical and other information on assets and liabilities—Financial liabilities at amortized cost*".

Regulatory capital

We are subject to the legislation and regulations governing banking institutions in Spain, as set out in "*Regulation*" of this Registration Document and are regulated in accordance with the capital adequacy and liquidity requirements of the ECB.

We apply a transitional calendar from phased-in to fully-loaded capital ratios due to certain factors (i) increase of provisions because of the initial application of IFRS 9 (static approach), which is implemented until December 31, 2022; (ii) increase in provisions related to Stage 1 and Stage 2 loans which applied since January 1, 2020 (dynamic approach in response to the effects of the COVID-19 pandemic) which is implemented until December 31, 2024; and (iii) DTAs generated prior to January 1, 2014 from entities subject to restructuring plans such as Banco Caja3, which is implemented until December 31, 2023.

We participated in the 2021 stress test exercise conducted by the ECB, in cooperation with the EBA and the SRB. The adverse stress scenario set by the ECB/SRB covered a time horizon of three years (2021-2023). The stress test was carried out applying the static balance sheet assumption as of December 31, 2020, so it did not take into account future business strategies and management actions. According to the results of this exercise, in the most adverse scenario (i) our CET1 fully-loaded ratio would be reduced between 300 and 599 basis points, placing the CET1 ratio fully-loaded in a range between 8% and 11% and (ii) the leverage ratio fully-loaded would stand between 4% and 5%.

As of December 31, 2021, our total eligible shareholders' equity amounted to €3,270,441 thousand and CET1 capital amounted to €2,420,441 thousand. This represents a surplus of €1,608,104 thousand over the current CET1 equity requirements of €812,337 thousand as of December 31, 2021, in accordance with CRD IV and CRR. In addition, total CET1 ratios of 13.41% and 12.71% phased-in and fully-loaded, respectively, both above the 8.125% minimum CET1 ratio required by the SREP for 2021. As of December 31, 2021, 2020 and 2019 and throughout 2021, 2020 and 2019, our CET1 ratio and total capital ratio complied with the requirements of CRD IV and CRR and those required by the SREP for each period.

The following table sets out the reconciliation of our total computable own funds with the total equity in our consolidated balance sheet as of December 31, 2021, 2020 and 2019.

	As of December 31,		
	2021	2020	2019
		(€ thousands)	
Share capital	214,428	214,428	214,428
Equity instruments issued other than share capital	350,000	350,000	350,000
Retained earnings	621,589	602,663	545,893
Revaluation reserves	3,288	3,297	3,305
Other reserves	1,960,567	1,966,640	1,941,402
Profit attributed to the parent	150,985	23,602	83,989
Interim dividends	(47,000)		
Shareholders' equity in public balance sheet	**3,253,857**	**3,160,630**	**3,139,017**
Other accumulated comprehensive income	16,544	57,790	102,080
Non-controlling interests	—	—	—
Equity in public balance sheet	**3,270,401**	**3,218,420**	**3,241,097**
Intangible assets	(275,742)	(245,635)	(221,292)
Intangible asset amortisation adjustment	30,772	25,369	—
Deferred tax assets	(265,415)	(263,693)	(249,936)
Adjustments to CET1 due to prudential filters	23,151	(9,940)	6,528
Transitional adjustment for first application of IFRS 9	74,110	114,002	89,423
Proposed distribution of dividends	(51,140)	(3,849)	(17,500)
Deduction for insufficient coverage of doubtful transactions	(3,689)	—	—
Additional deductions ordinary tier 1 capital	(32,000)	—	—
Securitizations deductions	—	—	—
Equity instruments not computable as CET1	(350,000)	(350,000)	(350,000)
Contingent convertible bonds	—	—	—
Differences in public equity for prudential purposes	(7)	(9)	(6)
Total adjustments and deductions	(849,960)	(733,752)	(742,783)
Total CET1 capital	2,420,441	2,484,668	2,498,314
Equity instruments computable as AT1	350,000	350,000	350,000
Other temporary adjustments for AT1 capital	—	—	—
Total AT1	350,000	350,000	350,000
Total tier 1 capital (T1)	2,770,441	2,834,668	2,848,314
Subordinated debt	500,000	500,000	482,800
Total tier 2 capital (T2)	500,000	500,000	482,800
Total computable own funds	**3,270,441**	**3,334,668**	**3,331,114**

The following tables set out our eligible own funds, RWAs, capital ratios and leverage ratio as of the dates and for the years indicated calculated in accordance with the Basel III framework and as submitted to, and reviewed by, the ECB and the Bank of Spain:

Eligible own funds (phased-in)

	As of December 31,		
	2021	2020	2019
		(€ thousands)	
TOTAL COMPUTABLE OWN FUNDS (phased-in)	**3,270,441**	**3,334,668**	**3,331,114**
Tier 1 capital	**2,770,441**	**2,834,668**	**2,848,314**
CET1 capital	**2,420,441**	**2,484,668**	**2,498,314**
Equity instruments disbursed	214,428	214,428	214,428
Retained earnings and other reserves	2,582,149	2,569,298	2,487,289
Admissible results	52,845	19,753	66,489
Revaluation reserves	3,288	3,297	3,305
Other accumulated comprehensive income	16,544	57,789	119,497
Adjustments to CET1 due to prudential filters	23,151	(9,940)	(10,889)
Transitional adjustment for first application of IFRS 9	74,110	114,002	89,423
Deductions of CET1 instruments	(546,074)	(483,959)	(471,228)
Deduction for insufficient coverage of doubtful transactions	*(3,689)*	—	—
Additional deductions ordinary tier 1 capital	*(32,000)*	—	—
Intangible assets	*(275,742)*	*(245,635)*	*(221,292)*
Intangible asset amortisation adjustment	*30,772*	*25,369*	—
Deferred tax assets dependent on future earnings	*(265,415)*	*(263,693)*	*(249,936)*
AT1 capital	**350,000**	**350,000**	**350,000**
AT1 capital instruments in previous system	350,000	350,000	350,000
Tier 2 capital (T2)	**500,000**	**500,000**	**482,800**
Subordinated financing, subordinated loans and others	500,000	500,000	500,000
Deductions of T2 capital instruments	—	—	(17,200)

Eligible own funds (fully-loaded)

	As of December 31,		
	2021	2020	2019
		(€ thousands)	
TOTAL COMPUTABLE OWN FUNDS (fully-loaded)	**3,139,907**	**3,140,041**	**3,138,336**
Tier 1 capital	**2,639,907**	**2,640,041**	**2,655,536**
CET1 capital	**2,289,907**	**2,290,041**	**2,305,536**
Equity instruments disbursed	214,428	214,428	214,428
Retained earnings and other reserves	2,582,149	2,569,298	2,487,289
Admissible results	52,845	19,753	66,489
Revaluation reserves	3,288	3,297	3,305
Other accumulated comprehensive income	16,544	57,789	108,608
Deductions of CET1 instruments	(579,347)	(574,523)	(574,583)
Intangible assets	*(244,970)*	*(220,265)*	*(221,292)*
Deferred tax assets dependent on future earnings	*(321,839)*	*(344,318)*	*(351,917)*
Other deductions from tier 1 capital	*(12,538)*	*(9,940)*	*(1,374)*
AT1 capital	**350,000**	**350,000**	**350,000**
AT1 capital instruments in previous system	350,000	350,000	350,000

	As of December 31,		
	2021	2020	2019
	(€ thousands)		
Deduction of AT1 capital instruments	—	—	—
Tier 2 capital (T2)	**500,000**	**500,000**	**482,800**
Subordinated financing, subordinated loans and others	500,000	500,000	500,000
Deductions of T2 capital instruments	—	—	(17,200)

RWAs and capital ratios

	As of December 31,		
	2021	2020	2019
	(€ thousands)		
RWAs (phased-in)	18,051,935	18,248,449	20,362,850
RWAs (fully-loaded)	18,014,439	18,191,427	20,311,932

	As of December 31,		
	2021	2020	2019
CET1 ratio (phased-in)	13.41%	13.62%	12.27%
AT1 ratio (phased-in)	1.94%	1.92%	1.72%
Tier 1 ratio (phased-in)	15.35%	15.53%	13.99%
Tier 2 ratio (phased-in)	2.77%	2.74%	2.37%
Total capital ratio (phased-in)	18.12%	18.27%	16.36%
CET1 ratio (fully-loaded)	12.71%	12.59%	11.35%
AT1 ratio (fully-loaded)	1.94%	1.92%	1.72%
Tier 1 ratio (fully-loaded)	14.65%	14.51%	13.07%
Tier 2 (fully-loaded)	2.78%	2.75%	2.38%
Total capital ratio (fully-loaded)	17.43%	17.26%	15.45%

Leverage ratio

	For the year ended December 31,		
	2021	2020	2019
Leverage ratio (phased-in)	6.01%	6.26%	5.85%
Leverage ratio (fully-loaded)	5.75%	5.85%	5.48%

We rigorously attend to the management of the capital self-assessment process and solvency risk in order to maintain a prudent risk profile and balance adequately preserving solvency, profitability and liquidity targets. For a description of the risk management processes, see "*Risk Management*".

The policies, methods and procedures relating to overall risk management are approved by the Board of Directors, following a report from the Large Risks and Solvency Committee. The Audit and Compliance Committee and the Large Risks and Solvency Committee are responsible for overseeing adequate compliance with those policies, methods and procedures, ensuring that they are adequate, are effectively implemented and reviewed on a regular basis.

For further information on our regulatory requirements, see "*Regulation*".

Selected statistical and other information on assets and liabilities

Total assets

Our total assets increased by 0.39%, to €58,631,409 thousand as of December 31, 2021 from €58,400,790 thousand as of December 31, 2020. The increase in 2021 was mainly attributable to the growth of our securities portfolio.

Our total assets increased by 5.4%, to €58,400,790 thousand as of December 31, 2020 from €55,422,015 thousand as of December 31, 2019. The increase in 2020 was mainly attributable to an increase in the cash balance at central banks.

Total liabilities

Our total liabilities increased by 0.3%, to €55,361,008 thousand as of December 31, 2021 from €55,182,370 thousand as of December 31, 2020. The increase in 2021 was mainly attributable to the increase in central banks deposits and customer deposits.

Our total liabilities increased by 5.8%, to €55,182,370 thousand as of December 31, 2020 from €52,180,918 thousand as of December 31, 2019. The increase in 2020 was mainly attributable to the increase in central banks deposits and customer deposits.

Average balances and rates

The average balance of each balance sheet item is calculated as the arithmetic average of the average monthly balances. The average monthly balance is the average of end balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the immediately prior month to the reference month multiplied by 0.5).

The average rates on our interest-earning assets and the average rates on our interest-bearing liabilities set out below are APMs, the definition, explanation, use and calculation of which are set out in "*Alternative Performance Measures*".

The following table sets out the average balances of our interest-earning assets, the related interest income and average rates for the years indicated:

	For the year ended December 31,								
	2021			**2020**			**2019**		
	Average balance	**Interest income**	**Average rate**	**Average balance**	**Interest income**	**Average rate**	**Average balance**	**Interest income**	**Average rate**
Interest-earning assets:	*(€ thousand, except %)*								
Financial intermediaries[1]	7,911,855	67,410	0.85%	6,233,769	54,017	0.87%	3,867,800	14,004	0.36%
Loans and advances to customers	28,861,661	342,556	1.19%	29,400,209	398,933	1.36%	29,919,163	435,281	1.45%
ALCO portfolio	9,969,242	34,028	0.34%	8,525,590	56,592	0.66%	7,114,964	69,023	0.97%
Life insurance business portfolio	7,519,256	105,269	1.40%	7,633,709	121,937	1.60%	7,510,845	144,550	1.92%
Other assets	3,602,615	660	—	3,685,826	1,319	—	4,367,183	703	—
Average total assets	**57,864,629**	**549,923**	**0.95%**	**55,479,103**	**632,798**	**1.14%**	**52,779,955**	**663,561**	**1.26%**

Note:—

(1) In accordance with Regulation (EU) 2021/451, income derived from the application of negative rates are allocated according to their nature. The asset "financial intermediaries" includes the negative interest from the balance of the liability "financial intermediaries", the most significant being the income from the TLTRO financing. Likewise, the liability "financial intermediaries" includes the negative interest from the balance of the asset "financial intermediaries".

The average interest rate on average total assets[APM] decreased to 0.95% for the year ended December 31, 2021 from 1.14% for the year ended December 31, 2020 mainly due to the repricing of the mortgage portfolio, due to the fall in the interest rates curve, and the rotation of our ALCO portfolio after sales made in 2020.

The average interest rate on average total assets[APM] decreased to 1.14% for the year ended December 31, 2020 from 1.26% for the year ended December 31, 2019 mainly due to the repricing of our mortgage portfolio, due to the fall in the interest rates curve, and the Public Debt Sale Transaction.

The following table sets out the average balances of our interest-bearing liabilities, the related interest expense and average rates for the years indicated:

	For the year ended December 31,								
	2021			2020			2019		
	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate	Average balance	Interest expense	Average rate
Interest-bearing liabilities:	(€ thousand, except %)								
Financial intermediaries(1)	6,791,799	23,819	0.35%	5,084,961	29,669	0.58%	4,210,527	9,945	0.24%
Retail deposits	35,924,092	(6,754)	(0.02)%	34,332,758	(2,509)	(0.01)%	31,687,895	4,948	0.02%
Debt securities issued and mortgage covered bonds	2,587,531	32,634	1.26%	3,253,583	52,469	1.61%	3,877,276	65,597	1.69%
Liabilities under insurance contracts	7,291,380	1,704	0.02%	7,631,841	15,227	0.20%	7,765,474	32,078	0.41%
Other liabilities	5,269,827	5,514	—	5,175,960	4,269	—	5,238,783	3,747	—
Average total liabilities and equity	**57,864,629**	**57,097**	**0.10%**	**55,479,103**	**99,125**	**0.18%**	**52,779,955**	**116,315**	**0.22%**

Notes:—

(1) In accordance with Regulation (EU) 2021/451, income derived from the application of negative rates is allocated according to their nature. The asset "financial intermediaries" includes the negative interest from the balance of the liability "financial intermediaries", the most significant being the income from the TLTRO financing. Likewise, the liability "financial intermediaries" includes the negative interest from the balance of the asset "financial intermediaries".

The average rate on average total liabilities and equity decreased to 0.10% for the year ended December 31, 2021 from 0.18% for the year ended December 31, 2020 due to the downward trend of interest rates on our customer deposits in line with market rates and the scheduled maturity of certain wholesale issues which were not renewed or replaced.

The average rate on average total liabilities and equity decreased to 0.18% for the year ended December 31, 2020 from 0.22% for the year ended December 31, 2019 due to the downward trend of interest rates on our customer deposits in line with market rates and the scheduled maturity of certain wholesale issues which were not renewed or replaced.

The following table sets out our net interest margin and customer spread for the years indicated.

	For the year ended December 31,		
	2021	2020	2019
Net interest margin[APM]	0.85%	0.96%	1.04%
Customer spread[APM]	1.21%	1.37%	1.43%

Our net interest margin decreased to 0.85% for the year ended December 31, 2021 compared to 0.96% for the year ended December 31, 2020 mainly due to the reduction of our asset profitability as a result of the repricing of our loan portfolio, due to the fall in the interest rates curve, and the lower contribution of our debt portfolio.

Our net interest margin decreased to 0.96% for the year ended December 31, 2020 compared to 1.04% for the year ended December 31, 2019 mainly due to the reduction of our asset profitability as a result of the repricing of our loan portfolio, due to the fall in the interest rates curve, and the lower contribution of our debt portfolio.

Our customer spread decreased to 1.21% for the year ended December 31, 2021 compared to 1.37% for the year ended December 31, 2020 mainly due to the repricing of our mortgage loan portfolio following the decline in the 12-month Euribor, the lower market interest rates for corporate financing and the granting of Guaranteed Credit Lines at reduced interest rates.

Our customer spread decreased to 1.37% for the year ended December 31, 2020 compared to 1.43% for the year ended December 31, 2019 mainly due to the decrease in income from loans and advances to customers as a result of the repricing of the mortgage loan portfolio after the drop in the 12-month Euribor rate (eight basis points on average compared to 2019) and the granting of Guaranteed Credit Lines at reduced interest rates.

Changes in net interest income – volume and rate analysis

The following two tables allocate, by type of interest-earning assets and interest-bearing liabilities, changes in our net interest income attributable to (i) changes in their respective average volume (balance), and (ii) changes in their respective average interest rate, for the year ended December 31, 2021 compared to the year ended December 31, 2020 and for the year ended December 31, 2020 compared to the year ended December 31, 2019. Our net interest income has been significantly affected by the evolution of our customer spread[APM].

Changes to interest income due to changes in volume have been calculated by multiplying the changes in volume during the current year by the average interest rate for the preceding year. Changes to interest income due to changes in rates have been calculated by multiplying the change in the current year average rate by the average volume of the current year. The changes caused by variances in both volume and rate have been allocated to changes in rates. The changes are calculated on the basis of the average balance sheets set forth in the preceding tables.

	2021/2020			2020/2019		
	Increase/(Decrease) due to change in			Increase/(Decrease) due to change in		
	Volume	Rate	Net	Volume	Rate	Net
Interest-earning assets:			(*€ thousand*)			
Financial intermediaries..............................	14,541	(1,148)	13,393	8,566	31,447	40,013
Loans and advances to customers	(7,308)	(49,069)	(56,377)	(7,550)	(28,798)	(36,348)
ALCO portfolio	9,583	(32,147)	(22,564)	13,685	(26,116)	(12,431)

	2021/2020			2020/2019		
	Increase/(Decrease) due to change in			Increase/(Decrease) due to change in		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Life insurance business portfolio	(1,828)	(14,840)	(16,668)	2,365	(24,978)	(22,613)
Other assets	-	-	(659)	-	-	616
Average total assets	**27,209**	**(110,084)**	**(82,875)**	**33,934**	**(64,697)**	**(30,763)**

	2021/2020			2020/2019		
	Increase/(Decrease) due to change in			Increase/(Decrease) due to change in		
	Volume	**Rate**	**Net**	**Volume**	**Rate**	**Net**
Interest-bearing liabilities:			*(€ thousand)*			
Financial intermediaries	9,959	(15,809)	(5,850)	2,065	17,659	19,724
Retail deposits	(117)	(3,948)	(4,065)	413	(7,870)	(7,457)
Debt securities issued and mortgage covered bonds	(10,741)	(9,094)	(19,835)	(10,552)	(2,576)	(13,128)
Liabilities under insurance contracts	(679)	(12,844)	(13,523)	(552)	(16,299)	(16,851)
Other liabilities	-	-	1,245	-	-	522
Average total liabilities and equity	**4,262**	**(46,290)**	**(42,028)**	**5,948**	**(23,138)**	**(17,190)**

Loans and receivables to customers

Net loans and advances to customers over total assets[APM] was 52.28% as of December 31, 2021, compared to 52.98% as of December 31, 2020 and 57.59% as of December 31, 2019. Substantially all of our loan portfolio is euro-denominated and granted to Spanish residents.

Performing loans excluding reverse repurchase agreements[APM] by geographic location

The following table sets out an analysis of our performing loans excluding reverse repurchase agreements[APM] by geographic location as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
			(€ thousands, except %)			
Home Markets	11,946,712	41.39%	12,216,584	42.19%	12,709,871	42.86%
Aragón	*8,236,406*	*28.54%*	*8,414,209*	*29.06%*	*8,893,180*	*29.99%*
Rest of Home Markets	*3,710,306*	*12.85%*	*3,802,375*	*13.13%*	*3,816,691*	*12.87%*
Growth Markets	12,537,245	43.44%	12,385,302	42.77%	12,465,523	42.04%
Madrid	*7,330,086*	*25.40%*	*7,258,256*	*25.07%*	*7,317,085*	*24.68%*
Mediterranean basin	*5,207,159*	*18.04%*	*5,127,046*	*17.70%*	*5,148,438*	*17.36%*
Rest of Spain	4,378,479	15.17%	4,353,901	15.04%	4,478,907	15.10%
Performing loans excluding reverse repurchase agreements[APM]	**28,862,436**	**100.00%**	**28,955,787**	**100.00%**	**29,654,301**	**100.00%**
Reverse repurchase agreements	1,615,394		1,620,857		1,615,753	

	As of December 31,		
	2021	2020	2019
	(€ thousands, except %)		
NPLs	717,621	1,012,938	1,293,161
Gross loans and advances to customers[APM]	**31,195,451**	**31,589,582**	**32,563,215**

Performing loans excluding reverse repurchase agreements[APM] by sector

The following table sets out an analysis of our performing loans excluding reverse repurchase agreements[APM] by sector as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
Performing loans to businesses	**8,015,693**	**27.8%**	**7,497,607**	**25.9%**	**7,718,333**	**26.0%**
Real estate construction and development	973,401	3.4%	940,570	3.3%	1,057,731	3.6%
Non-real estate activities	7,042,292	24.4%	6,557,037	22.6%	6,660,602	22.4%
Performing loans to individuals	**19,818,759**	**68.7%**	**20,382,751**	**70.4%**	**20,523,501**	**69.2%**
Housing	18,100,029	62.7%	18,614,885	64.3%	18,931,979	63.8%
Consumer loans and other	1,718,730	6.0%	1,767,866	6.1%	1,591,522	5.4%
Performing loans to public sector and other	**1,027,984**	**3.6%**	**1,075,429**	**3.7%**	**1,412,467**	**4.8%**
Performing loans excluding reverse repurchase agreements[APM]	**28,862,436**	**100%**	**28,955,787**	**100%**	**29,654,301**	**100%**
Reverse repurchase agreements	1,615,394		1,620,857		1,615,753	
NPLs	717,621		1,012,938		1,293,161	
Gross loans and advances to customers[APM]	**31,195,451**		**31,589,582**		**32,563,215**	

Performing loans to individuals accounted for the largest portion of performing loans excluding reverse repurchase[APM], accounting for 68.7% as of December 31, 2021, compared to 70.4% and 69.2% as of December 31, 2020 and 2019, respectively. As of December 31, 2021, 91% of performing loans to individuals were loans for the acquisition or rehabilitation of housing.

Gross loans and advances to customers by maturity and interest rate sensitivity

The following table sets out the breakdown by original maturity and type of interest rate (fixed or floating) of gross loans and advances to customers[APM], as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
	(€ million)					
One year or less	3,731,810	**100%**	**3,185,779**	**100%**	**4,751,044**	**100%**
Fixed interest-bearing loans	*3,127,302*	*84%*	*2,428,628*	*76%*	*3,550,656*	*75%*
Floating interest-bearing loans	*604,508*	*16%*	*757,151*	*24%*	*1,200,388*	*25%*

	As of December 31,					
Over one year to five years or less	2,596,487	**100%**	**3,287,658**	**100%**	**2,215,785**	**100%**
Fixed interest-bearing loans	*1,878,395*	*72%*	*2,264,728*	*69%*	*966,303*	*44%*
Floating interest-bearing loans	*718,092*	*28%*	*1,022,930*	*31%*	*1,249,482*	*56%*
Over five years to fifteen years or less	4,079,130	**100%**	**3,379,409**	**100%**	**3,442,994**	**100%**
Fixed interest-bearing loans	*2,046,616*	*50%*	*1,137,325*	*34%*	*926,715*	*27%*
Floating interest-bearing loans	*2,032,514*	*50%*	*2,242,084*	*66%*	*2,516,279*	*73%*
Over fifteen years	20,788,024	**100%**	**21,736,736**	**100%**	**22,153,392**	**100%**
Fixed interest-bearing loans	*3,269,466*	*16%*	*2,380,870*	*11%*	*1,382,369*	*6%*
Floating interest-bearing loans	*17,518,558*	*84%*	*19,355,866*	*89%*	*20,771,023*	*94%*
Gross loans and advances to customers^{APM}	**31,195,451**	**100%**	**31,589,582**	**100%**	**32,563,215**	**100%**
Fixed interest-bearing loans	*10,321,779*	*33%*	*8,211,551*	*26%*	*6,826,043*	*21%*
Floating interest-bearing loans	*20,873,672*	*67%*	*23,378,031*	*74%*	*25,737,172*	*79%*

Our loan portfolio is characterized by a high volume of mortgage loans for home purchases and as such the majority of our loans have a maturity of over fifteen years.

Non-performing loans and NPL coverage levels

The following table sets out an analysis of our NPLs and NPL ratio by sector^{APM} as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
	NPLs by sector^{APM}	**NPL ratio^{APM}**	**NPLs by sector^{APM}**	**NPL ratio^{APM}**	**NPLs by sector^{APM}**	**NPL ratio^{APM}**
	(*€ thousands, except %*)					
Loans to businesses	**344,814**	**4.12%**	**455,239**	**5.72%**	**554,278**	**6.70%**
Real estate development	71,262	6.82%	92,613	8.96%	146,036	12.13%
Non-real estate activities	273,552	3.74%	362,626	5.24%	408,242	5.78%
Loans to individuals	**372,475**	**1.84%**	**556,276**	**2.66%**	**735,952**	**3.46%**
Housing	285,361	1.55%	437,913	2.30%	621,954	3.18%
Consumer loans and other	87,114	4.82%	118,363	6.28%	113,998	6.68%
Public sector and other	**332**	**0.01%**	**1,423**	**0.05%**	**2,931**	**0.10%**
Total	**717,621**	**2.30%**	**1,012,938**	**3.21%**	**1,293,161**	**3.97%**

The following table sets out an analysis of our NPL provisions[APM] and NPL coverage ratio[APM] by sector as of the dates indicated:

	As of December 31,					
	2021		2020		2019	
	NPL provisions[APM]	NPL coverage ratio[APM]	NPL provisions[APM]	NPL coverage ratio[APM]	NPL provisions[APM]	NPL coverage ratio[APM]
	(*€ thousands, except %*)					
Loans to businesses	**323,976**	**93.96%**	**370,016**	**81.28%**	**392,566**	**70.82%**
Real estate development	51,115	71.73%	54,754	59.12%	74,951	51.32%
Non-real estate activities	272,861	99.75%	315,262	86.94%	317,615	77.80%
Loans to individuals	**216,149**	**58.03%**	**276,009**	**49.62%**	**249,345**	**33.88%**
Housing	149,211	52.29%	201,459	46.00%	179,908	28.93%
Consumer loans and other	66,938	76.84%	74,550	62.98%	69,437	60.91%
Public sector and other	**300**	**90.36%**	**1,153**	**81.03%**	**2,359**	**80.48%**
Total	**540,425**	**75.31%**	**647,178**	**63.89%**	**644,270**	**49.82%**

The following table sets out our NPLs evolution[APM] for the years indicated:

	For the year ended December 31,		
	2021	2020	2019
	(*€ thousands*)		
(a) (+) NPLs at the beginning of the period	1,012,938	1,293,161	2,274,558
(+) Gross NPLs entries	200,830	271,592	346,982
(-) Exits	496,147	551,815	1,328,379
Recoveries	*224,106*	*288,639*	*429,325*
Write offs	*143,804*	*181,823*	*250,602*
Foreclosures(1)	*73,586*	*78,203*	*79,284*
Wholesale transactions and other(2)	*54,651*	*3,150*	*569,168*
(b) NPLs at the end of the period	717,621	1,012,938	1,293,161
NPLs evolution[APM] ((b) – (a))	**(295,317)**	**(280,223)**	**(981,397)**

Notes:—

(1) NPL exits caused by foreclosed assets are shown in "New foreclosed assets" in the "foreclosed assets evolution[APM]" table below.

(2) See "*Operating and Financial Review for the years ended December 31, 2021, 2020 and 2019—Factors affecting comparability of results of operations—Sales of loans and NPAs[APM]*".

NPLs decreased from €2,274,558 thousand as of December 31, 2018 to €717,621 thousand as of December 31, 2021. Gross NPL entries fell 23.8% in 2019, 21.7% in 2020 and 26.7% in 2021. Cash recoveries of NPLs over stock of NPLs at the beginning of the period improved from 18.88% as of December 31, 2019 to 22.12% as of December 31, 2021. In 2019, NPLs evolution included the extraordinary sale of two portfolios of NPLs (Ordesa Transaction and Costa Transaction). In 2021, NPLs evolution included the extraordinary sale of one portfolio of NPLs (Oroel Transaction).

Allowance for credit losses over average of gross loans and advances to customers[APM]

The table below shows our allowance for credit losses over average of gross loans and advances to customers[APM] as of the dates indicated:

		As of December 31,		
		2021	**2020**	**2019**
		(*€ thousands, except %*)		
Numerator	Provisions and impairments associated with credit risk[(1)]...........	77,146	215,218	114,906
Denominator	Average of gross loans and advances to customers[APM]............................	31,502,603	32,257,756	32,960,602
	Allowance for credit losses over average of gross loans and advances to customers[APM]...........	**0.24%**	**0.67%**	**0.35%**

Foreclosed assets

The following table sets out our foreclosed assets for the years indicated:

	As of December 31,											
	2021				2020				2019			
	Gross book value	**Foreclosed assets provisions**	**Net book value**	**Foreclosed assets coverage ratio[APM]**	**Gross book value**	**Foreclosed assets provisions**	**Net book value**	**Foreclosed assets coverage ratio[APM]**	**Gross book value**	**Foreclosed assets provisions**	**Net book value**	**Foreclosed assets coverage ratio[APM]**
	(€ thousands, except %)											
Real estate assets acquired from loans for real estate construction and development	**368,001**	**(246,009)**	**121,992**	**66.85%**	**444,900**	**(286,929)**	**157,971**	**64.49%**	**535,894**	**(306,974)**	**228,920**	**57.28%**
Buildings and other completed constructions	*33,230*	*(16,741)*	*16,489*	*50.38%*	*36,522*	*(18,012)*	*18,510*	*49.32%*	*63,644*	*(26,991)*	*36,653*	*42,41%*
Buildings and other constructions under construction	*3,579*	*(2,641)*	*938*	*73.79%*	*3,578*	*(2,711)*	*867*	*75.77%*	*12,261*	*(4,750)*	*7,511*	*38.74%*
Land	*331,192*	*(226,627)*	*104,565*	*68.43%*	*404,800*	*(266,206)*	*138,594*	*65.76%*	*459,989*	*(275,233)*	*184,756*	*59.83%*
Real estate assets acquired in mortgage loans to households for housing acquisition	**109,185**	**(47,747)**	**61,438**	**43.73%**	**107,931**	**(47,816)**	**60,115**	**44.30%**	**62,194**	**(23,474)**	**38,720**	**37.74%**
Other foreclosed or received real estate assets in payment of debt	**65,055**	**(32,441)**	**32,614**	**49.87%**	**66,696**	**(32,668)**	**34,028**	**48.98%**	**26,802**	**(15,585)**	**11,217**	**58.15%**
Total	**542,241**	**(326,197)**	**216,044**	**60.16%**	**619,527**	**(367,413)**	**252,114**	**59.31%**	**624,890**	**(346,033)**	**278,857**	**55.38%**

The gross book value of our foreclosed assets portfolio decreased from €766,967 thousand as of December 31, 2018 to €542,241 thousand as of December 31, 2021. In 2020, sales of foreclosed assets were affected by the slowdown in the economy and the housing market due to the COVID-19 pandemic. In 2021, there was a recovery in sales of foreclosed assets, which rose by 52% compared to 2020, following the reactivation of the real estate market. At the same time, inflows of foreclosed assets fell by 10% year-on-year.

Foreclosed assets coverage ratio[APM] increased from 55.38% as of December 31, 2019 to 60.16% as of December 31, 2021, with foreclosed land coverage[APM] reaching 68.43% (59.83% as of December 31, 2019).

As of December 31, 2021, the net book value of our portfolio of foreclosed assets (€216,044 thousand) fell to 0.4% of our total assets (compared to 0.4% and 0.5% as of December 31, 2020 and 2019, respectively).

Foreclosed assets evolution[APM]

The following table sets out our foreclosed assets evolution[APM] for the years indicated:

	For the year ended December 31,		
	2021	**2020**	**2019**
		(€ thousands)	
(a) (+) Foreclosed assets at the beginning of the period	619,527	624,890	766,967
(+) New foreclosed assets	100,381	111,532	98,351
(-) Sales of foreclosed assets	177,667	116,895	240,428
(b) Foreclosed assets at the end of the period	542,241	619,527	624,890
Foreclosed assets evolution[APM] ((b) – (a))	**(77,286)**	**(5,363)**	**(142,077)**

Refinanced and restructured loans

The following table sets out our refinanced and restructured loans for the years indicated:

	As of December 31,					
	2021		**2020**		**2019**	
	Total	**Of which: non-performing**	**Total**	**Of which: non-performing**	**Total**	**Of which: non-performing**
			(€ thousands)			
Gross amount	538,586	329,245	736,561	496,929	988,179	686,062
Accumulated negative changes in fair value due to credit risk from non-performing exposures	1,278	1,278	2,241	2,241	2,231	2,231
Allowances for impairment of assets	152,002	139,280	207,768	188,750	240,892	219,013
Of which: collective	*96,679*	*85,261*	*147,103*	*130,674*	*151,683*	*134,385*
Of which: individual	*55,323*	*54,019*	*60,665*	*58,076*	*89,209*	*84,628*
Net amount	**385,306**	**188,687**	**526,552**	**305,938**	**745,056**	**464,818**

Provisions for credit risk

The information related to the movement of our provisions for credit risk in respect of our portfolio of financial assets at amortized cost from December 31, 2018 to December 31, 2021 is set in the following table:

	Total
	(*€ thousand*)
Balance as of December 31, 2018	**1,116,980**
Changes through profit and loss	134,205
Provisions utilized[2]	(591,357)
Other movements[1]	(17,440)
Balance as of December 31, 2019	**642,388**
Changes through profit and loss	224,177
Provisions utilized	(198,823)
Other movements[1]	(22,642)
Balance as of December 31, 2020	**645,100**
Changes through profit and loss	88,270
Provisions utilized	(172,134)
Other movements[1]	(22,047)
Balance as of December 31, 2021	**539,189**

Notes:—

(1) "Other movements" corresponds to the transfer of the non-performing loan allowances associated with credit transactions which were cancelled by the awarding or granting in payment (*dación en pago*) of assets for the full or partial satisfaction of the debt.

(2) The balance of provisions utilized in 2019 includes the provisions derecognised from the balance sheet as a result of the Ordesa Transaction and the Costa Transaction.

Provisions for credit risk decreased from €1,116,980 thousand as of December 31, 2018 to €539,189 thousand as of December 31, 2021, primarily due to the derecognition of provisions from our consolidated balance sheet relating to the sales of NPLs portfolios during 2019 (Ordesa and Costa Transaction) and because in the year 2021 the changes through profit and loss were lower due to the lower NPL entries during the year.

New lending[APM]

The table below sets out the principal amount of new lending[APM] during the years indicated and the distribution by sector:

	For the year ended December 31,		
	2021	2020	2019
		(*€ thousands*)	
Home purchase	1,431,202	1,439,998	1,146,985
Real estate construction and development	772,207	510,658	745,756
SMEs and corporates	2,415,361	3,762,196	2,849,565
Consumer lending	171,455	193,776	236,433
Other	631,191	516,959	457,243
Total new lending[APM]	**5,421,416**	**6,423,587**	**5,435,982**

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The table below sets out the principal amount of new lending[APM] by market for the years indicated:

	For the year ended December 31,		
	2021	2020	2019
		(*€ thousands*)	
Home Markets	1,855,994	2,385,322	2,118,876
Growth Markets	2,788,567	3,096,280	2,562,176
Rest of Spain	776,855	941,985	754,930
Total new lending[APM]	**5,421,416**	**6,423,587**	**5,435,982**

External funding[APM]

Retail deposits are our main source of external funding representing 79.76% of our total external funding as of December 31, 2021 (78.36% and 76.77% as of December 31, 2020 and 2019, respectively).

	As of December 31,					
	2021		2020		2019	
			(*€ thousands*)			
Deposits of central banks	5,871,128	12.61%	5,371,202	11.64%	1,628,990	3.82%
Deposits of credit institutions	745,174	1.60%	1,207,820	2.62%	4,304,232	10.08%
Customer deposits	38,268,280	82.21%	37,881,253	82.08%	34,924,627	81.81%
(A) *of which retail deposits[APM]*	*37,131,170*	*79.76%*	*36,165,311*	*78.36%*	*32,772,452*	*76.77%*
Debt securities issued	1,316,321	2.83%	1,340,670	2.90%	1,480,421	3.47%
AT1 issue	350,000	0.75%	350,000	0.76%	350,000	0.82%
External funding[APM] (B)	**46,550,903**	**100.00%**	**46,150,945**	**100.00%**	**42,688,270**	**100.00%**
Of which Retail deposits (=(A))	*37,131,170*	*79.76%*	*36,165,311*	*78.36%*	*32,772,452*	*76.77%*
Of which Financing from wholesale lending markets (=(B) – (A))	*9,419,733*	*20.24%*	*9,985,634*	*21.64%*	*9,915,818*	*23.23%*

Deposits by central banks increased from €1,628,990 thousand as of December 31, 2019 to €5,371,202 thousand as of December 31, 2020. This increase was due to the granting of €5,400,000 thousand in the TLTRO III auction of June, 2020 which was partially offset by the maturity of the financing under TLTRO II (€1,650,000 thousand). Deposits by central banks increased from €5,371,202 thousand as of December 31, 2020 to €5,871,128 thousand as of December, 31 2021. This increase was due to the granting of €559,000 thousand in the TLTRO III auction of March, 2021. Thus, the weight of deposits by central banks in our external funding increased from 3.82% as of December 31, 2019 to 12.61% as of December 31, 2021.

Deposits by credit institutions decreased from €4,304,232 thousand as of December 31, 2019 to €1,207,820 thousand as of December 31, 2020. This decrease was due to the redemption of short term transactions in the monetary market during 2020. Deposits by credit institutions decreased from €1,207,820 thousand as of December 31, 2020 to €745,174 thousand as of December 31, 2021. This decrease was due to the decrease in term deposits and repurchase agreements. Thus, the weight of deposits by credit institutions in our external funding decreased from 10.08% as of December 31, 2019 to 1.60% as of December 31, 2021.

Customer deposits increased from €34,924,627 thousand as of December 31, 2019 to €37,881,253 thousand as of December 31, 2020. Customer deposits increased from €37,881,253 thousand as of December 31, 2020 to €38,268,280 thousand as of December 31, 2021.The increase in both periods was primarily due to an increase in demand deposits which offset the decline in term deposits and the maturity of singular mortgage covered bonds. Thus, the weight of customer deposits in our external funding increased from 81.81% as of December 31, 2019 to 82.21% as of December 31, 2021.

Debt securities issued decreased from €1,480,421 thousand as of December 31, 2019 to €1,340,670 thousand as of December 31, 2020. This reduction was due to the maturity of mortgage covered bonds (€87,312 thousand in principal amount) and other securities linked to transferred financial assets (€51,133 thousand of nominal amount). Debt securities issued decreased from €1,340,670 thousand as of December 31, 2020 to €1,316,321 thousand as of December 31, 2021. This reduction was due to the combined effect of the maturity of securitization liabilities and the issuance of senior preferred debt, eligible for compliance with MREL requirements, for €50 million. Thus, the weight of debt securities in our external funding decreased from 3.47% as of December 31, 2019 to 2.83% as of December 31, 2021.

*Breakdown retail deposits^APM^*

The following table sets out the breakdown of our retail deposits^APM^, by type of account:

	As of December 31,					
	2021		**2020**		**2019**	
			(€ thousands, except %)			
Demand deposits (current accounts)	34,673,081	93.4%	33,014,125	91.3%	28,509,031	87.0%
Term deposits (excluding mortgage covered bonds)	2,458,089	6.6%	3,151,186	8.7%	4,263,421	13.0%
Retail deposits^APM^	**37,131,170**	**100.0%**	**36,165,311**	**100.0%**	**32,772,452**	**100.0%**

Retail deposits^APM^ increased from €32,772,452 thousand as of December 31, 2019 to €37,131,170 thousand as of December 31, 2021. The increase during the period under review, in particular in 2020, is in line with an increasing saving tendency as a result of the COVID-19 pandemic. Demand deposits have increased as a percentage of retail deposits over the years under review (93.4%, 91.3% and 87.0% as of December 31, 2021, 2020 and 2019, respectively). This trend is due to changes in interest rates, which affected yields on term deposits, leading customers to move towards demand deposits and off-balance-sheet products, including, in particular, mutual funds.

*Average rates on customer deposits^APM^*

The following table sets out the average balances of, and the average interest rates on, our customer deposits, by type of account and customer, as of the dates indicated. The average rates on our deposits set out below are APMs, the definition, explanation, use and calculation of which are set out in "*Alternative Performance Measures*".

The average balance of each balance sheet item is calculated as the arithmetic average of the average monthly balances. The average monthly balance is the average of end balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the immediately prior month to the reference month multiplied by 0.5).

	For the year ended December 31,					
	2021		**2020**		**2019**	
	Average balance	**Average rate**	**Average balance**	**Average rate**	**Average balance**	**Average rate**
			(€ thousands, except %)			
Public administrations	**1,360,875**	**0.00%**	**1,369,786**	**0.02%**	**1,142,464**	**0.03%**
Demand deposits	1,281,693	0.00%	1,274,750	0.01%	1,030,182	0.01%
Term deposits	79,058	0.04%	94,883	0.18%	112,180	0.19%
Valuation adjustments(1)	124	—	153	—	102	—
Other resident customers	**35,755,319**	**0.04%**	**34,712,320**	**0.09%**	**32,809,898**	**0.13%**
Demand deposits	31,750,548	(0.02)%	29,372,801	(0.01)%	25,774,499	0.01%

	For the year ended December 31,					
	2021		2020		2019	
	Average balance	Average rate	Average balance	Average rate	Average balance	Average rate
	(€ thousands, except %)					
Term deposits	3,841,884	0.53%	5,039,745	0.65%	6,734,965	0.60%
Assets sold under repurchase agreements	36,173	—	124,976	—	64,451	—
Valuation adjustments(1)	126,714	—	174,798	—	235,983	—
Other non-resident customers	**128,978**	**0.01%**	**131,139**	**0.02%**	**136,268**	**0.07%**
Demand deposits	116,697	0.01%	114,860	0.01%	115,762	0.06%
Term deposits	12,268	0.01%	16,249	0.11%	20,472	0.18%
Valuation adjustments(1)	13	—	30	—	34	—
Average customer deposits	**37,245,172**	**0.04%**	**36,213,245**	**0.08%**	**34,088,630**	**0.13%**

Notes:—

(1) Includes accrued interest, micro hedging transactions and transaction costs.

The following table sets out information on the maturity profile of customer deposits held by us as of the dates indicated based on their contractual maturity:

	As of December 31,					
	2021		2020		2019	
	(€ thousands, except %)					
One month or less	34,609,841	90.4%	33,086,915	87.3%	28,761,466	82.4%
Over one month to three months or less	802	0.0%	5,971	0.0%	91,667	0.3%
Over three months to one year or less	213,731	0.6%	327,973	0.9%	1,079,763	3.1%
Over one year to two years or less	169,607	0.4%	390,544	1.0%	630,540	1.8%
Over two years to five years or less	1,124,519	2.9%	1,615,301	4.3%	1,970,272	5.6%
Over five years	2,149,780	5.6%	2,454,549	6.5%	2,390,919	6.8%
Customer deposits	**38,268,280**	**100.0%**	**37,881,253**	**100.0%**	**34,924,627**	**100.0%**

Customer deposits with maturities of one month or less represent the largest portion of the customer deposits held by us, representing 90.4%, 87.3% and 82.4% as of December 31, 2021, 2020 and 2019, respectively. The increases in 2021 and 2020 were primarily due to lower levels of interest rates, which discourage savings through term deposits, and the lower volume of mortgage bonds (which are recorded as deposits) due to scheduled maturities during these years.

Customer deposits of more than one month and up to five years represented 3.9%, 6.2% and 10.8% as of December 31, 2021, 2020 and 2019. The decline in 2021 and 2020 was due to the trend towards shorter term and on demand deposits, as explained above.

Deposits not guaranteed by the FGD

As of December 31, 2021 we had €6,424,986 thousand eligible deposits not guaranteed by the FGD (€6,105,673 thousand and €5,558,856 thousand as of December 31, 2020 and 2019, respectively). See "*Regulation - Deposit guarantee scheme*" for a definition of eligible deposits for the purposes of the FGD.

The table below sets out the breakdown of our deposits not guaranteed by the FGD by maturity as of December 31, 2021, 2020 and 2019[79]:

	As of December 31,					
	2021		**2020**		**2019**	
	(€ thousands, except %)					
Three months or less	5,953,118	92.7%	5,530,026	90.6%	5,008,389	90.1%
Over three months to six months or less	140,025	2.2%	183,271	3.0%	203,282	3.7%
Over six months to twelve months or less	211,892	3.3%	263,590	4.3%	273,174	4.9%
Over twelve months	119,951	1.9%	128,786	2.1%	74,011	1.3%
Deposits not guaranteed by the FGD	**6,424,986**	**100.0%**	**6,105,673**	**100.0%**	**5,558,856**	**100.0%**

Off-balance sheet customer funds marketed by the Group

We market certain off-balance sheet products in the normal course of our business in order to meet the business needs of our customers. These instruments, which include mutual funds (i.e. investment funds and mutual funds), pension funds and insurance products, are not reflected in our consolidated balance sheet. The table below sets out details of the off-balance sheet customer funds managed and marketed by us as at the dates indicated:

	As of December 31,		
	2021	**2020**	**2019**
	(€ thousands)		
Mutual funds	19,600,522	16,234,844	14,708,533
Pension funds	6,562,703	5,907,074	5,668,503
Discretionary portfolio management	4,922,073	4,602,628	5,044,760
Insurance products	91,988	101,968	113,853
Total off-balance sheet customer funds	**31,177,286**	**26,846,514**	**25,535,649**
Of which: managed by the Group	**31,053,343**	**25,814,364**	**24,744,802**
Non-banking commissions(1)	**288,925**	**230,218**	**242,992**

Note:—

(1) See net fee income and exchange differences[APM] definition.

The increase in 2021 in mutual funds and pension funds was primarily related to net subscriptions as well as the good performance of financial markets in 2021, while the increase in 2020 was related to net subscriptions. The decrease in the discretionary portfolio management in 2020 was primarily due to the change in our commercial strategy following the entry into force of MiFID II, encouraging the transfer of assets from the discretionary managed portfolio to mutual funds, particularly mixed funds and the increase in 2021 was

79 The source of the data is the statement FGD.1.A (485001) - Deposit Guarantee Compartment of the Bank of Spain, which is an accounting statement of mandatory quarterly reporting to the Bank of Spain. The regulations governing FGD reporting are Bank of Spain Circular 2/2021, of January 28, which establishes the information that credit institutions and branches assigned to the FGD must submit and have available to the Bank of Spain on their guaranteed deposits, for the purpose of calculating their contributions to the FGD.

primarily due to net subscriptions as well as the good performance of financial markets in 2021. The decreases in insurance products both in 2021 and in 2020 were primarily due to a decrease in sales of third-party life savings insurance products.

Non-banking commissions contributed 31.02% of our recurring revenues[APM] for the year ended December 31, 2021 (25.34% of our recurring revenues[APM] and 25.79% of our recurring revenues[APM] for the years ended December 31, 2020 and 2019, respectively).

REGULATION

Set forth below is a summary of the current European and Spanish regulatory environments relating to credit institutions and banking services. This is intended to provide a general outline of the most relevant applicable regulations and is not intended as a comprehensive discussion of such regulations. The regulatory environment discussion below could have a material impact on our business and results of operations in the future.

As a credit institution, we are subject to sector-specific banking regulations, general corporate law and a variety of other EU-regulations, which could have a direct and material effect on our business. In this section we describe the legislative framework and certain recent legislative key developments where we have significant interests. Some of the legislative changes and the adoption of regulatory measures by sectorial regulators, which are described in this section, are in the process of being approved and therefore have not yet come into effect.

EU Banking Union

Since September 2012, significant progress has been made toward the establishment of a European banking union. The EU banking union aims to develop a body of harmonized banking rules (the single rulebook) and an institutional framework with stronger systems for both banking supervision and resolution that is managed at the European level. Its two existing pillars are the SSM and the SRM. A third pillar, in the form of a single pan-European deposit guarantee scheme, should be in place sometime in the future but is subject to ongoing debate.

Single Supervisory Mechanism (SSM)

ECB

Pursuant to Article 127(6) of the Treaty on the Functioning of the EU and Council Regulation (EC) No 1024/2013 of October 15, 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**"), the ECB is responsible for specific tasks concerning the prudential supervision of credit institutions established in participating Member States. Since November 2014, it carries out these supervisory tasks within the SSM framework, composed of the ECB and the relevant national authorities (in the case of Spain, the Bank of Spain). The ECB, in cooperation with the relevant national supervisors, is responsible for the effective and consistent functioning of the SSM, with a view to carrying out effective banking supervision, contributing to the safety and soundness of the banking system and the stability of the financial system.

Its main aims are to:

- ensure the safety and soundness of the credit institutions established in participating Member States (i.e. Member States which are part of the Eurozone or which have established a close cooperation in accordance with Article 7 of the SSM Regulation);
- increase financial integration and stability; and
- ensure consistent supervision.

Among others, it has the authority to:

- conduct supervisory reviews, on-site inspections and investigations;
- grant or withdraw banking licenses;
- assess banks' acquisitions and disposals of qualifying holdings;
- ensure compliance with EU prudential rules and the national legislation transposing those rules when they derive from Directives or options granted to Member States in EU Regulations; and
- set higher capital requirements ("buffers") in order to counter any financial risks.

In accordance with the SSM Regulation, the ECB has assumed the direct supervision of the "significant" banks of the participating countries (113 as of October 1, 2021, including us). Ongoing supervision of the significant banks is carried out by the Joint Supervisory Teams ("**JSTs**"). Each significant bank has a dedicated JST, comprising staff of the ECB and the relevant national supervisors (in our case, the Bank of Spain).

The criteria for determining whether a bank is considered "significant" (and therefore whether it falls under the ECB's direct supervision) are set out in the SSM Regulation and the Regulation (EU) No 468/2014 of the ECB of April 16, 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Framework Regulation**"). To qualify as significant, a bank must fulfil at least one of the following criteria:

- size: the total value of its assets exceeds €30 billion;
- economic importance: for the specific country or the EU economy as a whole;
- cross-border activities: the total value of its assets exceeds €5 billion and the ratio of its cross-border assets/liabilities in more than one other participating Member State to its total assets/liabilities is above 20%; and
- direct public financial assistance: it has requested or received funding from the European Stability Mechanism or the European Financial Stability Facility.

The ECB can decide at any time to classify a bank as significant to ensure that high supervisory standards are applied consistently.

The ECB indirectly supervises banks that are not considered significant (also known as "less significant" institutions), which continue to be supervised by their national supervisors, in close cooperation with the ECB. See "*—Bank of Spain*" below for an explanation of the tasks to be performed by the Bank of Spain.

Bank of Spain

The ECB must set up homogenous criteria for all the supervised institutions under the SSM and has assumed decision-making power. National authorities, such as the Bank of Spain, provide their knowledge on their financial systems and the entities located in their jurisdictions. Therefore, the role of the Bank of Spain continues to be relevant for credit institutions located in Spain. In particular, the Bank of Spain's tasks include the following:

- it collaborates with the ECB in the supervision of significant entities through its participation in the JSTs of the relevant Spanish banks and it has a leading role in the on-site inspections;
- it supervises the less significant Spanish banks directly. The ECB's indirect supervision of these entities is focused on the homogenization of supervisory criteria and reception of information;
- it has several supervisory competences over banking entities, for example money laundering and terrorist financing, customer protection and certain aspects of the monitoring of the financial markets that are out of the scope of the SSM and remain under the purview of the Bank of Spain;
- it participates in certain administrative processes controlled by the ECB, such as the granting or withdrawal of licenses and the application of fit and proper tests to members of the board and senior management of Spanish banks, and supports the ECB in cross-border tasks such as the definition of policies, methodologies or crisis management;
- it continues to supervise other institutions such as appraisal companies or specialist credit institutions, e-money issuing entities, mutual guarantee and re-guarantee companies; and
- as the preventive resolution authority in Spain (together with the SRB in relation to significant entities, see "*—Single Resolution Mechanism (SRM)*" below), it develops and approves a resolution plan for credit institutions that are not part of a group subject to supervision on a consolidated basis, prior report from the FROB and the competent supervisor and after consultation with the competent supervisor and the relevant resolution authorities of the jurisdictions in which significant branches are established.

The Bank of Spain is also the macro-prudential authority competent for the determination of capital buffers. By means of Royal Decree 102/2019, of March 1, the Spanish Macro-prudential Authority Council of Financial Stability (*Autoridad Macroprudencial Consejo de Estabilidad Financiera*) ("**AMCESFI**") was created. Its main tasks are the identification, prevention and mitigation of the circumstances and actions that could result in a financial system systemic risk and to issue opinions, alerts and recommendations in this regard. The AMCESFI may recommend to the Bank of Spain the use of the macro-prudential tools assigned to it by the relevant laws and regulations (including, among others, the establishment of certain capital buffers) in order to prevent or mitigate the systemic risk. The Bank of Spain shall communicate the AMCESFI the measures implemented to comply with its recommendations or justify the lack of action.

Finally, the Bank of Spain participates in the governing bodies of the SSM contributing to the adoption of decisions affecting all credit institutions located in the Eurozone.

Single Resolution Mechanism (SRM)

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing or likely to fail banks in Europe at minimum cost for the taxpayers and the real economy. Regulation (EU) No 806/2014 of the European Parliament and the Council of the European Union (the "**SRM Regulation I**"), as amended by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 ("**SRM Regulation II**" and together with SRM Regulation I, the "**SRM Regulation**"), which became effective on January 1, 2015, establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund (the "**Single Resolution Fund**"). The SRM itself is made up of the SRB and the national resolution authorities which in the case of Spain are the Bank of Spain, as the preventive resolution authority, and the FROB, as the executive resolution authority. In our case, the Relevant Resolution Authority would be the SRB as we are considered a significant bank.

Single Resolution Fund

The Single Resolution Fund is financed by ex-ante individual contributions from banking entities included in the SRM to be made on a yearly basis. The individual contribution of each bank will be based on a flat contribution (that is *pro rata* based on the amount of liabilities excluding own funds and covered deposits, in comparison to the total liabilities, excluding own funds and covered deposits, of all participating banks) and a risk-based contribution. In addition, where the funds of the Single Resolution Fund are not sufficient to cover the losses, costs or other expenses incurred by the use of the Single Resolution Fund in resolution actions, extraordinary ex-post contributions from the participating banks may be raised, with a maximum of three times the annual amount of the individual contribution. The funding obligation entered into force on January 1, 2016, and after eight years from that date, the available financial means of the Single Resolution Fund must in principle be at least 1% of the amount of covered deposits of all participating banks. The Single Resolution Fund is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% bail-in of a bank's liabilities has been applied to cover capital shortfalls (in line with Directive 2014/59/EU, of May 15, establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD I**"), as amended by Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 ("**BRRD II**" and together with BRRD I, the "**BRRD**")).

Act 11/2015, of June 18, on the recovery and resolution of credit institutions and investment firms ("**Act 11/2015**") regulates the National Resolution Fund, which receives funds from the private finance sector and is created to prevent, to the greatest extent possible, taxpayers from assuming the burden of the restructuring or resolution of credit institutions in distress. On January 1, 2016, the fund compartment for credit institutions, was merged with the rest of the national funds of the other Member States and integrated with the SRM into the Single Resolution Fund and since then, Spanish credit institutions (including us) have had to pay their contributions to the Single Resolution Fund. Notwithstanding its single management, pursuant to the terms of the intergovernmental Agreement for the Transfer and Mutualization of Contributions to a Single Resolution Fund signed by 26 EU Member States on May 21, 2014, the Single Resolution Fund is, on a transitional basis, made up of national compartments so that funds for the restructuring of an institution in a given Member State may be funded only out of the corresponding compartment for such Member State. The funds in the compartments shall be progressively mutualized over an eight-year period, at the end of which the compartments will have ceased to exist so that funds from any Member State may be used to restructure or resolve institutions in any other Member State.

In 2021, we contributed €13,794 thousand to the Single Resolution Fund (€11,094 thousand in 2020 and €10,350 thousand in 2019).

BRRD and Act 11/2015

The common European rules on recovery and resolution of credit institutions are set forth in the BRRD and in the SRM Regulation. Both instruments aim to equip resolution authorities with common tools and powers to tackle bank crises at the earliest possible moment and avoid costs to taxpayers. The set of measures provided for in the BRRD and the SRM Regulation include preparatory and preventive measures, the attribution of powers to the supervising authorities enabling them to act pre-emptively and that are triggered whenever a financial institution does not comply or it is likely that it will not comply with the regulatory requirements to which it is subject, as well as resolution instruments and powers to be used when an institution does not comply with its regulatory requirements or is likely to fail.

In accordance with Article 20 of Act 11/2015 and Article 18(4) of the SRM Regulation an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorization; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). According to Article 8.2 of Act 11/2015, and in line with the contents of the European Banking Authority’s guidelines on the interpretation of the different circumstances when an institution shall be considered as failing or likely to fail under Article 32(6) of Directive 2014/59/UE (EBA/GL/2015/07), the determination that an institution is no longer viable depends on, among others, the existence of a rapid deterioration in the financial position or liquidity of the entity or a rapid increase in leverage, defaults or concentration of exposures may be considered to assess the possibility of failure to comply with the requirements. The determination that an institution is no longer viable may also depend on a number of factors which may be outside of that institution’s control.

As provided in the BRRD, Act 11/2015 and the SRM Regulation, there are four resolution tools and powers which may be used alone or in combination where the FROB, the SRB or, as the case may be and according to the SRM Regulation and Act 11/2015, the ECB, the Bank of Spain or the CNMV or any other entity with the authority to exercise any such tools and powers from time to time (each, a “**Relevant Resolution Authority**”) as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business—which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution—which enables resolution authorities to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation—which enables resolution authorities to transfer impaired or problem assets to one or more publicly-owned asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in—by which the Relevant Resolution Authority may exercise the Spanish Bail-in Power (as defined below). This includes the ability of the Relevant Resolution Authority to write down and/or to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims irrespective of whether they qualify as capital instruments or not.

According to Article 27.3 of the SRM Regulation and Article 42 of Act 11/2015 (which transposes Article 44 of the BRRD), resolution authorities shall not exercise the Spanish Bail-in Power in relation to certain liabilities: (a) covered deposits; (b) secured liabilities (up to the amount of the guarantee) including covered bonds and liabilities in the form of financial instruments used for hedging purposes which form an integral part of the cover pool and which according to national law are secured in a way similar to covered bonds; (c) any liability that arises by virtue of the holding by the relevant institution or entity of client assets or client money including client assets or client money held on behalf of UCITS, Venture Capital funds or closed-end type UCITS provided that such a client is protected under the applicable insolvency law; (d) any liability that arises by virtue of a fiduciary relationship between the relevant institution or entity as fiduciary and another person as beneficiary provided that such a beneficiary is protected under the applicable insolvency law; (e) liabilities to institutions, excluding entities that are part of the same group, with an original maturity of less than seven days; (f) liabilities with a remaining maturity of less than seven days, owed to systems or operators of systems designated according to Act 41/1999, of November 12, on payment and securities settlement systems, or their participants and arising from the participation in such a system or to central counterparties ("**CCPs**") authorized in the European Union pursuant to Article 14 of Regulation (EU) nº 648/2012 and third-country CCPs recognised by the European Securities and Markets Authority ("**ESMA**") pursuant to article 25 of that Regulation; and (g) a liability to any one of the following: (i) an employee, in relation to accrued salary, pension benefits or other fixed accrued remuneration, except for the variable component of remuneration that is not regulated by a collective bargaining agreement ; (ii) a commercial or trade creditor arising from the provision to the relevant institution or entity of goods or services that are critical to the daily functioning of its operations, including IT services, utilities and the rental, servicing and upkeep of premises; (iii) tax and social security authorities; or (iv) deposit guarantee schemes arising from contributions due in accordance with Royal Decree-law 16/2011 of October 14, by which the FGD was created and its implementing regulation; and (h) liabilities issued to entities that are a part of the same resolution group without themselves being resolution entities, regardless of their maturities, except where those liabilities rank below ordinary unsecured liabilities under the relevant national law of the Kingdom of Spain governing normal insolvency proceedings.

The "**Spanish Bail-in Power**" means any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Act 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, of November 6, implementing Act 11/2015 ("**Royal Decree 1012/2015**"), as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 21.10 of the SRM Regulation and Article 48 of Act 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 27.5 of the SRM Regulation and Article 43 of Act 11/2015 in addition to the aforementioned mandatory exclusions set forth in Article 27.3 of the SRM Regulation and Article 42 of Act 11/2015), in the case of any application of the Bail-in Power, the sequence of any resulting write-down or conversion by the Relevant Resolution Authority shall be in the following order: (i) CET1 instruments (such as common shares); (ii) AT1 instruments; (iii) Tier 2 instruments; (iv) other subordinated claims that do not qualify as AT1 capital or Tier 2 capital; and (v) bailinable liabilities in accordance with the hierarchy of claims in normal insolvency proceedings (with "non-preferred" senior claims subject to the Spanish Bail-in Power after any subordinated claims against the credit institution but before the other senior claims against the credit institution).

In addition to the Spanish Bail-in Power, the BRRD, SRM Regulation and Act 11/2015 provide for resolution authorities to have the further power to permanently write-down or convert capital instruments and certain internal eligible liabilities into equity, at the point of non-viability of an institution or a group.

According to Article 21 of the SRM Regulation and Article 38 of Act 11/2015, the Relevant Resolution Authority may exercise the power to write down or convert relevant capital instruments and certain internal eligible liabilities: (i) independently of resolution action, including the bail-in tool; or (ii) in combination with a resolution action, where the conditions for resolution specified in Article 18.1 of the SRM Regulation and Article 19 of the Act 11/2015 are met. Therefore, the Relevant Resolution Authority has the power to write down and convert into equity capital instruments and certain internal eligible liabilities, not only when conditions for resolution (as defined in Article 18.1 of the SRM Regulation and Article 19 of Act 11/2015) are met, but also in all the circumstances defined in Article 21.8, in conjunction with Article 21.1, of the SRM Regulation and Article 38.2 of Act 11/2015. These circumstances include the point of non-viability of an entity (as defined in Article 38.3 of Act 11/2015 and Article 21.3, in conjunction to article 18.1 of the SRM Regulation). The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution (either (i) the institution infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements or any other requirements which are necessary to maintain the banking license; (ii) the liabilities of the institution are or there are objective elements to support a determination that the liabilities of the institution will, in the near future, be greater than its assets; (iii) the institution is or there are objective elements to support a determination that the institution will, in the near future, be unable to pay its liabilities as they fall due; or (iv) extraordinary public financial support is required by the institution) or will no longer be viable unless the relevant capital instruments and certain internal eligible liabilities are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority.

Credit institutions must prepare and maintain a recovery plan (as described in Article 6 of Act 11/2015) providing measures to be taken by the institution to restore its financial position following a significant deterioration of its financial situation. The plan and its updates must be approved by the board of directors of the entity, and reviewed by the competent supervisory authority that then will share it with the Relevant Resolution Authority. The recovery plan must be updated at least annually and also after any significant change in the organizational or legal structure of the institution or its financial position. The recovery plan should include a set of indicators, both quantitative and qualitative, that will be considered as a reference to undertake the actions envisaged therein. In no case should access to public financial support be assumed. The plan shall include a range of recovery measures to, among others, and as required in each case, (a) reduce the risk profile of the institution, including liquidity risk; (b) enable timely recapitalization measures; (c) review the institution's strategy and structure; (d) make changes to the funding strategy so as to improve the resilience of the core business lines and critical functions; and (e) make changes to the governance structure of the institution.

When an entity meets the conditions for early intervention as defined in Article 8.1 of Act 11/2015, the competent supervisor will declare the situation of early intervention and may set all or some of the early intervention measures. For these purposes, Article 9.1 of Act 11/2015 compels institutions to immediately inform the competent supervisor as soon as they are aware of meeting any of the conditions defined in Article 8.1. Early intervention measures are described in Article 9 of Act 11/2015 and include, but are not limited to, the following (i) to require the management body of the entity to apply one or more of the measures set out in its recovery plan; (ii) to require the management body of the entity to examine the situation, determine the necessary measures to overcome the problems identified and draw up an action plan to address these issues, with a specific timetable for implementation; (iii) to require the management body of the institution to convene, or if the management body fails to comply with this requirement, convene directly the general shareholders' meeting; (iv) to require the removal or replacement of one or more members of the management body, senior management or similar, if it is determined they do not meet their obligations in accordance with the requirements applicable; (v) to appoint a competent supervisor delegate in the entity entitled to attend, with voice but no vote; (vi) to require the management body to draft a plan for negotiating debt restructuring with part or all of its creditors; and (vii) to require changes in the business strategy of the institution or the consolidated group or subgroup. The institution may even be intervened, or its board of directors replaced by decision of the competent supervisor in case that the aforementioned measures were not sufficient.

In a resolution process, the absorption of losses by shareholders, holders of capital instruments and creditors of the institution is intended to avoid the cost to taxpayers. The Relevant Resolution Authority will apply the power to write-down and convert capital instruments and eligible liabilities to absorb losses and to cover the relevant recapitalization amount determined under the provisions of the law, writing down or reducing the number of shares, equity instruments or liabilities admissible in the sequence determined by Article 21.10 of the SRM Regulation and Article 48 of Act 11/2015.

The Spanish deposit guarantee scheme

The current Spanish deposit guarantee scheme (*Fondo de Garantía de Depósitos de Entidades de Crédito*, the "**FGD**") was created (as a result of the consolidation of the former deposit guarantee schemes of banks, savings banks and credit cooperatives) by Royal Decree-law 16/2011, of October 14, as amended. Pursuant to Article 8 of such Royal Decree-law 16/2011, the FGD guarantees both (i) cash deposits, by means of the deposit guarantee division and (ii) securities deposits, by means of the securities guarantee division; in both cases up to €100,000 per customer and credit institution, which is the minimum insured amount for all EU member banks. For the purpose of the FGD's guarantee, eligible deposits will be those credit balances held in accounts, including funds arising from transitory situations due to traffic operations and excluding those deposits mentioned in Article 4.4 of Royal Decree 2606/1996, which the institution is obliged to return under the applicable legal and contractual conditions, regardless of the currency in which they are denominated and provided that they are constituted in Spain or in another Member State of the European Union, including term deposits and savings deposits. The portion of these deposits that does not exceed €100,000 per customer and credit institution will be considered guaranteed deposits.

The FGD is funded by (a) annual contributions from member credit institutions; (b) extraordinary contributions from the institutions up to a maximum amount of 0.5% of the deposits to which the guarantee extends (unless the Bank of Spain authorizes a higher amount); (c) financing obtained in capital markets or by other mechanisms; and, additionally, (d) guaranteed payment commitments from the institutions. The Ministry of Economic Affairs and Digital Transformation (*Ministerio de Asuntos Económicos y Transformación Digital*), following a proposal from the Bank of Spain, is authorized to reduce the member banks' contributions when the FGD's equity is considered sufficient to meet its needs. Moreover, contributions will be suspended when the FGD's equity reaches 1% of the calculation base of the contributions of the member institutions as a whole.

On April 16, 2014, Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes ("**Deposit Guarantee Schemes Directive**") was adopted, aimed at eliminating certain differences between the laws of the Member States as regards the rules on deposit guarantee schemes to which those credit institutions are subject. The Deposit Guarantee Schemes Directive was transposed to Spanish national law through Act 11/2015 and Royal Decree 1012/2015 by amending, respectively, Royal Decree-law 16/2011 and Royal Decree 2606/1996. As the Deposit Guarantee Schemes Directive states that the scope of protection of deposit guarantee schemes shall be limited to the coverage of deposits or to funding early intervention or resolution measures, the FGD has been divided into (i) the deposit guarantee division, which funds shall be used to cover the responsibilities set out in the Deposit Guarantee Schemes Directive, and (ii) the securities guarantee division, which shall cater for the rest of responsibilities of the FGD.

Royal Decree 1012/2015 introduced a change in the methodology of calculation of the contributions to the new deposit guarantee division. The calculation base for the contributions was no longer determined by the total amount of deposits that may need to be covered by the deposit guarantee schemes, but rather by the volume of deposits that would become effectively covered by the deposit guarantee schemes. Likewise, this regulation sets out a cooperation regime between the deposit guarantee schemes of the Member States, in particular, in relation to the refund of deposits in branches established by banks in other Member States.

Due to the fact that the integration of deposit guarantee schemes into a single scheme for countries participating in the EU banking union is perceived as a "third pillar" of such EU banking union (the other two being the SSM and the SRM, both already in force), on January 26, 2021, the European Commission launched a targeted public consultation on technical aspects on a new review of the BRRD, the SRM Regulation and Directive 2014/49/EU of the European Parliament and of the Council of April 16, 2014 on deposit guarantee schemes. The consultation was open until April 20, 2021 and was split into two main sections: a section covering the general objectives of the review focus, and a section seeking technical feedback on stakeholders' experience with the current framework and the need for changes in the future framework, notably on (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonization of creditor hierarchy in the EU and impact on no creditor worse off principle, and (iii) depositor insurance. No agreement on potential changes was reached during the public consultation, and therefore further work will be needed and legislative proposals on this topic are only expected during 2022.

Pursuant to Article 6 of Royal Decree-law 16/2011, annual contributions are calculated based on the amount of deposits guaranteed by each bank and its risk profile. Circular 5/2016, of May 27, of the Bank of Spain on the calculation method for the contributions to be made by the participating entities to the deposit guarantee fund, as amended, sets out the applicable method to adjust the annual contribution calculated based on the amount of deposits guaranteed by each bank, in proportion to their risk profile.

As for the securities deposit, Royal Decree 948/2001, of August 3, regulated investor guarantee schemes (*sistemas de indemnización de los inversores*) related to both investment firms and to credit institutions. These schemes are set up through the Investment Guarantee Fund (*Fondo de Garantía de Inversiones*) for securities broker and broker-dealer firms and the FGD already in place for credit institutions.

As of December 31, 2021, we were a member of the FGD and thus were obliged to make annual contributions and extraordinary contributions to it. In 2021, our total contribution to the FGD amounted to €51,820 thousand (€53,774 thousand in 2020 and €49,247 thousand in 2019).

Capital requirements

As a result of the financial crisis, banking regulators have enhanced and reinforced the regulatory framework of financial institutions globally. The Basel III framework, a banking supervision package of reforms to the regulatory capital framework for internationally active banks is designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss.

Basel III is an evolving set of international standards agreed upon by supervisors and central banks. The goal of the Basel III framework is to reduce the risk of spillover from the financial sector to the real economy. To achieve this, Basel III proposes reforms meant to strengthen global capital, liquidity and leverage requirements. It also aims to facilitate supervision and increase transparency. There are three pillars that make up Basel III. Pillar I represent the minimum capital and liquidity requirements; Pillar II allows national supervisors to impose further measures requiring additional capital or liquidity; and Pillar III represents enhanced risk disclosure, transparency and market discipline.

In Europe, the Basel III standards have been implemented through Directive 2013/36/EU, of the European Parliament and of the Council, of June 26, 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV**"), as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (the "**CRD V Directive**" and together with the CRD IV Directive, the "**CRD Directive**") and Regulation (EU) No. 575/2013, of June 26, of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (the "**CRR I**") as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (the "**CRR II**" and together with the CRR I, the "**CRR**"), which is complemented by several binding regulatory technical standards ("**RTS**"). The CRR and RTS are directly applicable in all Member States without the need for national implementation measures (the "**CRD Implementing Measures**"). The CRR together with the CRD Directive and any CRD Implementing Measures are referred to as the "**Capital Requirements Regulations**". The implementation of the CRD IV Directive in Spain took place through Royal Decree-law 14/2013, of November 29, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities (the "**Royal Decree-law 14/2013**"), Act 10/2014, of June 26, on organization, supervision and solvency of credit institutions (the "**Act 10/2014**"), Royal Decree 84/2015, of February 13, implementing Act 10/2014 (the "**Royal Decree 84/2015**"), and Bank of Spain Circulars 2/2014, of January 31, and 2/2016, of February 2, to credit institutions, on supervision and solvency, which complete the adaptation of Spanish law to CRR and the CRD IV (the "**Bank of Spain Circular 2/2016**").

On June 27, 2019 a comprehensive package of reforms amending CRR I, the CRD IV Directive, the BRRD I and the SRM Regulation I entered into force: (i) CRD V; (ii) BRRD II; (iii) CRR II; and (iv) SRM

Regulation II (the "**EU Banking Reforms**"). The EU Banking Reforms cover multiple areas, including, among others, the "Pillar 2 framework", the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation. With regard to the European Commission's proposal regarding the recognition of the "non-preferred" senior debt, it was implemented in the EU through the Directive (EU) 2017/2399 amending the BRRD as regards the ranking of unsecured debt instruments in insolvency hierarchy, which was published in the Official Journal of the EU on December 27, 2017. In Spain, the new class of "non-preferred" senior debt and its insolvency ranking were introduced earlier through the Royal Decree-law 11/2017.

Most of the provisions of the EU Banking Reforms have started to apply. The CRD V and BRRD II have been partially implemented into Spanish law through Royal Decree-law 7/2021 amending, among others, Law 10/2014 and Law 11/2015, respectively. Despite the fact that Royal Decree-law 7/2021 is generally enforceable since April 29, 2021, the Spanish Parliament decided to process it as a Law and so Royal Decree-law 7/2021 provisions may be subject to changes. Furthermore, Royal Decree 970/2021, which amended Royal Decree 84/2015, and Circulars 5/2021 and 3/2022 of the Bank of Spain, which amended the Bank of Spain Circular 2/2016, completed the implementation into Spanish law of the CRD V Directive and Royal Decree 1041/2021, which amended Royal Decree 1012/2015, completed the implementation of BRRD II into Spanish law. Given the recent implementation of the CRD V Directive and the BRRD II, there is uncertainty as to how the EU Banking Reforms will be applied by the relevant authorities.

Additionally, on October 27, 2021, the European Commission published legislative proposals amending CRR and the CRD Directive, as well as a separate legislative proposal amending CRR and BRRD in the area of resolution of credit institutions and investment firms. In particular, these legislative proposals are the following: (i) Directive of the European Parliament and of the Council amending CRD Directive as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending BRRD; (ii) Regulation of the European Parliament and of the Council and its annex amending CRR as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and (iii) Regulation of the European Parliament and of the Council amending CRR and BRRD as regards the prudential treatment of global systemically important institution groups with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities. These legislative proposals will need to follow the ordinary legislative procedure to become binding EU law. The average length of the ordinary legislative procedure is of around 18 months. However, the timing for the final implementation of these legislative proposals is unclear as of the date of this Registration Document. The final package of new legislation may not include all elements currently set out in the legislative proposals and new or amended elements may be introduced through the course of the legislative process. Furthermore, with respect to (i) above, the Directive will need to be implemented in each of the Member States, and the way it will be implemented may vary depending on the relevant Member State.

Own funds (minimum Pillar 1 capital requirements)

Basel III, as implemented through the Capital Requirements Regulations, seeks to consistently define capital and set minimum capital requirements for credit institutions. The value of a bank's capital is expressed as a percentage of its RWAs. Safe assets such as cash are disregarded while loans to other institutions receive a higher weight. This means that banks must carry more capital for riskier assets. The capital requirement ratios are meant to correlate the amount of risk with a corresponding level of capital. Banks can choose to increase capital or reduce RWAs when attempting to meet the capital ratio requirements.

In compliance with the applicable solvency requirements, we must at all times satisfy the following own funds requirements (minimum Pillar 1 requirements):

- a CET1 ratio of 4.5%;

- a Tier 1 capital ratio of 6%; and
- a total capital ratio of 8%.

CET1 capital ratio (4.5%)

The CET1 ratio is the CET1 capital of the institution expressed as a percentage of the total risk exposure amount. CET1 capital is comprised of the sum of the following elements: (a) capital instruments, provided that the conditions laid down in Article 28 of the CRR or, where applicable, Article 29 are met; (b) share premium accounts related to the instruments referred to in point (a); (c) retained earnings; (d) accumulated other comprehensive income; (e) other reserves; and (f) funds for general banking risk. The items referred to in points (c) to (f) shall be recognized as CET1 only where they are available to the institution for unrestricted and immediate use to cover risks or losses as soon as these occur.

Tier 1 capital ratio (6%)

The Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount. The Tier 1 capital of an institution consists of the sum of the CET1 capital (4.5%) and AT1 capital (1.5%). AT1 capital is comprised of the sum of the following elements: (a) capital instruments, where the conditions laid down in Article 52(1) of the CRR are met; and (b) the share premium accounts related to the instruments referred to in point (a). Instruments included under point (a) shall not qualify as CET1 or Tier 2 items.

Total capital ratio (8%)

The total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount. The total capital of an institution consists of the sum of the Tier 1 capital (6%) and Tier 2 capital (2%). Tier 2 capital consists of (a) capital instruments and subordinated loans where the conditions laid down in Article 63 of the CRR are met; (b) the share premium accounts related to instruments referred to in point (a); (c) for institutions calculating risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three, general credit risk adjustments, gross of tax effects, of up to 1.25% of risk-weighted exposure amounts calculated in accordance with Chapter 2 of Title II of Part Three of the CRR; and (d) for institutions calculating risk-weighted exposure amounts under Chapter 3 of Title II of Part Three, positive amounts, gross of tax effects, resulting from the calculation laid down in Articles 158 and 159 up to 0.6% of risk-weighted exposure amounts calculated under Chapter 3 of Title II of Part Three of the CRR. Items included under point (a) shall not qualify as CET1 or AT1 items.

Pillar 2 requirements (P2R) and Pillar 2 Guidance (P2G)

The Capital Requirements Regulations also contemplate that in addition to the minimum Pillar 1 capital requirements, supervisory authorities may impose, as a result of the SREP conducted by them, further Pillar 2 requirements to cover other risks, including those not considered to be fully captured by the minimum Pillar 1 capital requirement under CRR or to address macro-prudential considerations.

Pursuant to the Capital Requirements Regulations, the relevant supervision authorities, in coordination with the EBA, will periodically subject the banks they supervise to stress tests. The ultimate aim of capital stress tests is to conduct a comprehensive assessment of the risks and solvency of the banks to determine potential capital requirements in the event these scenarios arise. The results of such tests will be taken into account in the SREP and will, in turn, have an impact on the decision to establish prudential requirements for each financial year.

In accordance with Article 104b of the CRD Directive, as implemented in Spain by Articles 69 and 69 bis of Law 10/2014 and Articles 94 and 95 of Royal Decree 84/2015, "Pillar 2" capital will consist of two components: (i) "Pillar 2" requirements ("**P2R**"), which are binding and which breach can have direct legal consequences for banks, and (ii) "Pillar 2" Guidance ("**P2G**") which is a non-legally binding expectation identified on an idiosyncratic and risk-sensitive way to address the institutions' ability to maintain applicable own funds requirements in stress conditions based on the outcomes of the adverse scenario of the relevant supervisory stress tests. According to Article 43.3.c) of Law 10/2014, banks shall meet at all times the P2G with CET1 capital on top of the level of binding capital (minimum and additional) requirements ("Pillar 1" capital requirements, P2R and the "combined buffer requirements"). If a bank does not meet its P2G, this will not result in automatic action of the supervisor and will not be used to determine the Maximum Distributable Amount (as defined below), but Article 69.1.e) of Law 10/2014, provides that when an institution repeatedly fails to meet P2G, it will trigger, where appropriate, the imposition of additional own funds requirements. The Capital Requirements Regulations do not require disclosure of the P2G. However, the Market Abuse Regulation (MAR) ESMA Guidelines on delay in the disclosure of inside information and interaction with prudential supervision, as amended on January 5, 2022, provide that P2R is expected to be considered as inside information whereas P2G may (or may not) be inside information (for example it is likely to be inside information if (a) the difference between the P2G and the institution's level of capital is not minor and is likely to involve a major reaction by the institution, such as a capital increase; and (b) the institution's P2G is not in line with market expectations, so a price impact can be expected). To the extent that they constitute inside information, P2G will need to be disclosed pursuant to the Market Abuse Regulation obligations applicable to us. As of the date of this Registration Document, given its size and its comparison with the average requirement for EU banks and with our levels of own funds, P2G is not considered significant for our overall capital position.

The EBA Guidelines hinge on four main components: (i) business model analysis; (ii) assessment of internal governance; (iii) assessment of risks to capital and adequacy of capital; and (iv) assessment of risks to liquidity and adequacy of liquidity. The assessment is summarized in a common scoring and leads to a consistent approach in setting supervisory requirements to hold additional capital and liquidity resources, as needed.. Pursuant to Article 94.6 of Royal Decree 84/2015 (implementing Article 104(a) of CRD Directive) at least 56% of P2R needs to be met with CET1 capital and at least 75% of P2R with Tier 1 capital. On March 12, 2020 in response to the COVID-19 pandemic the ECB announced measures expected to provide capital relief to banks in support of the economy. These measures included the permission to operate temporarily below the level of capital defined by P2G but, on February 10, 2022 the ECB announced that it will not extend capital and leverage relief so institutions are once again expected to operate above P2G from January 1, 2023 and will need to re-include central bank exposures in the leverage ratio from April 1, 2022.

In addition to the recent statements on using flexibility within accounting and prudential rules, such as those made by the Basel Committee on Banking Supervision (the "**BCBS**"), the EBA and the ECB, among others, the European Commission proposed a few targeted "quick fix" amendments to the EU's banking prudential rules in order to maximize the ability of banks to lend and absorb losses related to the COVID 19 pandemic. On June 28, 2020, Regulation 2020/873 of the European Parliament and of the Council of June 24 amending CRR as regards certain adjustments in response to the COVID-19 pandemic (the "**CRR Quick Fix**"), entered into force setting out exceptional temporary measures to alleviate the immediate impact of COVID-19-related developments, by adapting the timeline of the transitional arrangements for mitigating the impact on own funds of the application of international accounting standards on banks' capital, by postponing the date of application of the leverage ratio buffer for G-SII, by setting an optional temporary prudential filter to mitigate the negative impact of the volatility in central government debt markets during the COVID-19 pandemic on institutions, by advancing the date of application of several agreed measures that incentivize banks to finance employees, SMEs and infrastructure projects, the EBA regulatory technical standards on software and by aligning the minimum coverage requirements for NPLs that benefit from public guarantees with those that benefit from guarantees granted by official export credit agencies. In addition, in the context of the COVID-19 pandemic the ECB established the exclusion of certain exposures from the calculation of the leverage ratio until March 31, 2022. On February 10, 2022, the ECB announced that it will not extend capital and leverage relief so institutions will need to re-include central bank exposures in the leverage ratio from April 1, 2022. As of December 31, 2021, our leverage ratio (phased-in) excluding the impact of the temporary exemption from computing exposures to central banks, would have been 5.32% which represents a decrease of 69 basis points compared to the leverage ratio (phased-in) considering this temporary exemption which is no longer applicable (6.01% as of December 31, 2021). According to the ECB decisions of September 16, 2020 and June 18, 2021, the exposures that may be excluded comprise coins and banknotes constituting legal currency in the jurisdiction of the central bank and assets representing claims on the central bank, including reserves held at the central bank, insofar as these exposures are relevant for the transmission, and therefore, implementation of monetary policy. Such exposures include deposits held in the deposit facility and balances held on reserve accounts with the Eurosystem, including funds held in order to meet minimum reserve requirements. Exposures representing claims on the central bank that are not related to the implementation of monetary policy should not be excluded from the total exposure measure.

Combined buffer requirement

"Combined buffer requirement" means the total CET1 capital required to meet the requirement for the capital conservation buffer extended by the following, as applicable: an institution-specific countercyclical capital buffer; a G-SII buffer; an O-SII buffer; and a systemic risk buffer. The CET1 capital used to meet these buffers cannot be used to meet any other regulatory requirements or expectations (Pillar 1, P2R capital requirements or P2G).

The only buffer which is legally required for all institutions is the capital conservation buffer, the other four buffers will be determined by the competent authorities periodically.

- *Capital conservation buffer*. The purpose of this buffer is to ensure that banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. This buffer is an additional 2.5% of RWAs.
- *Countercyclical buffer*. The purpose of this buffer is to counteract the effects of the economic cycle on the lending activity of banks. It should reduce the volatility of credit. It should also reduce the probability of credit bubbles or crunches. The buffer forces banks to keep capital during economic booms to keep credit from becoming too cheap. The capital is then to be used or "released" when economic activity contracts. The percentage of the buffer can raise up to 2.5% of RWAs although the calculations of the buffer are based on the positions of the financial entity in different jurisdictions. In relation to Spain, the Bank of Spain publishes on a quarterly basis the value of the countercyclical buffer for the positions of credit institutions in Spain. On March 30, 2022, the Bank of Spain agreed to maintain the countercyclical buffer at 0% for the second quarter of 2022.
- *G-SII buffer*. The FSB and the Bank of Spain identify annually which banks are considered G-SIIs. These banks are required to keep a buffer of not less than 1% of RWAs. G-SIIs are divided in categories, depending on the category assigned by the competent authority, institutions are required to maintain a certain buffer. As of the date of this Registration Document, we have not been classified as G-SII by the FSB nor by the Bank of Spain, so we are not required to maintain this buffer.
- *O-SII buffer*. The Bank of Spain identifies annually which banks are considered O-SIIs and the buffer corresponding to each of them. These banks are required to keep a buffer of up to 3% of RWAs. As of the date of this Registration Document, we have not been classified as O-SII, thus, we are not required to maintain this buffer.
- *Systemic risk buffer*. This buffer may be used to prevent and mitigate long-term non-cyclical systemic or macro-prudential risks not covered by CRR. So far, the Bank of Spain has not required this buffer.

Stacking order

According to Article 48 of Law 10/2014, Article 73 of RD 84/2015 and Rule 24 of the Bank of Spain Circular 2/2016, those entities failing to meet the "combined buffer requirement" will be subject to restrictions on: (i) distributions relating to CET1 capital; (ii) payments in respect of variable remuneration or discretionary pension revenues; and (iii) distributions relating to additional tier 1 capital instruments ("**Discretionary Payments**"), until the maximum distributable amount calculated according to the Capital Requirements Regulations (i.e., the firm's "distributable profits", calculated in accordance with the Capital Requirements Regulations, multiplied by a factor dependent on the extent of the shortfall in CET1 capital) (the "**Maximum Distributable Amount**") has been calculated and communicated to the Bank of Spain. Thereafter, any such distributions or payments will be subject to such Maximum Distributable Amount for entities (a) not meeting the "combined buffer requirement" or (b) in relation to which the Bank of Spain has adopted any of the measures set forth in Article 68.2 of Law 10/2014 aimed at strengthening own funds or limiting or prohibiting the distribution of dividends.

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on December 16, 2015, competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the Maximum Distributable Amount calculation is limited to the amount not used to meet the Pillar 1 and P2R capital requirements. Accordingly, the "combined buffer requirement" is in addition to the minimum capital requirement and to the additional capital requirement, and therefore, it would be, after the P2G, the first layer of capital to be eroded pursuant to the applicable stacking order. Whereas recital 14 of the CRDV Directive further clarifies that P2R should be positioned in the relevant stacking order of own funds requirements above the "Pillar 1" capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as applicable, it also clarifies that P2R should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution). The CRD Directive also allows the P2R to be partially covered with Additional Tier 1 instruments and Tier 2 instruments, as explained above.

Our minimum capital requirements

Solo Waiver

Solvency requirements are applied to us on a consolidated basis, as the application of prudential requirements on an individual basis has been waived from us in accordance with Article 7 of the CRR.

Since March 31, 2016, we have been waived from the application of prudential requirements on an individual basis in accordance with article 7 of CRR (the "**Solo Waiver**"). Such waiver was requested by Ibercaja Banco to the competent supervisor in accordance with the applicable regulations, and based on the following reasons: (a) that there was no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities to the parent company (i.e. Ibercaja Banco) and (b) the procedures to measure, evaluate and control the risks for the supervision of the Group were referred to Ibercaja Banco as the parent company.

The Solo Waiver granted by the competent supervisor exempted us from compliance, on an individual basis, with the equity requirements and limits for great risks. Consequently, for the same reasons described above, we are exempted from the application of prudential requirements on an individual basis in accordance with Article 7 of CRR. As a result, we do not have to comply with, nor calculate nor publish, any capital requirements or ratios on an individual basis for so long as this derogation is in place, having the obligation to calculate and comply with capital requirements only at Group level, except for the LCR and NSFR which we have to calculate at individual and consolidated level.

As of the date of this Registration Document, such waiver is still in force and therefore the prudential requirements under the Capital Requirements Regulations are only complied with by us on a consolidated basis (i.e. at Group level). As far as we are aware, the regulator is not planning to review the Solo Waiver in the short term.

ECB 2022 SREP communication

On February 4, 2022 we announced that the ECB had notified us of its decision to modify the prudential requirements established as part of the 2021 SREP which are applicable from March 1, 2022. As a result, as of the date of this Registration Document we must maintain a CET1 ratio of 8.21% and a total capital ratio of 12.65% on a consolidated basis. These capital requirements include the minimum capital requirement for Pillar 1 (4.5% CET 1 and 8% of total capital), Pillar 2 (1.21% for CET1 and 2.15% for total capital) and the capital conservation buffer (2.5%).

The details of these capital requirements for 2022 and our capital ratios as of December 31, 2021 are described below:

	CET1	Total capital
Pillar 1	4.50%	8.00%
Pillar 2	1.21%	2.15%
Capital conservation buffer	2.50%	2.50%
Other buffers	0.00%	0.00%
Total requirements	**8.21%**	**12.65%**
Capital ratios as of December 31, 2021	**13.41%**	**18.12%**
Excess over requirements	5.20 pp	5.47 pp

The supervisory dialogue on the SREP is annual and usually starts in September and concludes by the end of January of the following year.

Our capital requirements and capital ratios for 2021, 2020 and 2019

The following table shows our total capital requirements for the years ended December 31, 2021, 2020 and 2019, based on the SREP communications:

	2021		2020		2019	
	CET1	Total capital	CET1	Total capital	CET1	Total capital
Pillar 1	4.50%	8.00%	4.50%	8.00%	4.50%	8.00%
Pillar 2	1.21%	2.15%	1.125%	2.00%	2.00%	2.00%
Capital conservation buffer	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Other buffers	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total requirements	**8.21%**	**12.65%**	**8.125%**	**12.50%**	**9.00%**	**12.50%**

The following table shows our capital ratios for the years ended December 31, 2021, 2020 and 2019, as included in our Annual Accounts and our Pillar III disclosures:

	As of December, 31					
	2021		2020		2019	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	13.41%	12.71%	13.62%	12.59%	12.27%	11.35%
Tier 1 ratio	15.35%	14.65%	15.53%	14.51%	13.99%	13.07%
Total capital ratio	18.12%	17.43%	18.27%	17.26%	16.36%	15.45%

Minimum requirement for own funds and eligible liabilities (MREL)

In addition to the capital requirements under the Capital Requirements Regulations, BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of own funds and "eligible liabilities", that is, liabilities that may be bailed in using the bail-in tool. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions), to ensure that banks have sufficient liabilities to absorb losses in case of failure, so shareholders and creditors should back much of the recapitalization burden instead of taxpayers.

This requirement should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding. The BRRD requires the MREL to be set as a percentage of own funds and total liabilities (after full recognition of counterparty netting rights), however, the MREL is not a fixed figure imposed by legislation but is to be set on a case-by-case basis by resolution authorities. To ensure consistency, there are some common criteria laid down for resolution authorities to apply, which must be further specified by the adoption of regulatory technical standards.

On May 23, 2016, the European Commission adopted a Delegated Regulation containing the MREL technical standards (Commission Delegated Regulation (EU) 2016/1450 of May 23, supplementing BRRD with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities; the "**MREL Technical Standards**"), which specifies the criteria that resolution authorities will need to consider when setting the MREL. The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on certain criteria including systemic importance.

The BRRD provisions on MREL have been transposed into Spanish law by means of Act 11/2015 and Royal Decree 1012/2015 as amended by Royal Decree-law 7/2021 and Royal Decree 1041/2021, respectively, which establish provisions to ensure that banks have sufficient loss-absorbing capacity and are ready for the implementation of bail-in tools (such as debt for equity swaps), and provides for national resolution authorities to set the MREL for each institution, based on the size, risk and business model. The MREL requirement came into force on January 1, 2016. However, the MREL Technical Standards and Royal Decree 1012/2015 recognized an appropriate transitional period to be set by resolution authorities. Such transitional period must comply with the maximum deadlines established by Royal Decree 1012/2015, this is, January 1, 2024 for the full requirement and January 1, 2022 for the intermediate requirement.

Likewise, on November 9, 2015 the FSB published TLAC Principles and Term Sheet, proposing G-SIIs to maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits, and which form a new standard for G-SIIs. The TLAC Principles and Term Sheet contain a set of principles on loss absorbing and recapitalization capacity of G-SIIs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. As of July 2, 2019, the FSB published its review of the technical implementation of the TLAC Principles and Term Sheet concluding that, although further efforts are needed to fully and effectively implement the TLAC standard and to determine the appropriate group-internal distribution of TLAC resources across home and host jurisdictions, there was no need to modify the TLAC standard as of such date. The TLAC Principles and Term Sheet establish a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16% of RWAs as of January 1, 2019 and 18%. as of January 1, 2022, and (b) 6% of the Basel III Tier 1 leverage exposures as of January 1, 2019, and 6.75% as of January 1, 2022. Under the FSB TLAC standard, capital buffers stack on top of TLAC.

Although we have not been classified as a G-SII by the FSB nor the Bank of Spain, one of the main objectives of the EU Banking Reforms is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules ("**TLAC/MREL Requirements**") thereby avoiding duplication from the application of two parallel requirements. Although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences in the way they are constructed. The EU Banking Reforms integrate the TLAC standard into the existing MREL rules to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be partially institution-specific and determined by the resolution authority.

Although the specific MREL requirements may vary depending on the specific characteristics of the relevant entity and the resolution process, BRRD II and CRR II introduce a relevant change for complying with MREL which as the date of this Registration Document includes two different ratios: (i) a risk ratio (percentage of total RWAs of the resolution entity) and (ii) a non-risk ratio (percentage of the resolution entity's total exposure).

According to the EU Banking Reforms, MREL application is also subject to a different regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIIs, "top tier" entities (entities which are not G-SIIs with consolidated total assets above €100 billion), other entities which the resolution authority has assessed as reasonably likely to pose a systemic risk in the event of its failure ("**other systemic entities"**) and the rest of the resolution institutions. In particular, G-SIIs, "top tier" banks and other systemic entities are subject from January 2022 to MREL Pillar 1 requirements (to be met with subordinated instruments only): in principle, 18% RWAs and 6.75% of leverage exposure in the case of G-SIIs and 13.5% of RWAs and 5% of leverage exposure in the case of "top tier" entities and other systemic entities. The leverage exposure requirement includes the "combined buffer requirement" under the Capital Requirements Regulations.

Likewise, the EU Banking Reforms include an additional subordination requirement of eligible instruments for G-SIIs, "top tier" banks and other systemic entities involving a minimum MREL "Pillar 1" subordination requirement and an institution specific MREL "Pillar 2" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting subordinated debt and "non-preferred" senior debt under the insolvency hierarchy introduced in Spain by Royal Decree-law 11/2017 will be eligible for compliance with the subordination requirement). This requirement is targeted at 8% but can be adjusted upwards or downwards by resolution authorities on a case-by-case basis. Resolution authorities may also impose "Pillar 2" subordination requirements to institutions not constituting G-SIIs, "top tier" entities or other systemic entities.

On February 8, 2022, we announced that we had received the formal communication from the Bank of Spain regarding the MREL requirement, as determined by the SRB. As of the date of this Registration Document, regulation establishes January 1, 2024 as a deadline to comply with the MREL requirements set out below, with an interim requirement that must be met by January 1, 2022, these requirements being expressed as a percentage of both RWAs and leverage ratio. We have been required to reach, by January 1, 2022 an amount of own funds and eligible liabilities on a consolidated basis equal to 15.38% of RWAs (excluding the CET1 dedicated to comply with the combined buffer requirement) and 5.21% in terms of MREL leverage ratio. This requirement would be equal to 18.59% of our consolidated RWAs as of January 1, 2024 (excluding the CET1 dedicated to comply with the combined buffer requirement) (5.21% in terms of MREL leverage ratio). As of December 31, 2021, Ibercaja Banco has a percentage of MREL in terms of RWAs of 15.89% (excluding the CET1 dedicated to comply with the combined buffer requirement) and 7.21% in terms of MREL leverage ratio (6.38% excluding the waiver to not compute central bank exposures which expired in March 2022). Therefore, by the end of 2021 we already complied with such interim requirements. In addition, in December 2021, we issued €50 million senior preferred notes as part of our issuance plan to comply with our MREL requirements. In this context, and based on our estimates, our MREL issuance needs towards 2024, as of the date of this Registration Document, would amount to approximately €0.7- €0.8 billion.

In accordance with Articles 72a et seq of the CRR, the eligible liabilities, including subordinated debt instruments and subordinated loans that may not be deemed as additional AT1 or Tier 2 capital, shall be included in the MREL if they satisfy the conditions established under Article 72b(2) of the CRR. These conditions include, inter alia, that (i) the liability is directly issued or raised, as applicable, by an institution and is fully paid up; (ii) the liability is not owned by either (a) the institution or an entity included within the same resolution group, or (b) an undertaking in which the institution has a direct or indirect participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of that undertaking; (iii) the acquisition of ownership of the liabilities is not funded directly or indirectly by the resolution entity; (iv) the claim on the principal amount of the liabilities under the provisions governing the instruments is wholly subordinated to claims arising from the excluded liabilities referred to in Article 72a(2) of the CRR, a subordination requirement that will be considered as being met in any of the situations listed under Article 72b(2)(d)(i) to (iii); (v) the liabilities are not secured or subject to a guarantee or any other arrangement that enhances the seniority of the claim by either (a) the institution or its subsidiaries; (b) the parent undertaking of the institution or its subsidiaries; or (c) any undertaking that has close links with the entities referred to in points (a) and (b); (vi) the liabilities are not subject to set-off or netting arrangements that would undermine their capacity to absorb losses in resolution; (vii) the provisions governing the liabilities do not include any incentive for their principal amount to be called, redeemed or repurchased prior to their maturity or repaid early by the institution, as applicable, except in the cases referred to in Article 72c(3) of the

CRR; (viii) the liabilities are not redeemable by the holders of the instruments prior to their maturity, except in the cases referred to in Article 72c(2) of the CRR; (ix) subject to Article 72c(3) and (4) of the CRR, where the liabilities include one or more early repayment options, including call options, the options are exercisable at the sole discretion of the issuer, except in the cases referred to in Article 72c(2) of the CRR; (x) the liabilities may only be called, redeemed, repaid or repurchased early where the conditions set out in Articles 77 and 78a are met; (xi) the provisions governing the liabilities do not indicate explicitly or implicitly that the liabilities would be called, redeemed, repaid or repurchased early, as applicable by the resolution entity other than in the case of the insolvency or liquidation of the institution and the institution does not otherwise provide such an indication; (xii) the provisions governing the liabilities do not give the holder the right to accelerate the future scheduled payment of interest or principal, other than in the case of the insolvency or liquidation of the resolution entity; (xiii) the level of interest or dividend payments, as applicable, due on the liabilities is not amended on the basis of the credit standing of the resolution entity or its parent undertaking; and (xiv) for instruments issued after June 28, 2021 the relevant contractual documentation and, where applicable, the prospectus related to the issuance explicitly refer to the possible exercise of the write-down and conversion powers in accordance with Article 48 of Directive 2014/59/EU.

Article 86 of Royal Decree 1012/2015 as amended by Royal Decree 1041/2021 establishes the consequences of a failure by an institution to meet the MREL requirement, including, among others: prohibition of certain distributions, requirement of additional capital, sanctions and other administrative measures.

Maximum Distributable Amount

As previously explained, under Article 141 (Restrictions on distribution) of the Capital Requirements Regulations, Member States must require that institutions that fail to meet the combined buffer requirement will be subject to restricted Discretionary Payments (which are defined broadly by the Capital Requirements Regulations as payments relating to CET1 capital (dividends), variable remuneration and payments on AT1 instruments). The restrictions will be scaled according to the extent of the breach of the combined buffer requirement or, where applicable, the corresponding SREP requirements and calculated as a percentage of the profits of the institution since the last distribution of profits or "Discretionary Payments". Such calculation will result in a Maximum Distributable Amount in each relevant period. As an example, the scaling is such that in the bottom quartile of the combined buffer requirement (taking into account the applicable stacking order), no "Discretionary Payments" will be permitted to be paid.

Furthermore, Article 10a of the SRM Regulation, as well as Article 16.a) of BRRD, as implemented in Spain by Article 16 bis of Law 11/2015, clarifies the stacking order between the "combined buffer requirement" and the MREL requirement. Pursuant to Law 11/2015, a resolution authority (including the SRB) has the power to prohibit an entity from making Discretionary Payments above the Maximum Distributable Amount (calculated in accordance with paragraph (4) of such Article 16.a) of the BRRD II and Articles 10a.4 of the SRM Regulation) where it meets the "combined buffer requirement" but fails to meet that "combined buffer requirement" when considered in addition to the MREL requirements (the "**MREL-Maximum Distributable Amount**" or, as defined in the SRM Regulation, the "M-MDA"). Article 10a of the SRM Regulation and Article 16.a) of the BRRD (specifically, Article 10a.3 of the SRM Regulation and paragraph 3 of Article 16 bis of Law 11/2015) includes a potential nine-month grace period whereby the resolution authority (including the SRB) will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount before such resolution authority is compelled to exercise its power (subject to certain limited exceptions).

Article 141b of CRD IV Directive, included by the CRD V Directive, as implemented in Spain by Article 48 ter of Law 10/2014 and Article 73 bis of Royal Decree 84/2015, will restrict discretionary payments by G-SIIs in the form of dividends, variable remuneration and payments to holders of Additional Tier 1 Instruments in case of a failure to meet at the same time the leverage ratio buffer and the "combined buffer requirement".

In Spain, pursuant to Article 48.2 of Act 10/2014, credit institutions which do not fulfill the combined buffer requirement, shall calculate the Maximum Distributable Amount, in accordance with Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016.

Until the Maximum Distributable Amount has been calculated and such Maximum Distributable Amount has been immediately reported to the competent supervisor, none of the following actions can be performed by the credit institutions: (i) make a distribution in connection with CET1 capital; (ii) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the institution failed to meet the combined buffer requirements; and (iii) make payments on AT1 instruments. The restrictions shall only apply to payments that result in a reduction of CET1 capital or in a reduction of the profits, provided that the suspension or cancellation of the payment does not constitute an event of default of the payment obligations or other circumstances that lead to the opening of an insolvency proceeding.

When considering a distribution in connection with CET1 capital, the following are caught: (i) payment of cash dividends; (ii) the distribution of fully or partly paid shares or other equity instruments referred to in Article 26, paragraph 1, point a) of CRR refers; (iii) the redemption or purchase by an entity of its own shares or other own capital instruments referred to in Article 26, paragraph 1, point a) of the CRR; (iv) reimbursement of amounts paid in connection with capital instruments referred to in Article 26, paragraph 1, point a) of the CRR; (v) the distribution of the elements referred to in Article 26, paragraph 1, points b) to e) of the CRR; and (vi) any other which the competent supervisor considers equivalent to those described in items (i) to (iv).

As of the date of this Registration Document, we are not required to calculate a Maximum Distributable Amount. Based on the most recent SREP carried out by the ECB in 2021, if our CET1 phased-in ratio fell below 8.21% or our total capital phased-in ratio falls below 12.65% in 2022, we would be required to calculate our Maximum Distributable Amount, and as a consequence it may be necessary for us to reduce Discretionary Payments.

Deferred Tax Assets (DTAs)

CRR provides that DTAs that rely on the future profitability of a financial institution must be deducted from its regulatory capital (specifically CET1 capital) for prudential reasons, as there is generally no guarantee that DTAs will retain their value in the event of the institution facing difficulties. In particular, the general rule could be summarized as follows:

(i) 100% of DTAs arising from tax losses must be deducted from CET1 capital.

(ii) in respect of DTAs arising from temporary differences, only amounts in excess of 10% of CET1 capital must be deducted.

CRR and Circular 2/2014 of the Bank of Spain (which takes into account, in relation to significant institutions -as it is our case-, Regulation (EU) 2016/445 of the ECB of March 14, 2016 on the exercise of options and discretions available in EU law (ECB/2016/4)) set forth the applicable transitional period for the phase-in of the deductions referred to DTAs. The transitional regime provides for a period in which only a percentage (which increases yearly) of the applicable DTAs will have to be deducted. In relation to DTAs existing prior to January 1, 2014, the phase-in period extends to December 31, 2023 (in any other case, the transitional period expired on December 31, 2018).

There is an exemption to the general rule according to which no DTAs arising from temporary differences would need to be deducted from CET1 capital, provided that the following conditions are met:

(i) DTAs are automatically and mandatorily replaced without delay with a tax credit in the event that the institution reports a loss when the annual financial statements of the institution are formally approved or in the event of liquidation or insolvency of the institution;

(ii) the institution is able under the applicable national tax law to offset a tax credit referred to in point (i) against any tax liability of the institution or any other undertaking included in the same consolidation as the institution for tax purposes under that law or any other undertaking subject to supervision on a consolidated basis; and

(iii) where the amount of tax credits referred to in point (ii) exceeds the tax liabilities referred to in that point, any such excess is replaced without delay with a direct claim on the central government of the Member State where the institution is incorporated.

This deduction has a significant impact on Spanish banks due to the particularly restrictive nature of certain aspects of Spanish tax law. For example, in some EU countries when a bank reports a loss, the tax authorities refund a portion of taxes paid in previous years, but in Spain the bank must earn profits in subsequent years in order for this set-off to take place. Additionally, Spanish tax law does not recognize as tax-deductible certain amounts recorded as expenses in the accounts of a bank, unlike the tax legislation of other EU countries.

The Spanish regulator implemented certain amendments to the CIT Act through Royal Decree-Law 14/2013 and Law 48/2015, of October 29, which also provided for a transitional regime for DTAs generated before January 1, 2016, whereby certain DTAs can be treated as a direct claim against the tax authorities if a Spanish taxpayer is liquidated, becomes insolvent or incurs accounting losses, or can be exchanged for public debt instruments should it be unable to reverse the relevant differences within 18 years. This measure allows a Spanish bank not to deduct such DTAs from its regulatory capital.

By virtue of the CIT Act, these tax assets are guaranteed by the Spanish state and they can be converted by us into a current asset against the Spanish Tax Administration if the relevant company holding such tax assets is liquidated or judicially declared insolvent.

As mentioned, any convertibility of such DTAs into a current asset enables it not to deduct an amount equal to its tax assets from its capital under the Basel III framework, and, instead, add them to its RWAs, with a risk weighting of 100%.

However, in accordance with the aforementioned 2015 amendment of the CIT Act, in order for this conversion into current tax assets to be enforceable, CIT taxpayers (including us) will need to pay the Special Tax Charge (1.5% of the total amount of convertible assets existing on the last day of each tax period) over the DTAs recognized between 2008 and 2015 exceeding the aggregated tax liability of the taxpayer for these periods (2008-2015).

For tax periods starting on or after January 1, 2016, the amount of qualifying tax assets that will be convertible into current tax asset (i.e., guaranteed by the Spanish state) will be equal to the tax liability of the year (*cuota líquida positiva*) in which such qualifying tax assets were generated.

In April 2015, the European Commission initiated a preliminary State Aid investigation in relation to the Spanish deferred tax assets regime. Such investigation is now resolved to the extent that the new reading of the law (that requires payment of the Special Tax Charge in order for the conversion of the tax assets into a current asset to be enforceable) has been agreed by the European Commission, the Bank of Spain and the then Spanish Ministries of Treasury and Economy.

As of December 31, 2021, we had DTAs amounting to €1,292,152 thousand, representing 2.2% of our total consolidated assets. Out of our €1,292,152 thousand total DTAs as of December 31, 2021, approximately €634,179 thousand derived from temporary differences that are guaranteed by the Spanish state and which can be converted by us into a current asset against the Spanish tax authorities in the event of liquidation or judicial insolvency or if we record accounting losses in our audited annual accounts.

Liquidity requirements

Minimum reserve ratio

The legal framework for the minimum reserve ratio is set out in Regulation (EU) 2021/378 of the European Central Bank of January 22, 2021 on the application of minimum reserve requirements. For deposits with agreed maturity redeemable at notice over two years, repos and debt securities issued with maturity over two years there is no required reserve ratio. The reserve ratio for all other liabilities included in the reserve base is 1%.

As of December 31, 2021, we complied with the minimum reserve ratio set out by the ECB, with minimum reserves amounting to €359,127 thousand representing 1% of €35,922,690 thousand eligible liabilities (€362,377 and €319,247 thousand as of December 31, 2020 and 2019, respectively, representing 1% of €36,247,670 and €31,934,652 thousand eligible liabilities, respectively)[80].

Liquidity coverage ratio

The LCR is a quantitative liquidity standard developed by the BCBS to ensure that those banking organizations to which this standard is to apply have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period.

As of December 31, 2021, our LCR (excluding Ibercaja Vida) was 452.0% (468.1% and 307.1% as of December 31, 2020 and 2019, respectively) above the minimum requirement of 100%.

Net Stable Funding Ratio

The BCBS's NSFR has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure.

As of December 31, 2021, our NSFR (excluding Ibercaja Vida) was 152.2% (151.5% and 131.4% as of December 31, 2020 and 2019, respectively) above the minimum requirement of 100%.

Capital management

Large exposures

CRR regulates large exposures in the context of capital management. Exposures to a person or group exceeding 1% of a group's or bank's regulatory capital represent a large exposure and need to be reported. Exposure to a single person or group shall not exceed 25% of a bank's or group's eligible capital. Article 392 of CRR limits the capital that can be taken into account to calculate the large exposures limit to Tier 1 capital (i.e., Tier 2 capital is not included).

As of December 31, 2021, we complied with the limit to large exposures, in accordance with CRR.

Other relevant regulations

Payment services and Payment Accounts

In 2009, European legislation on payment services was adopted, mainly set out in Directive 2007/64/EC of the European Parliament and of the Council of November 13, 2007 on payment services in the internal market ("**PSD**"). PSD was implemented in Spain through Law 16/2009 and was aimed at opening up payment services to competition from newly licensed payment institutions and increasing consumer protection by introduction of information requirements and uniform operational rules for payment service providers. The PSD laid the foundation for the creation of a single market in payments and constitutes the legal framework for a single euro payments area.

Directive (EU) 2015/2366 of the European Parliament and of the Council of November 25, 2015 on payment services in the internal market ("**PSD2**") was formally adopted on November 25, 2015. PSD2 imposed additional requirements on us with respect to payment services in the EEA and supports the emergence of new players in the payment services area and the development of innovative mobile and internet payments in Europe by opening the EU payment market to companies offering consumer or business-oriented payment services based on the access to the information from the payment account – so called "payment

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[80] Pursuant to Article 6 of Regulation (EU) 2021/378 of the ECB, credit entities are allowed to apply a global deduction of €100,000 when calculating their minimum reserves.

initiation services providers" and "account information services providers". We are obliged to allow access to the accounts of our customers to these payment service providers offering payment initiation services or account information services.

Banks are obliged to allow access to the accounts of their customers for the so-called third-party payment service providers offering payment initiation services or account information services. Regulation (EU) 2015/751 of the European Parliament and of the Council of April 29, 2015 on interchange fees for card-based payment transactions, accompanying PSD2, introduces, among other things, maximum levels of interchange fees for transactions based on consumer debit and credit cards.

PSD2 has been implemented in Spain through Royal Decree-law 19/2018, of November 23, on payment services and other urgent financial measures and its developing regulation Royal Decree 736/2019, of December 20, on the legal regime of payment services and payment institutions.

MiFID, MiFID II, MiFIR

On April 21, 2004, MiFID (Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments) was adopted. MiFID regulated the provision of investment services and investment activities, provided a harmonized regime and aimed to increase competition and reinforce investor protection. It streamlined supervision on the basis of home country control and enhanced the transparency of markets. Furthermore, MiFID has harmonized conduct of business rules, including best execution, conflicts of interest, client order handling rules, rules on inducements and introduced a suitability test and an appropriateness test. Pursuant to MiFID, when advising a client or performing portfolio management activities a bank must: (i) in the interest of the client, obtain information about the latter's financial position, knowledge, experience, objectives and risk tolerance, insofar as this is reasonably relevant to the advice or the portfolio management, and (ii) ensure that its advice or manner of managing the portfolio, insofar as reasonably possible, is based on the information referred to under (i) (suitability test). When providing investment services other than advice or portfolio management, the bank must perform an appropriateness test relating to the client's knowledge and experience in the investment field relevant to the specific investment service. However, when transmitting and executing client orders at their initiative, and the orders relate to specific (non-complex) financial instruments such as (i) shares admitted to trading on a Regulated Market, and (ii) instruments normally traded on the money market (this is the execution-only regime), the appropriateness test does not have to be performed.

On May 15, 2014, MiFID II and MiFIR (Regulation (EU) No 600/2014 of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments) were adopted by the European Parliament and the Council. MiFID II and MiFIR introduce new rules that among other things:

- regulate high frequency trading by requiring among other things (i) firms engaged in high frequency trading to be authorized to perform their activities, and (ii) trading venues to set limits on the order to trade ratio and set minimum tick sizes in shares and similar financial instruments;
- enhance the levels of client protection by (i) prohibiting investment firms from receiving payments (inducements) from third parties when providing independent advice and portfolio management, (ii) limiting the list of (non-complex) financial instruments in respect of which the execution-only regime without appropriateness test is available: execution only services can, for example, no longer be performed in respect of structured undertakings for collective investment in transferable securities ("**UCITS**") and (iii) extending the information requirements in relation to the best execution obligations;
- extend the organizational requirements and conduct rules by introducing product governance arrangements such as a product approval process and by prohibiting title transfer collateral arrangements in relation to retail clients' dealings in financial instruments;
- extend the application of certain organizational requirements and conduct rules to selling of and advising on structured deposits;

- extend and amend the current market structures by introducing (i) a new trading platform, the organized trading facility ("**OTF**"), (ii) a trading obligation for derivatives subject to the EMIR clearing obligation, and transactions in these derivatives will be required to take place on a Regulated Market, a multilateral trading facility ("**MTF**") or an OTF, if the derivative is sufficiently liquid and (iii) a trading obligation for shares that have been admitted for trading on a Regulated Market, an MTF or OTF unless exceptions apply, for instance where the transaction does not involve a retail counterparty and the transaction does not contribute to the price formation process;
- increase market transparency by extending the pre- and post-trade transparency regime to non-equities;
- enhance the availability and quality of trading data; and
- extend the scope of the reporting obligation to financial instruments traded on an MTF or OTF and financial instruments having an instrument traded on a Regulated Market as an underlying asset, and require additional information to be included in the transaction reports.

The exact scope and substance of most of MiFID II's rules are clarified in delegated acts, i.e. secondary legislation.

Furthermore, MiFID II has been amended by Directive (EU) 2016/1034 of the European Parliament and of the Council of June 23, 2016 amending MiFID II and MiFIR by Regulation (EU) 2016/1033 of the European Parliament and of the Council of June 23, 2016 amending MiFIR, Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC and the rules and regulations promulgated pursuant thereto (the "**Market Abuse Regulation**") and Regulation (EU) No 909/2014 on improving securities settlement in the EU and on central securities depositories.

As of the date of this Registration Document, MiFID II has been fully implemented into Spanish law through Royal Decree-law 21/2017, Royal Decree-law 14/2018 and Royal Decree 1464/2018. In 2018, we implemented the new transparency requirements under MiFID II. In 2018, we devoted a significant amount of human, commercial and financial resources to adapt our business practices and to ensure an adequate communication to our customers of the commissions and fees charged to them in compliance with these new transparency requirements and best market practices.

MiFID II was further amended by Directive (EU) 2021/338 of the European Parliament and of the Council of February 16, 2021 amending Directive 2014/65/EU as regards information requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, in the context of the COVID-19 pandemic. This amendment aimed to reduce complexity and simplify certain requirements. Member States are required to pass implementing measures by November 28, 2021 for them to be effective from February 28, 2022.

EMIR

EMIR aims to reduce counterparty risks related to OTC derivative trading and increases the transparency within the OTC derivatives market by requiring OTC derivatives which are declared subject to a clearing obligation to be cleared through central counterparties ("**CCPs**"), and by requiring counterparties to implement certain risk mitigation requirements with respect to non-centrally cleared OTC derivative transactions. EMIR also requires all derivative transactions (OTC or traded on a Regulated Market) to be reported to registered trade repositories.

Since its approval, EMIR has experienced a number of technical amendments and one larger review known as EMIR-refit, passed by Regulation (EU) 2019/834.

EMIR applies directly to any entity (financial or non-financial) established in the EU that has entered into a derivative transaction, and applies indirectly to non-EU counterparties trading with EU counterparties.

EMIR introduced a number of regulatory requirements for counterparties to OTC derivatives contracts, including: (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the "**Clearing Obligation**"); (ii) a collateral exchange obligation for OTC derivatives contracts not subject to clearing (the "**Collateral Obligation**"); (iii) daily valuation and other risk mitigation requirements for OTC derivatives contracts not subject to clearing; and (iv) certain reporting and record keeping requirements.

Under EMIR, (a) financial counterparties ("**FCs**") and (b) non-financial counterparties whose positions in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold ("**NFC+s**"), must clear through a CCP certain OTC derivatives contracts that are entered into on or after the effective date for the Clearing Obligation for each relevant counterparty pair and class of derivatives (the "Clearing Start Date"). Unless an exemption applies, FCs and NFC+s must clear any such OTC derivative contracts entered into between each other and with certain third country equivalent entities (i.e. those that would have been subject to the Clearing Obligation if they were established in the EU).

Data protection

The GDPR was adopted on April 27, 2016. The GDPR entered into force on May 25, 2018 and immediately applies across the EU as of such date. The GDPR imposes more stringent data protection obligations than under the previous data protection regime, resulting in higher compliance burdens. The GDPR requires us to be able to demonstrate its compliance with data protection principles. In addition, the GDPR increases sanctions for data protection compliance violations of up to a maximum of €20,000,000 or 4% of our global annual net turnover, whichever is higher.

In Spain, the GDPR is supplemented by Organic Act 3/2018 on Personal Data Protection and Royal Decree 1720/2007, of December 21.

Financial Conglomerates' Directive

We have had the status of "financial conglomerate" since May 2014, in accordance with Directive 2002/87/EC of the European Parliament and of the Council of December 16, 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (the "**Financial Conglomerates' Directive**"), as implemented in Spain by Spanish Act 5/2005 on the supervision of financial conglomerates and Royal Decree 1332/2005, of November 11, which develops Spanish Act 5/2005. As of December 31, 2021, the average weight of each of the balance sheet and solvency requirements of our insurance entities is 13.66% (exceeding the 10% minimum average weight required in order to be considered significant under the Financial Conglomerates' Directive).

According to the Financial Conglomerates' Directive, a group shall be considered as a financial conglomerate when simultaneously meets the following conditions: (i) a regulated entity is at the head of the group or, if this is not the case, the group's activities are carried out mainly in the financial sector and at least one of the subsidiaries in the group is a regulated entity; (ii) at least one of the entities in the group is within the insurance sector and at least one is within the banking or investment services sector; and (iii) the consolidated and/or aggregated activities of the entities in the group within the insurance sector and the consolidated and/or aggregated activities of the entities within the banking and investment services sector are both significant.

As a financial conglomerate, we are subject to additional supervision by the JSTs (with the support of the Directorate General of Insurance and Pension Funds), with regards to (i) the Group's capital adequacy; (ii) the implementation of a global risk management at a Group level; (iii) risk concentration control and (iv) the review and monitoring of intra-Group transactions.

As a financial conglomerate we are not required to deduct our holdings in own funds instruments of our insurance significant investments for the calculation of our own funds on a consolidated basis to the extent that the conditions set out in Article 49 of CRR are met.

Banking Foundations Act Overview

Following the Spanish government request for financial assistance to the EU and the International Monetary Fund for the recapitalization of certain Spanish financial institutions in 2012, it was agreed that Spanish authorities would take measures to: (i) strengthen the governance structure of the former savings banks and of the commercial banks controlled by them, (ii) clarify the role of former savings banks in their capacity as shareholders of credit institutions under the form of banks or regular foundations with a view to eventually reducing their stakes to non-controlling levels, and (iii) provide a roadmap for the eventual listing of banks which have benefited from State Aid as part of the restructuring process.

On December 29, 2013, this request to reform the Spanish financial sector was fulfilled with the adoption of Act 26/2013, of December 27, on savings banks and banking foundations (the "**Banking Foundations Act**"), whereby the Spanish government amended the savings banks regime and most of the Spanish savings banks (which historically comprised almost half of the Spanish financial sector) were transformed into banks through different integration processes. The Banking Foundations Act therefore applies to the Ibercaja Foundation, as a banking foundation holding a controlling shareholding in the Company, although it does not apply to the Company directly.

The main changes introduced by the Banking Foundations Act were:

(i) *Savings banks were converted into banking foundations*: savings banks were automatically compelled to transform into foundations if their total assets exceeded €10 billion or the deposits market share in their core regions exceeded 35%. Upon conversion, each savings bank transferred its financial operations to a (newly created) bank in exchange for the shares of the latter. If the resulting foundation held at least 10% of the capital or voting rights of a bank or had the capacity to appoint board members in the bank, the foundation was classified as a banking foundation.

(ii) *Protocol for the management of the shareholding*: if a banking foundation (or several banking foundations acting in concert) holds a shareholding higher than 30% or a controlling shareholding in a bank, its governing body (*Patronato*) is obliged to put in place a protocol for the management of the shareholding in the bank that needs to be approved by the Bank of Spain, which evaluates if the influence of the foundation guarantees a sound and careful management of the bank, in accordance with general banking regulations.

Such protocol has to include:

- Basic strategic criteria to be taken into account in the management of the shareholding in the bank;
- The relationship between the governing body of the banking foundation and the management boards of the bank, indicating, *inter alia*, the criteria for the appointment of the directors of the bank; and
- General criteria for the implementation of transactions between the foundation and the bank and the mechanisms put in place to prevent conflicts of interests.

The Bank of Spain reviews the content of such protocol annually. The Ibercaja Foundation Protocol is available at the websites of the Ibercaja Foundation (www.fundacionibercaja.es) and of Ibercaja Banco (www.ibercaja.com) and is described in "*Related Party Transactions—Transactions with our shareholders—Ibercaja Foundation Protocol*".

For information on the corporate governance provisions and related party transactions under the Ibercaja Foundation Protocol see "*Board of Directors and Management*" and "*Related party transactions*".

(iii) *Financial plan*: if a banking foundation (or several banking foundations acting in concert) holds a shareholding higher than 30% or a controlling shareholding (within the meaning of article 42 of the Spanish Code of Commerce) in a bank, it is required to file each year with the Bank of Spain for its approval a financial plan detailing how the foundation will provide support to the bank in the event it has capital needs and the basic strategic criteria for investments in financial entities. The Bank of Spain will evaluate the foundation's possible influence on the sound and careful management of the bank, in accordance with general banking regulations.

The financial plan shall include, at least, the following points:

- Reasonable estimates of the capital requirements of the relevant bank in different macroeconomic scenarios;
- Strategy to be followed by the foundation to raise that capital in each scenario; and
- Basic strategic criteria for the investment in banks, including the term of the investments, the risk assumed and the diversification.

As for banking foundations having a shareholding higher than 50% or a controlling shareholding (within the meaning of article 42 of the Spanish Code of Commerce) in a bank, they must prepare a financial plan which shall also include:

- a plan for the diversification of investments and risk management, which shall include commitments in relation to the investment in assets issued by the same counterparty (different from those highly liquid and solvent assets) so they not go above the percentage over the total capital, in accordance with the terms defined by the Bank of Spain;
- the establishment of a reserve fund (or alternatively, a divestment plan to reduce the shareholding in the bank), as described in (v)) below; and
- any other measures that, in the view of the Bank of Spain, are required to guarantee the sound and careful management of the bank, and its capacity to comply with the Applicable Banking Regulations.

Financial plans are not made public by banking foundations.

(iv) *Establishment of a reserve fund*: if a banking foundation (or several banking foundations acting in concert) has a controlling shareholding in a bank it is forced to establish a reserve fund for eventual recapitalization needs of the Company. By virtue of Royal Decree 877/2015, of October 2, 2015 ("**Royal Decree 877/2015**") the foundations had initially a period of up to five years to build this reserve fund from the moment the Bank of Spain published Circular 6/2015, of November 17, developing Royal Decree 877/2015 ("**Circular 6/2015**") (which was published on November 20, 2015 and entered into force on November 21, 2015) or after acquiring a controlling shareholding in a bank. However, Royal Decree 536/2017 of May 26, 2017 ("**Royal Decree 536/2017**") extended that period to up to eight years. Under Royal Decree 536/2017, this deadline may be extended for one additional year at the request of the banking foundation, subject to the Bank of Spain's approval. Moreover, as a result of the COVID-19 pandemic and the adoption of limitations to dividend distributions to banking foundations (which generally are their main source of income), Royal Decree-law 19/2020 of May 26, established a one-year suspension of the eight-year period to build this reserve fund. According to Article 4.4 of Royal Decree 877/2015, the reserve fund is determined as a percentage of the RWAs of the bank controlled by one or several banking foundations. This percentage depends on the bank's total capital ratios subject to adjustments in relation to the stake owned by the banking foundation. In any case, the amount of the reserve fund shall not be less than 0.6% of the bank's RWAs, subject to the Bank of Spain's right to set a lower amount, in view of the individual circumstances of the banking foundation.

Notwithstanding the above, pursuant to Article 44.3 of the Banking Foundations Act, banking foundations are not required to build the reserve fund if they put in place a divestment plan including a detailed roadmap to be followed to decrease its controlling shareholding in the relevant bank within a period of up to five years from November 21, 2015 (i.e., the date on which Circular 6/2015 entered into force). Pursuant to Article 47 of the Banking Foundations Act, a breach of the obligation to create the reserve fund may be deemed as a very serious infringement and will be subject to the infringement procedure set out in Act 10/2014.

(v) *Corporate governance incompatibilities*: Pursuant to Article 10 of the Banking Foundations Act, it is incompatible to be a member of the governing body of banking foundations and credit institutions at the same time. In addition, pursuant to Article 40.3 of the Banking Foundations Act, directors of credit entities of which a banking foundation is a shareholder are not eligible as members of the governing body of the relevant banking foundation. Accordingly, the members of the governing bodies of the Ibercaja Foundation and Ibercaja Banco cannot be the same.

(vi) *Banking Foundations shareholding increase*: Pursuant to Additional Provision 8 of the Banking Foundations Act, the banking foundations referred to in Article 44.3 that participate in processes to increase the share capital of the credit institution in which they hold a controlling shareholding may not exercise the voting rights corresponding to that part of the capital acquired that allows them to maintain a shareholding of more than 50% or control over the credit entity.

The Bank of Spain may waive this provision in the event that the credit entity is undergoing any of the early intervention, restructuring or resolution processes provided for in Act 9/2012, of November 14, on the restructuring and resolution of credit entities.

(vii) *Limitations on dividend distributions*: Pursuant to Additional Provision 10 of the Banking Foundations Act, resolutions to distribute dividends in credit institutions controlled by a banking foundation in accordance with the provisions of Article 44.3 of the Banking Foundations Act shall be subject to the reinforced quorum established in Article 194 of the Spanish Companies Act and must be passed by a majority of at least two thirds of the capital present or represented at the meeting. The bylaws of credit institutions may increase this majority.

The Bank of Spain published Circular 7/2016, of November 29, developing accounting particularities applicable to banking foundations. Among others, this Circular specifies the accounting regime that banking foundations must apply in their individual and consolidated annual accounts, it establishes the requirement to identify in the internal accounting procedures the composition and implementation of the reserve fund described above and it provides additional information that should be included in the notes to the financial statements.

Covered bonds

Covered bonds have traditionally been an important source of funding for Spanish credit institutions. These instruments have structural features that aim to provide a special protection to investors, as they benefit from a statutory privilege over a certain pool of assets of the issuer vis-à-vis other creditors. Depending on the nature of the cover pool, there are three different types of covered bonds in Spain: mortgage covered bonds (*cédulas hipotecarias* and *bonos hipotecarios*), which are secured through mortgage loans, public covered bonds (*cédulas territoriales* and *bonos territoriales*), which are secured through loans granted to public authorities and internationalization covered bonds (*cédulas de internacionalización* and *bonos de internacionalización*), which are secured through loans linked to export contracts and the internationalization of companies.

Royal Decree-law 24/2021 which, among others, transposes Directive (EU) 2019/2162 on covered bonds into Spanish law was published on November 3, 2021 in the Spanish Official Gazette, as amended by Royal Decree-law 29/2021, of 21 December ("**RDL 24/2021**"). However, the new covered bonds regime will not come into force until July 8, 2022 and the Spanish Parliament decided to process RDL 24/2021 as a Law and so its provisions may be subject to changes. RDL 24/2021, in addition to transposing the Directive, also seeks to simplify and harmonize the Spanish legal regime on covered bonds.

RDL 24/2021 repeals Law 2/1981, of March 25, on the regulation of the mortgage market, article 13 of Law 14/2013, of September 27, on support for entrepreneurs and their internationalization, Article 13 of Law 44/2002, of November 22, on financial system reform measures and fourth additional provision of Law 5/2015, of April 27, 2015, on the promotion of business financing which constituted, among others, the former regime of covered bonds. Covered bonds issued prior to July 8, 2022 pursuant to the former regulatory regime shall continue to be governed by said regulations until that date. Thereafter, the legal regime for such covered bonds shall be the one provided for in RDL 24/2021 and its implementing measures. In addition, until such date issuers of said outstanding covered bonds shall carry out the necessary actions to comply with the obligations provided for in RDL 24/2021.

New covered bonds regulation introduced by means of RDL 24/2021 provide for significant changes in relation to the issue and maintenance of these type of instruments, including, among others, the liquidity buffer, extendable maturity structures, periodic information to holders of covered bonds, supervision of covered bonds (cover pool monitor and public supervision) and insolvency or resolution of the issuer of the covered bonds.

Mortgage legislation

Mortgages and mortgage loans in Spain are subject to extensive and scattered regulation. The most important piece of legislation is the Real Estate Loans Law further developed by Royal Decree 309/2019, of April 26 which entered into force on June 16, 2019 and implemented into Spanish law Directive 2014/17/EU of the European Parliament and of the Council of February 4, 2014 on credit agreements for consumers relating to residential immovable property.

A deep reform of mortgage legislation has been produced in Spain resulting in changes to such legislation, which, among others, are described below.

Royal Decree 6/2012, of March 9, on urgent measures to protect mortgage debtors without financial resources, introduced measures to enable the restructuring of mortgage debt and easing of collateral foreclosure aimed at protecting especially vulnerable debtors.

In addition, Royal Decree 27/2012, of November 15, on urgent measures to enhance the protection of mortgage debtors, provided for a two-year moratorium, from the date of its adoption, on evictions applicable to debtor groups especially susceptible to social exclusion, which may remain at their homes for such period.

Law 1/2013, of May 14, on measures to protect mortgagees, debt restructuring and social rents introduced important modifications to mortgage law and civil procedure law. Royal Decree-Law 5/2017, of 17 March which amends the Royal Decree-Law 6/2012 of 9 March, concerning urgent measures for the protection of mortgage debtors without resources, and Law 1/2013. This Royal Decree-Law addresses the mortgage restructuring of those individuals who suffer from major difficulties to make payments and attempts to facilitate and provide more flexibility in foreclosure procedures, such as expanding the suspension period of eviction or making it possible to execute more flexible mortgage policies after having expanded the number of possible beneficiaries and facilitating preferential leases.

Royal Decree 11/2014, following the judgment of the CJEU of July 17, 2014 regarding Spanish foreclosure processes, allows debtors to appeal against a court's resolution which rejects his or her opposition to the execution of a mortgage.

Royal Decree-Law 1/2015, of 27 February, on the "second chance" mechanism allows an individual who has been declared bankrupt to be discharged of outstanding obligations as long as he or she fulfils certain requirements: (i) the bankruptcy proceedings must have concluded, (ii) the debtor must have acted in good faith, the Royal Decree being restrictive as to when a debtor is considered to have acted in good faith, and (iii) the bankruptcy judge has to approve the terms of the discharge (and may revoke his or her approval under certain circumstances upon request of any creditor in the following five years). Discharge from mortgage obligations would only apply to the outstanding debts after the foreclosure, as long as such debts are considered ordinary or subordinate according to the Spanish Insolvency Law. Co-debtors and guarantors, if any, would remain liable.

Law 25/2015, of July 28, on the "second chance" mechanism reducing the financial burden and other measures of a social nature, entered into force on July 30, 2015 introducing a fee protection account for insolvency managers, limits on the remuneration of insolvency managers and the introduction of greater flexibility to a number of elements of the second chance mechanism.

COVID-19 mitigation measures

On March 18, 2020, Royal Decree-law 8/2020 of March 17, on extraordinary urgent measures to address the economic and social impact of the COVID-19 pandemic was published and then amended by Royal Decree-law 11/2020 of March 31, which introduced certain improvements and extended the measures contemplated therein. These Royal Decrees were aimed at ensuring the protection of mortgage debtors in a situation of economic vulnerability, establishing, among others, a Legal Moratoria on the payment of (i) mortgage loans on principal residence, (ii) loans secured by real estate used for economic activity, (iii) loans secured by housing that was intended for rental and in which the debtor had ceased to receive rent due to the COVID-19 pandemic, and (iv) loan and credit contracts without mortgage collateral, including consumer loans. The deadline to apply for these moratoria expired on March 30, 2021.

In addition to the Legal Moratoria, we adhered to the Sectorial Moratoria measures approved by the Board of the Spanish Confederation of Savings Banks (CECA). The deadline for beneficiaries to apply for this Sectorial Moratoria expired on March 30, 2021.

Subject to satisfying certain requirements, lenders could benefit from granting moratoriums under the Sectorial Moratoria in terms of the treatment of these payment moratoriums for accounting and prudential regulatory purposes.

The main features of the Sectorial Moratoria were:

- They may apply to all kinds of loans, credit and finance leases.
- Notwithstanding the interest due under the original loans, lenders and borrowers could agree for deferred payments to be made by (i) changing the frequency of repayment, without changing the term of the loan, or (ii) extending the term of the loan by the same number of months as the moratorium lasts.
- Payment deferral agreements could not be used to lay down new terms that were not contained in the original loan, such as the purchase of new products or the taking of further security. Excepted from this is the rollover, with the same original terms and premium, of any loan repayment or payment protection insurance taken out.
- Where lenders grant Legal Moratoria and Sectorial Moratoria at the same time or successively, Sectorial Moratoria arrangements with debtors will explicitly stated that the Legal Moratoria was in use and the Sectorial Moratoria would not take effect until it ends.
- Filing with the land registry of the Sectorial Moratoria between debtors and their lenders became fully effective, as necessary, with respect to registered interim creditors even where they did not consent to the arrangement.

Under the initial rules set out by Royal Decree-law 8/2020 (as modified by Royal Decree-law 11/2020), customers who applied for a Legal Moratoria or a Sectorial Moratoria in their mortgage payments ceased to be required to make those payments for three months or twelve months, respectively. Subsequently, the total duration of moratoria (both Legal Moratoria and Sectorial Moratoria) was set to nine months by Royal Decree-law 3/2021 of February 2, 2021 on measures to reduce the gender gap and other social security and economic measures. Where debtors did not apply for the moratorium under the original framework under Royal Decree-law 8/2020 (as modified by Royal Decree-law 11/2020) or, having done so, had not yet made use of the full nine months, they could apply for it under this new framework for the period that remained until those nine months were reached. If a Sectorial Moratoria of longer than nine months was granted before February 4, 2021 (when these further measures came into force), the terms and duration of the originally granted moratoria would remain the same, even if these exceeded nine months.

During the moratorium (whether it is a Legal Moratorium or Sectorial Moratorium), lenders could not demand mortgage payments or any repayments of principal or interest and mortgage provisions for demanding early repayment did not apply. Also, under the Legal Moratorium, no interest or late payment interest accrued in unpaid amounts.

Pursuant to Royal Decree-law 8/2020, the Spanish government also approved the granting of public guarantees under Guaranteed Credit Lines, a €100 billion scheme for credit lines granted by institutions to companies and the self-employed to meet their liquidity needs. The Guaranteed Credit Lines are guaranteed by the Instituto de Crédito Oficial (ICO) with the objective to provide sufficient liquidity to maintain employment and mitigate the economic effects of the COVID-19 pandemic[81].

Similarly, on July 3, 2020 Royal Decree-law 25/2020 was published, approving the implementation of a second scheme Guaranteed Credit Lines for €40 billion.

Subsequently, Royal Decree-law 34/2020 of November 17, was enacted extending the application period for these Guaranteed Credit Lines until June 30, 2021 and extending the maturity and grace periods of these transactions for all debtors who so requested before May 15, 2021. After Royal Decree-law 5/2021, of March 12, the deadline to apply for the Guaranteed Credit Lines was extended until December 31, 2021 and debtors were allowed to request the extension of the maturity and grace periods of these transactions until May 15, 2021. In particular, the maturity of these transactions can be extended by a maximum of three years, provided that the total maturity of the guaranteed transaction does not exceed eight years from the date of its execution, and the grace period for the repayment of the principal amount can be increased by a maximum of twelve additional months, if the total grace period, taking into account the initial grace period, does not exceed twenty-four months.

The Royal Decree-law 6/2022 of November 23 extended the application period for Guaranteed Credit Lines until December 31, 2022.

In this context, the Group applied both the Legal Moratoria and Sectorial Moratoria, as well as granted its customers Guaranteed Credit Lines, in order to reach a larger number of those affected by the COVID-19 pandemic. In addition, on June 8, 2021, the Group also acceded to the Code of Good Practices showing its commitment to implement diverse measures to provide our customers with more flexible terms for their Guaranteed Credit Lines. Among other measures, the Code of Good Practices provides clients who have been granted Guaranteed Credit Lines the possibility to request from the Group, among others, (i) the extension of their maturity (subject to certain eligibility requirements) or grace periods (which we were not obliged to accept), (ii) the conversion of certain Guaranteed Credit Lines into guaranteed profit-linked loans (*préstamos participativos*) and (iii) a partial write-off (*quita parcial*) of their principal amount. As of December 31, 2021, we had only granted the extension of the maturity or grace periods in relation to an amount of €6.8 million in Guaranteed Credit Lines. With respect to the other measures contemplated in the Code of Good Practices, there had been no demand from our customers as of December 31, 2021. Pursuant to the Code of Good Practices customers could apply for the extension of their Guaranteed Credit Lines for an additional period of (a) two years, in case they had previously benefited from an extension under Royal Decree-law 34/2020 or (b) five years, in case they had not previously benefited from an extension under Royal Decree-law 34/2020, provided in both cases that the total maturity of the guaranteed transaction does not exceed ten years from the date of its execution. The deadlines for applying for these measures have been extended to June 1, 2022 with respect to (i) and (ii) and June 1, 2023 with respect to (iii).

NPL coverage requirements

On March 15, 2018, the ECB published its supervisory expectations on prudent levels of provision for NPLs in the form of a subsequent addendum (the "**Addendum**") to the ECB's guidance on NPLs for credit

[81] Following the criteria established by the resolution of the Secretary of State for Economy and Business support dated March 25, 2020 by virtue of which the order of the Council of Ministers dated March 24, 2020 regarding the granting of Guaranteed Credit Lines the maximum percentage of coverage of the guarantee is: (i) in the case of self-employed and SMEs, the guarantee shall cover 80% of the principal of the new financing and renewals of Guaranteed Credit Lines; (ii) for the rest of companies, the guarantee shall cover 70% of the principal of the new financing and 60% of the renewals of Guaranteed Credit Lines. The guarantee shall not cover items other than the principal of the transaction such as interest payments, commissions or other expenses incurred in the transaction.

institutions of March 20, 2017, which clarified the ECB’s supervisory expectations with regard to the identification, measurement, management and write-off of NPLs. The Addendum sets out what the ECB considers to be prudential provisioning of non-performing exposures (“**NPEs**”), in order to avoid an excessive build-up of non-covered aged NPLs on banks’ balance sheets in the future, which would require specific supervisory measures.

In this respect, the ECB assesses any differences between banks’ practices and the prudential provisioning expectations at least annually and links the supervisory expectations in the Addendum to new NPLs classified as such from April 1, 2018 onwards. In addition, banks are asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, as from early 2021. This could ultimately result in the ECB requiring banks to apply specific adjustments to their net worth calculations when the accounting treatment applied by the bank is not considered prudent from a supervisory perspective which, in turn, could have an impact on the banks' capital position.

In August 2019, the ECB further revised its supervisory expectations for prudential provisioning of new NPEs taking into account the adoption of the new Regulation (EU) 2019/630, which outlines the Pillar 1 treatment for NPEs, complements existing prudential rules and requires a deduction from own funds when NPEs are not sufficiently covered by provisions or other adjustments.

Notwithstanding the foregoing, on March 20, 2020 among the package of measures adopted in response to the COVID-19 pandemic, the ECB announced further measures introducing supervisory flexibility regarding the treatment of NPLs to allow banks to fully benefit from guarantees and moratoriums put in place by public authorities to tackle the COVID-19 distress. As a result, the EBA also issued statements regarding the prudential framework in relation to the classification of loans in default, classification of exposures under the definition of forbearance or as defaulted under distressed restructuring, and their accounting treatment. In particular, the EBA clarified that generalized payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeliness to pay (individual assessments of the likeliness to pay should be prioritized) and clarified the requirements for public and private moratoria, which if fulfilled, are expected to help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring. However, when the abovementioned flexibility expires or is limited, we could be required to classify certain of our exposures under Guaranteed Credit Lines and the Legal Moratoria and the Sectorial Moratoria under forbearance or as defaulted under distressed restructuring, and in consequence, we may need to provide additional provisions which could negatively impact our results from operations which is not expected as of the date of this Registration Document given the evolution of our exposures in the last few months.

Regulation of the disclosure of fees and interest rates

Interest rates on most kinds of loans and deposits are not subject to a maximum limit. Banks must publish their preferential rates, rates applied on overdrafts, maximum fees and commissions charged in connection with banking transactions. The foregoing regulations are enforced by the Bank of Spain.

Mutual fund regulation

Mutual funds in Spain are regulated by the CNMV. All mutual funds (Spanish or foreign) to be marketed in Spain, and mutual fund management companies (Spanish or acting through branches in Spain or on the basis of the freedom to provide services) are required to be registered with the CNMV. Spanish mutual funds may be subject to investment limits with respect to single sectors or companies and overall portfolio diversification minimums. In addition, periodic reports including a review of the fund’s performance and certain material events affecting the fund are required to be distributed/notified to the fund’s investors and filed with the CNMV.

Solvency II

Our insurance business, which is carried out through our subsidiaries Ibercaja Vida and Ibercaja Mediación, is significant to our overall business. The insurance sector is subject to extensive supervision and regulation by Spanish and European regulators. Since January 1, 2016, we (through Ibercaja Vida) are subject to Solvency II, which is made up of the Solvency II Directive and several regulations supplementing the Solvency II Directive which are directly applicable in the Member States (mainly the Commission Delegated Regulation (EU) of 2015/35 of October 10, 2014 supplementing the Solvency II Directive and the relevant implementing regulations in the Member States.

The Solvency II Directive lays down rules concerning (i) the taking-up and pursuit, within the community, of the self-employed activities of direct insurance and reinsurance, (ii) the supervision of insurance and reinsurance groups and (iii) the reorganization and winding-up of direct insurance undertakings. Likewise, the Solvency II Directive applies to direct life and non-life insurance undertakings which are established in the territory of a Member State or which wish to become established there.

The Solvency II Directive has been implemented in Spain by Law 20/2015, of July 14 on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Ley 20/2015, de 14 de julio, de ordenación, supervision y solvencia de entidades aseguradoras y reaseguradoras*) and by Royal Decree 1060/2015, of November 20, on the regulation, supervision and solvency of insurance and reinsurance undertakings (*Real Decreto 1060/2015, de 20 de noviembre, de ordenación, supervision y solvencia de entidades aseguradoras y reaseguradoras*).

Solvency II replaced previous insurance directives and introduced economic risk-based capital requirements across all Member States promoting comparability, transparency and competitiveness in the insurance sector. Specifically, Solvency II significantly changed all the previously applicable regulations, particularly with respect to valuation of the balance sheet, calculation of technical provisions and measurement of admissible capital resources and required solvency, corporate governance, and the reporting of relevant data on solvency levels and the risk management system to the supervisory authorities and the market.

As of December 31, 2021, the solvency ratio of Ibercaja Vida was 265% (220% and 210% as of December 31, 2020 and 2019, respectively) above the minimum requirement of 100%. Total own funds of Ibercaja Vida amounted to €356 million as of December 31, 2021. In terms of solvency of Ibercaja Banco, Ibercaja Vida represented 1.97% of our RWAs (€18,052 million) as of December 31, 2021.

Insurance distribution

Directive 2016/97, of January 20, on insurance distribution (the "**Insurance Distribution Directive**") regulates brokers and other intermediaries selling insurance products. Our subsidiaries Ibercaja Vida and Ibercaja Mediación are subject to the Insurance Distribution Directive. The scope of the Insurance Distribution Directive includes all sellers of insurance products, focusing especially on market integration, fair competition between distributors of insurance products and policyholder protection. Commission Delegated Regulations 2017/2358 and 2017/2359, of September 21, supplemented the Insurance Distribution Directive with regard to (i) product oversight and governance requirements for insurance undertakings and insurance distributors and (ii) information requirements and conduct of business rules applicable to the distribution of insurance-based investment products, respectively. Finally, Directive 2018/411, of March 14, amended the Insurance Distribution Directive and postponed the date of application of Member States' transposition measures until October 1, 2018. On February 4, 2020, the Spanish government approved Royal Decree-law 3/2020 on urgent measures, implementing various EU directives in Spain relating to public procurement in certain sectors, private insurance, pension funds and plans, tax and tax disputes which transposes, among other, the Insurance Distribution Directive.

Anti-money laundering

On June 25, 2015, Directive 2015/849, of May 20, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation No 648/2012, of July 4, and repealing (with effect from June 26, 2015) Directive 2005/60/EC, of October 26, and Commission Directive 2006/70/EC, of August 1, entered into force, enhancing the existing EU measures to combat money laundering and the financing of terrorism. Likewise, the Commission may adopt delegated acts in order to identify high-risk third countries, taking into account strategic deficiencies. The power to adopt delegated acts is conferred on the Commission for an indeterminate period of time from June 25, 2015.

Important changes in the EU requirements regarding anti-money laundering and the countering of the financing of terrorism (EU AML/CFT requirements) relate to additional requirements for identification and verification of the ultimate beneficial owner ("**UBO**"), introduction of a central UBO register, extension of the definition of politically exposed persons ("**PEPs**") to domestic PEPs and supervision of correct application of the directive outside the EU. This Directive was transposed into Spanish law by Title II of Royal Decree-law 11/2018, of August 31.

This directive was further amended by Directive (EU) 2018/843 of the European Parliament and of the Council of May 30, 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU. This amendment reinforced rules of customer due diligence, UBO identification and PEP screening. It also expanded its scope to new types of entities, such as virtual currency service providers. This amendment was implemented into Spanish law by means of Royal Decree-law 7/2021, of April 27, transposing EU directives on competition, anti-money laundering, credit institutions, telecommunication, tax measures, prevention and repair of environmental damage, posting of workers in the framework of the provision of services, and consumer protection.

Information exchange and reporting

There are various international and EU initiatives on automatic exchange of information such as the OECD Common Reporting Standard and the EU Directive on Administrative Cooperation in the field of Taxation (Council Directive 2011/16/EU, as amended by Council Directive 2014/107/EU). These initiatives call on jurisdictions to obtain information from financial institutions such as us. The information so obtained will be automatically exchanged with other jurisdictions.

In Spain, these initiatives, have been implemented by the General Tax Law 58/2003, of December 17, (Twenty-Second Additional Provision in force since October 12, 2015) and Royal Decree 1021/2015, of November 13, which have a considerable impact on our customer on-boarding and administrative processes. Pursuant to these laws, we are required to report to the Spanish Tax Authorities information relating to customers (which do not fall under applicable exceptions), that are tax residents in any of the jurisdictions that have implemented or will implement in the future such initiatives, including their accounts. Failure to comply with such obligations could trigger penalties.

Spanish Auditing Act

Act 22/2015 on Accounts Audit (the "**Spanish Auditing Act**") was published in the Spanish Official Gazette on July 21, 2015 and entered into force on June 17, 2016. Royal Decree 2/2021, of January 12, implementing Act 22/2015 entered into force on January 31, 2021. Since banks and listed companies are considered "public-interest entities", Ibercaja Banco is also subject to Regulation No 537/2014, of April 16, on specific requirements regarding statutory audit of public-interest entities. These specific requirements or limitations include, but are not limited to, the following: (i) the obligation to publish an annual transparency report by the auditors of public-interest entities, which should include, among others, information relating to public interest entities that have been audited; (ii) a list of prohibited non-audit services that cannot be provided to those entities its parent and its subsidiaries; (iii) certain rules by which fees perceived by auditors other than those permitted for audit services in relation to a particular public interest entity can be limited; and, (iv) the obligation of external rotation or maximum contract period.

RISK MANAGEMENT

As a financial institution, we are exposed to several kinds of risks stemming from our business, which arise from our day-to-day operations. The accurate and efficient management and monitoring of risk are key to maximizing shareholder value, ensuring a suitable level of resilience and financial strength.

We believe we have a prudent attitude towards risk management. As a retail bank, our risk policy aims to maintain a moderate risk profile through prudent management, diversification by areas, types of assets, portfolios and customers while seeking sustainable and profitable growth.

We have a robust organizational structure that ensures effective risk management and control. Our governance bodies are articulated as follows:

- Our Board of Directors is responsible for establishing and supervising the risk information and control systems, approving the risk appetite framework ("**RAF**") as well as the policies, manuals and procedures for risk management.
- Our Large Risks and Solvency Committee is responsible for proposing the limits by type of risk and business, reporting the RAF consistently with other policies and strategic frameworks, assessing our risk management, reviewing the risk management framework and internal risk control systems, periodically reviewing RAF compliance and proposing measures to mitigate the impact of any identified risks.
- Our Strategy Committee has, as its core mission, to report to the Board of Directors on our strategic policy, ensuring that there is an accurate organization for its implementation. Additionally, our Strategy Committee briefs the Board of Directors on the economic outlook in order to define stress scenarios.
- Our Audit and Compliance Committee is responsible for, among others, independently monitoring the design and effectiveness of internal control, internal audit and risk management systems and regularly reviewing them so that the main risks are identified, managed and adequately disclosed. The audit management responsibilities include awareness of the annual operational plan for the internal audit function that is submitted to the Audit and Compliance Committee, being regularly briefed on the results of internal audit reports and driving implementation of proposed recommendations for improvement to mitigate observed weaknesses

In addition, we have set up the Global Risk Control Committee, an executive committee which is responsible for defining and monitoring our risk strategies and policies, establishing objectives and strategies for changes in the structure and composition of the equity in the balance sheet, analyzing the sensitivity of our results and our equity value in different scenarios, assessing compliance with the established tolerance levels and carrying out our medium-term capital planning.

Our organizational structure provides a risk defense scheme structured in three main lines ((a) management, control, (b) risk management and (c) compliance function and internal audit function), aligned with market trends and proportional to the complexity of our business. Under this scheme, (i) we ensure the homogeneity of our policies and risk control across the Group; (ii) our Risk Control Division is independent of the business lines it controls; and (iii) there is a clear separation between the internal control functions (risk management function, compliance function and the internal audit function), in accordance with the EBA Guidelines on internal governance under Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

Our Deputy Head-Chief of Control Officer is in charge of the second line of defense and oversees the global risk control and regulatory compliance policy. The Global Risk Control Committee supervises our (i) financial risks (including credit, market, structural interest rate, liquidity, leverage and unencumbered assets risks) and (ii) non-financial risks (including operational and legal risks). The compliance function supervises compliance with regulations to mitigate fines and sanctions risks as well as reputational risk (i) ensuring the correct application of the procedures established in transparency and customer protection regulations; (ii) overseeing compliance with market abuse regulations and anti-money laundering regulations; and (iii) coordinating the implementation of and monitoring criminal risk prevention model.

The Deputy Head-Chief of Control Officer is independent from the first line of defense. The Deputy Head-Chief of Control Officer (i) is appointed and ceased by our Board of Directors, (ii) attends as permanent guest to the meetings of the Large Risks and Solvency Committee and (iii) reports directly to the Global Risk Control Committee in relation to its risk management responsibilities and to the Audit and Compliance Committee in relation to its role as supervisor of the compliance responsibilities, all of which allows us to ensure its independence.

Our risk management policy is based on our RAF. Our RAF has the objective of establishing a group of principles, procedures, controls and systems that define, report and monitor our risk appetite. This is understood to be the level of risk profile that we are willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

The management of the various risks has the objective of attaining a risk profile that falls within our desired appetite level, which has been defined on the basis of established limits.

Following the entry into force of the SSM in November 2014, European financial institutions are required to adapt their respective management and control risk policies and procedures. The SREP is how the SSM performs ongoing evaluations of financial institutions.

The internal processes for evaluating the adequacy of capital and liquidity under Pillar II, known as the internal capital adequacy assessment process ("**ICAAP)** and the internal liquidity adequacy assessment process ("**ILAAP**"), in addition to the stress exercises organized by the EBA and the ECB, are key factors in the SREP.

Furthermore, we have a recovery plan (the "**Recovery Plan**"), drawn up in line with BRRD and the guidelines and recommendations of the EBA, that establishes the foundations for the restoration of our financial strength and viability in the event of severe stress.

These management frameworks (RAF, ICAAP, ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes we have in place and are revised and approved by our Board of Directors on an annual basis.

Risk Appetite Framework

The RAF describes the risk appetite statement (*declaración de apetito al riesgo*), the risk limits and the roles and responsibilities of the different governing and management bodies that oversee and monitor its implementation. This statement is approved by the Board of Directors and ensures the adequacy of the risk management systems to our risk profile and our strategy.

The RAF describes the general risk level and profile associated with our strategy. Our RAF is guided by the following strategic principles:

- maintenance of a medium-low risk profile;
- compliance with regulatory requirements at all times, as well as with internal capital and liquidity objectives set out in the ICAAP and ILAAP;
- maintenance of adequate levels of risk-adjusted return to ensure compliance with profit generation objectives;
- good risk governance with the effective involvement of the senior management and the Board of Directors; and
- avoid the materialization of operational, compliance, legal or reputational risks through active and constant risk management.

In addition, it establishes tolerance thresholds that take into account our current risk profile. The RAF includes, for each type of risk, representative metrics and key figures, as well as the way in which our risk profile interacts with the tolerance limits established by the relevant governing or management body.

The key elements of the RAF are the following:

- risk limits: the maximum risk levels that we consider acceptable and therefore, do not want to surpass, in line with our strategy and business model. The RAF currently sets some of the following limits: (i) a maximum NPL ratio of 7%, (ii) a maximum NPA ratio of 8%, (iii) a minimum NPA coverage ratio of 50%, (iv) a maximum ratio of loans classified as Stage 2 of 10%, and (v) a maximum ratio of refinanced loans of 15%.
- risk appetite statement: levels and types of risk that we are willing to take to achieve our strategic and business goals; and
- the duties and responsibilities of the various governing and management bodies that supervise its implementation and monitoring.

The RAF monitors certain indicators to measure risk related to the following material risks:

- business risk (including profitability, revenues and efficiency);
- credit risk (including NPLs, NPAs, cost of risk and concentration);
- operational risk (including reputational and legal risks, operational losses and digital infrastructure);
- interest rate risk (including the impact on economic value and financial margin);
- market risk (including the sensitivity to losses in the available for sale and the trading portfolios);
- liquidity risk (including financing structure, short-term and long-term liquidity);
- solvency risk (including CET1, Tier 1, total capital and leverage ratios);
- concentration risk;
- equity adequacy risk; and
- litigation risk.

While the RAF is reviewed at least annually, control and evaluations are carried out on an ongoing basis and the control and assessment of its indicators is monitored on at least a quarterly basis. In particular, the Deputy Head-Chief of Control Officer carries out evaluations on a monthly basis.

Recovery Plan

We prepare the Recovery Plan in compliance with Act 11/2015. The main objective of the Recovery Plan is to identify the main measures we can use in a crisis or whenever it is deemed appropriate, as well as the design of an adequate governance framework, which would allow us to take fast and effective action in a situation of crisis. Another main goal of the Recovery Plan is the identification of the economic indicators that provide us with early warnings of a possible future deterioration of the economic environment. As part of this process, the Recovery Plan also identifies our core business lines, legal entities and critical economic functions, which are essential to preserve our future viability, while limiting any adverse impact on society and the economy as a whole. The Recovery Plan is updated at least annually or following the occurrence of a material event.

The principles followed by the Recovery Plan intend to offer a faithful image of our business model and to achieve a high degree of alignment and coherence between the Recovery Plan and other supervisory-aimed documents, such as the ICAAP, the ILAAP, our business plan and the RAF. The involvement of a wide range of departments within the Group in the design of the Recovery Plan has resulted in increased awareness towards the strategic implications associated with the recovery and resolution framework. This internal reflection exercise has implied, among other things, a strict quantification analysis both under normal and diverse stress scenarios designed to test the adequacy of the identified recovery options.

Internal Capital Adequacy Assessment Process

The ICAAP comprises a comprehensive review of the processes of internal assessment of capital adequacy and is required under the SREP conducted by the SSM. The main goal of the ICAAP is to develop strategies and processes that allow us to identify and quantify the capital necessary to cover the risks to which we are exposed.

For the purposes of preparing the ICAAP, we have focused on our business strategy, risk appetite and capital planning (consistent with our internal assessment of capital needs), through the identification and quantification of all risks to which we are exposed. In accordance with regulatory requirements, we have prepared a policy on material risks, which has been approved by the Board of Directors and is integrated into our business. Firstly, we have identified and defined the risks to which we are exposed, through expert criteria, best practices and the regulatory framework. Subsequently, a list has been prepared with the types and sub-types of risks identified. Such risks have one or various drivers embedded, which are highly correlated with such risk and are used to explain their respective behavior. For each of these risks, we set a materiality threshold, the breach of which would activate the classification of the risk as material. After verifying the probability of occurrence of the risks and their potential impact, if either the likelihood or the magnitude is high or very high, the risk is considered as material, whereas if the likelihood of occurrence or quantification is low or zero, the risk is not considered as material.

The ICAAP is a continuous process which includes a series of tasks which allows for its integration in our continuous risk management.

Internal Liquidity Adequacy Assessment Process

Additionally, under the ILAAP we are required to identify and measure the liquidity risks that we are or may be exposed to. This regulatory requirement implies the application of mitigation techniques that may help to reduce liquidity requirements. The assessment includes stress testing techniques and defines the functions of the Board of Directors and senior management. As a bank, we must also consider in these assessments any other internal risks that we may face that may result in liquidity difficulties. This process also requires advanced planning to identify the adequate level of liquidity potentially needed. Under the ILAAP, we are also required to set up an assessment to evaluate our liquidity management function which focuses primarily on liquidity buffers, RAF metrics and monitoring tools.

Types of risks

As stated in Note 3.2 to our Annual Accounts, the material risks identified by us in the course of our business are as follows:

- Credit risk. Includes the following sub-categories:
  - concentration risk;
  - real estate risk; and
  - sovereign risk.
- Operational risk. Includes the following sub-categories:
  - reputational risk;
  - legal risk; and
  - technological risk.
- Market risk.
- Interest rate risk.

- Liquidity and financing risk.
- Business and profitability risk.
- Insurance business risk.

For a description of the main policies and strategies for the risk management of our most significant risks, including a description of the main risks to which we are subject, the extent of such risks and the tools we use to measure, monitor and manage such risks, see Note 3 to our Annual Accounts.

We include below certain information related to our interest rate and credit risks.

Interest rate risk

Changes in market interest rates affect the spread between interest rates charged on interest-earning assets and interest rates paid on interest-bearing liabilities and subsequently affect our results. For instance, a 200 basis points increase in the interest rate would have increased our net interest income for the year ended December 31, 2021 by €79.0 million, whereas a 200 basis points decrease would have decreased our net interest income for the year ended December 31, 2021 by €70.6 million, assuming the maintenance of the size and structure of our balance sheet and assuming that the movements in interest rates occur instantly and equally on all points of the yield curve, with a -1% interest rate floor. Meanwhile, a 200 basis points increase in interest rates would have decreased the economic value of our assets for the year ended December 31, 2021 by €245.7 million and a 200 basis points decrease in interest rates would have increased the economic value of our assets for the year ended December 31, 2021 by €83 million, assuming the maintenance of the size and structure of our balance sheet and assuming that the movements in interest rates occur instantly and equally on all points of the yield curve, with a -1% interest rate floor.

In addition to the abovementioned sensitivity analysis, we monitor the following alternative sensitivities: (i) a progressive increase of 12.5 basis points quarterly to a total of 50 basis points and a (ii) progressive downgrade of 12.5 basis points quarterly up to a total of 50 basis points. As of December 31, 2021, an increase of 50 basis points, would have had an impact on our net interest margin^{APM} of 11% in the year 2. As of December 31, 2021, a decrease of 50 basis points, would have had an impact on our net interest margin^{APM} of -13% in the year 2. Impacts are tracked once the entire balance sheet is fully repriced.

Credit risk

Total credit exposure and new lending

We have a diversified low-risk credit portfolio, mainly composed of residential mortgage loans and with a growing focus on SMEs.

The following table sets forth our credit exposure as of December 31, 2021:

	Gross loans and advances to customers^{APM}	**NPLs by sector^{APM}**	**NPL provisions by sector^{APM}**	**Net NPLs by sector^{APM}**	**NPL ratio by sector^{APM}**	**NPL coverage ratio by sector^{APM}**	**Refinanced and restructured loans**
	(€ thousands, except %)						
Loans to businesses	**8,360,507**	**344,814**	**323,976**	**20,838**	**4.12%**	**93.96%**	**217,453**
Real estate construction and development	1,044,664	71,262	51,115	20,147	6.82%	71.73%	57,103
Non-real estate activities	7,315,843	273,552	272,861	691	3.74%	99.75%	160,350
Loans to individuals	**20,191,233**	**372,475**	**216,149**	**156,326**	**1.84%**	**58.03%**	**321,089**
Housing	18,385,389	285,361	149,211	136,150	1.55%	52.29%	
Consumer loans and other	1,805,844	87,114	66,938	20,176	4.82%	76.84%	
Public sector and other	**2,643,711**	**332**	**300**	**32**	**0.01%**	90.36%	44
Gross loans and advances to customers^{APM}	**31,195,451**	**717,621**	**540,425**	**177,196**	**2.30%**	**75.31%**	**538,586**

	Gross loans and advances to customers^APM	NPLs by sector^APM	NPL provisions by sector^APM	Net NPLs by sector^APM	NPL ratio by sector^APM	NPL coverage ratio by sector^APM	Refinanced and restructured loans
				(*€ thousands, except %*)			
Reverse repurchase agreements..........	1,615,394						
Gross loans and advances to customers excluding reverse repurchase agreements^APM..............	**29,580,057**						

As of December 31, 2021, 68.3% of our gross loans and advances to customers^APM is secured by mortgage collateral, 5.9% is secured by other type of collateral and 25.8% is unsecured[82].

Residential mortgage loans portfolio[83]

Our total credit exposure to residential loans amounted to €18,385 million[84] as of December 31, 2021, of which 98.7%[85] was secured by mortgage collateral. Residential mortgage loans represented 61.3% of our credit exposure gross loans and advances to customers excluding reverse repurchase agreements^APM as of December 31, 2021. As of December 31, 2021, NPLs associated with residential mortgages represented 39.8% of our NPLs[86], compared to the average sector of 29.7% (*source: Bank of Spain as of December 31, 2021, latest available data*) and our RWAs related to residential mortgage loans was 39%, well above our peers' average (17.9%) (*source: EBA Transparency Exercise for the Company's and peers' information*)[87]. Our residential mortgage portfolio is granular, with an individual average outstanding size of €69,000, an average seasoning 9.7 years and focused on first-home financing (second-home financing only represented 3.5% of our residential mortgage portfolio as of December 31, 2021)[88]. The historical rate of amortization of the portfolio, including contractual maturities and early repayments and cancellations, has been around 9%. As a result of the increase in the liquidity of our clients in 2021, this rate has increased to around 10%. As of December 31, 2021, the LTV ratio of our residential mortgage portfolio was 49.1%[89].

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82 See Note 3.5.5.1 to our 2021 Annual Accounts.

83 The information about our residential mortgage loans portfolio in this section is mostly obtained from the Company's internal accounting records and we use it for analytical purposes in order to monitor the risk profile of our residential mortgage loans portfolio, which is one of our key portfolios.

84 See definition, explanation, use, calculation and breakdown of Gross loans and advances to customers^APM which are set out in "Alternative Performance Measures".

85 Calculated as total property collateral for homes (€17,993,549 thousand) over total loans for homes (€18,236,178 thousand). See Note 3.5.5.1 to our 2021 Annual Accounts.

86 See definition, explanation, use, calculation and breakdown of Housing NPLs over NPLs^APM which are set out in "Alternative Performance Measures".

87 RWAs related to residential mortgage loans of our peers is calculated using the latest available EBA Transparency exercise information on loans and risk weighting for Ibercaja and peers (June 2021). Average is calculated as the simple arithmetic mean of our peers' RWAs related to residential mortgage loans.

88 This information has been obtained by classifying our residential mortgage by average outstanding size, average seasoning and first or second-home financing.

89 The LTV ratio is calculated by dividing the book value of the residential mortgage loan portfolio by the amount resulting from the latest available appraisal or valuation of its collateral.

The following table sets forth the distribution in terms of seasoning of our residential mortgage portfolio as of December 31, 2021[90]:

	As of December 31, 2021
	(%)
Less than 5 years	30.4
Between 5 and 10 years	11.9
Between 10 and 20 years	56.7
More than 20 years	1.0
	100

The following table sets forth the LTV ratio distribution of our residential mortgage portfolio as of December 31, 2021[91]:

	As of December 31, 2021
	(%)
Less than 40%	30.3
Between 40% and 60%	38.8
Between 60% and 80%	27.5
More than 80%	3.4
	100

The following table sets forth the geographic distribution of our residential mortgage portfolio as of December 31, 2021[92]:

	As of December 31, 2021
	(%)
Aragón	24.4
Rest of Home Markets	12.4
Madrid	28.5
Mediterranean basin	18.6
Rest of Spain	16.1
	100

New lending for the acquisition of housing amounted to €1,431.2 million for the year ended December 31, 2021, of which 95.2% was secured by mortgage collateral[93]. Our new lending residential mortgage portfolio is granular, with an individual average size of €146.1 thousand and an average maturity of 25.7 years as of December 31, 2021. We are focused on first-home financing (second-home financing represented 4.3% as of December 31, 2021 and 0.4% of the new lending of residential mortgage loans was generated through

[90] This breakdown has been obtained by classifying our residential mortgage by the time elapsed since the loan was granted. (seasoning distribution)

[91] This breakdown has been obtained by classifying our residential mortgage portfolio by the relevant LTV.

[92] This breakdown has been obtained by classifying our residential mortgage portfolio by the location of the branch granting the loan).

[93] This information has been obtained by classifying our new lending for the acquisition of housing by mortgage collateral, average size, average maturity and LTV ratio.

real estate brokers. Our market share in new lending for the acquisition of housing was 2.6% as of December 31, 2021 (*source: Bank of Spain as of December 31, 2021*) and our residential mortgage loans evolution for the period since December 31, 2020 and December 31, 2021 is -3.5%, below the system's evolution (+1.1%) (*source: Bank of Spain as of December 31, 2021*). We are implementing new measures to accelerate mortgage loan production in the coming quarters.

The following table sets forth the LTV ratio distribution of our new lending residential mortgage portfolio as of December 31, 2021[94]:

	As of December 31, 2021
	(%)
Less than 40%	10.7
Between 40% and 60%	19.1
Between 60% and 80%	64.6
More than 80%	5.6
	100

The following table sets forth the geographic distribution of our new lending residential mortgage portfolio as of December 31, 2021[95]:

	As of December 31, 2021
	(%)
Aragón	18.7
Rest of Home Markets	9.7
Madrid	38.7
Mediterranean basin	20.6
Rest of Spain	12.3
	100

The following table sets forth the interest rate distribution of our new lending residential mortgage portfolio as of December 31, 2021[96]:

	As of December 31, 2021
	(%)
Floating interest rate	14.1
Fixed interest rate	85.9
	100

94 This breakdown has been obtained by classifying our new lending residential mortgage portfolio by the relevant LTV.

95 This breakdown has been obtained by classifying our new lending residential mortgage portfolio by the location of the branch granting the loan).

96 This breakdown has been obtained classifying the new lending residential mortgage portfolio taking into account whether it is at a fixed rate or it is repriced periodically according to a reference interest rate.

Loans to companies portfolio (excluding real estate companies)[97]

Our total credit exposure to companies (excluding real estate companies) amounted to €7,316 million as of December 31, 2021[98]. Our loans to companies portfolio is granular, with no significant concentrations and a balanced mix between short-term and long-term products. Our main exposure by size are small-sized companies and by geographic area, our Home Markets (primarily Aragón) and Growth Markets. The significant increase in lending through Guaranteed Credit Lines negatively affected working capital financial needs of companies in 2020 which is already recovering thanks to the growth in companies sales.

The following table sets forth the geographic distribution of our loans to companies portfolio as of December 31, 2021[99]:

	As of December 31, 2021
	(%)
Aragón	24.6
Rest of Home Markets	12.5
Madrid	20.3
Mediterranean basin	21.7
Rest of Spain	20.9
	100

The following table sets forth the product distribution of our loans to companies portfolio as of December 31, 2021[100]:

	As of December 31, 2021
	(%)
Loans	58.9
Working capital	19.3
Credit	12.7
Leasing-renting	6.4
Other	2.7
	100

[97] The information about our loans to companies portfolio (excluding real estate companies) in this section is mostly obtained from the Company's internal accounting records and we use it for analytical purposes in order to monitor the risk profile of our loans to companies portfolio (excluding real estate companies), which is one of our key loan portfolios.

[98] See definition, explanation, use, calculation and breakdown of Gross loans and advances to customers[APM] which are set out in "Alternative Performance Measures".

[99] This breakdown has been obtained by classifying our non-real estate activities portfolio by the location of the branch granting the loan.

[100] This breakdown has been obtained by classifying our non-real estate activities portfolio by business banking products differentiating between loans, working capital, credit, leasing-renting and other

The following table sets forth the breakdown by customers' turnover of the loans to businesses[APM] portfolio as of December 31, 2021:

	As of December 31, 2021
	(%)
Corporate (annual turnover of more than €50 million)	24.7
Mid-sized (annual turnover of between €10 and €50 million)	19.1
Small-sized (annual turnover of between €2 and €10 million)	21.0
Micro (annual turnover of less than €2 million)	19.5
Self-employed and others	15.7
	100

New lending to companies amounted to €2,415.4 million as of December 31, 2021. As of December 31, 2021, the average initial maturity of new loans to companies in 2021 was 3.6 years.

The following table sets forth the geographic distribution of new lending to companies as of December 31, 2021[101]:

	As of December 31, 2021
	(%)
Aragón	20.8
Rest of Home Markets	9.7
Madrid	30.4
Mediterranean basin	19.4
Rest of Spain	19.7
	100

The following table sets forth the product distribution of new lending to companies as of December 31, 2021[102]:

	As of December 31, 2021
	(%)
Loans	42.9
Credit	47.6
Leasing-renting	9.5
	100

[101] See definition, explanation, use, calculation and breakdown of Total new lending[APM] which are set out in "Alternative Performance Measures".

[102] This breakdown has been obtained by classifying our SMEs and corporates new lending by business banking products differentiating between loans, credit and leasing-renting.

The following table sets forth the size of the companies in respect of which new lending was granted as of December 31, 2021[103]:

	As of December 31, 2021
	(%)
Corporate (annual turnover of more than €50 million)...........	38.5
Mid-sized (annual turnover of between €10 and €50 million).	18.2
Small-sized (annual turnover of between €2 and €10 million)	17.0
Micro (annual turnover of less than €2 million).....................	15.6
Self-employed and others	10.7
	100

The following table sets forth the accumulated working capital financing[104] as of December 31, 2021:

	As of December 31, 2021
	(€ thousands)
Accumulated working capital financing...	7,454,686

Sovereign risk

Credit risk includes as a sub-category sovereign risk, which relates to the risk that the country in which the investment is made, often in the form of purchase of bonds and government debt, may default on its payment obligations, outside the normal risks of a common credit operation.

The table below shows a breakdown of the carrying amount of exposure to sovereign risk per portfolio in which the assets are recorded as of the dates indicated:

	As of December 31, 2021
	(€ thousands)
Financial assets held for trading...	-
Financial assets at fair value through profit or loss	6,278
Financial assets at fair value through other comprehensive income......................	4,641,651
Financial assets at amortized cost..	10,571,892
Total...	**15,219,821**
Of which: held by Ibercaja Vida..	4,196,302

The table below shows our total exposure to sovereign risk by country as of the dates indicated:

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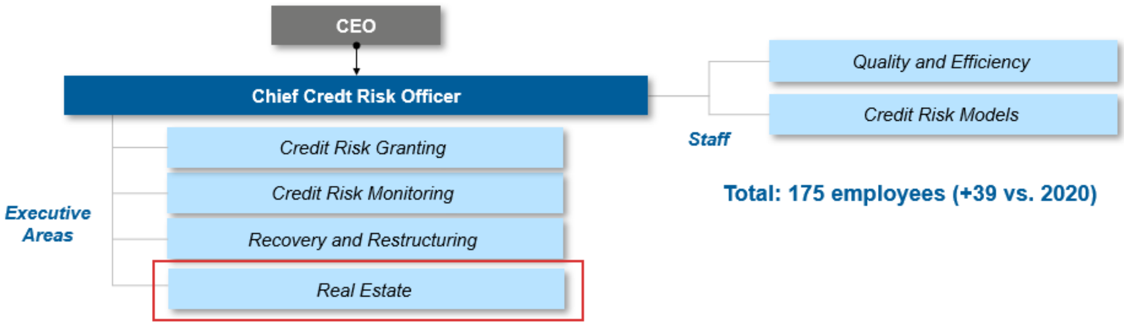
103 This breakdown has been obtained by classifying our SMEs and corporates new lending by the turnover of the relevant customer to whom the loan was granted based on EU recommendation of May 6, 2003 (2003/361/EC) in connection with the definition of micro, small and medium-sized enterprises (SME). SMEs consists of enterprises that employ fewer than 250 persons and whose annual turnover does not exceed €50 million or whose annual balance sheet total does not exceed €43 million. A small enterprise is defined as an enterprise which employs less than 50 persons and whose annual turnover or annual balance sheet total does not exceed €10 million. A micro enterprise is defined as an enterprise which employs less than 10 persons and whose annual turnover or annual balance sheet total does not exceed €2 million.

104 Accumulated working capital financing is the amount of working capital financing granted by Ibercaja Banco each year. Working capital financing includes, among others, bank discounting and advances, factoring, confirming, financing of domestic payments and export financing.

	As of December 31, 2021
	(€ thousands)
Spain	13,421,612
Italy	1,382,405
Portugal	67,788
France	240,733
United States	100,972
Other	6,311
Total gross amount	**15,219,821**
(impairment losses)	*(180)*
Total net amount	**15,219,641**
Of which: held by Ibercaja Vida	4,196,302

Credit risk management

We maintain a simple credit risk department structure:



In the last few years, we have implemented a new recovery model that includes changes in governance, organizational structure, procedures, tools and bonuses for retail network employees linked to their performance. This recovery model has allowed us to reduce our NPLs and foreclosed assets between December 31, 2019 and December 31, 2021. The increased specialization and systematization of our recovery procedures, as well as the implementation of best-in-class IT tools throughout our branch network to optimize recovery solutions have increased our efficiency in reducing the volume of NPAs[APM]. In addition, we are strongly committed to become an Internal Ratings Base (IRB) bank during our "Desafío 2023" Strategic Plan, with the aim of further optimizing our credit risk management.

We have developed a prudent underwriting criteria based on a centralized expert analysis and supported by scoring and rating models.

BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

The composition, responsibilities and functioning of our board of directors (the "**Board of Directors**") is regulated by the Spanish Companies Act, Act 10/2014, Royal Decree 84/2015, our bylaws and the regulations that govern our Board of Directors (the "**Board Regulations**"). Our current bylaws were registered on November 11, 2021 with the Commercial Registry of Zaragoza under volume 4477, sheet 187, page Z-52186, inscription 1982. Our current Board Regulations were approved on October 24, 2019. On January 14, 2022 we approved a new version of our Board Regulations which is pending registration with the Commercial Registry as of the date of this Registration Document and would enter into effect upon a potential admission to trading of the Company's ordinary shares on the Barcelona, Bilbao, Madrid and Valencia stock exchanges (the "**Spanish Stock Exchanges**") for trading through the Automated Quotation System or "*Mercado Continuo*" (the "**Admission**").

The Spanish Companies Act provides that the board of directors is responsible for the management, administration and representation of a company in respect of its business matters, subject to the provisions of the bylaws and except for those matters expressly reserved to the general shareholders' meetings.

Pursuant to Article 249 bis of the Spanish Companies Act, our bylaws and our Board Regulations, the following matters must be approved by the Board of Directors and, subject to certain exceptions, may not be delegated to any Board of Directors committee or to any of our attorneys or representatives:

- The supervision of the operation of committees and the actions of delegated bodies and any appointed executives, and, when applicable, request an external evaluation of the Board of Directors and its committees.
- The definition of our general policies and strategies.
- The authorization or waiver of the obligations resulting from the duty of loyalty in accordance with Article 230 of the Spanish Companies Act.
- The organization and operation of the Board of Directors itself.
- The drafting of the annual accounts and the management report, both at individual and consolidated level, and their submission to the general shareholders' meeting.
- The drafting of any type of report required by law from the managing body provided that the transaction to which the report relates cannot be delegated.
- The appointment and removal of the chief executive officers of the Company, as well as the stipulation of the contractual terms of their appointment.
- The appointment and removal of officers directly reporting to the Board of Directors or to any of its members, as well as the stipulation of the basic terms of their contracts, including the compensation.
- The decisions concerning the directors' compensation, within the statutory framework, and as the case may be, the remuneration policy approved by the general shareholders' meeting.
- The control, evaluation and supervision of our senior management, establishing the applicable criteria and limits in accordance with the development of our business.
- The approval and review of the directors' and other relevant employees' evaluation policy, as well as its amendments, following a report from the Appointments Committee.
- The calling of general shareholders' meetings, preparation of the agenda and proposed resolutions and publication of the relevant announcements.
- The policy concerning treasury shares.
- Any powers delegated by the general shareholders' meeting to the Board of Directors, save where expressly authorized by shareholders to delegate those powers further.

- The approval of the RAF, the Risk Appetite Statement (RAS) and any other manual or policy required by applicable regulations, following the relevant report from the Large Risks and Solvency Committee.
- The approval of policies, manuals and procedures related to risk management, following the report from the applicable committees.
- The active participation in the risk management, ensuring that enough resources are allocated for these purposes.
- The approval of the opening and close of offices, branches or agencies.
- The approval and review of the outsourcing policy.
- The approval, subject to a report from the Audit and Compliance Committee, of the related party transactions (*operaciones vinculadas*).
- The approval of the Recovery Plan, following the report from the Strategy Committee.
- The approval of the adequacy plan, following a report from the Large Risks and Solvency Committee.
- The approval of the annual banking report, as foreseen in the existing bank regulations.
- The approval of the main stress scenarios which provide the basis for the capital planning.
- The supervision of the integration in the management of all the aspects of the capital planning in accordance with the scenarios used in the Strategic Plan and the RAF.
- The approval of the documental procedures of the internal stress tests.

In addition, upon a potential Admission, pursuant to Article 529 ter of the Spanish Companies Act, our bylaws and our Board Regulations, the following matters must be approved by the Board of Directors and, subject to certain exceptions, may not be delegated to any Board of Directors committee or to any of our attorneys or representatives:

- The approval of the strategic and business plan, the management goals and annual budgets, the investment and financing policies and the dividend policy.
- The determination of the risk control and management policies, including tax risks, and oversight of the internal information and control systems.
- The approval and review of the framework of the corporate governance, which will include the Board Regulations and other rules and processes regarding the organization and functioning of the Board of Directors.
- The approval of financial information which, due to being listed, the Company must periodically publish.
- The definition of the structure of the Group following the relevant report by the Strategy Committee.
- The approval of investments or transactions of all kinds which due to their high value or specific characteristics are of particular tax risk or strategic nature, save where these are approved by shareholders.
- The approval of the creation or acquisition of interests in special purpose vehicles or entities domiciled in non-cooperative jurisdictions and any other similar transactions or operations which due to their complexity could make the Company and its Group less transparent.
- The approval of the revisions of the code of ethics.
- The approval of the Pillar III disclosures, following a report from the Audit and Compliance Committee, in relation to the information not covered by the audited annual accounts.

- The approval of the inside and other relevant information disclosure policy.
- The definition of our tax strategy.
- The approval of the Recovery Plan, following the report from the Large Risks and Solvency Committee.
- The approval of the capital autoevaluation report and the liquidity autoevaluation report, following a report from the Large Risks and Solvency Committee.

Composition and governance of the Board of Directors

Our bylaws provide for a Board of Directors consisting of between five and 15 members. As of the date of this Registration Document, the Board of Directors is composed of 11 members, of which four are proprietary directors, six are independent directors and one is an executive director.

Pursuant to the Spanish Companies Act, a director is categorized as "independent" if he or she has been appointed based on his or her personal and professional conditions and is able to perform his or her duties without being impaired by his or her relationships with us, our significant shareholders or our executive committee. The Spanish Companies Act sets out a series of objective criteria which may prevent a director from being categorized as "independent". To the extent applicable, at the time that our independent directors were appointed as independent directors, at least three years (for employees) or five years (for executive directors) had elapsed since the end of their relationship with Ibercaja Banco or Group companies in order for them to qualify as "independent" directors as set out under article 529 duodecies of the Spanish Companies Act. The other requirements set out under such article were also met at the time that our independent directors were appointed.

According to the Spanish Companies Act, our bylaws and our Board Regulations, our directors are elected by the general shareholders' meeting to serve for a term of four years and may be re-elected to serve for an unlimited number of terms of the same duration (save that no independent director can serve for more than 12 years in a row and still be considered independent). If a director does not serve a full term, the Board of Directors may fill the vacancy by appointing a replacement director to serve until the next general shareholders' meeting subject to subsequent approval at a general shareholders' meeting (*nombramiento por cooptación*). Any natural person may serve on the Board of Directors, except for persons specifically prohibited from doing so by applicable law. A director may be removed from office by the shareholders at a general shareholders' meeting, even if such removal is not included on the agenda for that general shareholders' meeting.

According to our Board Regulations, our directors must tender their resignation to the Board of Directors, which may accept such resignation, in its discretion, under the following circumstances: (i) when such director's participation on the Board of Directors is contrary to applicable law or our bylaws for reasons of ineligibility or incompatibility; (ii) where the director breaches his or her duties resulting in a serious infringement of Spanish law or our bylaws or causes a serious damage to the Company; and, upon a potential Admission (i) when such director's participation on the Board of Directors jeopardizes or prejudices the interest, credit or reputation of the Company; or (ii) when the reasons for which he or she was appointed no longer apply, this occurring (a) in the case of a proprietary director, when the shareholder it represents sells its shareholding in whole or reduces it to a level that requires a reduction in the number of its nominated directors, or (b) in the case of an independent director, when any of the legally defined situations occurs in which it loses its independent status.

The chairperson of the Board of Directors is elected among the members of the Board of Directors. One or more vice-chairperson, who act as chairperson in the event of the chairperson's absence, impossibility or vacancy, may be elected among the members of the Board of Directors. Pursuant to our bylaws, the chairperson of the Board of Directors cannot be an executive director and therefore, cannot hold simultaneously the position of chief executive officer. The secretary and, where applicable, the vice-secretary of the Board of Directors, do not need to be directors. According to Spanish law and the Board Regulations, the Board of Directors appoints our executive officers and supervises our operations. Moreover, the Board of Directors is entrusted with calling general shareholders' meetings and implementing shareholders' resolutions.

The chairperson of the Board of Directors may call a meeting of the Board of Directors whenever he or she considers it necessary or appropriate. The chairperson of the Board of Directors is also required to call a meeting of the Board of Directors at the request of one-third of the members of the Board of Directors. If the chairperson does not call such meeting within one month from such request, those directors would be entitled to call the meeting directly. According to our Board Regulations, our Board of Directors shall meet at least once a month.

Our bylaws and Board Regulations provide that the majority (half plus one) of the members of the Board of Directors (attending in person or represented by proxy by another director) constitutes a quorum. Except as otherwise provided by law, in the bylaws and in the Board Regulations, resolutions of the Board of Directors are approved by an absolute majority of the directors attending or represented at a Board of Directors meeting.

All the members of our Board of Directors must comply with the reputation and experience requirements set forth in Article 24 of Act 10/2014 and Articles 29, 30 and 31 of Royal Decree 84/2015, including the regime of incompatibilities and limitations provided for in Article 26 of Act 10/2014 and the integrity and professional requirements set out in Articles 30 and 31 of Royal Decree 84/2015. In this sense the procedure for the assessment of suitability and diversity of directors and suitability of persons with key roles (*procedimiento de evaluación de idoneidad y diversidad de consejeros y de la idoneidad de personas con funciones claves en la Entidad*) approved in June 2018, develops the obligations under current regulations on the assessment of the adequacy of directors and holders of key functions. This procedure fulfills the above-mentioned obligation by establishing the scope and content of the process of internal evaluation of suitability of the members of our Board of Directors, general managers or similar and other employees who are responsible for internal control functions or discharge key positions for the daily activities of the entity. Similar positions to the general managers would be (i) those persons who develop senior management roles under the direct dependence of the management body, executive committees or chief executive officer; (ii) those persons who meet the previous dependency requirements set out in the previous point, and limit their senior management roles to a specific area of activity, provided that they are integrated into an organizational structure of management that assumes the highest level of daily management of the Company; and (iii) those persons who had entered into a senior management contract subject to Royal Decree 1382/1985, of August 1. It also develops the additional documents (questionnaires, statements and reports models) necessary to verify the gathering of the information required by current regulations. The Appointments Committee is responsible for the assessment of the candidates and members of our Board of Directors, general managers or similar and other key employees as well as the supervision of the correct implementation of the procedure referred to above. The Appointments Committee is also responsible for submitting to the general shareholders meeting the proposals for the appointment, reelection or dismissal of independent directors. The members of our Board of Directors are subject to a fit and proper assessment process by the ECB, in accordance with the guide to fit and proper assessment issued by the ECB in December 2021. All of our directors have passed the ECB's fit and proper assessment, which also examines the "category" status of the director (including independent), so all of our directors and their category have the ECB's positive assessment decision.

Directors

The following table sets out the names of the members of our Board of Directors, their positions within the Board of Directors, their category as directors and, where relevant, the shareholder they represent, as of the date of this Registration Document.

Name	Date of first appointment	Date of re-election	Expiry date of appointment	Age	Title	Category[1]
Mr. Francisco Serrano Gill de Albornoz.....................................	March 30, 2022	—	March 30, 2026	54	Chairman	Propietary[2]
Mr. Jesús Máximo Bueno Arrese....	September 22, 2011	August 27, 2021	August 30, 2025	71	Vice Chairman	Propietary[2]
Mr. Víctor Manuel Iglesias Ruiz.....	January 28, 2015	August 29, 2019	August 29, 2023	56	Chief Executive Officer	Executive

Name	Date of first appointment	Date of re-election	Expiry date of appointment	Age	Title	Category[(1)]
Ms. Gabriela González-Bueno Lillo	July 24, 2013	November 13, 2018[(5)]	November 13, 2023	76	Director	Independent
Mr. Jesús Solchaga Loitegui	July 24, 2013	November 13, 2018[(5)]	November 13, 2023	81	Director	Independent
Mr. José Miguel Echarri Porta	October 28, 2021	October 28, 2021	October 28, 2025	74	Director	Proprietary[(3)]
Mr. Vicente Evelio Cóndor López	January 24, 2014	April 9, 2019	April 9, 2024	67	Director	Independent
Mr. Félix Santiago Longás Lafuente	August 30, 2016	August 27, 2021	August 30, 2025	65	Director	Independent
Mr. Jesús Tejel Giménez	August 30, 2016	August 27, 2021	August 30, 2025	63	Director	Independent
Mr. Luis Enrique Arrufat Guerra	August 30, 2017	August 30, 2017[(4)]	August 30, 2022	66	Director	Proprietary[(2)]
Ms. María Pilar Segura Bas	August 30, 2017	August 30, 2017[(4)]	August 30, 2022	65	Director	Independent

Notes:—

(1) In the context of the suitability review of each director, the Appointments Committee has assessed and confirmed the relevant category of all the members of our Board of Directors.

(2) Representing the Ibercaja Foundation.

(3) Representing Fundación Inmaculada de Aragón. Pursuant to the agreement entered into between Fundación Inmaculada de Aragón and Fundación Caja Badajoz on August 29, 2019, both shareholders agreed to jointly propose one member of the Board of Directors of Ibercaja Banco, which would be proposed by Fundación Caja Badajoz for the first two years following the agreement and by Fundación Inmaculada de Aragón for the subsequent period of four years.

(4) The re-election appointment was prior to the amendment of our bylaws pursuant to which the term of our directors' appointment was reduced from five years to four years.

The secretary of our Board of Directors (non-director) is Mr. Jesús Barreiro Sanz.

All members of the Board of Directors designate our registered address as their professional address for the purposes of this Registration Document.

The biographies for each of the members of our Board of Directors and the secretary of our Board of Directors (non-director), including a brief description of their business experience and education, are set out below:

Mr. Francisco Serrano Gill de Albornoz

Mr. Francisco Serrano Gill de Albornoz was appointed chairman of the Board of Directors on March 30, 2022, replacing Mr. José Luis Aguirre Loaso. Mr. Francisco Serrano Gill de Albornoz joined the Company in January 2000 as Head of the Legal Department. In May 2007, he was appointed Deputy Manager and General Counsel in January 2012. In June 2013, he was appointed Managing Director of Banco Caja3. In October 2014 he rejoined the Company as Deputy General Manager and General Secretary – Director of Control.

He is a member of the Employee Pension Plan Oversight Committee. Since November 2015 he was chairman of Ibercaja Gestión until his appointment as chairman of the Board of Directors.

He was a director on the Aragón Government's Legal Advisory Committee between May 2002 and March 2010 and secretary of the board of EBN Banco de Negocios, S.A.

Mr. Francisco Serrano Gill de Albornoz holds a bachelor's degree in Law from the University of Zaragoza (1989) and is a Spanish State Attorney on leave of absence (he joined the government's legal services in 1993 and served in Guipúzcoa, Teruel and Zaragoza). On December 31, 1999 he received leave of absence from the government legal services (*Abogacía del Estado*).

Mr. Jesús Máximo Bueno Arrese

Mr. Jesús Máximo Bueno Arrese first joined Ibercaja Banco on October 1, 1976 and was appointed first vice chairman on February 24, 2017. Previously, he served as member of the governing body of the Ibercaja Foundation, chairman of the board of Ibercaja Vida and board member of Ibercaja Mediación. He also served on the board of directors of Banco Caja3 until its absorption by the Company.

Mr. Jesús Máximo Bueno Arrese holds a diploma on Business Administration from IESE Business School (*Universidad de Navarra*), and a master's degree in applied social sciences. In addition, he is a Chartered Accountant registered at the ROAC (Official Registry of Accounting Auditors) and a lecturer at Escuela Superior de Comercio de Zaragoza.

Mr. Víctor Manuel Iglesias Ruiz

Mr. Víctor Manuel Iglesias Ruiz was appointed member of the Board of Directors and Chief Executive Officer of the Company on January 28, 2015. Since 1988, he has worked in various strategic divisions of the Company previously serving as General Deputy Director, Director of Capital Markets and Loans and Investment, Director of the Branches Network and member of the Steering Committee. In 2010 he was appointed Business Area Director until his appointment as Chief Executive Officer. He has also been a member of the board of Henneo Media (formerly Grupo Heraldo), a member of the business strategy committee of CASER and chairman of the board of Ibercaja Mediación.

Mr. Víctor Manuel Iglesias Ruiz holds a bachelor's degree in Business Administration from the University of Zaragoza.

Ms. Gabriela González-Bueno Lillo

Ms. Gabriela González-Bueno Lillo was appointed independent director of the Company on July 24, 2013. She has expertise in several sectors such as insurance, finance and auditing and is an actuary, an inspector in the insurance and savings inspectorate body, and she is a government financial inspector on leave of absence. In addition, she is registered on the I.A.E. Auditor Register as an audit actuary. Prior to her appointment, she was a board member of the Comisión Liquidadora de Entidades Aseguradoras (CLEA) by appointment by the Spanish Economic and Finance Ministry and General Manager and board member of CASER. She also was a board member, chair of the audit and compliance committee and of the appointments and compensation committee of Banco Caja3, until its absorption by the Company.

Ms. Gabriela González-Bueno Lillo holds a bachelor's degree in Business Administration from the Universidad Complutense de Madrid.

Mr. Jesús Solchaga Loitegui

Mr. Jesús Solchaga Loitegui was appointed independent director of the Company on July 24, 2013. He served as a Spanish State Attorney between 1967 and 2010 (currently on leave of absence) and has been a registered member of the Madrid Civil and Commercial Court of Arbitration Association (CIMA) since its creation. He has held several positions in both the public and the private sector, such as General Director, board member, and chairman of the Control Committee of the Ibercaja Savings Bank, member of the territorial board of Aragón, member of the Aragón government advisory committee and member of the Aragón competition tribunal. Additionally, within the Group, he has been member of the board of Residencial Murillo, Cerro Murillo and Ibercaja Mediación.

Mr. Jesús Solchaga Loitegui holds a bachelor's degree in Law from the University of Zaragoza.

Mr. José Miguel Echarri Porta

Mr. José Miguel Echarri Porta was appointed proprietary director of the Company on October 28, 2021, representing Fundación Inmaculada de Aragón. Mr. José Miguel Echarri Porta is vice chairman of Fundación Inmaculada de Aragón. He has developed his career in the private sector for 20 years, particularly in the education, industrial, banking and construction sectors. He is specialized in forecasting, an activity que has been practising since 1993. He is one of the founders of the Spanish Strategic Forecast Institute (*Instituto de*

Prospectiva Estratégica), a company specialized in forecast and strategies for social, economic, political and technological matters, in which he has held the position of director until his retirement. He has participated as a speaker at forecast conferences and is the author of several publications, including "*España 2020: Reflexiones prospectivas*".

Mr. José Miguel Echarri Porta holds a bachelor's degree in Business Studies and Law from the University of Deusto.

Mr. Vicente Evelio Cóndor López

Mr. Vicente Cóndor López was appointed independent director of the Company on January 27, 2014. He was a board member and chairman of the Supervisory Committee of the Ibercaja Savings Bank and a board member of SODIAR and Avalia and the Aragon Public Companies Association (*Corporación de Empresas Públicas de Aragón*).

Mr. Vicente Cóndor López holds a bachelor's degree and a PhD in Business Administration from the University of Valencia and is a chartered accountant registered at the ROAC and a professor of Financial Economics and Accounting at the University of Zaragoza.

Mr. Félix Santiago Longás Lafuente

Mr. Félix Santiago Longás Lafuente was appointed independent director of the Company on August 30, 2016. He has held senior management positions in companies with a turnover of €175 million and over a thousand employees (such as Agora Group/La Zaragozana Group). He was deputy chairman of the Aragón regional business confederation (CREA) and chairman of its economy committee, chairman of the Aragón Association for Business Advancement (APD) and member of the Economic and Social Council of Aragón.

Mr. Félix Santiago Longás Lafuente holds a bachelor's degree in Psychology from the Universidad Nacional de Educación a Distancia (UNED).

Mr. Jesús Tejel Giménez

Mr. Jesús Tejel Giménez was appointed independent director of the Company on August 30, 2016. He was a member of the Association of Economists in Aragón, member of the governing body of the ETNOR – Business Ethics Foundation – and of the Fundación de Estudios Bursátiles y Financiero (FEBF). He was previously a partner at Deloitte, S.L., where he was in charge of Aragón and La Rioja, the Valencian Community and Murcia until 2013.

Mr. Jesús Tejel Giménez holds a bachelor's degree in Business Administration from the University of Zaragoza and a diploma in General Management from the IESE Business School. He is a Chartered Accountant registered at the ROAC and a lecturer in business management on university courses at the EDEM Business School.

Mr. Luis Enrique Arrufat Guerra

Mr. Luis Enrique Arrufat Guerra first joined Ibercaja Banco on January 1, 1980 and was appointed proprietary director of the Company on August 30, 2017. He held various roles at the Ibercaja Savings Bank until its financial activity was transferred to the Company. He served as Capital Markets Operator, Head of Cash, General Deputy Director, Head of Resources, Deputy General Manager and Director of Marketing. In January 2010, he was appointed Deputy General Manager, and in October 2011 (when the Ibercaja Savings Bank's financial activity was transferred to the Company) he was appointed Head of Finance, a position he held until February 2015, when he was appointed Deputy Chief Executive Officer until June 30, 2015. Within the Group, he has also held positions at several entities, including director of Ibercaja Vida, Ibercaja Gestión, Ibercaja Pensión, Ibercaja Servicios Inmobiliarios, S.A., Cerro Murillo and Ibercaja Patrimonios, S.G.C., S.A.U. In addition, he has been chairman of EURO 6000, S.A. and Viacajas, S.A. and member of the boards of EBN Banco de Negocios, S.A, Ahorro Corporación, S.A. and CIMD, S.A.

Mr. Luis Enrique Arrufat Guerra holds a bachelor's degree and PhD in Mathematics from the University of Zaragoza and completed an advanced course in international finance in 1987, the executive development programme (*Programa de Desarrollo Directivo, PDD*) at the IESE Business School in 1997 and the Senior Management Programme at the IE Business School in 2005.

Ms. María Pilar Segura Bas

Ms. María Pilar Segura Bas was appointed other external director of the Company on August 30, 2017. Since 1980 she has held various positions at the Ibercaja Savings Bank until its financial activity was transferred to the Company, such as Head of the Budgetary and Cost Accounting Department, Head of the Information Systems and Management Control Department and Information Systems and Management Control Manager. Later she was appointed Deputy General Manager of the Company (Control Management), an office she held until March 1, 2017. She has also held various management positions at various companies within the Group, including member and chairman of the board of Tipo Linea, S.A., board member of Ibercaja Gestión and chairman of the board of Servicios a Distancia IBD, S.L.

Ms. María Pilar Segura Bas holds a bachelor's degree in Business Administration from the University of Deusto (Bilbao).

Mr. Jesús Barreiro Sanz

Mr. Jesús Barreiro Sanz has been the secretary of our Board of Directors since September 22, 2011. Until August 29, 2019, he was also proprietary director of the Company, representing the Ibercaja Foundation. He previously was Deputy General Manager/General Secretary of the Company and chairman of the board of Ibercaja Pensión, as well as a member of the advisory committee of the CNMV. He is a member of the board of Henneo Media (formerly Grupo Heraldo) and the secretary of the Ibercaja Foundation.

Mr. Jesús Barreiro Sanz holds a bachelor's degree in Law from the University of Zaragoza and a bachelor's degree in Political Science from the Universidad Complutense de Madrid.

The following table sets out all entities in which the members of the Board of Directors, as well the secretary (non-director) of our Board of Directors, have been appointed as members of administrative, management or supervisory bodies, or in which they have held partnership positions at any time during the five-year period preceding the date of this Registration Document, indicating whether or not each person is still a member of any such bodies or holds any shares in any such entities.

Director	**Entity**	**Sector**	**Position/ Title**	**In office**	**Current partnership[(1)]**
Mr. Francisco Serrano Gill de Albornoz..................................	Ibercaja Gestión (Group company)	Financial	Chairman	No	No
	Ibercaja Pensión (Group company)	Insurance	Director	No	No
	Henneo Media, S.A.	Media	Director	No	No
	Aramón Montañas de Aragón, S.A.	Financial	Director	No	No
Mr. Víctor Manuel Iglesias Ruiz .	Cecabank	Financial	Director	Yes	No
	Celeris, S.A., Establecimiento Financiero de Crédito	Financial	Director	No	No
	Ayxim Inversiones y Negocios, S.L.	Holding	No	No	20%
	Noveau Inversiones y Negocios, S.L.	Holding	No	No	50%
Ms. Gabriela González-Bueno Lillo	Centro de Investigación del Seguro, S.L.	Insurance	Director	Yes	33.33%

Director	Entity	Sector	Position/ Title	In office	Current partnership[(1)]
	Instituto para la Formación Empresarial, S.L.U.	Education	Director	Yes	100%
	Energías Renovables de la Vera, S.L.	Energy	Director	No	25%
	Energías Vera Cuatro, S.L.	Energy	Director	No	100%
	Energías Vera Dos, S.L.	Energy	Director	No	No
	Energías Vera Tres, S.L.	Energy	Director	No	No
	Energías Vera Cinco, S.L.	Energy	Director	No	No
	Vivasol Vera, S.L.	Energy	Director	No	No
	Mutualidad Purísima Concepción, M.P.S.	Insurance	Director	Yes	No
Mr. Jesús Solchaga Loitegui........	Cerro Murillo (Group company)	Real Estate	Director	No	No
	Residencial Murillo (Group company)	Real Estate	Director	No	No
	Ibercaja Mediación (Group company)	Insurance	Director	No	No
Mr. José Miguel Echarri Porta.....	Fundación Caja de Ahorros de la Inmaculada de Aragón	Financial	Vice Chairman	Yes	No
Ms. María Pilar Segura Bas	Ibercaja Vida (Group company)	Insurance	Director	No	No
	Gestión de Inmuebles Salduvia, S.A.	Real Estate	Director	No	No
	Cajaragón, S.L. (Group company)	Financial	Director	No	No
	Ibercaja Gestión (Group company)	Financial	Director	No	No
Mr. Jesús Barreiro Sanz...............	Ibercaja Vida (Group company)	Insurance	Secretary	No	No
	Henneo Media, S.A.	Media	Director	Yes	No
Mr. Jesús Tejel Giménez	Pangaea Oncology, S.L.	Medical	Director	No	No

Notes:—

(1) Directors who do not hold partnership positions in any entity as of the date of this Registration Document did not held partnership positions in any entity at any time during the five year period preceding the date of this Registration Document.

Board Committees

In compliance with our bylaws and our Board Regulations, our Board of Directors has established: a delegated committee (the "**Delegated Committee**"), an audit and compliance committee (the "**Audit and Compliance Committee**"), an appointments committee (the "**Appointments Committee**"), a compensation committee (the "**Compensation Committee**"), a large risks and solvency committee (the "**Large Risks and Solvency Committee**") and a strategy committee (the "**Strategy Committee**").

Delegated Committee

The composition, responsibilities and rules of the Delegated Committee are governed by our bylaws and our Board Regulations.

The members of the Delegated Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Delegated Committee to have between five and nine members, one of whom must be the Chief Executive Officer.

Our Board of Directors shall ensure that the size and composition of the Delegated Committee are efficient and reflect the composition of the Board of Directors. Upon a potential Admission, our Board of Directors shall also ensure that the Delegated Committee has at least two members that are non-executive directors, one of them at least being an independent director.

The chairperson of our Board of Directors shall be the chairperson of the Delegated Committee. In case of absence, (and, upon a potential Admission, impossibility or vacancy) of the chairperson, the first or the second vice chairperson may act as chairperson. The secretary of our Board of Directors shall act as secretary of the Delegated Committee.

As of the date of the Registration Document, the members of the Delegated Committee are:

Name	**Position/Title**	**Category**
Mr. Francisco Serrano Gill de Albornoz.........................	Chairman	Proprietary
Mr. Jesús Máximo Bueno Arrese................................	Member	Proprietary
Mr. Víctor Manuel Iglesias Ruiz	Chief Executive Officer	Executive
Mr. Vicente Evelio Cóndor López..............................	Member	Independent
Mr. Jesús Tejel Giménez	Member	Independent
Mr. Jesús Barreiro Sanz	Secretary	Non-Director

The Board of Directors has delegated all of its powers in favor of the Delegated Committee, except for those which cannot be delegated pursuant to the provisions of the Spanish law, our bylaws or the Board Regulations.

The Delegated Committee is responsible for, among others:

- acknowledging and approving the granting, amendment and cancellation of risky transactions which, according to the Loan and Discount Risk Management and Procedure Manual approved by our Board of Directors are of its competence. Additionally, the Delegated Committee approves the proposed acquisitions of assets for repayment of debt pursuant to the asset management policies and manuals;
- acknowledging and approving matters related to employees (e.g. disciplinary records, granting of leaves, etc.) except for those which are competence of the Chief Executive Officer or our Board of Directors for being employees which are under the direct supervision of the Chief Executive Officer;
- acknowledging and approving of matters related to our assets, investments and divestments in Group companies, in accordance with internal policies and manuals, unless they are subject to the approval by the general shareholders' meeting; and
- granting, when applicable, the necessary powers to execute the resolutions passed by the Delegated Committee.

The Delegated Committee shall be validly held with the attendance of, whether present or duly represented, at least half plus one of its members, and the resolutions shall be passed by the majority of votes cast.

The resolutions passed by the Delegated Committee are binding without further confirmation from our Board of Directors. However, subject to the decision of the chairperson or the Chief Executive Officer, or when the importance of the resolution so requires, the validity of the resolution passed by the Delegated Committee shall depend on confirmation from our Board of Directors. This confirmation shall be required as well in those cases when our Board of Directors refers to the Delegated Committee for the study of certain matters, holding the right to have the last decision on such matters.

Audit and Compliance Committee

The composition, responsibilities and rules of the Audit and Compliance Committee are governed by the Spanish Companies Act, the Spanish Auditing Act, our bylaws and our Board Regulations.

The members of the Audit and Compliance Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Audit and Compliance Committee to have between three and five members, all of whom must be non-executive directors and a majority of which must be independent directors. The members of the Audit and Compliance Committee must be appointed taking into account their knowledge or experience in accountancy, auditing (and, upon a potential Admission, risk management) standards.

The chairperson of the Audit and Compliance Committee is appointed by our Board of Directors among its independent members for a maximum term of four years and may only be re-elected as chairperson at least one year after his or her removal, although such person may continue being, or being re-elected, as member of the Audit and Compliance Committee. The secretary of our Board of Directors shall act as secretary of the Audit and Compliance Committee.

As of the date of this Registration Document, the members of the Audit and Compliance Committee are:

Name	Position/Title	Category
Mr. Jesús Tejel Giménez	Chairman	Independent
Mr. Félix Santiago Longás Lafuente...........................	Member	Independent
Mr. Jesús Máximo Bueno Arrese................................	Member	Proprietary
Mr. José Miguel Echarri Porta.....................................	Member	Proprietary
Mr. Vicente Evelio Cóndor López..............................	Member	Independent
Mr. Jesús Barreiro Sanz	Secretary	Non-Director

The Audit and Compliance Committee is responsible for:

- reporting to the general shareholders' meeting on any matters within the Audit and Compliance Committee's authority;
- supervising the efficiency and independence of our internal controls, internal audit and risk control and management functions, and discussing with our external auditors any significant weaknesses in the internal control systems identified during the audit process;
- monitoring the compliance with our Internal Code of Conduct, our Board Regulations and with any of our corporate governance regulations;
- overseeing the process of drafting and filing of our regulated financial information, supervising our accounts and its compliance with the accounting principles and report the proposals in relation to the adjustment of the accounting criteria;
- making proposals to the Board of Directors for submission to the general shareholders' meeting, regarding the appointment, re-election and substitution of the external auditors, the relevant terms and scope of work and preserving the independence of the auditors in the exercise of the audit works;
- liaising with our external auditors in order to receive information about any matters that might jeopardize such auditors' independence, any weaknesses in the internal controls and any other matters related to the audit process and to any other legal communications regarding the auditing and technical standards applied to auditing;
- supervising the fulfilment of the agreement with the external auditors;
- ensuring that the external auditors comply with the existing regulations in terms of provision of services different from the audit, the concentration limits of the external auditors business and in general all the regulations related to the independence of the external auditors;

- investigating the circumstances of the external auditors resignation, if applicable;
- notifying the CNMV by means of a communication of other relevant information (*comunicación de otra información relevante*) (unless it is considered inside information) the appointment of new external auditors and the existence of disagreements with the former external auditors, if applicable;
- prior to the completion of the auditors' report on the annual accounts, issuing an annual report containing the Audit and Compliance Committee's opinion on the independence of the appointed external auditors and describing any other services rendered by the external auditors or their related entities to us or our related entities;
- reporting on the related party transactions (*operaciones vinculadas*); and
- reporting in advance to the Board of Directors on any matters envisaged in the legislation, bylaws and the Board Regulations, and in particular, on the interim financial information to be disclosed periodically, on the incorporation or acquisition of equity interests in special purpose vehicles or companies incorporated in non-cooperative jurisdictions and on related party transactions.

In addition, upon a potential Admission, the Audit and Compliance Committee would be also responsible for:

- ensuring that the external auditor holds an annual meeting with the full Board of Directors to brief it on the work done and on the situation of our accounts and risks;
- overseeing the process of drafting and filing of our regulated financial and non-financial information;
- ensuring that employees and other parties related to the Company such as directors, shareholders, suppliers, contractors and subcontractors have methods to report, confidentially, potentially important irregularities, particularly of a financial and accounting nature, within the Company; and
- ensuring that our Board of Directors seeks to submit accounts to our shareholders without limits or qualifications in the audit report and that, in exceptional cases where there are qualifications, the chair of the Audit and Compliance Committee and the external auditors clearly explain to our shareholders the nature and scope of those limits or qualifications.

The Audit and Compliance Committee shall meet at least quarterly and every time its chairperson or the Audit and Compliance Committee itself considers it appropriate.

Appointments Committee

The composition, responsibilities and rules of the Appointments Committee are governed by the Spanish Companies Act, our bylaws and our Board Regulations.

The members of the Appointments Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Appointments Committee to have between three and five members, all of whom must be non-executive directors, and two of which must be independent directors.

The chairperson of the Appointments Committee is appointed by our Board of Directors among its independent members. The secretary of our Board of Directors shall act as secretary of the Appointments Committee.

As of the date of this Registration Document, the members of the Appointments Committee are:

Name	Position/Title	Category
Mr. Jesús Solchaga Loitegui..	Chairman	Independent
Mr. Félix Santiago Longás Lafuente...........................	Member	Independent
Ms. María Pilar Segura Bas	Member	Independent
Ms. Gabriela González-Bueno Lillo	Member	Independent
Mr. Jesús Barreiro Sanz	Secretary	Non-Director

The Appointments Committee is responsible for, among others:

- evaluating the competence, knowledge and experience required to the members of the Board of Directors. To this effect, it shall define the functions and aptitudes required from the candidates and evaluate the time and resources required for directors to carry out their tasks;
- setting diversity representation in the Board of Directors (and, upon a potential Admission, taking into account matters such as age, gender, disability, background or professional experience), and setting the procedures to accomplish such objectives;
- issuing to the Board of Directors the proposals for the appointment, re-election or removal of independent directors and other members of the Board of Directors;
- reporting on the members that should form each committee;
- reporting on the appointment or removal of the senior management and on the basic terms of senior management agreements;
- examining and organizing, in the most appropriate way, the replacement of the chairperson of the Board of Directors and of executive directors and, if applicable, making proposals to the Board of Directors in order for such replacements to take place in an orderly and well-planned manner.

The Appointments Committee shall meet every time its chairperson or the committee itself considers appropriate. In any case, the Appointments Committee shall meet at least quarterly and whenever the Board of Directors or its chairperson requests the preparation of a report or the adoption of a proposal.

Compensation Committee

The composition, responsibilities and rules of the Compensation Committee are governed by the Spanish Companies Act, our bylaws and our Board Regulations.

The members of the Compensation Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Compensation Committee to have between three and five members, all of whom must be non-executive directors, and two of which must be independent directors.

The chairperson of the Compensation Committee is appointed by our Board of Directors among its independent members. The secretary of our Board of Directors shall act as secretary of the Compensation Committee.

As of the date of this Registration Document, the members of the Compensation Committee are:

Name	Position/Title	Category
Mr. Jesús Solchaga Loitegui	Chairman	Independent
Mr. Félix Santiago Longás Lafuente............................	Member	Independent
Ms. María Pilar Segura Bas	Member	Independent
Ms. Gabriela González-Bueno Lillo	Member	Independent
Mr. Jesús Barreiro Sanz	Secretary	Non-Director

According to the Board Regulations, the Compensation Committee is entrusted with general powers to propose and report to the Board of Directors about any matters regarding compensation of the members of the Board of Directors. The Compensation Committee is responsible for, among others:

- making proposals to the Board of Directors on the compensation policies for directors and senior management, on the individual compensation to executive directors and the terms and conditions in their management agreements, and on the basic terms and conditions of the agreements;
- presenting to the Board of Directors, subject to its approval, the Directors' compensation policy that shall be made publicly available or provided to the regulatory authorities as well as the individual compensation and contractual conditions of executive directors;

- overseeing compliance with the compensation policies and the transparency in the compensation of the directors; and
- reviewing periodically the compensation policies of the directors and the senior management, ensuring that they are proportionate among the directors and senior management.

The Compensation Committee shall meet every time its chairperson or the committee itself considers appropriate. In any case, the Appointments Committee shall meet at least quarterly and whenever the Board of Directors or its chairperson requests the preparation of a report or the adoption of a proposal.

Large Risks and Solvency Committee

The composition, responsibilities and rules of the Large Risks and Solvency Committee are governed by Act 10/2014, our bylaws and our Board Regulations.

The members of the Large Risks and Solvency Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Large Risks and Solvency Committee to have between three and five members, all of whom must be non-executive directors and one third of which must be independent directors, including its chairperson.

The chairperson of the Large Risks and Solvency Committee is appointed by our Board of Directors among its independent members. The secretary of our Board of Directors shall act as secretary of the Large Risks and Solvency Committee.

As of the date of this Registration Document, the members of the Large Risks and Solvency Committee are:

Name	Position/Title	Category
Mr. Vicente Evelio Cóndor López..............................	Chairman	Independent
Mr. Jesús Máximo Bueno Arrese................................	Member	Proprietary
Mr. Jesús Tejel Giménez	Member	Independent
Ms. María Pilar Segura Bas	Member	Independent
Mr. Jesús Solchaga Loitegui.......................................	Member	Independent
Mr. Jesús Barreiro Sanz	Secretary	Non-Director

The Large Risks and Solvency Committee is responsible for, among others:

- suggesting to the Board of Directors the limits by type of risk and business to be established, including credit risk, concentration risk, market risk, liquidity risk, interest rate risk and currency risk;
- reporting to the Board of Directors the economic outlook assumptions used to determine the stress scenarios hypotheses that are used on capital planning;
- reporting, prior to its approval by the Board of Directors, our RAF and risk appetite statement, ensuring that both of them are consistent with our other policies and strategic frameworks;
- analyzing and evaluating our risk management (including tax risk) policies in terms of risk profile (expected loss) and profitability, and analyzing our exposures by business, customer and sector segments;
- analyzing and reviewing our risk oversight systems;
- proposing to the Board of Directors, when deemed appropriate, the measures to mitigate the impact of the risks that have been identified; and
- analyzing and assessing the level of equity and its forecasts over time, given different scenarios, and proposing measures it deems appropriate in order to strengthen our solvency, reporting on the capital adequacy policy.

In addition, upon a potential Admission the Large Risks and Solvency Committee would be also responsible for, among others:

- reporting the Recovery Plan;
- informing about the capital and liquidity self-evaluation reports and their amendments; and
- ensuring that the remuneration policy, and specifically the short and medium-term variable remuneration objectives, are consistent with our RAF.

The Large Risks and Solvency Committee shall meet every time its chairperson or the committee itself considers it appropriate. In any case, the Large Risks and Solvency Committee shall meet at least quarterly and whenever the board of directors or its chairperson requests the preparation of a report or the adoption of a proposal.

Strategy Committee

The composition, responsibilities and rules of the Strategy Committee are regulated by our Board Regulations.

The members of the Strategy Committee are appointed by our Board of Directors among its members. Our Board Regulations require the Strategy Committee to have between three and five members.

The chairperson of the Strategy Committee is appointed by our Board of Directors among its members. The secretary of our Board of Directors shall act as secretary of the Strategy Committee.

As of the date of this Registration Document, the members of the Strategy Committee are:

Name	Position/Title	Category
Mr. Francisco Serrano Gill de Albornoz	Chairman	Proprietary
Mr. José Miguel Echarri Porta	Member	Proprietary
Mr. Félix Santiago Longás Lafuente	Member	Independent
Mr. Luis Enrique Arrufat Guerra	Member	Proprietary
Mr. Jesús Solchaga Loitegui	Member	Independent
Mr. Jesús Barreiro Sanz	Secretary	Non-Director

According to the Board Regulations, the Strategy Committee focuses on reporting to the Board of Directors about our strategic policy, ensuring that there is a specific organization for its implementation. In particular, the Strategy Committee is responsible for, among others:

- informing about our strategic plan, monitoring it and reporting to the Board of Directors;
- reporting our annual budget;
- reporting the strategic direction of our specific and overall goals related to the strategic plan and its annual budget;
- reporting to the Board of Directors on issues of strategic importance, including those that may affect the shareholder structure or those that may open new national or international financial markets;
- informing about the outsourcing policy of services and activities; and
- informing about the policy to approve new products while developing new markets, products or services, and significant changes in those already existing.

In addition, upon a potential Admission, the Strategy Committee would be also responsible for, among others, ensuring compliance with internal codes of conduct, the code of ethics and CSR policy.

The Strategy Committee shall meet every time its chairperson or the committee itself considers it appropriate. In any case, the Strategy Committee shall meet at least quarterly.

Conflicts of Interest

As of the date of this Registration Document, none of the members of our Board of Directors nor of our senior management has reported a conflict of interest situation with the Company nor with any company of the Group. Similarly, no conflicts of interest due to any personal action or that of others that are alike, similar or complementary to that of the corporate purpose of the Company have been reported.

The mechanisms to detect, determine and resolve potential conflicts of interest between us and our directors or senior managers are regulated in the Spanish Companies Act, our Board Regulations, our suitability and diversity assessment policy and the Ibercaja Foundation Protocol.

Pursuant to the Spanish Companies Act and the Board Regulations, directors have, among others, the obligation to perform their office with the loyalty of a true representative, acting in good faith and in the Company's best interests, not to exercise their powers for different purposes others than those for which they have been empowered, to perform their duties under the principle of personal responsibility with freedom of judgment or criteria and independence from instructions and relationships from third parties and not to participate in the deliberations and votes of agreements or resolutions in which they or a person related to them have a conflict of interest.

The Spanish Companies Act and the Board Regulations establish the duty of the director not to carry out personal transactions with the Company or other Group companies, save for ordinary transactions to be made under standard conditions or those of little relevance and develop activities, either personally or for another person, which imply an effective competition. Likewise, the Spanish Companies Act and the Board Regulations establish that the directors cannot take advantage, for their own benefit, of any of our business opportunities, make use of our assets for private purposes, take advantage of their positions in the Company to obtain economic advantages, and to obtain advantages or remuneration from third parties other than the Company and the Group associated with the performance of their duties. These obligations also apply to the directors' related parties, as defined in the Board Regulations. Directors must inform the Board of Directors of any conflict that they or their related parties could have with the interests of the Company or any Group company, as well as of all of their positions and activities in other companies and, in general, of every situation that could be of relevance for their role as director of the Company.

As of the date of this Registration Document, the Ibercaja Foundation is our majority shareholder and holds 88.04% of our share capital. According to our bylaws and our General Shareholders' Meeting Regulations, as long as any banking foundations shareholder holds a number of Shares that exceeds 40% of our share capital after a potential Admission and it does not establish a reserve fund on the terms established by the Banking Foundations Act, it cannot, individually, together with the companies belonging to its group or with persons acting in coordination with it, cast votes representing more than 40% of the voting share capital determined pursuant to the rules established in our bylaws and our General Shareholders' Meeting Regulations.

Under the terms of the Ibercaja Foundation Protocol, the Ibercaja Foundation has the ability to propose a number of members of the Board of Directors that shall be proportional to its stake in the Company. The governing body of the Ibercaja Foundation is the body through which the political rights of the Ibercaja Foundation in the Company are exercised.

In any case, pursuant to the Banking Foundations Act, directors proposed by the Ibercaja Foundation shall comply with the principles of honorability, knowledge, experience and good governance required pursuant to banking regulations and the suitability and diversity policy in force. In June 2018, we approved a new policy for the evaluation of the suitability of the members of the Board of Directors and key employees which supplements our bylaws and internal regulations and incorporates the applicable regulatory standards, in particular, to the members of the Board of Directors. Consequently, the verification of the suitability of the members proposed by the governing body of the Ibercaja Foundation shall be performed within this framework.

Internal Code of Conduct

On February 10, 2017, our Board of Directors approved the internal securities markets code of conduct (*Reglamento Interno de Conducta en los Mercados de Valores*) (the "**Internal Code of Conduct**") which was reviewed and updated on May 27, 2021 and on January 14, 2022. The Internal Code of Conduct regulates, among other things, our directors' and managers' conduct with regard to the treatment, use and disclosure of inside information. The Internal Code of Conduct applies to, among other persons, all members of the Board of Directors, the management team and employees who have access to inside information.

The Internal Code of Conduct, among other things:

- establishes the restrictions on, and conditions for, the purchase or sale of our securities or other financial instruments by persons subject to the Internal Code of Conduct, and by those who possess inside information;
- provides that persons subject to the Internal Code of Conduct shall not engage in market manipulation with respect to our securities or other financial instruments; and
- provides that persons subject to the Internal Code of Conduct report potential conflicts of interest to the regulatory compliance department.

Although Royal Decree 217/2008 of February 15, regarding the legal regime applicable to investment firms and other entities that provide investment services (*Real Decreto 217/2008 de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005, de 4 de noviembre*) has been repealed and therefore, we are not legally required to have an internal securities markets code of conduct, we have kept our Internal Code of Conduct in force as a good practice in order to prevent market abuse practices, according to the Market Abuse Regulation.

Corporate governance legal provisions and recommendations

The Spanish Companies Act sets out certain legal provisions related to corporate governance mandatorily applicable to Spanish listed companies on the Spanish Stock Exchanges (such as the Company upon a potential Admission). Although as of the date of this Registration Document such legal provisions are not applicable to us, we believe that we comply with the requirements of the Spanish Companies Act.

Additionally, the Spanish Corporate Governance Code for Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*) approved by the CNMV in February 2015, as amended in June 2020 (the "**Corporate Governance Code**") sets out certain recommendations on corporate governance to be considered on a "comply or explain" basis by the companies listed on the Spanish Stock Exchanges that would be applicable to the Company upon a potential Admission. Although as of the date of this Registration Document the Corporate Governance Code is not applicable to us, we believe that we comply with substantially all the recommendations of the Corporate Governance Code. In particular, as of the date of this Registration Document, we comply with recommendations: 1, 2, 5, 8, 9, 10, 12, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61 and 63.

As of the date of this Registration Document our corporate governance practices depart from the recommendations described below:

- Recommendation 3: During the General Shareholders Meetings, the President of our Board of Directors does not verbally inform the shareholders of the most relevant aspects regarding corporate governance including any changes since the previous meeting or the reasons for not complying with the recommendations of the Corporate Governance Code, since they are not applicable to the Company as of the date of this Registration Document. However, upon a potential Admission, we expect to comply with this recommendation;

- Recommendation 4: As of the date of this Registration Document, our Board of Directors has not approved a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations. However, our Board of Directors will consider the approval of such policy after a potential Admission and will inform about compliance of this recommendation in our first annual corporate governance report as a listed company upon a potential Admission;
- Recommendation 6: As of the date of this Registration Document, we prepare the relevant reports referred to in this recommendation (report on auditor independence, reports of the operation of the Audit and Compliance Committee, the Appointments Committee and the Compensation Committee and report on related party transactions) but we do not publish them. However, upon a potential Admission we would make these reports available to the public to comply with this recommendation;
- Recommendation 7: Taking into consideration the composition of our shareholding with only four shareholders (see "*Principal Shareholders*"), we have not put in place the mechanisms contemplated in this recommendation for the development of our General Shareholders Meeting. However, upon a potential Admission, our General Shareholders' Meeting Regulations would contemplate these mechanisms to comply with this recommendation;
- Recommendation 15: As of the date of this Registration Document, female directors represent 18.2% of the members of the Board of Directors (with 40% being the target minimum number of female directors recommended by the Corporate Governance Code by the end of 2022). However, our Board of Directors will consider the necessary amendments to the Board of Directors' composition in the future;
- Recommendation 27: Although the number of absences of the members of our Board of Directors is very small, we do not disclose this information in our annual corporate governance report. However, upon a potential Admission, we would disclose this information in our first annual corporate governance report as a listed company to comply with this recommendation;
- Recommendation 62: In accordance with our Remuneration Policy (as defined below), 60% of the Short-term Variable Component (as defined below) of our Chief Executive Officer is deferred for a period of five years and is delivered proportionally during such period. The Chief Executive Officer will receive 50% of the non-deferred Short-term Variable Component (i.e. 20% of the Short-term Variable Component) and 55% of the deferred Short-term Variable Component (i.e. 33% of the Short-term Variable Component) in instruments linked to the Company's performance and value ("**Phantom Shares**"). The Phantom Shares will be subject to a retention period of one year since the moment they are awarded after which they will be settled.

  In addition, pursuant to our Incentive Plan (as defined below), 55% of the Incentive (as defined below) that would correspond to our Chief Executive Officer would be paid in Phantom Shares as well, subject to a deferral period of up to five years and subject to an additional retention period of one year.

  To the extent that, according to our Remuneration Policy, 20% of the Short-term Variable Component of our Chief Executive Officer's compensation is paid in Phantom Shares subject to a one-year retention period after which the Phantom Shares will be settled at their net book value (see " – *Compensation of the Chief Executive Officer*" and "*Management Incentive Plans*"), we are not compliant with this recommendation which states that executive directors should not be able to transfer the ownership of any financial instruments received under remuneration schemes at least until a period of three years from the delivery of the instruments has elapsed. However, this remuneration scheme is compliant with the EBA guidelines on sound remuneration policies; and
- Recommendation 64: To the extent that our Chief Executive Officer is entitled to receive a compensation for termination of his mercantile contract equal to an amount twice his annual fixed remuneration in certain termination events and, upon termination of his appointment, our Chief Executive Officer is entitled to an additional compensation for the non-compete obligation which

will be equivalent to an amount twice his annual fixed remuneration. See "—*Compensation of the Chief Executive Officer*", we are not compliant with this recommendation which provides that termination payments (which for these purposes include any amounts paid under post-contractual non-compete agreements) should not exceed an amount equivalent to two years of the relevant director's total annual remuneration.

This remuneration scheme is compliant with the EBA guidelines on sound remuneration policies.

Upon a potential Admission, our corporate governance practices would depart from the recommendations described below:

- Recommendation 1: Our bylaws and the regulations governing our general shareholders' meeting (the "**General Shareholders' Meeting Regulations**") would limit the number of votes that can be cast by shareholders that are considered "banking foundations" and do not establish the corresponding reserve fund under the Banking Foundation Act to 40% of our share capital (see "*Description of share capital – General shareholders' meeting and voting rights – Attendance and voting rights*");
- Recommendation 10: Our General Shareholders' Meeting Regulations would establish different rules with regards to presumptions or deductions about the direction of votes for (a) proposals to the agenda of the General Shareholders' Meeting made or assumed by the Board of Directors and (b) proposals to the agenda of the General Shareholders' Meeting not made or assumed by the Board of Directors (see "*Description of Share Capital – Holding a general shareholders' meeting and adopting resolutions*"). To the extent that those proposals made by any shareholder by way of supplement of the agenda would not have the same treatment as for those submitted by the Board of Directors, we would not comply with this recommendation which provides, among others, that the Company should apply the same voting rules to the items or alternative proposals made by a shareholder than to those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of vote.

In addition, the following recommendations do not apply to us as of the date of this Registration Document and would not be applicable to us upon a potential Admission:

- Recommendation 11: Not applicable as we do not envisage the payment of attendance fees for attending shareholders' meetings; and
- Recommendation 34: Not applicable as we do not have a coordinating director (*consejero coordinador*) given that our chairperson is a non-executive director.

Control of financial information system and risk control and management policy

The Board of Directors and our senior managers are aware of the importance of ensuring that the financial information disclosed to the market is reliable and, therefore, they are fully involved in the development of the internal control of financial information (*Sistema de Control de la Información Financiera* or "**SCIIF**").

The Board of Directors takes responsibility for establishing and overseeing risk control and information systems, as formally stated in the Board Regulations, the SCIIF falling within this responsibility.

Our senior management is also responsible for drawing up and implementing the SCIIF through the management analysis and corporate information department.

Finally, the Audit and Compliance Committee, under the Board Regulations, has been delegated the following core responsibilities in connection with information systems, internal control and financial information:

- On internal control and information systems, checking the appropriateness and integrity of internal control systems, ensuring the efficiency of risk management and internal control systems, including tax risks, periodically checking these, so that main risks are identified and any significant weaknesses in internal control systems identified in the audit are managed and duly reported to and discussed with the statutory auditor.

- On financial information, knowing and supervising the process of preparing and presenting our statutory financial and, where applicable, that of our Group, as well as its completeness, checking that regulatory requirements are met, that the scope of consolidation is properly delineated and that accounting standards are duly applied; checking our accounts, overseeing compliance with legal requirements and proper application of generally accepted accounting practice, as well as reporting suggested changes to accounting standards and principles made by management; checking the periodic financial information that the board must provide to the markets and market regulators, and in particular, the information not covered by the statutory audit contained in the Pillar III disclosures; knowing and overseeing the preparation of statutory financial information that we must make public periodically and ensuring that interim statements are drawn up with the same accounting standards as the annual statements and, to that end, considering the appropriateness of a limited review by the external auditor.

We have an organizational structure that ensures effective risk control and management. See "*Risk Management*".

Senior management

Aside from our Board of Directors, we are managed on a day to day basis by the senior management team.

The following table sets out the names of the members of the senior management team and their respective ages and positions as of the date of this Registration Document. The members of our senior management team have extensive knowledge and experience in the financial industry.

Name	Age	Position/Title	Joined the Group in
Mr. Víctor Manuel Iglesias Ruiz	55	Chief Executive Officer	1989
Mr. Rodrigo Galán Gallardo..............	65	Deputy Chief Executive Officer and Deputy Head-Chief of Human Resources Officer	1995
Mr. Jesús Sierra Ramírez....................	52	General Secretary	1993
Mr. José Ignacio Oto Ribate	55	General Deputy Head-Chief Branch Network Officer	1990
Mr. Antonio Martínez Martínez..........	43	General Deputy Head-Chief Financial Officer	2001
Ms. María Raquel Martínez Cabañero	47	General Deputy Head-Chief Credit Risk Officer	1997
Mr. José Palma Serrano	51	Chief Resources, Operations and Technology Officer	1994
Ms. Ana Jesús Sangrós Orden	53	Deputy Head-Chief of Control Officer	1994
Mr. Ignacio Torre Solá.......................	41	Chief Marketing Officer and Digital Strategy	2007
Mr. Luis Miguel Carrasco Miguel	49	Deputy General Manager and Head of Financial Group	2013
Ms. María Teresa Fernández Fortún...	53	General Deputy Head-Business Banking Officer	1991
Mr. Ángel Serrano Villavieja.............	46	General Deputy Head-Chief Audit Officer	2008

All members of our senior management team designate our registered address as their professional address for the purposes of this Registration Document.

Biographical information for each of the senior managers, including a brief description of each person's business experience and education, is presented below:

Mr. Víctor Manuel Iglesias Ruiz

See "—*Directors*" above.

Mr. Jesús Sierra Ramírez

Mr. Jesús Sierra Ramírez joined the Company in February 1993. He has been appointed to several positions in the Legal Department, being in charge of the Legal Department of Ibercaja´s Northern Territorial Division from February 2000 to February 2003, and of Ibercaja´s Retail Business from February 2003 to July 2013. Since July 2013 he is the Director of the Legal Department of the Company and in April 2022 he was appointed General Secretary. He is a practicing lawyer since 2003 and also a member of the board of directors and secretary of several companies such as Ibercaja Leasing, Ibercaja Gestión and Aramón Montañas de Aragón, S.A.

Mr. Jesús María Sierra Ramírez holds a bachelor's degree in Law from the University of Zaragoza (1992).

Mr. Luis Miguel Carrasco Miguel

Mr. Luis Miguel Carrasco Miguel was Managing Director of Banco Caja3 until its absorption by the Company. He held various senior management positions before joining the Company and he was appointed by the Board of Directors to take charge of our real estate management. He currently holds the position of Deputy General Manager and Head of the Financial Group. Before, from October 2013 until January 2021, he held the position of Director of the Real Estate Department.

Mr. Luis Miguel Carrasco Miguel holds a bachelor's degree in Economics from the University of Zaragoza (1995).

Mr. José Ignacio Oto Ribate

Mr. José Ignacio Oto Ribate joined the Company in June 1990 and has, since then, been appointed to several positions in our central services. In November 2011, he was appointed Director of Marketing and Multichannel Banking, and in February 2015, he was appointed as Deputy Manager and Director of Marketing and Omni-channel Banking. In March 2017, he was appointed Deputy General Manager and Director of the Branch Network Department.

Mr. José Ignacio Oto Ribate holds a bachelor's degree in Law from the University of Zaragoza (1990) and a master's degree in Digital Marketing from ESIC (2016).

Mr. Antonio Martínez Martínez

Mr. Antonio Martínez Martínez joined the Capital Markets Department of the Company in March 2001. He has been appointed to various positions in the Company's central services for capital markets. In May 2007, he was appointed Head of the Technical, Strategy and Quality Office and he was promoted to Manager in October 2011. In July 2013, he was given special leave to join Banco Caja3 and returned as Director of Corporate Strategy in October 2014. In February 2015, he was appointed Deputy Manager and Director of the Finance Division, a position that he currently holds. In March 2017, he was appointed Deputy General Manager. In January 2021, the competencies of the Financial Division were expanded to include the former Corporate Information Department (now the Management Analysis and Corporate Information Department).

Mr. Antonio Martínez holds a bachelor's degree in Business Management and Administration (1999) and in Law (2002) from the University of Zaragoza.

Ms. María Raquel Martínez Cabañero

Ms. María Raquel Martínez Cabañero joined the Company in August 1997. She has held various positions in the Company such as Head of Macroeconomic and Sectorial Analysis. In May 2007, she was appointed Director of Capital Markets; in February 2015, Deputy Manager and Director of the Credit Risk Department; and in March 2017, Deputy General Manager and Director of the Credit Risk Department.

Ms. María Raquel Martínez Cabañero holds a bachelor's degree in Business Administration from the University of Zaragoza (1996).

Mr. José Palma Serrano

Mr. José Palma Serrano joined the Company in February 1994 in the Securities and Trades Unit within the Capital Markets department. In July 2004, he was appointed Technical, Strategy and Quality Secretary; in May 2007, Director of Investment Loans; and, in October 2011, Deputy General Manager of the Credit Risk Department. In February 2015, he was appointed Chief Resources, Operations and Technology Officer.

Mr. José Palma Serrano holds a bachelor's degree in Economics from the University of Zaragoza (1992).

Ms. María Teresa Fernández Fortún

Ms. María Teresa Fernández Fortún joined the Company in January 1991 as an intern and later as an employee at the Company's branches in Huesca. She has held various positions in the Huesca regional office Risks Department, such as Risks Analyst, Reverse Factoring Officer in the SMEs/Businesses Unit, Head of Sales for the SMEs Branch Network, Business Marketing Officer and Business Management Officer. In September 2009, she was appointed Director of Social and Cultural Projects, and in October 2011 she applied for special leave at the Company to continue providing her services at the Ibercaja Foundation as Director of Social Projects. In June 2015, she was appointed Director of the Human Resources, with the category of Deputy Manager until January 2021, when she was appointed General Deputy Head-Business Banking Officer.

Ms. María Teresa Fernández Fortún holds a bachelor's degree in Law from the University of Zaragoza (1990), a master's degree in European Communities and European Union from the Real Instituto de Estudios Europeos (1993), a bachelor's degree in Economics from the University of Zaragoza (1999) and a master's degree in Digital Marketing from ESIC (2016). She also completed a course in Economic and Financial Management at CEPYME Aragonesa (1998) and an Advanced Management Program at IE Business School (2014).

Mr. Ignacio Torre Solá

Mr. Ignacio Torre Solá joined the Company in September 2007 as an employee in the Technical, Strategy and Quality Office. In December 2011 he was appointed Innovation and Excellence Officer and in April 2015, Head of the Technical Office. In March 2017 he was appointed Director of Marketing and Digital Strategy.

Mr. Ignacio Torre Solá holds a bachelor's degree in Industrial Engineering from the University of Zaragoza (2004). He also completed a Senior Management Program in Digital Business at ESIC (2014).

Mr. Rodrigo Galán Gallardo

Mr. Rodrigo Galán Gallardo joined the Group in December 1995 as Managing Director of Ibercaja Vida and he held various senior management positions before joining the Company in March 2015 as Deputy Manager and Head of Finance. From May 2008, he combined these duties with those of Managing Director of Ibercaja Pensión and later he was also appointed as a member of the board of Ibercaja Mediación. In January 2021, he was appointed Deputy Chief Executive Officer and in April 2022 he was appointed Deputy Head-Chief of Human Resources Officer.

Mr. Rodrigo Galán Gallardo holds a bachelor's degree in Economics from the Complutense University of Madrid (1980).

Ms. Ana Jesús Sangrós Orden

Ms. Ana Jesús Sangrós began her professional career at Arthur Andersen. She joined the Company in February 1994 at the Madrid regional office in the Risks Unit and she has held various positions and offices at the Company. She was appointed Financial Audit Officer in 2001, Risk Control Officer in 2003, Head of Risk Control in 2005 and Head of Model Validation in 2008. In March 2016, she was appointed Director of Management Monitoring in the Control Department and, in March 2017, she was appointed Director of the

Management Analysis and Corporate Information Department. In April 2022, she was appointed Deputy Head-Chief of Control Officer.

Ms. Ana Jesús Sangrós holds a bachelor's degree in Business Administration from the University of Zaragoza (1990). She completed the executive development programme (*Programa de Desarrollo Directivo, PDD*) at the IESE Business School (2016) and is a chartered accountant registered at the ROAC.

Mr. Ángel Serrano Villavieja

Mr. Ángel Serrano Villavieja joined the Company in July 2008 as Head of Risk Control. He was appointed Director of Audit and Control in October 2011 and Deputy Manager in February 2015.

Mr. Ángel Serrano Villavieja holds a bachelor's degree in Business Administration from the University of Zaragoza (1997).

The following table sets out all entities, if any, in which the senior managers have been appointed as members of the administrative, management or supervisory bodies or in which they have held partnership positions at any time during the five-year period preceding the date of this Registration Document, indicating whether or not each person is still a member of any such bodies or holds any shareholdings in any such entities:

Senior management member	Entity	Sector	Position/ Title	In office	Current partnership
Mr. Víctor Manuel Iglesias Ruiz. See "—*Directors*" above					
Mr. Jesús Sierra Ramírez............	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Vida (Group company)	Insurance	Director	Yes	No
	Ibercaja Gestión (Group company)	Financial	Director	No	No
	Fomento y Desarrollo del Valle de Benasque, S.A.	Transportation	Director	Yes	No
	Nieve de Teruel, S.A.	Transportation	Director	Yes	No
	Aramón Montañas de Aragón, S.A.	Financial	Director	Yes	No
Mr. Luis Miguel Carrasco Miguel	Cerro Murillo (Group company)	Real Estate	Chairman	Yes	No
	Residencial Murillo (Group company)	Real Estate	Chairman	Yes	No
	Inmobinsa, Inversiones Inmobiliarias, S.A. (Group company)	Real Estate	Chairman	Yes	No
	Ibercaja Gestión (Group company)	Financial	Director	Yes	No
	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Mediación (Group company)	Insurance	Director	Yes	No
	Ibercaja Vida (Group company)	Insurance	Director	Yes	No
	Ibercaja Pensión (Group company)	Financial	Director	Yes	No

Senior management member	Entity	Sector	Position/ Title	In office	Current partnership
	Ibercaja Global International SICAV (Group Company)	Financial	Director	Yes	No
	Iuncus Inversiones, S.L.	Holding	No	No	25%
Mr. José Ignacio Oto Ribate	Ibercaja Gestión (Group company)	Financial	Director	Yes	No
	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Mediación (Group company)	Insurance	Director	Yes	No
	Ibercaja Vida (Group company)	Insurance	Director	Yes	No
	Ibercaja Pensión (Group company)	Financial	Director	Yes	No
	Viacajas, S.A.	Financial	Director	Yes	No
	E6K Servicios de Valor Añadido, S.L.	Financial	Director	Yes	No
	Sistemas de Tarjetas y Medios de Pago, S.A.	Payment methods	Director	No	No
	Servicios a Distancia IBD, S.L. (Group company)	Administrative	Director	Yes	No
	Aramón Montañas de Aragón, S.A.	Financial	Director	Yes	No
	Formigal, S.A.U.	Logistics	Director	Yes	No
	Nieve de Teruel, S.A.	Transportation	Director	Yes	No
	Bizum, S.L.	Financial	Director	No	No
	Panticosa Turística, S.A.	Logistics	Director	Yes	No
Mr. Antonio Martínez Martínez ..	Ibercaja Vida (Group company)	Insurance	Director	Yes	No
	Ibercaja Cajaragón, S.A.U. (Group Company)	Financial	Director	Yes	No
	Henneo Media, S.A.	Media	Director	Yes	No
Ms. María Raquel Martínez Cabañero	Ibercaja Leasing (Group company)	Financial	Chairwoman	Yes	No
	Ibercaja Pensión (Group company)	Financial	Director	Yes	No
Mr. José Palma Serrano...............	Ibercaja Gestión (Group company)	Financial	Director	Yes	No
	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Vida (Group company)	Insurance	Director	Yes	No
	Radio Huesca, S.A.	Media	Director	No	No

Senior management member	Entity	Sector	Position/ Title	In office	Current partnership
	Servicios a Distancia IBD, S.L. (Group company)	Administrative	Director	Yes	No
	Mastercajas, S.A.		Director	Yes	No
	Sociedad Española de Sistemas de Pago, S.A.	Payment methods	Director	No	No
	Publicaciones y Ediciones del alto Aragón, S.A.	Media	Director	Yes	No
Ms. María Teresa Fernández Fortún	Ibercaja Gestión (Group company)	Financial	Director	Yes	No
Mr. Ignacio Torre Solá	Ibercaja Mediación (Group company)	Insurance	Director	Yes	No
	Ibercaja Connect (Group company)	Financial	Director	Yes	No
	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Pensión (Group company)	Finance	Director	Yes	No
Mr. Rodrigo Galán Gallardo	CAI Seguros Generales, S.A.	Insurance	Director	No	No
	Ibercaja Gestión (Group company)	Financial	Director	Yes	No
	Ibercaja Global International (Group company)	Financial	Director	No	No
	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Mediación (Group company)	Insurance	Director	Yes	No
	Ibercaja Patrimonios (Group company)	Finance	Director	No	No
	Ibercaja Pensión (Group company)	Finance	Director	Yes	No
	Ibercaja Vida (Group company)	Insurance	Chairman	Yes	No
Ms. Ana Jesús Sangrós Orden	Ibercaja Mediación (Group company)	Insurance	Director	Yes	No
	Ibercaja Gestión (Group company)	Finance	Director	Yes	No
	Ibercaja Leasing (Group company)	Financial	Director	Yes	No
	Ibercaja Vida (Group company)	Insurance	Director	Yes	No
Mr. Ángel Serrano Villavieja	CASER	Insurance	Director	No	No

Notes:—

(1) Members of the senior management who do not hold partnership positions in any entity as of the date of this Registration Document did not held partnership positions in any entity at any time during the five year period preceding the date of this Registration Document.

Compensation of directors

Article 34 of our bylaws and the Board Regulations provide a remuneration system for all members of our Board of Directors and another remuneration system for our Chief Executive Officer.

Compensation by reason of the office as a member of the Board of Directors

According to our bylaws and the Board Regulations, members of our Board of Directors shall be remunerated. The compensation of the members of our Board of Directors shall consist of (i) attendance allowances for the attendance at Board of Directors' meetings and Board of Directors committees' meetings (notwithstanding reimbursement of related expenses), (ii) an annual remuneration to be determined by the Board of Directors for those members who have special duties and (iii) the insurance policies that may be applicable from time to time.

The maximum annual compensation amount that all the members of our Board of Directors, in aggregate, shall receive as remuneration shall be determined by our shareholders at the general shareholders' meeting.

Unless decided to the contrary by the general shareholders' meeting, our Board of Directors shall determine the exact amount to be paid within the limit approved by the general shareholders' meeting, the distribution thereof among the members, the frequency of the compensation collections and other objective circumstances which may be deemed relevant.

The remuneration policy of the members of the Board of Directors shall always be reasonably proportional to our economic situation and market standards. The remuneration system shall be aimed to enhance long-term profitability and sustainability and shall include the necessary precautions to avoid assumptions of excessive risk.

The remuneration policy for the members of the Board of Directors shall be set within the compensation system provided for in our bylaws, as described above, and shall be approved by the general shareholders' meeting at least every three years as a separate item in the agenda.

In accordance with the above, our general shareholders' meeting, upon the proposal of our Board of Directors previously informed by the Compensation Committee and by our Risk Control Division, approved on April 15, 2021 and reviewed and updated on January 14, 2022, the remuneration policy for the members of our Board of Directors for a three-year period, in accordance with the applicable corporate and banking regulations (the "**Remuneration Policy**").

None of the members of our Board of Directors has entered into service contracts with us or any of our subsidiaries providing for benefits upon termination of its service, other than the Chief Executive Officer, as described in "*—Compensation of the Chief Executive Officer*" below.

On April 15, 2021, our general shareholders' meeting set at €2 million the maximum annual compensation amount payable to the members of the Board of Directors in aggregate, including all remuneration concepts to be received in aggregate by all the members of our Board of Directors (including our Chief Executive Officer).

The general parameters of the compensation of the members of our Board of Directors are the following:

- All members of the Board of Directors, in their capacity as such (regardless of their position), receive attendance fees for attending the meetings of the Board of Directors and Board of Directors' committees of which they are members (€700 gross per meeting).
- Each of the chairman of the Audit and Compliance Committee and the chairman to the Large Risks and Solvency Committee receives a gross fixed annual amount of €45,600 by reason of their chairmanship.
- The chairman of the Appointments Committee and the Compensation Committee receives a gross fixed annual amount of €30,400 by reason of both chairmanships, as they are concentrated in the same person.

Each of the Chairman of the Delegated Committee and of the Strategy Committee (who is the chairman of the Board of Directors) waived to receive compensation for the chairmanship of these committees.

- The chairman of the Board of Directors receives a fixed annual remuneration of approximately €360,000.
- The vice-chairman of the Board of Directors receives no annual fixed remuneration other than the attendance fees referred to above.
- The only compensation in kind received by the members of our Board of Directors are the life, health and accident insurance premiums arranged by Ibercaja Banco in their favor.
- The members of our Board of Directors are not beneficiaries of pension plans by reason of their position.
- The Chief Executive Officer is the only member of the Board of Directors who is entitled to receive a variable remuneration including the participation in the Incentive Plan (as defined below). See "*Compensation of the Chief Executive Officer*".

For 2022, the estimated cost of our Board of Directors' compensation in aggregate would be similar to the cost incurred in 2021 assuming the same level of achievement of the objectives (see "*Compensation of the Chief Executive Officer*" and "*Compensation of non-executive directors*"). It will be subject to the maximum annual compensation amount payable to the members of the Board of Directors in aggregate, including all remuneration concepts to be received in aggregate by all the members of our Board of Directors' (including our Chief Executive Officer), which is currently €2 million as approved by our General Shareholders' Meeting. In particular, the estimated cost of the fixed remuneration of our non-executive chairman in 2022 is expected to amount to €361,000, the attendance fees per meeting of the Board of Directors and the Board of Directors' committees to all members of the Board of Directors is expected to amount to €700 per meeting and the aggregate fixed remuneration per chairmanships of all Board of Directors' committees is expected to amount to €121,600. However, the estimated cost of our Board of Directors' compensation in 2022 will be subject to potential variations in the variable remuneration of the Chief Executive Officer as it is linked to the achievement of certain objectives, any substantial increase in the number of meetings of the Board of Directors or the Board of Directors' committees or any potential change in the structure of directors' remuneration which would have to be approved by the General Shareholders' Meeting.

Compensation of the Chief Executive Officer

According to our bylaws and the Remuneration Policy, the remuneration of the Chief Executive Officer consists of:

a) a fixed component, suitable for its duties and responsibilities, up to a maximum of €400,000 per annum (as updated pursuant to the consumer price index - CPI);

b) allowances for the attendance at governing bodies' meetings;

c) a variable remuneration, which will depend on an indicator of its performance or the Company's performance (based on annual and pluriannual indicators) as approved by the Board of Directors at any moment.

Our Board of Directors, previously informed by the Compensation Committee, will set and annually review, the proportion of the variable component of its remuneration to the fixed component (which is 40% for 2021 and it is not expected to change for 2022), as well as the weighting of the applicable global objectives and specific objectives (the "**Short-term Variable Component**").

For 2021, the Short-term Variable Component of our Chief Executive Officer's remuneration has been determined pursuant to the valuation of the following global objectives:

(i) CET1 ratio objective;

(ii) Profitability objectives: including objectives in terms of (a) financial products margin, (b) recurring revenues and (c) operating expenses;

(iii) doubtful assets management objectives;

(iv) customer-related objectives: including objectives in terms of (a) customer acquisition levels in the different customer segments, (b) customer linking and (c) customer experience; and

(v) "Desafío 2023" Strategic Plan key milestones.

According to our Remuneration Policy, 60% of the Short-term Variable Component of the remuneration is deferred for a period of five years and is delivered proportionally during such period.

According to applicable laws, the Chief Executive Officer may receive part of the variable remuneration by means of instruments linked to the stock price of the Company's shares. According to our Remuneration Policy, the Chief Executive Officer will be awarded annually 50% of the non-deferred Short-term Variable Component and 55% of the deferred Short-term Variable Component (which together would represent 53% of the Short-term Variable Component) in Phantom Shares, which are subject to a retention period of one year since the moment they are awarded.

The number of Phantom Shares to be awarded annually will be determined by dividing the amount under the Short-term Variable Component payable in Phantom Shares by each Phantom Share net book value[105] at the time of award (coinciding with the payment of the non deferred cash Short-term Variable Component).

After the one year retention period, the Phantom Shares will be settled (i.e., converted and delivered in cash to the Chief Executive Officer) at their net book value[106] at the time of settlement.

The Short-term Variable Component is subject to the clawback and malus provisions described in the Remuneration Policy.

In addition, our Chief Executive Officer participates in the Incentive Plan (as defined below). No amounts will be accrued in favour of the Chief Executive Officer under the Incentive Plan until December 31, 2023 (see " – *Management Incentive Plans*").

The variable remuneration under the Short-term Variable Component and any amounts received annually under the Incentive Plan (as defined below) shall not exceed 200% of our Chief Executive Officer's gross annual fixed component, as approved by our Board of Directors on April 15, 2021. In addition, the total amount received by the Chief Executive Officer under the Incentive shall not exceed 150% of its gross annual fixed component;

d) insurance policies and social welfare systems;

e) contributions to pension plans; and

f) compensation in case of termination of his relationship with us (other than breach of contract by the Chief Executive Officer).

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[105] The net book value of the Phantom Shares is calculated as the Company's own funds divided by the total number of shares in the Company's share capital according to the last audited annual accounts of the Company.

[106] The net book value of the Phantom Shares is calculated as the Company's own funds divided by the total number of shares in the Company's share capital according to the last audited annual accounts of the Company.

Our Chief Executive Officer is entitled to receive a compensation for termination of his mercantile contract equal to an amount twice his annual fixed remuneration if the termination is due to any of the following cases: (i) his unilateral decision to terminate his appointment if such decision is based on a serious or negligent breach of the Company's obligations or if there his functions or powers are substantially diminished, (ii) at the free will of the Company for any cause (except if termination is due to a serious or negligent breach of the Chief Executive Officer' duties), or (iii) at his option if there is a change of control of the Company and he is not ratified in his office within a month following the date of such change of control. The part of the compensation exceeding the minimum amounts provided by applicable law will be subject to *malus* provisions and the same deferral conditions as the Short-term Variable Component. Upon termination of his contract in case of death, retirement, situation comparable to retirement or severe disability or total and permanent disability for his own or any occupation, the Chief Executive Officer or his successors will be entitled to the benefits derived from our employees' pension plan and collective insurance policy.

The termination of the Chief Executive Officer's mercantile contract will lead to the resumption of his employment contract with us if the termination is due to any of the following cases: (i) his unilateral decision to terminate his appointment, in which case he will not be entitled to the compensation referred to above, (ii) at the free will of the Company for any cause (except if the Chief Executive Officer opts to receive the compensation referred to above or if termination is due to a serious or negligent breach of the Chief Executive Officer' duties), or (iii) a change of control of the Company after which he is not ratified in his office within a month following such change of control, in case he does not terminate his appointment within six months following the date of such change of control in exchange for the compensation referred to above.

In addition, upon termination of his appointment our Chief Executive Officer is entitled to a compensation for the non-compete obligation which will be equivalent to twice his fixed annual remuneration. The Chief Executive Officer will not be entitled to this compensation in case his employment contract is resumed upon termination of his mercantile contract.

Notwithstanding the above, any compensation for the termination of his contract shall be based on his performance over time and poor results or improper conduct will not be rewarded. In addition, if the contract is terminated as a result of serious willful misconduct or gross negligence in the performance of his duties, our Chief Executive Officer shall not be entitled to any compensation.

The compensation of our Chief Executive Officer for the year ended December 31, 2021 is shown in the following table:

	Position	Fixed remuneration	Variable remuneration	Attendance fees	Remuneration for membership on board committees	Other items	Contributions to pension plans	Total
				(*€ thousands*)				
Mr. Víctor Manuel Iglesias Ruiz..........	Chief Executive Officer	394	87	33.6	-	7.6	52.2	574.4

Source: Company's internal accounting records.
Notes:—

As of December 31, 2021 we had accrued an estimated total amount of €437,854 to provide for pension benefits in favor of our Chief Executive Officer.

For 2022, the estimated cost of our Chief Executive Officer's compensation would be similar to the cost incurred in 2021, assuming the same level of achievement of the objectives which determine the variable remuneration. In particular, the estimated fixed remuneration of our Chief Executive Officer in 2022 is expected to amount to €416,576 as a result of the applicable update pursuant to the consumer price index (CPI). The Short-term Variable Component will not exceed 40% of such amount, this is, €166,630. However, the estimated cost of our Chief Executive Officer's compensation in 2022 will be subject to possible variations in the variable component of his remuneration as it is linked to the achievement of certain objectives, any substantial increase in the number of meetings of the Board of Directors or the Board of Directors' committees or a change in the structure of the directors' remuneration which would have to be approved by the General Shareholders' Meeting.

Compensation of non-executive directors

Our independent directors and proprietary directors are not entitled to receive any fixed remuneration other than attendance fees for attending the Board of Directors and Board of Directors' committees meetings and remuneration for the chairmanship of the Board of Directors' committees. The compensation of our non-executive directors for the year ended December 31, 2021 is shown in the following table:

Members of the Board of Directors	**Position in 2021**	**Fixed remuneration**	**Variable remuneration**	**Attendance fees**	**Remuneration for membership on board committees**	**Other items[(1)]**	**Total**
				(*€ thousands*)			
Mr. José Luis Aguirre Loaso	Chairman	361	–	33.6	–	22.2	416.8
Mr. Jesús Máximo Bueno Arrese	Vice Chairman	–	–	46.2	–	39.2	85.4
Mr. Jesús Solchaga Loitegui......................	Director	–	–	42.7	30.4	4.4	77.5
Ms. Gabriela González-Bueno Lillo	Director	–	–	25.2	–	1.8	27
Mr. Vicente Evelio Cóndor López	Director	–	–	49.7	45.6	8.8	104.1
Mr. Jesús Tejel Giménez....................	Director	–	–	49.7	45.6	9.3	104.6
Mr. Félix Santiago Longás Lafuente.........	Director	–	–	39.9	–	9	48.9
Mr. Emilio Jiménez Labrador....................	Director	–	–	38.5	–	0.5	39
Mr. Luis Enrique Arrufat Guerra...........	Director	–	–	23.8	–	12.2	36
Ms. María Pilar Segura Bas	Director	–	–	35.7	–	8.4	44.1
Mr. José Miguel Echarri Porta	Secretary non-Director	–	–	4.9	–	0.1	5
Total	**—**	361	–	389.9	**121.6**	**115.9**	**988.4**

Source: Company's internal accounting records.

Notes:—

(1) Other items include insurance premiums including life, health and accidents insurance.

Compensation of senior management

The compensation of our senior management (11 senior managers, excluding the Chief Executive Officer, whose compensation is included in the table above) in 2021 amounted to approximately €2 million.

The compensation of our senior management is composed of a fixed component and a variable component which is subject to the fulfilment of the same global objectives set out by our Board of Directors as applicable to the variable component of our Chief Executive Officer's remuneration which are referred to above. The members of our senior management are not entitled to any compensation in kind.

The detail of the compensation of our senior management (excluding the Chief Executive Officer) for 2021 is shown in the following table:

	Fixed remuneration	Variable remuneration	Contributions to pension plans	Total
		(*€ thousands*)		
Senior management (excluding the CEO)	1,643	361	170.6	2,152.6

Source: Company's internal accounting records.

As of December 31, 2021 we had accrued an estimated total amount of €1,956,855 to provide for pension benefits in favor of our senior management (excluding the Chief Executive Officer).

For 2022, the estimated compensation of our senior management would be similar to the cost incurred in 2021, assuming the same level of achievement of the objectives which determine the variable remuneration. In particular, the estimated cost of our senior management's fixed remuneration in 2022 is expected to amount to €1,664 thousand as a result of the applicable update pursuant to the collective agreement (0.75% increase for 2022 except in the case of the General Secretary and the Deputy Head-Chief of Control Officer whose fixed remuneration would be updated pursuant to the consumer price index (CPI)). The variable remuneration of our senior management's compensation for 2022 is not expected to exceed €589,308. However, the estimated cost of our senior management in 2022 will be subject to possible variations in the variable component of their remuneration, as it is linked to the achievement of certain objectives.

None of the members of our senior management has entered into service contracts with us or any of our subsidiaries providing for benefits upon termination of its employment, other than Mr. Luis Miguel Carrasco Miguel and Mr. Francisco Serrano Gill de Albornoz, as described below.

On October 24, 2013, we entered into an employment agreement with Mr. Luis Miguel Carrasco Miguel, as amended on January 14, 2022, under which, among others, upon termination of the employment agreement by Ibercaja Banco for any reason (except due to a voluntary termination by Mr. Luis Miguel Carrasco Miguel or if the termination is declared fair by a final judicial decision), he is entitled to receive an amount equal to twice his annual fixed remuneration as compensation. In the event of voluntary termination of the employment relationship by Mr. Luis Miguel Carrasco Miguel and provided that (i) he is 60 years of age or more and (ii) he has held an employment relationship with or a management role in Ibercaja Banco during at least 25 years or 15 years, respectively, he would be entitled to receive a compensation equivalent to twice, one and a half, one or half his annual fixed remuneration in case the termination takes place at 60, 61, 62 or 63 years of age, respectively. In case the voluntary termination takes place at 64 years of age or more, he would not be entitled to receive any compensation. Furthermore, he is entitled, upon retirement, disability or death (in which case, if he is in active service at such time, his spouse will be entitled half of that amount and subject to a 20% increase for each minor), to a lifelong retirement annuity equal to 80% of the remuneration received in the last twelve months of service.

In addition, upon termination of his employment relationship under certain termination events he is entitled to a compensation for his non-compete obligation which will be equivalent to twice his annual fixed remuneration.

Notwithstanding the above, any compensation shall be based on his performance over time and poor results or improper conduct will not be rewarded.

On February 25, 2015, we entered into an employment agreement with Mr. Francisco Serrano Gill de Albornoz, as amended on January 14, 2022, which was suspended upon his appointment as non-executive chairman of Ibercaja Banco on March 30, 2022, without any compensation rights in his favour. At that time, a new mercantile contract was entered into between us and Mr. Francisco Serrano Gill de Albornoz to regulate his role as non-executive chairman of Ibercaja which does not include any compensation rights in case of termination. Nevertheless, in the event that his appointment as director is terminated for any reason, the employment agreement with Mr. Francisco Serrano Gill de Albornoz would be resumed and thus the compensation rights described below would apply upon termination of the employment agreement.

In particular, among other things, upon termination of the employment agreement by Ibercaja Banco for any reason (except due to a voluntary termination by Mr. Francisco Serrano Gill de Albornoz in the event of a change of control or if the termination is declared fair by a final judicial decision), he would be entitled to receive an amount equal to twice his annual fixed remuneration as compensation. If there is a change of control of the Company and he is not ratified in his office within a month following the date of such change of control, Mr. Francisco Serrano Gill de Albornoz would be entitled to terminate his contract and receive the abovementioned compensation. In the event of voluntary termination of the employment relationship by Mr. Francisco Serrano Gill de Albornoz and provided that (i) he is 60 years of age or more and (ii) he has held an employment relationship with or a management role in Ibercaja Banco during at least 25 years or 15 years, respectively, he would be entitled to receive a compensation equivalent to twice, one and a half, one or half his annual fixed remuneration in case the termination takes place at 60, 61, 62 or 63 years of age, respectively. In case the voluntary termination takes place at 64 years of age or more, he would not be entitled to receive any compensation. Furthermore, he is entitled, upon retirement, disability or death to a lifelong retirement annuity equal to 85% of the remuneration received in the last twelve months of service. However, in the event of death (i) such amount would be increased by 20% for each minor and (ii) if he is not in active service at the time, his spouse will be entitled only to a half of such amount.

In addition, upon termination of his employment relationship under certain termination events he would be entitled to a compensation for his non-compete obligation which will be equivalent to two years of annual fixed remuneration.

Notwithstanding the above, any compensation shall be based on his performance over time and poor results or improper conduct will not be rewarded.

D&O insurance policy

We maintain an insurance policy that protects the members of the Board of Directors and our senior managers from liabilities incurred as a result of actions taken in their capacity as directors or senior managers, up to an aggregate maximum amount of €50 million. The annual net premium of our D&O insurance policy amounts to €1,100 thousand (gross premium amounts to €1,190 thousand) for the period between May 12, 2021 and May 12, 2022 and it covers both the Board of Directors and our senior management team.

Management incentive plans

On April 15, 2021, our General Shareholders' Meeting approved a long-term management incentive plan in the context of our "Plan Desafío 2023" Strategic Plan (the "**Incentive Plan**"). The Incentive Plan establishes a variable remuneration system by which its participants will have the possibility to receive an amount in cash and an amount in Phantom Shares (the "**Incentive**"), as long as they meet certain objectives which will be approved by our Board of Directors pursuant to the rules set out below.

The purpose of the Incentive Plan is to retain, motivate and compensate its participants promoting the mutual value creation for the Company and its employees and, at the same time, compensating the creation of sustainable value for our stakeholders in the long term, by means of defining the variable remuneration in a multiannual context.

Participants

The participants in the Incentive Plan are 29 key members of our management team whose areas of professional activity may significantly influence our risk profile (including our Chief Executive Officer), as decided by our General Shareholders' meeting, who have accepted the invitation to participate in the Incentive Plan proposed by the Company (the "**Participants**" and the "**Formal Invitation**", respectively). The Formal Invitation contained (i) the general and particular terms of the Incentive Plan and (ii) the maximum monetary amount of the Incentive in case the Incentive Plan objectives are fully met.

The Company will be entitled to cancel the participation of any Participant in the Incentive Plan without such Participant being entitled to receive any compensation in case of breach of any of the general terms of the Incentive Plan.

Performance Period

The accomplishment of the multiannual performance objectives (the "**Multiannual Objectives**") which are set out below will be assessed in the period commencing on January 1, 2021 (the "**Starting Date**") and ending on December 31, 2023 (the "**Final Date**" and the "**Performance Period**", respectively).

Incentive Requirements

In order to be eligible to receive the Incentive the Participants had to be under continued employment or mercantile relationship with the Company since the Starting Date until December 31, 2021, unless express authorization of our Board of Directors. The Incentive will be vest subject to the following conditions being met:

- continued employment or mercantile relationship of the Participant in the Company as of the Final Date or applicability of any circumstances which, pursuant to the general terms of the Incentive Plan, allow such Participant to maintain the right to receive the Incentive in whole or in part;
- fulfilment of minimum thresholds for the Multiannual Objectives as established in the general terms of the Incentive Plan; and
- the non-occurrence, in the Company's opinion, of any circumstance which may give rise to the application of malus clauses, as set out in the Company's general remuneration policy, during the period prior to any of the disbursements.

In addition, the amounts disbursed will be subject to the potential recovery by the Company (clawback) in the situations and during the periods provided in the general remuneration policy.

Incentive Calculation

The maximum monetary amount of the Incentive of each Participant will be calculated as a percentage of the fixed annual remuneration of such Participant. The General Shareholders' Meeting has expressly approved that the Incentive of each Participant and any other amounts received as variable remuneration can exceed 100% of such Participant's fixed annual remuneration, but shall in no circumstance exceed 200% of such fixed annual remuneration.

The maximum amount to be paid to our Chief Executive Officer pursuant to the Incentive Plan, under the assumption of full satisfaction of the Pluriannual Objectives (as defined below), would be 150% of his fixed annual remuneration, this is €600,000. The maximum amount to be paid to each member of our senior management team pursuant to the Incentive Plan, under the assumption of full satisfaction of the Pluriannual Objectives, would be 150% of their respective fixed remuneration.

The maximum amount to be paid pursuant to the Incentive Plan, under the assumption of full satisfaction of the Pluriannual Objectives, would be €4.6 million. We have booked a provision of €1.5 million in the results of 2021 in connection with the Incentive Plan.

As of the end of 2021 each Participant was entitled to receive a target Incentive (the "**Target Incentive**"). However, no amounts will be accrued in favour of the Participants under the Incentive Plan until the Final Date. On the Final Date, the Company will assess the achievement of the Multiannual Objectives and will determine the amount of Target Incentive to be granted to each Participant, subject to "*Incentive Termination*" below.

The Target Incentive payment will be subject to a deferral period of up to five years and will be linked to the fulfilment of the Multiannual Objectives (the "**Deferred Incentive**").

The Deferred Incentive would be granted proportionally during the first quarter of 2024, 2025, 2026 and 2027. Each Deferred Incentive payment would be made 45% in cash and 55% in Phantom Shares (which are subject to a one-year retention period after which they would be settled at their net book value (see " – *Compensation of the Chief Executive Officer*" for an explanation of the calculation of the number and settlement of the Phantom Shares)). Therefore, the Deferred Incentive would be settled following this schedule:

- 2024: first deferred amount in cash;
- 2025: second deferred amount in cash and first deferred amount in Phantom Shares;
- 2026: third deferred amount in cash and second deferred amount in Phantom Shares;
- 2027: fourth deferred amount in cash and third deferred amount in Phantom Shares;
- 2028: fourth deferred amount in Phantom Shares.

After the Final Date and until the delivery of the Deferred Incentive, the Company could determine if any adjustments shall be made to the amounts to be delivered in application of the clawback and malus provisions described in the Remuneration Policy.

Multiannual Objectives

The Deferred Incentive is subject to the Multiannual Objectives linked to our "Desafío 2023" Strategic Plan. The Multiannual Objectives fulfilment will be calculated in accordance with the following formula:

MOAR= (TSRAR * 45%) + (ROTE AR * 20%) + (CET1 AR * 20%) + (SOAR * 15%)

where:

"MOAR" refers to the Multiannual Objectives Achievement Rate;

"TSRAR" refers to the Total Shareholder Return Objective Achievement Rate;

"ROTE AR" refers to the ROTE^{APM} Objective Achievement Rate;

"CET1 AR" refers to the CET 1 Capital Objective Achievement Rate;

"SOAR" refers to the Sustainable Objective Achievement Rate.

The objectives values and the achievement rates for each objective are described as follows:

The Total Shareholder Return Achievement Rate is calculated as the variation in the equity of the Company (i.e. profit net of dividends minus AT1 cost) plus dividends of the Company in the Performance Period in accordance with the following scale:

Multiannual Objective	**Achievement Rate**	**Ratio**
Total Shareholder Return is equal or above €325 million	≥100% = 100 points 70% = 30 points <70% = 0 points	45%

The ROTE Achievement Rate for year 2023 is calculated in accordance with the following scale:

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Multiannual Objective	Achievement Rate	Ratio
ROTE is equal or above 7%	≥100% = 100 points 70% = 30 points <70% = 0 points	20%

The CET1 Capital Objective Achievement Rate for year 2023 is calculated in accordance with the following scale:

Multiannual Objective	Achievement Rate	Ratio
CET1 ratio is equal or above 12.5%	Yes/No	20%

The Sustainable Objective Achievement Rate for year 2023 is calculated in accordance with the following scale:

	Multiannual Objective	Achievement Rate	Ratio
Female Directors	40%	Yes/No	5%
CO2 emissions	0%	Yes/No	5%
Strategic Key Milestones[107]	% achievement	% achievement	5%

In order to determine the achievement rate of each Multiannual Objective, the amounts between each tranche will be calculated by linear interpolation.

Incentive Termination

Any Participant whose employment or mercantile relationship with the Company is terminated between January 1, 2022 and the Final Date, shall lose the entitlement to receive the Incentive except if termination is due to any of the following events: (a) unilateral termination by the Company, (b) death, (c) permanent disability (either absolute, total or severe), (d) retirement (either ordinary or early retirement), (e) voluntary termination by the Participant in accordance with article 50 of the Spanish Statute of Workers, (f) dismissal linked to a collective dismissal in accordance with article 50 of the Spanish Statute of Workers, (g) individual objective dismissal or in accordance with article 52.3 of the Spanish Statute of Workers, (h) voluntary

[107] In the context of our “Desafío 2023” Strategic Plan we have established 40 key strategic milestones in connection with (i) strategic planning of people, (ii) purpose and sustainability, (iii) technological model evolution, (iv) operational model evolution, (v) 0-based budget, (vi) customer knowledge and business intelligence, (vii) products and services billing model, (viii) business banking, (ix) risk insurance, (x) personal banking, (xi) pricing and efficient allocation of capital, (xii) IRB models, and (xiii) data governance and quality.

termination by the Participant for reasons of substantial modification of the employment conditions, recurring delay in the payment or non-payment of the agreed salary or any other severe breach of contractual obligations by the Company pursuant to article 10.3 of the Royal Decree 1382/1985 of August 1, governing senior executives employment relationships, or (f) termination by the Company declared unfair in court or by the relevant administrative body. Any Participant whose employment or mercantile relationship with the Company is terminated between January 1, 2022 and the Final Date due to any of the abovementioned events will be entitled to receive the Incentive pro-rated to the period within the Performance Period during which such Participant has remained in the Company.

In the event that the relationship between the Participant and the Company is suspended for any reason for a continued period above six months before the Final Date, the Participant will lose any right to the Incentive. Notwithstanding the above, the relationship will not be considered as suspended in the event of maternity or paternity leave, risk pregnancy, risk during nursing of babies under nine months, adoption or fostering of children under six years, in the cases recognized by the relevant health or administrative body and gender violence cases. The suspension will not affect the right of the Participant to receive the Incentive as long as it continues another employment or mercantile relationship with us. In any case, the Board of Directors shall have the discretion to decide about each particular situation in a reasoned matter.

Equity interests

None of our members of our Board of Directors or senior managers have equity interests in the Company.

Family relationships

There are no family relationships between the members of our Board of Directors or of our management team or supervisory bodies.

No convictions and other negative statements

To the best of our knowledge, none of our directors or senior managers have, in the five years preceding the date of this Registration Document: (i) been convicted in relation to fraudulent offences; (ii) acted as directors or senior managers of entities affected by bankruptcy or receivership; (iii) been publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer of securities, or from acting in the management or conduct of the affairs of any issuer.

RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time in the ordinary course of our business. We believe that all transactions are conducted on an arm's-length basis and that the terms of these agreements are comparable to those currently contracted with unrelated third parties. Certain related party transactions entered into during the period covered by the Annual Accounts and up to the date of this Registration Document are set out below.

We also enter into intragroup related party transactions with certain of our subsidiaries in the ordinary course of business.

For additional information on our related party transactions, see Notes 5 and 43 of each of our Annual Accounts.

Upon a potential Admission, as provided for in our Board Regulations, any transactions that we enter into with members of the Board of Directors or shareholders who hold, individually or together with others, a significant holding, or with persons related thereto, would need to be approved by the Board of Directors, following a report from the Audit and Compliance Committee, except in the case of transactions for an amount equal to or higher than 10% of our total assets (*activo*) as shown in our latest approved annual balance sheet which would require the approval of the general shareholders meeting. For the purpose of calculating this threshold, any transactions concluded with the same member of the Board of Directors in the last 12 months would be aggregated to determine their total value. All transactions entered into by us and our related parties have been favourably informed by our Audit and Compliance Committee and, in the case of transactions with the Ibercaja Foundation, they have been approved by the governing body (*Patronato*) as foreseen in the Ibercaja Foundation Protocol.

The tables below set out the detail of the accounts registered in our consolidated balance sheets and income statements as of and for the years ended December 31, 2021, 2020 and 2019 arising from transactions with related parties. The breakdown of related party transactions since December 31, 2021 until the date of this Registration Document does not differ from that already disclosed in the below periods:

	As of and for the year ended December 31, 2021				
	Shareholder	**Associates**	**Jointly controlled entities**	**Other related parties(1)**	**Related individuals(2)**
			(*€ thousands*)		
ASSETS					
Loans and receivables......................	155,773	2,058	—	—	9,160
Counterparties under insurance contracts..	—	—	—	—	—
LIABILITIES					
Deposits..	195,014	10,750	1,319	123,096	20,393
Liabilities under insurance contracts linked to pensions...........................	—	—	—	—	—
Provisions.......................................	—	1	—	—	—
PROFIT / (LOSS)					
Expenses					
Interest cost.....................................	81	—	—	—	4
Fees, commissions and other expenses(3).......................................	1,063	—	—	—	2
Income					
Interest income	—	—	80	53	60
Fees, commissions and other expenses(4).......................................	241	—	—	—	4

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Dividends	50,849	—	—	—	—
Other					
Contingent liabilities[5]	—	1,242	—	—	—
Commitments	—	—	6,007	—	800

Notes:—

(1) Mutual funds and companies and pension funds.

(2) Senior managers, members of the Board of Directors, relatives to the second degree and their related entities.

(3) Fees paid under the Ibercaja Foundation Services Agreement.

(4) Fees received under the Ibercaja Foundation Services Agreement.

(5) Available loans, credits and credit cards.

	As of and for the year ended December 31, 2020				
	Shareholder	**Associates**	**Associate entities**	**Other related parties[1]**	**Related individuals[2]**
			(*€ thousands*)		
ASSETS					
Loans and receivables	80,002	2,462	—	—	8,936
Counterparties under insurance contracts	—	—	—	—	—
LIABILITIES					
Deposits	103,790	12,305	1,004	478,163	22,484
Liabilities under insurance contracts linked to pensions	—	—	—	—	—
Provisions	—	3	—	—	—
PROFIT / (LOSS)					
Expenses					
Interest cost	79	345	—	—	4
Fees, commissions and other expenses[3]	1,086	—	—	—	2
Income					
Interest income	—	—	29	68	63
Fees, commissions and other expenses[4]	292	—	—	—	4
Dividends	17,500	—	—	—	—
Other					
Contingent liabilities[5]	—	3,288	14	—	4
Commitments	—	6	6,000	—	719

Notes:—

(1) Mutual funds and companies and pension funds.

(2) Senior managers, members of the Board of Directors, relatives to the second degree and their related entities.

(3) Fees paid under the Ibercaja Foundation Services Agreement.

(4) Fees received under the Ibercaja Foundation Services Agreement.

(5) Available loans, credits and credit cards.

	As of and for the year ended December 31, 2019				
	Shareholder	**Associates**	**Jointly controlled entities**	**Other related parties[1]**	**Related individuals[2]**

(*€ thousands*)

ASSETS					
Loans and receivables.....................	143,433	2,808	5,782	—	8,767
Counterparties under insurance contracts..	—	—	—	—	—
LIABILITIES					
Deposits.......................................	147,107	14,383	689	367,753	19,758
Liabilities under insurance contracts linked to pensions...........................	—	—	—	—	—
Provisions	—	2	—	—	—
PROFIT / (LOSS)					
Expenses					
Interest cost.....................................	111	—	2	—	10
Fees, commissions and other expenses[3].......................................	909	—	—	—	2
Income					
Interest income	—	28	104	405	69
Fees, commissions and other expenses[4].......................................	382	—	—	—	5
Dividends.......................................	17,500	—	—	—	—
Other					
Contingent liabilities[5]....................	1	3,809	—	—	5
Commitments.................................	—	69	4,418	—	406

Notes:—

(1) Mutual funds and companies and pension funds.

(2) Senior managers, members of the Board of Directors, relatives to the second degree and their related entities.

(3) Fees paid under the Ibercaja Foundation Services Agreement.

(4) Fees received under the Ibercaja Foundation Services Agreement.

(5) Available loans, credits and credit cards.

Related party transactions with the members of our Board of Directors and senior management

During 2021, 2020 and 2019 and the period between January 1, 2022 and the date of this Registration Document, we have not entered into any transactions with members of the Board of Directors or our senior management other than in the ordinary course of business and on an arm’s length basis, or in accordance with the terms generally available to our employees, and none of those transactions could be considered as significant, except as described below. In addition, to our knowledge, during such periods we have not entered into any transactions with any person or entity related in any way to members of the Board of Directors or our senior management other than on an arm’s length basis.

Transactions with members of our Board of Directors and senior management exceeding €200 thousand have to be authorized by the ECB in accordance with article 26.5 of Act 10/2014, article 35 of Royal Decree 84/2015 and article 35.5 of Bank of Spain Circular 2/2016. The ECB is in charge of verifying that such transactions are granted on an arm’s length basis.

On June 6, 2019, the ECB authorized the granting of a mortgage loan amounting to €320 thousand to a member of our senior management.

All loans and advances to the members of our Board of Directors and their second degree relatives and related entities that are outstanding as of the date of this Registration Document were made on an arm’s length basis. All loans and advances to the members of our senior management, their second degree relatives and related entities that are outstanding as of the date of this Registration Document were made on terms generally made available to our employees in the context of the applicable collective agreement, except when the transactions did not meet the requirements foreseen under the collective agreement, when they were made on an arm's-length basis. As of December 31, 2021, 2020 and 2019, the outstanding balance of these loans and advances amounted to €9,160 thousand, €8,936 thousand and €8,767 thousand, respectively. The outstanding amount of these loans and advances as of December 31, 2021 represented transactions in favor of 102 people (including members of the Board of Directors and senior management, their second degree relatives and related entities) which were all made on an arm's-length basis.

During the year ended December 31, 2020, loans and advances were made to two members of the Board of Directors and senior management, their second degree relatives and related entities for a total amount of €39 thousand.

During the year ended December 31, 2021, we executed 13 transactions with members of the Board of Directors and the senior management, their second degree relatives and related entities for an estimated total amount of €855.2 thousand.

Related party transactions with our shareholders

No significant transactions were entered into with our shareholders during 2021, 2020 and 2019 and the period between January 1, 2022 and the date of this Registration Document except for those described below, which were entered into in the ordinary course of business and on an arm's length basis[108]:

- Payments by the Ibercaja Foundation to the Company in the amounts of €142,194, €142,867 and €247,794 for the years ended December 31, 2021, 2020 and 2019, respectively, for the provision of certain advisory services (legal, tax, accounting, technological, marketing, communication and other) under the Initial Ibercaja Foundation Services Agreement and the Ibercaja Foundation Services Agreement.
- Payments by the Ibercaja Foundation to the Company in the amounts of €99,294, €149,559 and €134,630 for the years ended December 31, 2021, 2020 and 2019, respectively, for the rental by the Ibercaja Foundation of a property owned by the Company under the Initial Ibercaja Foundation Services Agreement and the Ibercaja Foundation Services Agreement.
- Payments by the Company to the Ibercaja Foundation in the amounts of €989,326, €1,011,124 and €843,108 for the years ended December 31, 2021, 2020 and 2019, respectively, for the provision of certain services (use and management of installations, artistic assets, etc.) under the Initial Ibercaja Foundation Services Agreement and the Ibercaja Foundation Services Agreement.
- Payments by the Company to the Ibercaja Foundation in the amount of €17,503, €17,503 and €17,329 for the years ended December 31, 2021, 2020 and 2019, respectively, for the rental by the Company of property owned by the Ibercaja Foundation under the Initial Ibercaja Foundation Services Agreement and the Ibercaja Foundation Services Agreement.

Ibercaja Foundation Protocol

Given that the stake of the Ibercaja Foundation in our share capital exceeds 30%, the governing body of the Ibercaja Foundation was required to prepare a management protocol of the financial stake in Ibercaja Banco (*Protocolo de gestión de la participación financiera de la Fundación Bancaria Ibercaja en Ibercaja Banco*) (the "**Ibercaja Foundation Protocol**") in accordance with the Banking Foundations Act and the bylaws of the Ibercaja Foundation. The governing body of the Ibercaja Foundation prepared the Ibercaja Foundation Protocol on December 4, 2014, which was as amended on April 25, 2019 and approved by the Bank of Spain. Below are described the main principles, targets, and other key aspects of the Ibercaja Foundation Protocol which is published on www.fundacionibercaja.es.

Principles:

- to carry out the proper management of the Ibercaja Foundation's stake in Ibercaja Banco, oriented to the healthy and prudent management of Ibercaja Banco, focusing on sustainably maximizing the

[108] See Note 5.4 to our Annual Accounts.

value of the business and obtaining economic returns that enable the Ibercaja Foundation to fulfil its charitable and social aims;

- to ensure that Ibercaja Banco's corporate governance processes comply with national and international regulations, principles and standards in force from time to time; and
- to continue and to preserve, within the legal framework of Ibercaja Banco, the heritage received from the Ibercaja Savings Bank, keeping a traditional retail banking approach.

The Ibercaja Foundation Protocol is aimed at establishing:

- the basic strategic criteria that apply to the Ibercaja Foundation's management of its stake in Ibercaja Banco;
- relationships between the board of the Ibercaja Foundation and the governing bodies of Ibercaja Banco;
- the general criteria for carrying out transactions between the Ibercaja Foundation and Ibercaja Banco and the foreseen means of preventing possible conflicts of interest;
- information exchanges that allow the Ibercaja Foundation and Ibercaja Banco to prepare their respective financial statements and fulfil their regular supervisory and reporting obligations to the relevant regulatory bodies; and
- principles for possible cooperation between the Ibercaja Foundation and Ibercaja Banco so that Ibercaja Banco can develop corporate social responsibility policies with the Ibercaja Foundation and, at the same time, for the Ibercaja Foundation to be able to disseminate its social work programs through the Ibercaja Banco branch network and, where applicable, through other material resources.

The significant stake that the Ibercaja Foundation has in the share capital of Ibercaja Banco is considered to be positive for the good and conservative management of Ibercaja Banco. In this sense, the Ibercaja Foundation will aim to maintain the traditional profile of Ibercaja Banco, characterized by a prudent approach to risk management and a focus on retail banking. Likewise, the Ibercaja Foundation will exercise its voting rights to preserve the governance, management and risk control principles, which ensure the maintenance of the strongest levels of solvency and liquidity of Ibercaja Banco, as well as the compliance with its internal policies and the regulations, both national and international, that may be applicable.

The governing body of the Ibercaja Foundation has the right to propose a number of members of our Board of Directors in proportion to the stake that, from time to time, the Ibercaja Foundation holds in our share capital (i.e., the Ibercaja Foundation is entitled to proportional representation). All members proposed by the Ibercaja Foundation shall have the integrity, knowledge and expertise required pursuant to Act 10/2014 and Ibercaja Banco has implemented a policy for evaluating the suitability of the members of the Board of Directors.

According to Article 3.3 of the Ibercaja Foundation Protocol, holding offices in the governing body of the Ibercaja Foundation and in our Board of Directors at the same time is incompatible, save as provided in the second transitional disposition of the Banking Foundations Act (see "*Regulation*"). The members of the governing body of the Ibercaja Foundation that were members of our Board of Directors when the Banking Foundations Act came into force may perform both offices within the limits and for the time established in such second transitional disposition of that law. As of the date of this Registration Document, no members of the governing body of the Ibercaja Foundation are members of our Board of Directors.

In transactions or services with Ibercaja Banco and its controlled entities, the Ibercaja Foundation shall act according to the following criteria:

- Transactions and services provided shall be transparent and on market terms, checking the Ibercaja Foundation's governing body that these conditions are met in each case and being recorded specifically in the governing body's resolutions passed to that effect.

- The principle of preferential treatment shall apply, to all transactions and, as a result, all such transactions shall be carried out on the most favorable terms that are offered for that same transaction or service to third parties in the market from time to time.
- Transactions shall be carried out with maximum due care and with all resources available to each of the entities.
- Full confidentiality shall be maintained, and no information to which the entities have access as a result of providing any of the above described services shall be divulgated.

In general, the arrangement of transactions between the Ibercaja Foundation or persons related to it with Ibercaja Banco or members of its Group, shall require the prior authorization of the Ibercaja Foundation's governing body and our governing bodies pursuant to the Spanish Companies Act and our bylaws.

PRINCIPAL SHAREHOLDERS

As of the date of this Registration Document, our share capital is €214,427,597, consisting of 214,427,597 ordinary shares of €1.00 nominal value each. Our share capital is composed by a single class and series of shares, with the same rights. All of our Shares rank *pari passu* in all respects with each other, including for voting purposes and for all distributions of our profits and proceeds from liquidation. Further details relating to the Shares are set out in "*Description of Share Capital*".

The following table sets forth certain information with respect to the ownership of the Shares.

	Shares owned	
	Number	**%**
The Ibercaja Foundation	188,774,620	88.04(1)
Fundación Inmaculada de Aragón	10,144,381	4.73
Fundación Caja Badajoz	8,373,394	3.90
Fundación Círculo de Burgos	7,135,202	3.33
Total	**214,427,597**	**100.00**

Notes:—

(1) According to our bylaws and our General Shareholders' Meeting Regulations, as long as any banking foundations shareholder holds a number of Shares that exceeds 40% of our share capital after a potential Admission and it does not establish a reserve fund on the terms established by the Banking Foundations Act, it cannot, individually, together with the companies belonging to its group or with persons acting in coordination with it, cast votes representing more than 40% of the voting share capital determined pursuant to the rules established in our bylaws and our General Shareholders' Meeting Regulations.

Below we set out a brief description of our existing shareholders as of the date of this Registration Document:

The Ibercaja Foundation

Fundación Bancaria Ibercaja is a private non-profit making organization arising from the transformation of the savings bank, Caja de Ahorros y Monte de Piedad of Zaragoza, Aragón and Rioja, a philanthropic-charity entity founded by *Real y Excelentísima Sociedad Económica Aragonesa de Amigos del País*, which was approved by the Royal Order of January 28, 1873 and commenced its activities on May 28, 1876. In 2014, in compliance with the Banking Foundations Act, the Ibercaja Savings Bank's general assembly approved its transformation to a banking foundation. In September 2014, in compliance with such resolution, the Ibercaja Savings Banks was transformed into Fundación Bancaria Ibercaja and the Ibercaja Foundation's members of its governing body (*patronato*) were appointed. The Ibercaja Foundation was registered in the Banking Foundations Registry on October 13, 2014 under the number 1,689.

As part of the restructuring of the Spanish financial system, the Ibercaja Savings Bank's general assembly, at its extraordinary meeting held on July 26, 2011, approved the creation of Ibercaja Banco, to which all the assets and liabilities related to its financial activity were contributed. Following such spin-off, the Ibercaja Foundation maintains its charity and cultural projects and Monte de Piedad maintains its historical-artistic heritage.

The registered office of the Ibercaja Foundation is at Calle Joaquín Costa 13, 50001 Zaragoza, Spain, and its phone number is +34 976 97 19 01. Its LEI code is 95980020140005926392.

Fundación Inmaculada de Aragón

Fundación Inmaculada de Aragón is a private non-profit organization arising from the merger by absorption of Fundación Caja de Ahorros de la Inmaculada de Aragón- Acción Social Católica (FCAI-ASC) into Fundación Caja de Ahorros de la Inmaculada de Aragón (FCAI) which took place in November 2019.

The general assembly of Caja Inmmaculada approved the transformation of the entity on December 13, 2013 into a foundation of special character per Royal Decree 11/2010 of of July 9, (*Real Decreto Ley 11/2010 de 9 de julio de Órganos de Gobierno y otros aspectos del Régimen Jurídico de las cajas de ahorros*). The foundation was removed from the Banking Foundations Registry on February 24, 2014 and subsequently transformed into an ordinary foundation.

Fundación Inmaculada de Aragón focuses its activities on Aragón, subject to this Autonomous Community's Foundations Protectorate supervision. These activities include creating, promoting and maintaining social projects with emphasis on individuals under risk of exclusion and social, cultural and economic development of the Autonomous Community.

The registered office of the Fundación Inmaculada de Aragón is at Calle San Braulio 5-7, 50003 Zaragoza, Spain, and its phone number is + 976290301.

Fundación Caja Badajoz

Fundación Caja Badajoz, is a non-profit making organization, arising from the transformation of Monte de Piedad and Caja General de Ahorros de Badajoz in 2013. This last entity was founded by Real Sociedad Económica Extermeña de Amigos del País de Badajoz in 1889.

Fundación Caja Badajoz, in the general assembly held on December 12, 2013 approved the transformation of the entity into a foundation of special character. Subsequently, on March 18, 2014 the Governing Body of Extremadura authorized the transformation into a foundation with the consequential loss of authorisation to act as a financial entity and guaranteeing the continuation of Caja Badajoz as a special foundation with social and charity purposes. It was removed from the Banking Foundations Registry on May 12, 2014 and subsequently transformed into an ordinary foundation.

Following such transformation, the foundation focuses on the contribution to cultural and social wellbeing of the individuals of Extremadura seeking the promotion of the disabled, teaching and social institutions that promote socioeconomic and environmental development of Extremadura.

The registered office of the Caja Badajoz Foundation is at Calle Pablo Sorozábal s/n, 06006 Badajoz, Spain, and its phone number is + 92417618. Its LEI code is 959800DFZ31Q8TF7M062.

Fundación Círculo de Burgos

Fundación Círculo Católico de Burgos is a private, non-profit, social, catholic organisation, arising from the transformation of Caja de Ahorros and Monte de Piedad del Círculo Católico de Obreros de Burgos.

Fundación Círculo Católico de Burgos's general assembly approved on December 19, 2013 the transformation of Fundación Circulo de Burgos into a foundation of special character per Royal Decree 11/2010 of July 9, (*Real Decreto Ley 11/2010 de 9 de julio de Órganos de Gobierno y otros aspectos del Régimen Jurídico de las cajas de ahorros*). This event entailed the forfeiture of the organisation's condition of financial entity and subsequent withdrawal of the Banking Foundations Registry on February 17, 2014.

Subsequently, Fundación Círculo Católico de Burgos's governing body (*patronato*) approved the transformation of the entity to a banking foundation on March 5, 2014 in accordance with Law 26/2013 of December 28, (*Ley 26/2013 de cajas de ahorros y fundaciones bancarias*), and on May 2, 2014 the Governing Body of Castilla y León approved the registry of the foundation in the Banking Foundations Registry. The governing body (*patronato*) of Fundación Círculo Católico de Burgos approved the transformation of the entity into an Ordinary foundation on October 2, 2019

Fundación Círculo Católico de Burgos focuses on economic and social development activities through the direct and indirect promotion of social and charitable projects in the fields of: investigation, health, education, social inclusion, environmental protection, employment, religion, culture and values for the residents within its scope of operation as well as any other activities with social and economic impact.

The registered office of Fundación Círculo de Burgos is at Plaza España nº3, 09005 Burgos, Spain, and its phone number is + 947466568. Its LEI code is 959800HZTF3NMD02LY25.

Change of control

The Company is currently controlled by the Ibercaja Foundation. We are not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

DESCRIPTION OF SHARE CAPITAL

The following summary provides information regarding our share capital and certain applicable provisions in connection therewith set out in our bylaws, our General Shareholders' Meeting Regulations and Spanish law, including, in particular, the Spanish Companies Act and the Securities Market Act. Our General Shareholders' Meeting Regulations, which were approved by our general shareholders' meeting on January 14, 2022, are pending registration with the Commercial Registry as of the date of this Registration Document and will enter into effect upon a potential Admission.

This summary does not purport to be complete nor to describe all of the applicable provisions and regulations in connection with the matters described herein and is qualified in its entirety by reference to our bylaws and to the Spanish Companies Act (or any other applicable regulations from time to time). It is recommended that you refer to our bylaws and the Spanish Companies Act (or any other regulation referred to herein) for further details. A copy of our deed of incorporation and bylaws are available at our registered office (Plaza de Basilio Paraíso, 2, 50008 Zaragoza, Spain). Furthermore, a copy of our bylaws is also available on our website (www.ibercaja.com).

General

We are a company incorporated under the laws of Spain on September 22, 2011 as a public limited liability company (*sociedad anónima*) pursuant to a notarized public deed of incorporation granted before the public notary of Zaragoza Mr. Francisco de Asís Pizarro Moreno under number 3,169 of his records and registered with the Commercial Registry of Zaragoza under volume 3,865, page Z-52186, book 0 and sheet 1, and as a credit institution with the Special Registry at the Bank of Spain (*Registro Administrativo de Bancos y Banqueros del Banco de España*) under number 2,085, and holder of Spanish tax identification number A-99319030, with registered office at Plaza de Basilio Paraíso, 2, 50008 Zaragoza, Spain. Our corporate purpose consists of all types of general banking activities, transactions, actions, contracts and services provided they are permitted by law, including the rendering of investment and other auxiliary services.

As of the date of this Registration Document, our share capital consists of €214,427,597 divided into a single series of 214,427,597 ordinary shares denominated in euro, with a nominal value of €1.00 per Share and each with an ISIN code ES0144251008, allocated by the Spanish National Agency for the Codification of Securities (*Agencia Nacional de Codificación de Valores Mobiliarios*), an entity dependent upon the CNMV. Our entire share capital is fully subscribed and paid-up.

Our Shares are represented by book entries, and Iberclear together with its participating entities, is the entity responsible for maintaining the corresponding accounting records, with its registered office at Plaza de la Lealtad 1, 28014 Madrid, Spain.

The Company was originally incorporated on September 22, 2011 with an initial share capital of €2,134,500,000, divided in 2,134,500,000 shares (*acciones*), numbered from 1 to 2,134,500,000, both inclusive, with a nominal value of €1.00 each, all of the same class and series, fully subscribed and paid-up.

The summary table below outlines the main changes in our share capital from the date of our incorporation until the date of this Registration Document:

Date	Corporate action	Nominal value	Number of issued/redeemed shares	Total nominal amount	Number of resulting shares	Resulting share capital
September 22, 2011................	Incorporation	€1.00	2,134,500,000	€2,134,500,000	2,134,500,000	€2,134,500,000
December 12, 2012................	Capital increase	€1.00	144,000,000	€144,000,000	2,278,500,000	€2,278,500,000
July 25, 2013....	Capital increase	€1.00	325,499,998	€325,499,998	2,603,999,998	€2,603,999,998

Date	Corporate action	Nominal value	Number of issued/redeemed shares	Total nominal amount	Number of resulting shares	Resulting share capital
November 27, 2013................	Capital increase	€1.00	7,730,000	€7,730,000	2,611,729,998	€2,611,729,998
October 29, 2015................	Capital decrease	€1.00	467,454,000	€467,454,000	2,144,275,998	€2,144,275,998
April 9, 2019....	Capital decrease(1)	€0.10	N/A	(€1,929,848,398.20)	2,144,275,998	€214,427,599.80
April 9, 2019....	Capital decrease	€0.10	(28)	(€2.80)	2,144,275,970	€214,427,597
April 9, 2019....	Reverse split	€1.00	(1,929,848,373)	N/A	214,427,597	€214,427,597

Note:—

(1) Decrease by €0.90 in the nominal amount of each share.

Non-residents in the Kingdom of Spain (including companies incorporated in other jurisdictions) are entitled to hold shares in a Spanish company and vote in its general shareholders' meeting, subject to the restrictions described under "*—Restrictions on Foreign Investment*" below.

Dividend and liquidation rights

Dividend distribution

Holders of our Shares are entitled to receive dividends proportionally to their paid-up share capital. However, there is no right to receive a minimum dividend.

Unless our general shareholders' meeting decides otherwise, dividends become payable from the next day on which the distribution agreement is adopted by our general shareholders' meeting. Additionally, our general shareholders' meeting or our Board of Directors may also approve the distribution of interim dividends (*dividendos a cuenta*) provided that: (i) we have sufficient liquidity to pay the interim dividends according to a financial statement prepared by our Board of Directors and (ii) the amount to be distributed does not exceed the earnings obtained since the end of the previous financial year, after deducting the sum of the accumulated losses from previous years, the amounts to be allocated to mandatory reserves or any other reserves provided for in our bylaws and the estimated tax due on the earnings.

According to the Spanish Companies Act, we may only pay dividends to our shareholders (once the mandatory reserve requirements and any requirements set out in our bylaws have been met, if applicable) from our annual profits or distributable reserves (such as issuance premium), provided in both cases that (i) the value of our net equity (*patrimonio neto*) does not, and as a result of the payment of dividends will not, amount to less than the share capital; and (ii) the distributable reserves are equal or higher than the research and development expenses recorded as an asset in our statement of financial position.

Prior to any dividend distribution from our annual profits, the Spanish Companies Act requires companies to allocate at least 10% of their annual profits to a non-distributable mandatory reserve (*reserva legal*) until such reserve amounts to, at least, 20% of the share capital. According to the Spanish Companies Act, mandatory reserves are only available for distribution to shareholders upon liquidation. As of December 31, 2021, our mandatory reserves amounted to €72,886 thousand which is equivalent to 34.0% of our share capital.

Our capacity to distribute dividends may be restricted under applicable banking regulations. See "*Regulation—Capital requirements—Maximum Distributable Amount*".

Our ability to distribute dividends in the near future, if any, and the amounts thereof will depend upon a number of factors, including, but not limited to, our earnings, financial condition, cash requirements (including capital expenditure and investment plans), restrictions on dividend payments under applicable laws (see

"*Regulation*"), market conditions and such other factors as may be deemed relevant at the time. In addition, our ability to pay dividends in the future will depend on the continued satisfaction of our capital requirements.

In 2020, the ECB issued recommendations on the dividend distribution policies of credit institutions, recommending credit institutions to establish dividend policies using conservative and prudent assumptions in order to satisfy, following any such dividend distribution, the applicable capital requirements and the outcomes of the SREP. In 2021, the ECB in view of the macroeconomic prospects for the Eurozone, decided not to extend these recommendations further than September 30, 2021.

In accordance with Article 947 of the Spanish Commercial Code (*Real Decreto de 22 de agosto de 1885, Código de Comercio*), a shareholder's right to any given dividend expires if unclaimed during five years after the date it becomes payable.

We are not aware of any restriction on the collection of dividends by non-resident shareholders. All holders will receive dividends through Iberclear and its member entities, without prejudice to potential withholdings on account of the non-residents income tax that may apply. Any dividends paid in the future will be subject to taxation under Spanish law.

See "*Dividends and Dividends Policy*" for details of our dividend distributions in the last three years.

Shareholder liquidation rights

Upon liquidation of a company, shareholders are entitled to any remaining assets in proportion to their respective shareholdings, once the company's debts, taxes and any expenses related to the liquidation have been paid.

As a credit institution, we are also subject to specific regulations on the recovery and resolution of credit institutions under the SRM Regulation and Act 11/2015. See "*Regulation—Single Resolution Mechanism (SRM)*".

General shareholders' meetings and voting rights

Calling a general shareholders' meeting

Pursuant to our bylaws, our General Shareholders' Meeting Regulations and the Spanish Companies Act, ordinary general shareholders' meetings are to be held annually during the first six months of each fiscal year on a date fixed by our Board of Directors. Upon a potential Admission, extraordinary general shareholders' meetings could be called by our Board of Directors whenever it would deem appropriate or at the request of shareholders representing at least 3% of our share capital. Upon a potential Admission, notices of all general shareholders' meetings shall be published (i) in the Commercial Registry's Official Gazette (*Boletín Oficial del Registro Mercantil*) or in one of the main newspapers in Spain; (ii) on our website; and (iii) on the CNMV's website (www.cnmv.es). Upon a potential Admission, our General Shareholders' Meeting Regulations would provide that, upon the call of our general shareholders' meeting, we would make available on our corporate website an electronic shareholders' forum (*foro electrónico de accionistas*) in order to facilitate the communication between us and our shareholders prior to the general shareholders' meeting and would grant access to it to individual shareholders and voluntary associations.

In addition, upon a potential Admission, if we offered shareholders the ability to vote on the matters considered at the meeting by electronic means accessible to all such shareholders, an extraordinary general shareholders' meetings could be called by our Board of Directors on 15 days' notice (as opposed to the ordinary one-month period). The decision to shorten the notice period before an extraordinary general shareholders' meeting would need to be adopted by our ordinary general shareholders' meeting by a majority of at least two thirds of our voting share capital. Such decision would remain in force, at most until the following ordinary general shareholders' meeting.

Authority of the general shareholders' meeting

Action is taken at our shareholders' meetings on the following matters: (i) approval of the management carried out by our Board of Directors during the previous fiscal year; (ii) approval of our annual accounts of the previous year; (iii) allocation of the previous fiscal year results; (iv) the appointment and removal of our directors, liquidators and, if applicable, auditors, and exercise of the Company's action to enforce liability against any of them; (v) amendment of our bylaws; (vi) capital increase and decrease; (vii) disapplication or limitation of the pre-emptive rights of subscription; (viii) acquisition, disposal or contribution to another company of essential assets (pursuant the Spanish Companies Act, the essential character of the asset is presumed when the amount of the transaction exceeds twenty five percent of the value of assets stated in the last approved statement of financial position); (ix) transformation, merger, spin off or global transfer of assets and liabilities and transfer of our registered office abroad; (x) winding up of the Company; (xi) approval of the final liquidation statement of financial position; (xii) the transfer of essential activities previously undertaken by the Company itself to our subsidiaries, even if the Company maintains full ownership of such entities; (xiii) transactions the effect of which is equivalent to the Company's liquidation; (xiv) the remuneration policy for the members of our Board of Directors; and (xv) any other matters specified by law or our bylaws. All the foregoing matters can be dealt with at ordinary or extraordinary general shareholders' meetings, provided that they are included in the agenda, with the exception of the approval of our annual accounts, the allocation of our results and the approval of the management carried out by our Board of Directors, which may only be decided at an ordinary general shareholders' meeting.

Attendance and voting rights

According to our bylaws, to attend the general shareholders' meeting and vote remotely the shareholders' resolutions, a shareholder must hold at least 1,000 Shares, although there is a possibility to group our Shares of a number of shareholders to reach such requirement and, in such case, a representative of such group of Shares must be appointed.

Shareholders holding the minimum number of Shares stated above that are duly registered in the book entry records (*anotaciones en cuenta*) managed by Iberclear and its participating entities at least five days in advance of the date of the general shareholders' meeting shall be entitled to attend and vote at such meeting.

According to our bylaws and our General Shareholders' Meeting Regulations, the attendees of the general shareholders' meeting are entitled to one vote per Share that they hold or represent. However, according to our bylaws and our General Shareholders' Meeting Regulations, after a potential Admission, shareholders that are considered banking foundations under the Banking Foundations Act that do not establish a reserve fund on the terms set out in that Act could not, individually, together with the companies belonging to their group or with persons acting in coordination with any of the former, cast votes representing more than 40% of the voting share capital determined as stated in the following paragraph, even if they owned more than 40% of our share capital. This restriction would only be effective in respect of banking foundations that, individually, together with the companies belonging to their group or with persons acting in coordination with any of the former, would hold a number of Shares that exceeds 40% of our share capital and do not establish a reserve fund on the terms set out in the Banking Foundations Act.

For the purposes of this restriction, the percentage of 40% of the voting share capital would be calculated on the basis of the resulting share capital after deducting the Shares held by the banking foundation shareholder (and by the companies belonging to its group and persons acting in coordination with any of the former) that are in excess of 40% of our share capital.

This limitation would not affect the votes attached to the Shares in respect of which a banking foundation shareholder is the proxy holder in accordance with our bylaws, unless the shareholder granting the proxy is also a banking foundation, or a company belonging to its group or a person acting in coordination with any of the former.

The Shares which would be deprived of the right to vote by application of this limitation would be deducted when determining the shareholders present at general shareholders' meetings for the purposes of calculating the necessary majorities to adopt resolutions.

Provided that the Board of Directors so resolves at the time of the notice, shareholders eligible to attend the General Shareholders' Meeting, or their designated proxy holder (as explained hereafter), may do so via any electronic means that allow them to be connected in real time with the site or sites where the meeting is being held. Remote attendance by shareholders or their proxy holders will be considered for all purposes to be the same as attending the General Shareholders' Meeting in person. In addition, the Board of Directors may convene a General Shareholders' Meeting enabling shareholders to attend exclusively by electronic means, without physical assistance of the shareholders or of their representatives provided that the Bylaws allow it. The General Shareholders' Meeting to be held exclusively by electronic means shall be deemed to be held at the registered office, regardless of where the Chairperson of the meeting is located.

In the case of electronic voting, the Company must send confirmation to the relevant shareholder in respect of the votes that have been cast by electronic means by sending receipt of confirmation of his votes. In addition, both the shareholder and the ultimate beneficial owner may request confirmation that their votes have been correctly accounted within one month of the meeting (unless they already have this information).

Proxies

Pursuant to the Spanish Companies Act and our bylaws, our shareholders may vote by proxy. Proxies must be given for each general shareholders' meeting in writing or by electronic means acceptable under our bylaws. Proxies may be given to any person, whether or not a shareholder. Proxies may be revoked by the shareholder by giving us notice prior to the meeting or personally attending the meeting. Proxies will be revoked by the shareholder by transferring its Shares, if the company is aware of such transfer.

Proxy holders are required to disclose any conflict of interest to the shareholder prior to their appointment. In the event that a conflict of interest arises after the proxy holder's appointment, it must immediately be disclosed to the shareholder. In both cases, the proxy holder must refrain from exercising the shareholder's voting rights after disclosure of the conflict of interest unless the shareholder has provided new specific voting instructions for each matter in respect of which the proxy holder is to vote on its behalf. A conflict of interest may (among other things) be deemed to arise when the proxy holder: (i) is one of our controlling shareholders or an entity controlled by such shareholder; (ii) is a member of our administrative, management or supervisory body, or that of one of the controlling shareholders or of another entity controlled by such shareholders; (iii) is our employee or auditor, or that of a controlling shareholder or another entity controlled by any of such shareholders; or (iv) is a natural person related to those mentioned in (i) to (iii) above (*persona física vinculada*), as this concept is defined under the Spanish Companies Act (such as the spouse or similar, at that time or within the two preceding years, as well as ascendants, descendants, siblings, and their respective spouses) and under the Spanish Ministry of Economy and Finance Order EHA/3050/2004, of September 15 (*Orden EHA/3050/2004 de 15 de septiembre sobre la información de las operaciones vinculadas que deben suministrar las sociedades emisoras de valores admitidos a negociación en mercados secundarios oficiales*).

A proxy holder may act on behalf of more than one shareholder without limitation as to the maximum number of represented shareholders. Where a proxy holder holds proxies from several shareholders with diverging voting instructions, it shall be entitled to cast votes differently as appropriate for each shareholder.

Pursuant to the Spanish Companies Act, entities rendering investment services, acting in their capacity as professional financial intermediaries, can also be appointed as proxy holders. Financial intermediaries shall also be entitled to cast different votes for each shareholder in observance of diverging voting instructions from their clients.

Entities appearing as holders of ordinary shares in the book-entry records but acting on behalf of different ultimate beneficial owners shall always be entitled to exercise voting rights in a divergent manner in order to comply with conflicting voting instructions received from their clients. These entities may also delegate voting rights to each of the ultimate beneficial owners or their nominees, without limits on the number of delegations.

Holding a general shareholders' meeting and adopting resolutions

The Spanish Companies Act varies according to whether the ordinary or extraordinary general shareholders' meeting is held on the first call or on the second call (meeting notices may include, and usually do, a second call for the meeting to be held at least 24 hours after the first date included in the meeting notice that would be held in accordance with the first call):

- *Quorum***:** on the first call the presence in person or by proxy of shareholders representing at least 25% of its voting capital will constitute a quorum. If on the first call a quorum is not present, the meeting can be reconvened by a second call, which requires no quorum.
- *General rule for the adoption of resolutions***:** resolutions are passed by a majority of the votes corresponding to the share capital present or represented at such meeting, except for the exceptions covered in the following paragraph.
- *Adoption of resolutions for reserved matters*: a resolution in a general shareholders' meeting to modify our bylaws (including, without limitation, increases and decreases of share capital), issue bonds (when this authority is reserved to the general shareholder's meeting), disapply or limit pre-emptive rights over new shares, transform, merge, spin off, globally assign assets and liabilities and the transfer of our registered address abroad, requires the presence in person or by proxy of shareholders representing at least 50% of our voting capital on first call, and the presence in person or by proxy of shareholders representing at least 25% of our voting capital on second call. On second call, and in the event that less than 50% of our voting capital is represented in person or by proxy, such resolutions may only be passed upon the vote of shareholders representing two thirds of our capital present or represented at such meeting. Pursuant to Article 201 of the Spanish Companies Act, the adoption of any agreement referred to in Article 194 of the Spanish Companies Act (which are those summarized above in this paragraph) will require an absolute majority of the votes issued by the attending shareholders (both personally and by proxy) if the attending shareholders represent more than 50% of the total share capital. Pursuant to Additional Provision 10 of the Banking Foundations Act, resolutions to distribute dividends in credit institutions controlled by a banking foundation in accordance with the provisions of Article 44.3 of the Banking Foundations Act shall be subject to the reinforced quorum established in Article 194 of the Spanish Companies Act and must be passed by a majority of at least two thirds of the capital present or represented at the shareholders' meeting.
- *Rules on presumptions or deductions about the direction of votes*: for the items included in the agenda which have been proposed or assumed by the Board of Directors, the votes corresponding to all the shares attending the meeting, present or represented, shall be considered as votes in favor of the proposal except the votes corresponding to (i) the shares whose holders or representatives state that they are voting against, in blank or abstain, by means of written communication or expression of their vote or abstention to the Secretary or, as the case may be, to the notary or assisting personnel, for recording in the minutes, or by means of the vote against, in blank or abstention through remote means of communication, in accordance with the provisions of the General Shareholders Meeting Regulations; and (ii) the shares whose holders or representatives have left the meeting prior to the vote on the proposed resolution and have recorded such abandonment before the Secretary or, as the case may be, the notary or assisting personnel.

  For items which are not included in the agenda or items included in the agenda which have not been proposed or assumed by the Board of Directors, the votes corresponding to all the shares attending the meeting, whether present or represented, shall be considered votes against the proposal except the votes corresponding to (i) the shares whose holders or representatives state that they vote in favour, in blank or abstain, by means of written communication or expression of their vote or abstention to the Secretary or, as the case may be, to the notary or assisting personnel for recording in the minutes, or, as the case may be, by voting in favour, in blank or abstaining through remote means of communication, in accordance with the provisions of the General Shareholders Meeting Regulations; and (ii) the shares whose holders or representatives have left the meeting prior to the vote on the proposed resolution and have recorded such abandonment before the Secretary or, as the case may be, the notary or assisting personnel.

The Spanish Companies Act allows shareholders to voluntarily group their shares so that the share capital in aggregate is equal to or greater than the result of dividing the total share capital by the number of directors on the board. Such grouped shareholders have the right to appoint a corresponding proportion of the members of the board of directors (disregarding any fractions) provided that there is a vacancy. Shareholders who exercise this grouping right may not vote on the appointment of the remaining other directors.

Legal effects of resolutions passed by the general shareholders' meeting and opposition to the resolutions of the general shareholders' meeting

A resolution passed by our general shareholders' meeting is binding on all shareholders.

Resolutions which are either (i) contrary to Spanish law, our bylaws or our General Shareholders' Meeting Regulations or Board Regulations or (ii) detrimental to our corporate interests in benefit of one or more shareholders or third parties, may be contested. Damage to company's interest is also caused when the resolution, without causing damage to corporate assets, is imposed in an abusive manner by the majority. An agreement is understood to have been imposed in an abusive manner when rather than responding reasonably to a corporate need, the majority adopts the resolution in their own interests and to the unjustifiable detriment of the other shareholders.

For listed companies (such as the Company upon a potential Admission), the Spanish Companies Act requires a contestant or contestant group to hold a minimum total of 0.1% of the company's share capital in order to contest a resolution. The Spanish Companies Act acknowledges a legal right of action in favor of (i) individual shareholders who held shares prior to the adoption of such resolutions, (ii) our directors and (iii) interested third parties. If the resolution is contrary to public policy, any shareholder (whether or not he or she was a shareholder at the time when the resolution was adopted), director or third party is entitled to contest the resolution. In certain circumstances (such as a significant amendment of our corporate purpose, certain cases of conversion of our corporate form or the change of our registered office overseas), the Spanish Companies Act entitles dissenting or absent shareholders to withdraw from the company. If this right were to be exercised, we would be obliged to repurchase the relevant shareholding(s) from the withdrawing shareholder in accordance with the procedures established under the Spanish Companies Act.

Loyalty Shares

The Spanish Companies Law provides that shareholders of listed companies (such as the Company upon a potential Admission) may have double voting rights associated to their shares ("**Loyalty Shares**"), provided that they are envisaged and regulated in the bylaws of the relevant listed company. As of the date of this Registration Document, our bylaws do not contain such regime for Loyalty Shares.

The following conditions would need to be met to implement Loyalty Shares:

- General shareholders' meeting approval: a general shareholders' meeting resolution passed by a qualified majority, of at least 60% of the votes cast (if the quorum at the meeting is at or above 50%) or 75% of the votes cast (if the quorum at the meeting is between 25% and 49.99%) in order to include the concept of Loyalty Shares (opt-in) in its bylaws.
- Shareholder's decision: that the shareholder concerned holds the shares uninterruptedly for a minimum of two years (the bylaws may require a longer holding period).
- Shareholder's prerogative: the double vote will be limited to those shares that the shareholder expressly indicates and the minimum holding period will only start at the moment the shareholder requests their registration in the special share register for shares with double voting rights. The shareholder may waive the double voting right at any time. The aforementioned special register will be available to all shareholders.

Listed companies that adopt the Loyalty Shares regime must include updated information on their website on the number of shares with double voting rights existing from time to time, as well as those registered shares whose loyalty period provided for in the bylaws is pending completion. Double voting rights will generally terminate when the Loyalty Shares are transferred, except in the case of intra-group transfers or, under certain conditions, transfers between family members or transfers through structural modifications (*modificaciones estructurales*).

Loyalty Shares must be taken into account for the purposes of, among others: (i) calculating the quorum of the general shareholders' meeting and the relevant majorities for the approval of resolutions; (ii) complying with the obligation to notify significant holdings; and (iii) determining the existence of a controlling interest that triggers the obligation to launch a takeover bid.

The provision in the bylaws regarding Loyalty Shares must be renewed after five years from the date of its original approval by the general shareholders meeting, subject to the same quorum and qualified majority requirements set out above, provided that holders of Loyalty Shares will be allowed to cast two votes per Loyalty Share held. Moreover, after 10 years from the inclusion of the Loyalty Shares regime in the bylaws, such bylaws may be amended to eliminate such Loyalty Shares (subject to the quorum and qualified majority requirements for any amendment of the bylaws) and holders of Loyalty Shares will only be able to cast one vote per Loyalty Share held for such purposes.

Pre-emptive rights and increases of share capital

Pursuant to the Spanish Companies Act, shareholders have pre-emptive rights to subscribe for newly issued shares or newly issued bonds that are convertible into shares in consideration for cash contributions. Such pre-emptive rights may be excluded under special circumstances by a resolution passed by the general shareholders' meeting or the board of directors (if the general shareholders' meeting of a listed company (such as the Company upon a potential Admission) delegates the decision to increase the company's share capital or issue convertible bonds waiving pre-emptive rights to the board of directors), in accordance with the provisions of the Spanish Companies Act. In such cases, the resolution authorizing the exclusion of pre-emptive rights will only be valid if, among other requirements: (i) a report is issued by an independent auditor appointed by the Commercial Registry stating, among other elements, the market value of the Shares, the theoretical value of the pre-emptive rights and the net book value of the Shares (which in the case of listed companies is only required when the amount of the non-pre-emptive share capital increase exceeds 20% of the company's share capital or, if below such threshold, the issue price of new shares is lower than 90% of their fair market value); and (ii) the nominal value and issue premium of the newly issued shares is equal to or higher than their fair value (*valor razonable*), provided that where the issuance of the new shares is approved by the general shareholders meeting the shares may be issued at an issue price below the fair value, in which case the Board of Directors must justify the reasons why it is in the best corporate interest of the Company to issue such shares at a discount to their fair value and the independent expert report will be imperative and will include information on the dilution of existing shareholders.

Furthermore, pre-emptive rights will not be exercisable by shareholders in case of a share capital increase that is required for the purposes of issuing convertible bonds into shares, completing a merger, acquiring all or part of another company's assets, by means of capitalization of credit rights or against non-cash contributions. Pre-emptive rights are transferable, may be traded on the the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil or SIBE*) or *Mercado Continuo*, of the Spanish Stock Exchanges and may be of value to existing shareholders since new shares may be offered for subscription at prices lower than prevailing market prices.

On January 14, 2022 our Board of Directors was authorized by our general shareholders' meeting to issue convertible debt instruments or warrants in a maximum amount of €400 million for a period of five years. It was also authorized to increase our share capital by an amount of up to 20% of our share capital as of the date of such authorization (our share capital as of such date was €214,427,597), in order to issue new shares for the conversion of the convertible debt instruments and warrants, and to exclude shareholders' pre-emptive rights. The general shareholders' meeting has not authorized the Board of Directors to issue new shares on a pre-emptive or non-pre-emptive basis. As of the date of this Registration Document, we have not issued securities convertible or exchangeable into Shares or with warrants over the Shares.

Shareholder claims

Pursuant to the Spanish Companies Act, directors are liable towards us, the shareholders and the creditors for any actions or omissions that are illegal or contravene the bylaws and for failure to perform their legal and fiduciary duties diligently.

The liability of the directors is joint and several, except to the extent any director can demonstrate that he or she did not participate in the decision-making process related to the relevant act or omission, was unaware of its existence or if being aware of it, he or she used his or her best efforts to mitigate any damages to the Company or if he or she expressly disagreed with the decision-making relating to such act or omission.

Under Spanish law, shareholders must bring any actions against our directors as well as any other actions against us or challenging corporate resolutions before the competent courts in the province where our registered office is located (currently Zaragoza, Spain).

Information to shareholders

Under Spanish law and pursuant to the General Shareholders' Meeting Regulations, our shareholders are entitled to receive certain company information, including information regarding any amendment to our bylaws, any increase or reduction in our share capital, the approval of our annual accounts, any issuance of debt securities, a merger or spin off, the winding up or liquidation, or any other major corporate events or actions.

Furthermore, our shareholders may request any reports or explanations that they consider necessary in respect of the matters included in the agenda of a general shareholders' meeting, either in writing beforehand until the fifth day prior to the date scheduled for our general shareholders' meeting in which case, the Board of Directors is obliged to provide these reports and explanations until the day before the general shareholders' meeting, or orally at the meeting, in which case and if the right of our shareholder could not be satisfied at the moment, the Board of Directors is obliged to provide these reports and explanations within the seven days following the conclusion of our general shareholders' meeting, except in the case where, in the chairperson's opinion, public exposure of the information requested may be detrimental to our interests. However, this exception shall not apply should the request be backed by shareholders which together hold 25% or more of the share capital.

Representation and transfer of Shares

Our Shares are represented by book entry records and are indivisible.

Iberclear (the managing entity for the Spanish clearance and settlement system of the Spanish Stock Exchanges) manages the central registry, which reflects the number of shares held by each of its participating entities from time to time as well as the number of shares held by beneficial owners. Each participating entity, in turn, keeps a record of the owners of such shares. Since our Shares are represented by book entry records, we will keep an electronic shareholder registry for which Iberclear shall report to us all transactions entered into by our shareholders in respect of the Shares. The shareholders or persons holding limited in rem rights or encumbrances on the Shares may obtain legitimation certificates as provided for under the laws governing shares represented by book entries. Further, we have the right to request from Iberclear the details of our shareholders, including without limitation their names, addresses and contact details. We also have the right to request from the intermediary entity the details of the ultimate beneficial owner of its shareholders (that is, the person on whose behalf the intermediary institution acts as a shareholder by virtue of the accounting record).

Our Shares are freely transferable in accordance with the Spanish Companies Act, the Securities Market Act and any implementing regulations.

In the event of co ownership of one or several Shares, co holders must appoint a single representative to exercise their rights jointly on their behalf. However, they shall all be jointly and severally (*solidariamente*) liable towards us for any obligations in their capacity as shareholders.

Restrictions on Foreign Investment

Foreign direct investments ("**FDI**") were generally liberalised under law 19/2003, of July 4, on the establishment of a regulatory regime relating to capital and foreign economic transactions (*Ley 19/2003, de 4 de julio, sobre régimen jurídico de los movimientos de capitales y de las transacciones económicas con el* *exterior y sobre determinadas medidas de prevención del blanqueo de capitales*, "**Law 19/2003**"). Royal Decree-law 8/2020, of March 17, and Royal Decree-law 11/2020, of March 31, enacted article 7 bis of Law 19/2003 imposing certain restrictions on FDI.

Article 7 bis of Law 19/2003 sets forth a screening mechanism for certain investments made by non-EU and non-EFTA residents, based on public order, public health and public security reasons (the "**Screening Mechanism**"). The Screening Mechanism aligns part of the Spanish foreign investment legal framework with Regulation (EU) 2019/452, of March 19, 2019 establishing a framework for the screening of foreign direct investments into the European Union. Certain provisions of Regulation (EU) 2019/452 ─ such as the list of sectors affecting public order and public security or the definition of state-owned enterprises and other similar investors, are mirrored in the regulations establishing the Screening Mechanism.

In accordance with the Screening Mechanism, FDIs are:

- investments that result in a foreign investor reaching a stake of at least 10% of the share capital of a Spanish company; and
- any corporate transaction, business action or legal transaction which enables the possibility of exercising control (i.e. decisive influence, according to merger control criteria) over a Spanish company.

The Screening Mechanism provides that the following persons are deemed to be a "foreign investor" under applicable regulation:

- non-EU and non-EFTA residents; and
- EU or EFTA residents beneficially owned by non-EU and non-EFTA residents. This occurs when non-EU and non-EFTA residents ultimately own or control, directly or indirectly, more than 25% of the share capital or voting rights of the investor, or otherwise exercise control (i.e. have decisive influence, according to merger control criteria), directly or indirectly, over the investor.

In order to determine the FDIs which are subject to the Screening Mechanism, Law 19/2003 establishes two sets of requirements:

- the sector in which the target carries out its business:
    - Critical infrastructure, whether physical or virtual, including energy, transport, water, health, communications, media, data processing or storage, aerospace, defence, electoral or financial infrastructure, and sensitive facilities, as well as land and real estate crucial for the use of such infrastructure.
    - Critical technologies and dual-use products: telecommunications, artificial intelligence, robotics, semiconductors, cyber security, aerospace, defence, energy storage, quantum and nuclear technologies, as well as nanotechnologies and biotechnologies.
    - Supply of critical inputs, in particular electricity and gas activities, raw materials and food security.
    - Sectors with access to sensitive information, including personal data, or the ability to control such information.
    - Media.
    - Other sectors designated by the Spanish government from time to time that may affect public security, order or health (currently none).
- the personal circumstances of the foreign investor, regardless of the business of the target;
    - Investors directly or indirectly controlled by the government, including state bodies or armed forces, of a non-EU/EFTA country.

- Investors that have already made an investment affecting national security, public order or public health in another EU Member State, including an investment in any of the above-mentioned sectors.
- Investors who are at serious risk of engaging in criminal or illegal activities affecting public security, public order or public health in Spain.

In addition, on a temporary basis until December 31, 2022, acquisitions by EU/EFTA residents (other than Spain) in listed companies in Spain (such as the Company upon a potential Admission) are subject to the Screening Mechanism to the extent that they meet both of the following criteria:

- EU or EFTA resident acquires a stake of 10% or more in the Spanish company or, as a result of the transaction, acquires control of that company (i.e. possibility of exercising a decisive influence over a company);
- the sector of the investment affects "public order, public security and public health" (as described above).

The Screening Mechanism procedure requires the following:

- Under the ordinary procedure, prior authorization from the Spanish Council of Ministers (*Consejo de Ministros*) is required to close FDI subject to it. The legal term to issue a decision is six months.
- On a transitional basis, until the Screening Mechanism is further developed, a fast-track 30-day procedure, whose resolution is to be issued by a lower-tier authority (the General Directorate for International Trade and Investments *Dirección General de Comercio Internacional e Inversiones*), applies to investments (i) agreed but not closed prior to March 18, 2020; and (ii) those below €5 million. Investments below €1 million are not subject to the Screening Mechanism.
- Under both the ordinary and fast-track procedures, the investment will be deemed unauthorized if the relevant authority does not respond to the authorization request within the corresponding legal term.

In compliance with Royal Decree 664/1999 and developing regulations, foreign investors not resident in a non-cooperative jurisdiction are only required to file a standardized notice with the Spanish Registry of Foreign Investments (*Registro de Inversiones Exteriores*) kept by the General Bureau of International Commerce and Investments (*Dirección General de Comercio Internacional e Inversiones*) within the Ministry of Industry, Commerce and Tourism (*Ministerio de Industria, Comercio y Turismo*) following the investment in or divestment of a Spanish company. Such filing is to be made solely for statistical, economic and administrative purposes. For Shares belong to a Spanish company listed on an official secondary market, the duty to file the notice regarding the foreign investment or divestment falls with the relevant entity with whom the Shares (in book entry form) have been deposited or which has acted as an intermediary in connection with such investment or divestment.

Finally, if the foreign investor is a resident of a non-cooperative jurisdiction, as defined under Royal Decree 1080/1991 of July 5, 1991 (*Real Decreto 1080/1991, de 5 de julio, por el que se determinan los países o territorios a que se refieren los artículos 2.º, apartado 3, número 4, de la Ley 17/1991, de 27 de mayo, de Medidas Fiscales Urgentes, y 62 de la Ley 31/1990, de 27 de diciembre, de Presupuestos Generales del Estado para 1991)*, notice must be provided to the Registry of Foreign Investments both before and after execution of the investment. However, prior notice from residents in non-cooperative jurisdictions is excluded in the following cases:

- investments in securities, whether or not listed in an official secondary market;
- participations in investment funds that are registered with the CNMV; and
- investments in connection with shareholdings that do not exceed 50% of the share capital of a Spanish company.

Exchange control regulations

Pursuant to Royal Decree 1816/1991, of December 20 (*Real Decreto 1816/1991, de 20 de diciembre, de transacciones económicas con el exterior*), as amended by Royal Decree 1360/2011, of October 7 (*Real Decreto 1360/2011, de 7 de octubre, que modifica el Real Decreto 1816/1991, de 20 de diciembre, sobre transacciones económicas con el exterior*) and EC Directive 88/361/EEC, any charges, payments or transfers between non-residents and residents of the Kingdom of Spain must be effected through an official payment services supplier registered with the Bank of Spain and or the CNMV (*entidades registradas*) through bank accounts opened abroad with a foreign bank or a foreign branch of a registered entity in cash or by check payable to the bearer, in cash or by check payable to bearer. All charges, payments or transfers which exceed €6,010 (or its equivalent in another currency) must be notified through the payment services supplier to the relevant Spanish exchange control authorities if made in cash or by check payable to the bearer.

Reporting requirements

Transactions affecting voting rights

Pursuant to Royal Decree 1362/2007 of October 19, 2007 (*Real Decreto 1362/2007, de 19 de octubre, que desarrolla la Ley del Mercado de Valores en relación con los requisitos de transparencia relativos a la información sobre los emisores cuyos valores estén admitidos a negociación en un mercado secundario official o en otro mercado regulado de la Unión Europea*) ("**Royal Decree 1362/2007**"), any individual or legal entity who, by whatever means, purchases or transfers shares granting voting rights in a company listed in a secondary official market or other regulated market in the EU for which Spain is the country of origin (if the registered office of the listed company is located in Spain), must notify the relevant issuer and the CNMV, if, as a result of such transaction, the proportion of voting rights held by that individual or legal entity reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% and 90% of the company's total voting rights.

The notice shall be served by means of the standard form approved by the CNMV from time to time for such purpose, within four trading days from the date on which the transaction is acknowledged (Royal Decree 1362/2007 deems a transaction to be acknowledged within two trading days from the date on which it is entered into). Where the individual or legal entity effecting the transaction is a non-resident of the Kingdom of Spain, notice must also be served to the Spanish Registry of Foreign Investments within the General Bureau of International Commerce and Investments (a department of the Ministry of Economy and Competitiveness), as explained above in section "*Restrictions on Foreign Investment*".

The foregoing disclosure requirements also apply to those transactions (other than sales and purchases of shares) by which the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the aforementioned thresholds that trigger the obligation to report as a consequence of a change in the total number of voting rights of a company on the basis of the information disclosed in the CNMV. In such case, the transaction is deemed to be acknowledged within two trading days from the date of the communication of inside information (*comunicación de información privilegiada*) or the communication of other relevant information (*comunicación de otra información relevante*), as applicable.

Regardless of the actual ownership of the Shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the Shares or who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights, shall also notify us and the CNMV if the aggregate voting rights held by that individual or legal entity reaches, exceeds or falls below the aforementioned thresholds.

The obligation to report will be applicable also if the thresholds mentioned above are crossed as a result of holding financial instruments which:

(a) On maturity, give the holder under a formal agreement either the unconditional right to acquire or discretion to decide to acquire voting shares already issued; or

(b) Otherwise, are referenced to voting shares already issued and have a similar economic effect to that of the financial instruments referred to in (a) above, whether or not they confer a right to a physical settlement.

This means that, for instance, any derivative which grants its holder a long position over the voting shares of a Spanish listed company (such as the Shares upon a potential Admission) (options, futures, swaps, forwards and other derivative agreements) is also disclosable (irrespective of whether it is cash or physically settled).

It should be noted that voting rights related to financial instruments are calculated differently depending on how instruments are settled:

- Where financial instruments provide for physical settlement, the number of related voting rights is calculated by reference to the full notional number of underlying shares.
- Where financial instruments provide for cash settlement only, the number of voting rights is calculated by multiplying the notional number of underlying shares by the delta of the instrument (which indicates how much a financial instrument's theoretical value would vary in the event of variation in price of the underlying shares).

In case the person, legal entity or group effecting the transaction is a resident in a non-cooperative jurisdiction (as defined by applicable Spanish regulations) or in a country or territory levying no taxes or with which Spain has no effective exchange of tax information, the threshold that triggers the obligation to disclose the acquisition or transfer of shares in a Spanish company is reduced to 1% (and successive multiples thereof).

Moreover, pursuant to Article 30.6 of Royal Decree 1362/2007, in the context of a takeover bid, the following transactions should be notified to the CNMV: (i) any acquisition reaching or exceeding 1% of the voting rights of the Company, and (ii) any increase or decrease in the percentage of voting rights held by holders of 3% or more of the voting rights in the Company. The CNMV will immediately make public this information.

Our bylaws and internal regulations do not provide for any significant shareholdings disclosure requirements more stringent than those established under Royal Decree 1362/2007 (as mentioned in this sub section) and the Market Abuse Regulation.

In addition, certain provisions of Spanish law require clearance by the competent authority prior to the acquisition of a qualifying holding (*participación significativa*) of a Spanish bank by any individual or legal person. The SSM Regulation confers this authority exclusively to the ECB.

Pursuant to Article 17 of Act 10/2014, any individual or legal person (either individually or in concert with other persons) which decides (i) to acquire, directly or indirectly, a qualifying holding in a Spanish bank or (ii) to further increase, directly or indirectly, a holding in a Spanish bank (such as the Company), as a result of which the proportion of voting rights or share capital held by such individual or legal person would exceed 20%, 30% or 50% of the total voting rights or share capital or the Spanish bank would become under the control of such individual or legal person (in the terms of Article 42 of the Spanish Commercial Code), shall notify the ECB (through the Bank of Spain) in advance of such transaction.

A qualifying holding for these purposes is defined as a direct or indirect holding in a Spanish bank representing 10% or more of the share capital or the voting rights, or enabling to exercise a significant influence over the management of that bank (such as, in any case, the capacity to appoint or dismiss a board member).

The Bank of Spain shall assess the proposed transactions of qualifying holdings and will submit a proposed decision to the ECB so that the latter may decide whether or not to oppose the transaction.

Pursuant to Article 25 of Royal Decree 84/2015, the final decision on the possible opposition to the transaction shall be taken within 60 business days after the Bank of Spain acknowledges the receipt of the relevant application submitted by the potential acquirer. The opposition to the transaction may be based on finding the acquirer unsuitable on the basis of its commercial or professional reputation or its solvency or the transparency of its corporate structure, among other reasons. If no such formal decision is issued within such 60 business day period, it will be understood that there is no opposition to the transaction.

If the acquisition is carried out and (i) if the required prior notice is not given to the Bank of Spain, or (ii) if the acquisition is carried out before the 60 business days period referred to above, or (iii) if the ECB opposes the transaction, then there shall be the following consequences: (i) the voting rights corresponding to the acquired shares may not be exercised or, if exercised, will be deemed null, (ii) the ECB may seize control of the bank or replace its board of directors, and (iii) a fine may be imposed on the acquirer.

Furthermore, any natural or legal person (either individually or in concert with other persons) who has acquired, directly or indirectly, a holding in a Spanish bank so that the proportion of the voting rights or of the share capital held reaches or exceeds 5%, must immediately notify in writing the Bank of Spain and the relevant Spanish bank, indicating the size of the acquired holding.

In addition, pursuant to Article 21 of Act 10/2014, any natural or legal person who has taken a decision to dispose, directly or indirectly, of a qualifying holding in a Spanish bank must first notify the Bank of Spain, indicating the size of his/her intended reduced holding. Such a person shall likewise notify the Bank of Spain if he/she has taken a decision to reduce his/her qualifying holding so that the proportion of the voting rights or of the share capital held would fall below 20%, 30% or 50% or so that the bank would cease to be under his/her control. Failure to comply with these requirements may lead to sanctions being imposed on the defaulting party.

Spanish banks are required, on becoming aware of any acquisitions or disposals of holdings in their capital that cause holdings to exceed, or fall below, the thresholds referred to above, to inform the Bank of Spain of such acquisitions or disposals.

The Bank of Spain also requires each Spanish bank to provide it quarterly with a list of all its shareholders which are financial institutions or which are not financial institutions but have shares registered in its own name holding at least 0.25% of the bank's share capital by reference to the last day of each calendar quarter.

If the ECB determines at any time that the influence of a person who owns a qualifying holding of a bank may adversely affect that bank's management or financial situation, it may: (i) suspend the voting rights of such person's shares; (ii) seize control of the bank or replace its board of directors; or (iii) in exceptional circumstances revoke the bank's license. A fine may be also be levied on the person owning the relevant qualifying shareholding.

Disclosure requirements applicable to directors and senior managers

In accordance with the Market Abuse Regulation, persons discharging managerial responsibilities (including, but not limited to, members of the board of directors and senior management), as well as persons closely associated with them, must report both to the Company and the CNMV every transaction conducted on their own account relating to the Shares, or debt instruments of the Company, or to derivatives or other financial instruments linked thereto, no later than three business days after the date of the transaction. This reporting obligation shall apply to any subsequent transaction once a total amount of €20,000 has been reached within a calendar year.

The transactions that must be notified according to the foregoing also include (i) the pledging (other than pledges, or similar security interests, of financial instruments in connection with the depositing of the financial instruments in a custody account, unless and until such time that such pledge or other security interest is designated to secure a specific credit facility) or lending of financial instruments by or on behalf of a person discharging managerial responsibilities or a person closely associated with such a person; (ii) transactions undertaken by persons professionally arranging or executing transactions or by another person on behalf of a person discharging managerial responsibilities or a person closely associated with such a person; and (iii) transactions made under a life insurance policy where (a) the policyholder is a person discharging managerial responsibilities or a person closely associated with such a person; (b) the investment risk is borne by the policyholder; and (c) the policyholder has the power or discretion to make investment decisions regarding specific instruments in that life insurance policy or to execute transactions regarding specific instruments for that life insurance policy.

We maintain a list of all persons discharging managerial responsibilities and persons closely associated with them. Persons discharging managerial responsibilities shall notify the persons closely associated with them of the reporting obligation described above in writing and shall keep a copy of this notification. In addition, a person discharging managerial responsibilities within the Company shall not conduct any transactions on its own account or for the account of a third party, directly or indirectly, relating to the Shares or debt instruments of the Company or to derivatives or other financial instruments linked to them, during a closed period of 30 calendar days before the announcement of an interim financial report or a year-end report which the Company is obliged to make public, unless so permitted by the Company (i) on a case-by-case basis due to the existence of exceptional circumstances, such as severe financial difficulty, which require the immediate sale of the Shares; or (ii) due to the characteristics of the trading involved for transactions made under, or related to, an employee share or saving scheme, qualification or entitlement of shares, or transactions where the beneficial interest in the relevant security does not change.

Disclosure of shareholder agreements

The Spanish Companies Act and the Securities Market Act require the parties to disclose shareholder agreements that affect the exercise of voting rights at a general shareholders' meeting of a listed company (such as the Company upon a potential Admission) or contain restrictions or conditions in connection with the transfer of shares or exchangeable or convertible bonds. The execution, amendment or extension of such shareholders agreements shall be immediately disclosed by the relevant parties to us and to the CNMV and a copy of the relevant provisions of the agreement which affect the exercise of the voting rights and/or restrict or place conditions upon the transfer of shares shall be filed with the relevant Commercial Registry. The shareholder agreements will be disclosed as communications of inside information (*comunicación de información privilegiada*) or communications of other relevant information (*comunicación de otra información relevante*), as applicable, on the CNMV's website. If these requirements are not fulfilled, any provisions contained in such shareholder agreements which affect the exercise of voting rights and/or restrict or place conditions upon the transfer of shares, will not be effective.

Upon request by the interested parties, the CNMV may waive such requirement to report and publish the agreement when publishing the shareholders' agreement could cause harm to the affected company.

As of the date of this Registration Document, there are no such shareholders' agreements affecting the Company.

Disclosure of net short positions

In accordance with EU Regulation No 236/2012 of the European Parliament and of the Council, of March 14, 2012, on short selling and credit default swaps (as further supplemented by several delegated regulations), as amended by Commission Delegated Regulation (EU) 2022/27, any person or legal entity holding net short positions on shares admitted to trading in the Spanish Stock Exchanges (such as the Company upon a potential Admission) must report them to the CNMV if they reach or fall below 0.1% of the relevant issuer's share capital and each 0.1% above that.

Positions reaching or falling below 0.5% (and each 0.1% above that) shall be publicly disclosed by the CNMV.

The notification or disclosure mentioned above shall be made no later than 3:30 p.m. (CET) on the following trading day.

The disclosure is mandatory even if the same position has been already notified to the CNMV in compliance with transparency obligations previously in force in that jurisdiction.

The information to be disclosed is set out in Table 1 of Annex I of Delegated Regulation 826/2012, according to the format approved as Annex II of this Delegated Regulation. The information will be published, where appropriate, on a web page operated or supervised by the CNMV.

Moreover, pursuant to Regulation 236/2012, when the CNMV considers that (i) there are adverse events or developments that constitute a serious threat to financial stability or to market confidence (serious financial, monetary or budgetary problems, which may lead to financial instability, unusual volatility causing significant downward spirals in any financial instrument, etc.); and (ii) the measure is necessary and will not be disproportionately detrimental to the efficiency of financial markets in view of the advantages sought, it may, following consultation with the ESMA, take any one or more of the following measures:

- impose additional notification obligations by either (a) reducing the thresholds for the notification of net short positions in relation to one or several specific financial instruments; and/or (b) requesting the parties involved in the lending of a specific financial instrument to notify any change in the applicable premiums; and
- restrict short selling activities by either prohibiting or imposing conditions on short selling.

In addition, according to Regulation 236/2012, where the price of a financial instrument has fallen significantly during a single day in relation to the closing price on the previous trading day (10% or more in the case of a liquid share), the CNMV may prohibit or restrict short selling of financial instruments for a period not exceeding the end of the trading day following the trading day on which the fall in price occurs.

Finally, Regulation 236/2012 also vests powers to ESMA in order to take similar measures to those described above in exceptional circumstances, when the purpose of these measures is to deal with a threat affecting several Member States and the competent authorities of these Member States have not taken adequate measures to address it.

Share repurchases

Pursuant to the Spanish Companies Act, we may only repurchase our own shares derivatively within certain limits and in compliance with the following requirements:

- the repurchase must be previously authorized by the general shareholders’ meeting in a resolution establishing the maximum number of Shares to be acquired, the means by which they will be acquired, the minimum and maximum acquisition price (if any) and the duration of the authorization, which may not exceed five years from the date of the resolution; and
- the repurchase, including the Shares already acquired and currently held by us or any person or company on our behalf, does not reduce our net equity below the aggregate amount of our share capital and non-distributable reserves.

For these purposes, net equity means the amount resulting from the application of the criteria used to draw up our financial statements, minus the amount of profits directly allocated to such net equity, plus the amount of uncalled subscribed share capital and the total amounts of nominal value and issue premium for the subscribed share capital registered as a liability in our accounting.

In addition:

- the aggregate nominal value of the Shares directly or indirectly repurchased by us, together with the aggregate nominal value of the treasury shares already held by us and our subsidiaries, shall not exceed 10% of our total share capital; and
- the repurchased Shares shall always be fully paid-up. The repurchase shall be deemed null and void if: (i) the Shares are partially paid-up (except in case of free repurchase); or (ii) the Shares entail ancillary obligations.

Treasury shares lack voting and economic rights. Economic rights bound to treasury shares (which are dividend distributions and liquidation rights) shall, except for the right to bonus shares, be distributed among our shareholders in proportion to their respective shareholdings.

Furthermore, pursuant to the Spanish Companies Act, the audited financial statements of a company must include a reference to any treasury shares.

The Market Abuse Regulation establishes rules in order to ensure the integrity of European Community financial markets and to enhance investor confidence. The Market Abuse Regulation provides an exemption from the market manipulation rules regarding share buy-back programs by companies listed on a stock exchange in an EU Member State. Regulation 2016/1052 implements the Market Abuse Regulation with regard to the regulatory technical standards for the conditions applicable to buy-back programs and stabilization measures. According to the provisions included in the Regulation 2016/1052, in order to benefit from the exemption, an issuer implementing a buy-back program must comply with the following requirements:

(a) Prior to the start of trading in a buy-back program, the issuer must ensure the adequate disclosure of the following information:

- The purpose of the program. According to Article 5.2 of the Market Abuse Regulation, the buy-back program must have as its sole purpose (a) to reduce the capital of the issuer; (b) to meet obligations arising from debt financial instruments convertible into equity instruments; or (c) to meet obligations arising from share option programs, or other allocations of shares, to employees or to members of the administrative, management or supervisory bodies of the issuer or of an associate company;
- The maximum pecuniary amount allocated to the program;
- The maximum number of shares to be acquired; and
- The period for which authorization for the program has been granted.

(b) The issuer must ensure that the transactions relating to the buy-back program meet the conditions included in Article 3 of the Regulation 2016/1052. Specifically, that the purchase price is not higher than the higher purchase price of the last independent trade and the highest current independent purchase bid on the trading venue where the purchase is carried out. Furthermore, issuers must not purchase on any trading day more than 25% of the average daily volume of shares on the corresponding trading venue.

(c) Issuers shall not, for the duration of the buy-back program, engage on (a) selling of own shares; (b) trading during the closed periods referred to in Article 19.11 of the Market Abuse Regulation; and (c) trading where the issuer has decided to delay the public disclosure of inside information in accordance with the Market Abuse Regulation.

Moreover, pursuant to Article 77 of CRR, prior authorization from the ECB is needed in order to reduce, redeem or repurchase own shares. Rules and conditions to obtain such authorization are regulated by Article 77 of CRR and further developed by Commission Delegated Regulation (EU) 241/2014.

Furthermore, according to Royal Decree 1362/2007, if an acquisition or series of acquisitions of the Company's ordinary shares reaches or exceeds or causes our and our affiliates' holdings to reach or exceed 1% of the voting shares, the Company must notify its final holding of treasury shares to the CNMV. If such threshold is reached as a result of a series of acquisitions, such reporting obligation will only arise after the closing of the acquisition which, taken together with all acquisitions made since the last of any such notifications, causes our and our affiliates' holdings to exceed 1% of the voting shares. Sales and other transfers of the treasury shares will not be deducted in the calculation of such threshold. This requirement would also apply if the shares were acquired by one of our majority owned subsidiaries.

On November 27, 2019, the CNMV approved Circular 2/2019 on liquidity contracts entered into by issuers with financial institutions for the management of treasury shares. This regulation entered into force on March 10, 2020 and repealed and replaced the CNMV's Circular 1/2017, introducing new limitations on the daily volume that financial intermediaries can trade under the liquidity agreement and new rules which must be complied with by financial intermediaries in their operations in auction periods.

As of the date of this Registration Document, neither we nor our subsidiaries hold any shares of the Company. On January 14, 2022, our general shareholders' meeting of the Company authorized the acquisition of treasury stock for a period of five years from such date, up to a maximum of 10% of the share capital of the

Company as of such date. The minimum and maximum acquisition price will be the nominal value and the stock market price or the latest stock market price available at the time the transaction is executed or agreed to be executed, increased by up to 10%.

ADDITIONAL INFORMATION

Documents on display

Copies of the following documents will be available for inspection in physical form for the term of this Registration Document during business hours on weekdays at the Company's offices at Plaza de Basilio Paraíso, 2, 50008 Zaragoza, Spain:

(i) deed of incorporation of the Company;

(ii) bylaws of the Company;

(iii) The Ibercaja Foundation Protocol; and

(iv) this Registration Document (which, following its approval by the CNMV, will also be available on the CNMV's website at www.cnmv.es and on the Company's website at www.ibercaja.com).

The document referred to in (iii) above will also be available for inspection in physical form at the CNMV's premises in Madrid (Calle Edison, 4, 28006 Madrid), Barcelona (Calle de Bolívia, 56, 08018 Barcelona) and Bilbao (Calle Heros 3, 48009 Bilbao).

Information on the Company

The Company's legal name is Ibercaja Banco, S.A., and it operates under the commercial name "Ibercaja Banco".

Ibercaja Banco was incorporated in Spain on September 22, 2011 as a public limited company (*sociedad anónima*) for an unlimited period of time, and is registered with the Commercial Registry of Zaragoza under volume 3,865, book 0, sheet 1, page Z-52186 and as a credit institution with the Special Registry at the Bank of Spain (*Registro Administrativo de Bancos y Banqueros del Banco de España*) under number 2,085. Ibercaja Banco holds Spanish tax identification number (NIF) A-99319030, its LEI code is 549300OLBL49CW8CT155 and its website is www.ibercaja.com.

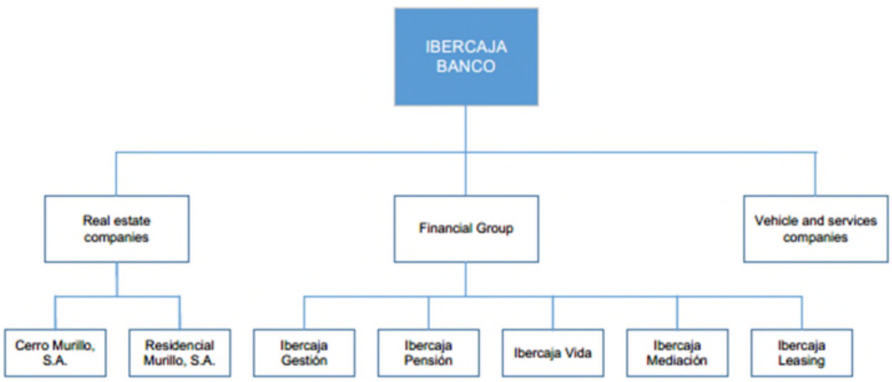
The principal legislation under which the Company operates is the Spanish Companies Act and the regulations thereunder, as well as special applicable banking regulations. The registered office of the Company is at Plaza de Basilio Paraíso, 2, 50008 Zaragoza, Spain, and its phone number is +34 976 76 79 83.

The financial year end of the Company is December 31.

The Company is domiciled in Zaragoza, Spain, and resident in Spain for tax purposes.

Ibercaja Banco forms part of the consolidated group of which the Ibercaja Foundation is the parent company.

The following chart shows the structure of the Ibercaja Group as of the date of this Registration Document:



As of December 31, 2021, the Group had 14 fully consolidated subsidiaries (entities over which we have control, due to direct or indirect ownership of more than 50% of the relevant entity's voting rights or, if the percentage of ownership is lower than 50%, because we are party to agreements with other shareholders of the relevant entity that give us the majority of voting power), two jointly-controlled entities (entities which, without being dependent, are under contractual agreements of joint control, whereby decisions on the relevant activities are taken unanimously by the entities that share the control and are entitled to their net assets) and 14 associates (entities over which we exercise significant influence but which are neither subsidiaries nor jointly-controlled entities). All of our subsidiaries, jointly-controlled entities and associates are incorporated in Spain.

The following table shows the fully consolidated subsidiaries as of December 31, 2021, showing our direct, indirect and total effective ownership percentages. As of December 31, 2021, we held the same direct, indirect and total percentage as regards the voting rights of each of our fully consolidated subsidiaries as we did as of December 31, 2020:

Group fully consolidated subsidiaries	**% Interest**		
	Direct	**Indirect**	**Total**
Badajoz Siglo XXI, S.L.	100.00%	—	100.00%
CAI Inmuebles, S.A. (en liquidación)[(1)]	100.00%	—	100.00%
Cerro Goya, S.L.	98.70%	1.30%	100.00%
Cerro Murillo	99.77%	0.23%	100.00%
Ibercaja Gestión de Inmuebles, S.L.	100.00%	—	100.00%
Ibercaja Gestión	99.80%	0.20%	100.00%
Ibercaja Leasing	99.80%	0.20%	100.00%
Ibercaja Mediación	100.00%	—	100.00%
Ibercaja Pensión	100.00%	—	100.00%
Ibercaja Vida	100.00%	—	100.00%
Ibercaja Cajaragón, S.A.U.	100.00%	—	100.00%
Inmobinsa Inversiones Inmobiliarias, S.A.	—	100.00%	100.00%
Residencial Murillo	100.00%	—	100.00%
Ibercaja Connect, S.L.	95.00%	5.00%	100.00%

Notes: —

(1) Company in liquidation.

INDEPENDENT AUDITORS

PricewaterhouseCoopers Auditores, S.L., whose address for these purposes is Torre PwC, Paseo de la Castellana 259B, 28046 Madrid (Spain), registered with the Commercial Registry of Madrid under volume 9267, Section 3, page 75 and sheet 87250-1 holder of tax identification number (NIF) B-79031290 and registered with the Official Registry of Accounting Auditors (ROAC) under number S0242, has audited the 2020 Annual Accounts and the 2019 Annual Accounts included in this Registration Document, as stated in its reports included in this Registration Document.

Ernst & Young, S.L., whose address for these purposes is Calle Raimundo Fernández Villaverde 65, 28003 Madrid (Spain), registered with the Commercial Registry of Madrid under volume 9364, section 3, page 68 and sheet M-87690-1 holder of tax identification number (NIF) B-78970506 and registered with the Official Registry of Accounting Auditors (ROAC) under number S0530, has audited the 2021 Annual Accounts included in this Registration Document, as stated in its report included in this Registration Document.

On April 10, 2018, our general shareholders' meeting, with the prior favorable report of our Audit and Compliance Committee, approved the designation of PricewaterhouseCoopers Auditores, S.L. as auditors for the years ended December 31, 2018, 2019 and 2020.

On December 19, 2019, our general shareholders' meeting, with the prior favorable report of our Audit and Compliance Committee, approved the designation of Ernst & Young, S.L. as auditors for the years ended December 31 2021, 2022 and 2023.

FINANCIAL STATEMENTS

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at 31 December 2021
and consolidated directors' report for 2021

Audit Report on Financial Statements
issued by an Independent Auditor

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2021

Ernst & Young, S.L.
Calle de Raimundo Fernández Villaverde, 65
28003 Madrid

Tel: 902 365 456
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ey.com

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the shareholders of IBERCAJA BANCO, S.A.:

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ibercaja Banco, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2021, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2021 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of impairment losses due to credit risk of the loans and advances portfolio at amortized cost

Description

The estimate of impairment loss allowances for credit risk is one of the most significant and complex areas in the process of preparing the Group's financial information requiring, in some respects, a high degree of judgment and estimation. Notes 2.3, 11.5 and 11.6 to the accompanying consolidated financial statements describe the relevant principles and criteria applied by the Group for estimating the aforementioned impairment losses, which is computed individually or collectively, and the related amounts.

The methodology used for the individual estimates primarily entails identifying and classifying impaired exposures or those in which there has been a significant increase in risk since their approval, examining forecasts of the debtors' future cash flows or, where appropriate, the estimates of the realizable value of the related guarantees.

Collective estimates are carried out mainly through internal models, based on historical experience of customer behavior, which take into account aspects such as:

- segmentation of transactions into homogeneous groups according to credit risk (type of borrower, purpose of the transaction, type of guarantee, etc.);
- identification and classification of impaired exposures or exposures where there has been a significant increase in risk since their approval;
- risk parameters such as exposure, probability of default and severity rate, as well as the construction of scenarios and forecasts on future macroeconomic variables such as GDP, unemployment rate or house price;
- the value of the real estate property-based collateral, for which the Group has developed an internal methodology that estimates the recoverable amount from the appraised values, considering the sale costs and estimated discounts based on the Group's experience in the sale of assets of similar characteristics.

The Group periodically recalibrates these models to improve their predictive capacity, modifying the scenarios and algorithms used, and, in addition, performs retrospective tests ("backtesting") and monitoring on the main parameters used in these models.

The COVID-19 pandemic has been negatively affecting the Spanish economy since 2020. To mitigate the impacts of COVID-19, the Spanish Government has launched initiatives to help the sectors and customers most affected through various measures such as granting government-backed credit lines, payments moratoriums without penalty or the flexibility of financing and liquidity lines. All these factors increase the uncertainty surrounding the variables considered by the Group when quantifying impairment losses, such as future trends in its clients' businesses, the realizable value of collateral associated with approved transactions, the macroeconomic variables considered, etc. Accordingly, as of December 31, 2021, the Group has considered the adverse effects of COVID-19 on impairment and credit risk provisions, supplementing impairment losses resulting from internal models with certain temporary additional adjustments deemed necessary to reflect the particular characteristics of borrowers or portfolios that may not be identified by the models.

As a result, we determined the estimate of impairment loss allowances for credit risk on the portfolio of loans and advances at amortized cost to be a key audit matter.

Our response

Our audit approach in this area included analyzing and evaluating the internal control system related to the processes of estimating impairment loss allowances for credit risk, as well as performing substantive procedures for the estimated losses both individually and collectively.

Regarding the internal control system, our tests focused on:

- Evaluating the adequacy of the Group's various policies and procedures, as well as the internal models for credit risk and valuation of real estate assets (collateral) to determine if they are in line with applicable regulatory requirements.
- Reviewing the procedures established by the Group for its credit approval process to assess the debtor's ability to pay, based on the analysis of future cash flows and related financial information.
- Verifying the criteria for classifying exposures ("staging") according to their credit risk, taking into account the age of the arrears, the terms and conditions of the transaction, including refinancing or restructuring, and the controls or monitoring alert established by the Group.
- Verifying relevant controls established by the Group for the management and valuation of the collateral related credit transactions.
- Assessing whether the process of periodically reviewing borrower files to monitor their classification and identify impairment, where applicable, is carried out in accordance with the monitoring and alert system defined by the Group.
- Evaluating the consideration given to the issues observed in the Reports issued by the Internal Validation Department in relation to the recalibration and contrast tests of the internal models.
- Verifying the reliability and consistency of the data sources used and evaluating the integrity, the data used, and the related control and management processes.

Additionally, we carried out substantive procedures consisting mainly of:

- Carrying out detailed tests on a sample of files whose process of estimating impairment losses is carried out individually to evaluate the correct classification, as well as estimating and recording, where appropriate, the corresponding impairment losses. This sample has included borrowers from the economic sectors most affected by COVID-19 and/ or that have obtained government aid as a result of the pandemic.

- Carrying out selective checks on internal models, with the involvement of our financial risk specialists, in relation to: i) the reasonableness of the methodology for estimating risk parameters and the criteria for segmenting customers or operations; (ii) the correct classification of credit transactions based on whether there has been a significant increase in credit risk or a default event; (iii) the completeness and reliability of the information used for the estimation of impairment; (iv) historical loss rates due to impairment of credit risk; v) the reasonableness of the assumptions and assumptions made about the future evolution of the macroeconomic variables in the different scenarios used.
- Carrying out, for a sample of transactions, checks on the related underlying data to validate the key information used in collectively estimating impairment losses.
- Recalculating collectively estimated impairment losses.
- Assessing the need for additional adjustments to the expected losses identified by the internal models, as well as a review of the reasonableness of the assumptions and information used by the Group to estimate such adjustments.

Assessment of goodwill recoverability

Description

In note 2.16.1 to the accompanying consolidated financial statements, the Group describes the relevant principles and criteria applied by management to verify whether there is impairment of the goodwill recorded by the Group as at December 31, 2021 amounting to €145 million (see Note 16.1).

This goodwill is associated with a single cash generating unit (CGU) that encompasses the Group's entire business. To estimate the recoverable amount of the CGU, the Group uses business projections that are based on assumptions about the future developments in the economic situation and other key business assumptions (credit trends, delinquency, sources of financing, interest rates or capital requirements), as well as the discount rate and long-term growth rate used to discount expected cash flows. The assessment of the CGU and some of these assumptions are carried out by management's experts.

Given that the assessment impairment of goodwill is a process that requires a high degree of judgment and estimation, especially in the current context of Covid-19, we determined this to be a key audit matter.

Our response

Our audit procedures, which have been carried out with the collaboration of our valuation experts, included primarily:

- Reviewing the criterion used for defining the Group's CGU to which the goodwill is associated.
- Evaluating methodology used for estimating impairment of goodwill.
- Reviewing the annual valuation report prepared by an external expert, which serves as a basis for Management to carry out its assessment of the impairment of goodwill and evaluate the assumptions used to determine the discount rate and growth in perpetuity.
- Evaluating assumptions used by the Management to construct financial projections (growth rates, interest rate curves, cost of risk, capital requirements, etc.).

- Reviewing the sensitivity analysis carried out by the Management to evaluate the impact of changes in the main variables on the result of the impairment test.

Finally, we assessed whether the attached consolidated financial statements contain the breakdowns required by the regulatory financial reporting framework applicable to the Group.

Valuation of liabilities for life insurance contracts

Description	The Group's life insurance busines entails marketing life insurance and unit linked products. The Group's balance sheet at December 31, 2021 shows an amount of 5,326 million euros under "Liabilities covered by insurance contracts – Mathematical Provision" (see Note 20), which represents the difference between the actuarial present value of the Company's future obligations and those of the policyholder or, where appropriate, the policyholder, with respect to the life insurance contracted on that date. In note 2.19 to the accompanying consolidated financial statements, the Group describes the relevant principles and criteria applied by the Group to record liabilities associated with insurance contracts. The determination of the mathematical provision is an estimate that requires the use of actuarial methods and calculations, based on the use of a high number of individual calculations, as well as the use of a series of key data, depending on the type of product marketed, i.e., the technical interest rate, the mortality tables, the sex and age of the policyholder, the duration of the contract and the guaranteed capital. Likewise, compliance with the precepts developed by article 33 of the Regulation on Private Insurance must be taken into account for savings insurance, where it has been defined. As a result, we determined the valuation of the mathematical provision to be a key audit matter.
Our response	Our main audit procedures, which involved the collaboration of our actuarial specialists, included: ► Obtaining an understanding of the process of calculating and recording the mathematical provision in accordance with the nature of the products marketed by the Company, as well as with the regulatory requirements and common practices of the insurance sector. ► Evaluating the design and operational effectiveness of the relevant controls that mitigate the risks of material misstatement identified in determining the mathematical provision. ► Reviewing the reconciliation of the base data of actuarial calculations with accounting data. ► Evaluating the adequacy of the calculations of mathematical provision to assess whether they are in line with the current mortality and survival tables required of insurance and reinsurance entities, in accordance with the resolution of December 17, 2020. ► Evaluating the application of the provisions of section 2 of Additional Provision 5 of Royal Decree 1060/2015 regarding the adaptation of the temporary structure of rates.

- Evaluating, on a sample basis, the reasonableness of the data used when calculating the mathematical provision, i.e., the technical interest rate, mortality tables, sex and age of the policyholder, the duration of the contract and the guaranteed capital.
- Recalculating the mathematical provision for a sample of products marketed by the Company. Verifying the application of interest rates in accordance with the specifications of Article 33 of the private insurance law (ROSSP). For those product portfolios subject to immunization by flows and, verifying compliance with the terms and conditions of articles 2 and 3 of Order EHA/339/2007 for a sample of portfolios as of September of the audited year.
- Verifying the assumptions of expenses detailed in the technical notes and their adequacy, by comparing them with the actual expenses incurred.

Finally, we assessed whether the attached consolidated financial statements contain the breakdowns required by the regulatory financial reporting framework applicable to the Group.

Assessment of the Group´s ability to recover deferred tax assets

Description

In accordance with the Group's accounting policies, as explained in note 2.14 to the attached consolidated financial statements, deferred tax assets are only recognized if it is considered likely that sufficient tax gains will be obtained in the future to make them effective. As indicated in note 25 to the accompanying consolidated financial statements, at December 31, 2021, the Group maintains deferred tax assets amounting to 1,292 million euros, of which the recovery of 634 million euros is guaranteed through the monetization mechanisms established in Royal Decree Law 14/2013 and Article 130 of the Corporate Tax Law.

Management evaluates the Group's ability to recover deferred tax assets based on estimates of future tax gains, made on the basis of the Group's financial projections and business plans, and considering the applicable tax regulations. Given that the assessment of the Group's ability to recover deferred tax assets is a complex process that requires a high degree of judgment and estimation, we determined this process to be key audit matter.

Our response

We carried out audit procedures, with the involvement of our valuation and tax specialists, to evaluate the assumptions considered by management to estimate the recovery of deferred tax assets, focusing our analysis on the economic and financial assumptions used by the Group to estimate future tax benefits. In addition, we carried out a sensitivity analysis of the results and evaluated whether the attached consolidated financial statements contain the breakdowns required by the regulatory financial reporting framework applicable to the Group.

Automated financial information systems

Description

The continuity of the Group's business processes is highly dependent on its technological infrastructure. The rights of access to the different systems are granted to their employees for the purpose of allowing the development and fulfillment of their responsibilities. These access rights are relevant, as they are designed to ensure that changes to applications are properly authorized, implemented, and monitored, and are key controls to mitigate the potential risk of fraud or error as a result of application changes.

In this context, it is necessary to assess aspects of the effectiveness of the general internal control framework of information systems. As a results, we determined the assessment of the risks associated with the information systems and the control environment implemented to be a key audit matter.

Our response	In the context of our audit and with, with the collaboration of our information systems specialists, we evaluated the general controls of the information systems relevant to the preparation of financial information. In this regard, our work consisted primarily testing the general access controls to the systems, changes in the management and development of applications, and security, as well as the application controls established in the key processes for financial reporting, with the collaboration of our computer specialists.

Other issues

On March 3, 2021, other auditors issued their Audit report on the consolidated annual accounts for the year 2020 in which the expressed a favorable opinion.

Other information: consolidated management report

Other information refers exclusively to the 2021 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a. Checking only that the consolidated non-financial statement was provided as stipulated by applicable regulations and, if not, disclose this fact.

b. Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the Group obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2021 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company´s directors and the audit and compliance committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit and compliance committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit and compliance committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and compliance committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Ibercaja Banco, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Ibercaja Banco, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of theses accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional report to the audit and compliance committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on March 8, 2022.

Term of engagement

The ordinary general shareholders' meeting held on December 19, 2019 appointed us as auditors for three years, commencing on January 1, 2021.

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors under Nº S0530)

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús
(Registered in the Official Register of Auditors under Nº 17469)

March 8, 2022

ibercaja

CERTIFICATE OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate issued by the Secretary of the Board, Mr Jesús Barreiro Sanz, to record that the Board of Directors of Ibercaja Banco, S.A., at its meeting held on 25 February 2022, has prepared the 2021 consolidated financial statements comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, having been signed by all Directors.

For the record, I hereby issue this instrument in Zaragoza, on 25 February 2022.

MR JESÚS BARREIRO SANZ
Non-Director Secretary

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 25 February 2022 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2021 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2021 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial condition, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2021 consolidated directors' report presents fairly the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 1/11- Mr Aguirre.

Zaragoza, 25 February 2022

MR JOSÉ LUIS AGUIRRE LOASO
Chairman

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 2/11- Mr Bueno.

Zaragoza, 25 February 2022

MR JESÚS BUENO ARRESE
First Deputy Chairman

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 3/11- Mr Iglesias.

Zaragoza, 25 February 2022

MR VÍCTOR IGLESIAS RUIZ
CEO

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 4/11- Ms González-Bueno.

Zaragoza, 25 February 2022

MS GABRIELA GONZÁLEZ-BUENO LILLO
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 5/11- Mr Solchaga.

Zaragoza, 25 February 2022

MR JESÚS SOLCHAGA LOITEGUI
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 6/11- Mr Echarri.

Zaragoza, 25 February 2022

MR JOSÉ MIGUEL ECHARRI PORTA
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 7/11- Mr Cóndor.

Zaragoza, 25 February 2022

MR VICENTE CÓNDOR LÓPEZ
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 25 February 2022 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2021 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2021 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial condition, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2021 consolidated directors' report presents fairly the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 8/11- Mr Longás.

Zaragoza, 25 February 2022

MR FÉLIX LONGÁS LAFUENTE
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 9/11- Mr Tejel.

Zaragoza, 25 February 2022

MR JESÚS TEJEL GIMÉNEZ
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 10/11- Mr Arrufat.

Zaragoza, 25 February 2022

MR ENRIQUE ARRUFAT GUERRA
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 25 February 2022 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2021 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2021 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 11/11- Ms Segura.

Zaragoza, 25 February 2022

MS MARÍA PILAR SEGURA BAS
Member

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at
31 December 2021 and

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

ASSETS	Note	2021	2020 (*)
Cash and cash balances at central banks and other demand deposits	**6**	**6,388,624**	**7,572,609**
Financial assets held for trading	**7**	**2,864**	**5,503**
Derivatives		2,864	5,503
Debt securities		-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**8**	**1,668,437**	**853,721**
Equity instruments		1,666,941	824,170
Debt securities		-	28,009
Loans and advances		1,496	1,542
Customers		1,496	1,542
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**9**	**7,451**	**8,602**
Debt securities		7,451	8,602
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**6,464,034**	**7,023,328**
Equity instruments		345,676	353,872
Debt securities		6,118,358	6,669,456
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*190,604*	*71,059*
Financial assets at amortised cost	**11**	**40,989,400**	**39,726,825**
Debt securities		9,974,513	8,474,312
Loans and advances		31,014,887	31,252,513
Credit institutions		*361,357*	*311,651*
Customers		*30,653,530*	*30,940,862*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		3,623,061	3,116,505
Derivatives - Hedge accounting	**12.1**	**71,866**	**142,020**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		-	-
Investments in joint ventures and associates	**13**	**101,328**	**106,525**
Joint ventures		25,480	29,705
Associates		75,848	76,820
Assets under insurance or reinsurance contracts	**14**	**390**	**429**
Tangible assets	**15**	**1,004,091**	**960,967**
Property, plant and equipment		748,138	714,068
For own use		*656,681*	*638,443*
Assigned under operating lease		*91,457*	*75,625*
Investment property		255,953	246,899
of which: assigned under operating lease		*59,235*	*63,416*
Memorandum items: acquired under finance lease		-	-
Intangible assets	**16**	**269,167**	**237,226**
Goodwill		144,934	144,934
Other intangible assets		124,233	92,292
Tax assets	**25**	**1,304,032**	**1,345,136**
Current tax assets		11,880	9,511
Deferred tax assets		1,292,152	1,335,625
Other assets	**17**	**148,297**	**155,526**
Inventories		89,654	108,102
Remainder of other assets		58,643	47,424
Non-current assets and disposal groups classified as held for sale	**18**	**211,428**	**262,373**
TOTAL ASSETS		**58,631,409**	**58,400,790**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

LIABILITIES	Note	2021	2020 (*)
Financial liabilities held for trading	**7**	**8,775**	**5,630**
Derivatives		8,775	5,630
Financial liabilities at fair value through profit or loss		-	-
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	**19**	**47,285,113**	**46,627,380**
Deposits		44,884,582	44,460,275
Central banks		*5,871,128*	*5,371,202*
Credit institutions		*745,174*	*1,207,820*
Customers		*38,268,280*	*37,881,253*
Debt securities issued		1,316,321	1,340,670
Other financial liabilities		1,084,210	826,435
Memorandum items: subordinated liabilities		*502,752*	*510,326*
Derivatives - Hedge accounting	**12.1**	**275,690**	**216,202**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**12.2**	**17,758**	**37,593**
Liabilities under insurance or reinsurance contracts	**20**	**7,121,494**	**7,521,867**
Provisions	**21**	**268,943**	**393,100**
Pensions and other post-employment defined benefit obligations		89,239	119,125
Other long term employee remuneration		1,544	122
Lawsuits and litigation for outstanding taxes		7,163	7,780
Commitments and guarantees given		16,707	19,477
Other provisions		154,290	246,596
Tax liabilities		**160,221**	**167,326**
Current tax liabilities		772	165
Deferred tax liabilities	25.4	159,449	167,161
Other liabilities	**22**	**223,014**	**213,272**
Liabilities within disposal groups classified as held for sale		-	-
TOTAL LIABILITIES		**55,361,008**	**55,182,370**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020

(Thousands of euros)

EQUITY	Note	2021	2020 (*)
Shareholders' equity	**23**	**3,253,857**	**3,160,630**
Capital		214,428	214,428
Paid-in capital		214,428	214,428
Called-up capital		-	-
Memorandum items: uncalled capital		-	-
Share premium		-	-
Equity instruments issued other than capital		350,000	350,000
Equity component of compound financial instruments		-	-
Other equity instruments issued		*350,000*	*350,000*
Other equity items		-	-
Retained earnings		621,589	602,663
Revaluation reserves		3,288	3,297
Other reserves		1,960,567	1,966,640
Accumulated reserves or losses on investments in jointly-controlled entities and associates		*(35,848)*	*(33,603)*
Other		*1,996,415*	*2,000,243*
(Treasury shares)		-	-
Profit attributable to owners of the Parent		150,985	23,602
(Interim dividends)		(47,000)	-
Other accumulated comprehensive income		**16,544**	**57,790**
Items that will not be reclassified to profit or loss		25,282	10,132
Actuarial gains/(losses) on defined benefit pension plans	*24.1*	(13,612)	(23,741)
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	*24.3*	*38,894*	*33,873*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)		-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Items that may be reclassified to profit or loss		(8,738)	47,658
Hedges of net investment in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*24.2*	*(24,973)*	*8,551*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*24.3*	*16,388*	*39,091*
Hedging instruments (undesignated items)			
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised at joint ventures and associates		*(153)*	*16*
Non-controlling interests	**23.2**	-	-
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,270,401**	**3,218,420**
TOTAL EQUITY AND LIABILITIES		**58,631,409**	**58,400,790**
Memorandum items: off-balance sheet exposures			
Loan commitments given	**27.3**	**3,220,412**	**3,288,448**
Financial guarantees granted	**27.1**	**97,630**	**93,631**
Other commitments given		**820,619**	**795,006**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2021.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Note	2021	2020 (*)
Interest income	**28**	**549,923**	**632,798**
Financial assets at fair value through other comprehensive income		95,251	111,533
Financial assets at amortised cost		423,097	493,287
Other		31,575	27,978
(Interest expenses)	**29**	**57,097**	**99,125**
(Expenses on share capital repayable on demand)		**-**	**-**
NET INTEREST INCOME		**492,826**	**533,673**
Dividend income	**30**	**9,542**	**5,208**
Share of profit of entities accounted for using the equity method	**31**	**5,589**	**579**
Fee and commission income	**32**	**457,495**	**390,771**
(Fee and commission expenses)	**33**	**19,509**	**16,636**
Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**34**	**46,108**	**128,856**
Financial assets at amortised cost		40,779	125,366
Other financial assets and liabilities		5,329	3,490
(Net gains or (-) losses on financial assets and liabilities held for trading)	**34**	**645**	**1,149**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		645	1,149
Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss	**34**	**103**	**(10,476)**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		103	(10,476)
(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)	**34**	**-**	**-**
Net gains or (-) losses from hedge accounting	**34**	**(194)**	**(364)**
Net exchange differences	**35**	**557**	**852**
Other operating income	**36**	**37,944**	**47,022**
(Other operating expenses)	**37**	**78,553**	**78,581**
Income from assets covered by insurance and reinsurance contracts	**20.2**	**904,463**	**960,230**
(Liability expenses covered by insurance or reinsurance contracts)	**20.2**	**904,756**	**960,461**
GROSS INCOME		**952,260**	**1,001,822**
(Administration expenses)		**544,249**	**655,588**
(Staff expenses)	38	375,183	502,568
(Other administration expenses)	39	169,066	153,020
(Amortisation and depreciation)	**15, 16**	**66,973**	**62,918**
(Provisions or (-) reversal of provisions)	**21**	**5,722**	**(14,236)**
(Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on modification)		**78,008**	**219,646**
(Financial assets at fair value through other comprehensive income)	10	(1,887)	1,300
(Financial assets at amortised cost)	11.5	79,895	218,346
(Impairment or (-) reversal of impairment on investments in joint businesses or associates)		**128**	-
(Impairment or (-) reversal of impairment on non-financial assets)	**40**	**11,927**	**1,559**
(Tangible assets)		4,414	1,471
(Intangible assets)		-	-
(Other)		7,513	88
Net gains/(losses) on derecognition of non-financial assets	**41**	**(5,199)**	**(3,047)**
Negative goodwill recognised in profit or loss		**-**	**-**
Profit/(loss) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**42**	**(25,281)**	**(19,830)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**214,773**	**53,470**
(Expense or (-) income from taxes on income from continuing operations)	**25**	**63,788**	**29,868**
PROFIT AFTER TAX FROM CONTINUING OPERATIONS		**150,985**	**23,602**
Profit/(loss) after tax from discontinued activities		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**150,985**	**23,602**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		150,985	23,602

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated income statement for 2021.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euros)

	Note	2021	2020 (*)
PROFIT/(LOSS) FOR THE YEAR		**150,985**	**23,602**
OTHER COMPREHENSIVE INCOME	**24**	**(31,727)**	**(10,008)**
Items that will not be reclassified to profit or loss		**24,669**	**(3,747)**
Actuarial gains/(losses) on defined benefit pension plans		**14,470**	**779**
Non-current assets and disposal groups of items held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		**22,224**	**(8,047)**
Net gains or (-) losses from hedge accounting of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)		-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Income tax relating to items not to be reclassified	25.4	(12,025)	3,521
Items that may be reclassified to profit or loss		**(56,396)**	**(6,261)**
Hedges of net investment in foreign operations (effective portion)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Currency translation		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Cash flow hedges (effective portion)		(47,891)	39
Valuation gains/(losses) taken to equity		*(42,246)*	*39*
Transferred to the income statement		(5,645)	-
Transferred to initial carrying amount of hedge items			
Other reclassifications		-	-
		-	-
Hedging instruments (undesignated items)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Debt instruments at fair value through other comprehensive income		(32,433)	(9,170)
Valuation gains/(losses) taken to equity		*(24,925)*	*3,686*
Transferred to the income statement	*34*	*(7,508)*	*(12,856)*
Other reclassifications		-	-
Non-current assets and disposal groups of items held for sale		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Share in other income and expense recognised in joint ventures and associates		(169)	131
Corporation tax relating to items that may be reclassified to profit or loss	25.4	24,097	2,739
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**119,258**	**13,594**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		119,258	13,594

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of recognised income and expense at 31 December 2021.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 24)	Other accumulated comprehensive income	Other items	Total (Note 23)
I. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150,985**	**-**	**(31,727)**	**-**	**-**	**119,258**
Other changes in equity	**-**	**-**	**-**	**-**	**18,926**	**(9)**	**(6,073)**	**-**	**(23,602)**	**(47,000)**	**(9,519)**	**-**	**-**	**(67,277)**
Issuance of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(3,849)	-	-	-	-	(47,000)	-	-	-	(50,849)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	22,775	(9)	10,355	-	(23,602)	-	(9,519)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(16,428)	-	-	-	-	-	-	(16,428)
III. Closing balance at 31/12/2021	**214,428**	**-**	**350,000**	**-**	**621,589**	**3,288**	**1,960,567**	**-**	**150,985**	**(47,000)**	**16,544**	**-**	**-**	**3,270,401**

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2021.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (*)

(Thousands of euros)

												Non-controlling interests		
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity items**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(Treasury shares)**	**Attributable to owners of the parent (Note 4)**	**(Interim dividends)**	**Accumulated other comprehensive income (Note 24)**	**Other accumulated comprehensive income**	**Other items**	**Total (Note 23)**
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,602**	**-**	**(10,008)**	**-**	**-**	**13,594**
Other changes in equity	**-**	**-**	**-**	**-**	**56,770**	**(8)**	**25,238**	**-**	**(83,989)**	**-**	**(34,282)**	**-**	**-**	**(36,271)**
Issuance of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	74,270	(8)	44,009	-	(83,989)	-	(34,282)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(18,771)	-	-	-	-	-	-	(18,771)
	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Thousands of euros)

	Note	2021	2020 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**(1,066,329)**	**3,659,874**
Profit/(loss) for the year	**23**	**150,985**	**23,602**
Adjustments to obtain cash flows from operating activities		**384,850**	**222,170**
Amortisation/Depreciation	15 and 16	66,973	62,918
Other adjustments		317,877	159,252
Net increase/decrease in operating assets		**(1,715,097)**	**358,308**
Financial assets held for trading		2,639	3,460
Financial assets not held for trading mandatorily measured at fair value through profit or loss		(814,716)	(488,186)
Financial assets at fair value through profit or loss		1,151	337
Financial assets at fair value through other comprehensive income		539,545	1,153,025
Financial assets at amortised cost		(1,479,094)	(313,845)
Other operating assets		35,378	3,517
Net increase/(decrease) in operating liabilities		**182,830**	**3,084,855**
Financial liabilities held for trading		3,145	(3,839)
Financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost		656,487	3,195,573
Other operating liabilities		(476,802)	(106,879)
Income tax credit/(payments)		**(69,897)**	**(29,061)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(35,528)**	**25,859**
Payments		**(142,576)**	**(139,856)**
Tangible assets		(94,815)	(98,300)
Intangible assets		(42,623)	(32,620)
Investments in joint ventures and associates		(597)	-
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		(4,541)	(8,936)
Other payments related to investing activities		-	-
Receipts		**107,048**	**165,715**
Tangible assets		41,397	61,318
Intangible assets		-	-
Investments in joint ventures and associates		833	1,552
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		64,818	49,562
Other receipts related to investing activities		-	53,283
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(93,517)**	**(42,000)**
Payments		**(143,517)**	**(542,000)**
Dividends	4	(50,849)	(17,500)
Subordinated liabilities	19.4	-	(500,000)
Write down of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities	23.1	(92,668)	(24,500)
Receipts		**50,000**	**500,000**
Subordinated liabilities	19.4	-	500,000
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other receipts related to financing activities		50,000	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(1,195,374)**	**3,643,733**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD		**7,562,634**	**3,918,901**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**6,367,260**	**7,562,634**
MEMORANDUM ITEMS			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
of which: in the possession of Group companies but not drawable by the Group		-	-
Cash	6	221,486	239,019
Cash equivalents at central banks	6	5,961,332	7,079,491
Other financial assets	6 and 19.2	184,442	244,124
Less: bank overdrafts repayable on demand		-	-

(*) Presented for comparison purposes only (Note 1.4).

Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of cash flows at 31 December 2021.

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the financial year ended 31 December 2021

Contents

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for
the financial year ended 31 December 2021

1. Introduction, basis of presentation and other information

1.1 Introduction

Ibercaja Banco, S.A. (hereinafter, Ibercaja Banco, the Bank or the Company), is a credit institution, 88.04% owned by Fundación Bancaria Ibercaja (hereinafter, the Foundation), subject to the rules and regulations issued by the Spanish and European Union economic and monetary authorities.

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Zaragoza Companies Registry in volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also registered in the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.com, on which its bylaws and other public information can be viewed. During the 2021 financial year the Entity has not changed its corporate name.

Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and which, together with it, make up the Ibercaja Banco Group (hereinafter, the "Group" or the Ibercaja Banco Group).

Likewise, the Foundation also prepares consolidated financial statements of the Group of which it is the parent (Ibercaja Group). Its registered office is at Joaquín Costa, nº 13, Zaragoza. At the date of preparation of these consolidated financial statements, the Foundation had not prepared either individual or consolidated financial statements.

Note 45 contains the Bank's balance sheets, income statements, statements of recognised income and expense, statements of total changes in equity and statements of cash flows for the years ended 31 December 2021 and 2020, in accordance with the same accounting policies and measurement bases applied in the Group's consolidated financial statements.

The Ibercaja Banco Group's consolidated financial statements for 2020 were approved by the Bank's shareholders at the Annual General Meeting held online on 15 April 2021. The resolutions adopted by this governing body were adopted by written vote and without a meeting, in accordance with article 40.2 of Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to deal with the economic and social impact of Covid-19.

Both the consolidated financial statements and the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2021 are pending approval, if applicable, by their respective General Shareholders' Meetings. However, the Bank's directors believe that they will be approved without any modifications.

1.2 Basis of presentation of the consolidated financial statements

These consolidated financial statements were prepared in accordance with the accounting policies, accounting standards and measurement bases applicable under the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and considering Bank of Spain Circular 4/2017 of 27 November ("Circular 4/2017"), and subsequent modifications; accordingly, they fairly present the Group's equity and financial condition at 31 December 2021, and the consolidated results of its operations and consolidated cash flows during the year then ended.

The consolidated financial statements of the Group for 2021 have been prepared by the directors of the Company, at a meeting of its Board of Directors held on 25 February 2022, applying the consolidation criteria and the accounting principles and policies and measurement bases described in Note 2, so as to present fairly the consolidated equity and consolidated financial condition of the Group as at 31 December 2021 and the consolidated results of its operations and its consolidated cash flows for the year then ended.

These financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Company and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's financial statements for 2021, adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Company.

1.3 Estimates made

The consolidated financial statements corresponding to 2021 contained opinions and estimates have been made on certain occasions to quantify the value of certain assets, liabilities, revenues, expenses and obligations recorded therein. These estimates basically relate to:

- impairment losses on certain financial assets and the estimate of the guarantees associated with them (Notes 10 and 11), in particular as regards the changes arising from changes in portfolios as a result of specific business models, the consideration of the "significant increase in credit risk (SICR)" and "default", and the introduction of forward-looking information,

- the assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees (Notes 2.13, 38.2 and 38.3), and those used to calculate liabilities arising under insurance contracts (Note 20),

- the measurement of goodwill and other intangible assets (Note 16).

- useful life of tangible and intangible assets (Notes 2.15 and 2.16),

- the valuation of real estate assets (Notes 2.18, 17 and 18),

- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events (Notes 2.20 and 21),

- the fair value of certain financial assets (Note 26),

- the income tax expense and the recoverability of deferred tax assets (Notes 2.14, 25.3 and 25.4),

- the valuation of investments in joint ventures and associates (Note 13),

- the determination of returns from investments in joint ventures and associates (Note 13) and

- the discount rate used in the valuation of the lease liability (Note 2.10).

The appearance of the Coronavirus Covid-19 in China and its global expansion to a large number of countries has caused the viral outbreak to be classified as a global pandemic by the World Health Organisation since 11 March 2020. The pandemic has adversely affected and continues to adversely affect the global economy and global activity, leading to an unprecedented economic recession; however, signs of economic recovery are beginning to emerge during 2021, despite ongoing uncertainties.

Considering the complexity of the markets due to their globalisation, the effects of government measures to curb the spread of the virus and the progress of the vaccination campaigns as a medical treatment against the virus, the consequences for the Group's operations still subject to a significant degree of uncertainty and will depend largely on the course and extent of the pandemic in the coming months, as well as on the ability of all economic actors affected to react and adapt.

In view of this situation, the Group has focused its attention on guaranteeing continuity in the operational security of the business as a priority and monitoring the impacts on the Group's business and risks (such as impacts on results, capital or liquidity).

In addition, the Group adopted a series of measures to support its main stakeholders from the beginning of the pandemic. In this respect, the Group's long-term strategic purpose and priorities remain unchanged. In order to mitigate the impact associated with Covid-19, various European and international bodies, mainly in 2020, issued a number of pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks.

The main impacts of the Covid-19 pandemic on the Group's consolidated financial statements have been considered in the estimates mentioned above and their effects are detailed in the accompanying selected explanatory notes including an explanation of the events or changes that are, if any, material to the explanation of the changes in the consolidated financial condition from 31 December 2020 to 31 December 2021.

The estimates described above have been made on the basis of the best available information as at 31 December 2021 on the events analysed, taking into account the above-mentioned uncertainty resulting from the coronavirus health crisis. For this reason, future events may require them to be modified in the coming years, which would occur in accordance with prevailing regulations, prospectively recognising the effects of the change in estimate in the consolidated financial statements for the years in question.

1.4 Comparative information relating to 2020

Under the regulations in force, the information contained in these consolidated financial statements for 2020 is presented exclusively for the purpose of comparison with the information for 2021, in order to aid understanding.

1.5 Agency agreements

Neither at year-end 2021 and 2020 nor at any time during the two years did the Group have any "agency agreements" in force within the meaning of article 21 of Royal Decree 84/2015, of 13 February.

1.6 Investments in credit institutions

Pursuant to article 28 of Royal Decree 84/2015, neither at 31 December 2021 and 2020 nor at any time during the two years did the Group own direct or indirect equity interests in the capital of Spanish or foreign credit institutions exceeding 5% of the share capital or voting rights of such entities.

1.7 Capital management and requirements

1.7.1 Regulatory framework

In December 2010, the Basel Committee on Banking Supervision approved a new regulatory framework (Basel III), which increased the capital requirements with the best quality instruments, seeking consistency and a uniform application by entity and country. The new agreement improves the transparency and comparability of capital ratios and includes new prudential tools, in the area of liquidity and leverage.

The European Union transfers these agreements to its legal system (Basel III) through the Directive 2013/36/EU (CRD-IV) of the European Parliament and of the Council of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable since 1 January 2014.

In order to adapt the Spanish legal system to international regulatory requirements, Law 10/2014, of 26 June, was approved on the regulation, supervision and solvency of credit institutions, together with Royal Decree 84/2015, of 13 February, enacting the aforementioned law, continuing the transposition commenced by Royal Decree-Law 14/2013, of 29 November, and Bank of Spain Circulars 2/2014 and 3/2014, stipulating the regulatory options for the applicable requirements during the transition period.

In 2015, new regulations were published that complement the (EU) Regulation No. 575/2013 (CRR) on aspects relating to shareholders' equity, liquidity, the risks of Pillar I and capital requirements.

Also, in February 2016, Bank of Spain Circular 2/2016, of 2 February, was published for credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no. 575/2013.

In June 2019, the European governing bodies enacted the new capital regulatory framework, which modifies the previous one (CRR/CRD IV). The reform package included the adoption of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital preservation measures (hereinafter CRD V), and Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 575/2013 as regards the leverage ratio, NSFR, eligible capital and liability requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and Regulation (EU) 648/2012 ('CRR II').

However, the economic disruptions caused by the Covid-19 pandemic and the exceptional containment measures taken by the authorities have significantly affected the main economic players.

In June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council entered into force, amending both the CRR and CRR II as regards certain adaptations made in response to the pandemic.

The most relevant new feature is the extension for two years of the transitional provisions on the application of IFRS 9, limiting the negative effect that a possible increase in provisions for expected credit losses may have on institutions' capital. It also lays down, on a temporary basis, a prudential filter on exposures to sovereign bonds, aimed at mitigating the consequences of financial market turmoil on the solvency of institutions.

In addition, the amendments also include bringing forward the introduction of some measures to reduce capital requirements for banks in relation to certain loans secured by pensions or salaries, and loans to SMEs and infrastructure.

In December 2020, Commission Delegated Regulation (EU) 2020/2176 was published amending the existing deduction for intangible assets associated with in-house software development. This amendment, introduced in order to further support the transition to a more digitised banking sector, allows software assets that have been prudently valued and whose value is not significantly affected by the resolution, insolvency or liquidation of an institution not to be deducted directly from the capital of financial institutions.

At the same time, it should be recalled that, the TLAC Term Sheet was implemented, established internationally by the FSB (Financial Stability Board) within the European capital framework, called MREL (Minimum Requirement for own funds and Eligible Liabilities) in such a way that systemic banks have to comply with the MREL requirements in Pillar 1. Within this package of changes, amendments to the Single Resolution Mechanism Regulation and the Bank Recovery and Resolution Directive (SRMR and BRRD, respectively) were also included and replaced with SRMR II and BRRD II, where MREL requirements are established by Pillar 2 for all banks in resolution, whether systemic or not, and the resolution authority sets requirements on a case-by-case basis.

The minimum requirements for own funds established by the prevailing regulations (Pillar I) are calculated based on the Group's exposure to credit, exchange rate, market and operational risks and risks of financial assets and liabilities held for trading. Also, the Group is subject to compliance with risk concentration limits.

1.7.2 Quantitative information

The Ibercaja Banco Group determines its capital and leverage ratios in accordance with the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business of credit institutions and their prudential supervision (CRD IV), and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) as updated by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II) and Regulation (EU) 2020/873 of the European Parliament and of the Council (CRRII Quick Fix).

At 31 December 2021, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following table:

	2021	**2020**
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	2,420,441	2,484,668
Additional eligible equity tier 1 (thousands of euros) (b)	350,000	350,000
Eligible equity tier 2 (thousands of euros) (c)	500,000	500,000
Risks (thousands of euros) (d)	18,051,935	18,248,449
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	13.41%	13.62%
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.94%	1.92%
Tier 1 capital ratio (Tier 1) (A)+(B)	15.35%	15.53%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.77%	2.74%
Total capital ratio (A)+(B)+(C)	**18.12%**	**18.27%**

	2021	**2020**
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,770,441	2,834,668
Exposure (thousands of euros) (b)	46,071,860	45,295,546
Leverage ratio (a)/(b)	**6.01%**	**6.26%**

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET 1 ratio of 4.5%, Tier I of 6% and a total capital ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) has notified its decision with respect to the prudent minimum capital requirements, once the results of the Supervisory Review and Evaluation Process (SREP) are known.

This decision means that Ibercaja Banco must maintain, from 1 March 2022, a phased-in common equity tier 1 (CET1) ratio of 8.21% and a total capital ratio of 12.65%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.21% for CET1 and 2.15% for total capital) and the capital conservation buffer (2.5%).

At 31 December 2021, Ibercaja Banco's consolidated ratios, CET1 of 13.41% and total capital of 18.12%, stood at 5.20% and 5.47%, respectively, above the regulatory requirements established for 2022.

The reconciliation of accounting and eligible shareholders' equity is as follows:

	Thousands of euros	
	2021	**2020**
Share capital	*214,428*	*214,428*
Equity instruments issued other than capital	*350,000*	*350,000*
Retained earnings	*621,589*	*602,663*
Revaluation reserves	*3,288*	*3,297*
Other reserves	*1,960,567*	*1,966,640*
Profit/(loss) attributed to the parent	*150,985*	*23,602*
Interim dividends	*(47,000)*	-
Shareholders' equity in public balance sheet	3,253,857	3,160,630
Other accumulated comprehensive income	16,544	57,790
Non-controlling interests	-	-
Equity in public balance sheet	**3,270,401**	**3,218,420**
Intangible assets	*(275,742)*	*(245,635)*
Intangible asset amortisation adjustment	*30,772*	*25,369*
Deferred tax assets	*(265,415)*	*(263,693)*
Adjustments to Common Equity Tier 1 due to prudential filters	*23,151*	*(9,940)*
Transitional adjustment for first-time application of IFRS9 9	*74,110*	*114,002*
of which due to modifications introduced by Quick Fix	*23,607*	*40,359*
Proposed distribution of dividends	*(51,140)*	*(3,849)*
Deduction for insufficient coverage of doubtful transactions	*(3,689)*	-
Additional deductions ordinary tier 1 capital	*(32,000)*	-
Equity instruments ineligible as CET1	*(350,000)*	*(350,000)*
Contingent convertible bonds	-	-
Differences in public equity for prudential purposes	*(7)*	*(9)*
Total adjustments and deductions	(849,960)	(733,752)
Total common equity tier 1 (CET1)	2,420,441	2,484,668
Equity instruments eligible as AT1	*350,000*	*350,000*
Other temporary adjustments for additional tier 1 capital	-	-
Total additional tier 1 capital (AT1)	350,000	350,000
Total tier 1 capital (T1)	2,770,441	2,834,668
Subordinated financing and other	500,000	500,000
Total tier 2 capital (T2)	500,000	500,000
Total eligible shareholders' equity	**3,270,441**	**3,334,668**

Below are the details at 31 December 2021 and 2020 of the consolidable Group's eligible shareholders' equity (phased-in), indicating each of its components and deductions, broken down into common equity tier 1 instruments, additional tier 1 capital instruments and tier 2 capital instruments:

	Thousands of euros	
	2021	**2020**
TOTAL ELIGIBLE SHAREHOLDERS' EQUITY	**3,270,441**	**3,334,668**
Tier 1 capital (T1)	**2,770,441**	**2,834,668**
Common equity tier 1 (CET1)	**2,420,441**	**2,484,668**
Equity instruments disbursed	214,428	214,428
Retained earnings and other reserves	2,582,149	2,569,298
Admissible results	52,845	19,753
Revaluation reserves	3,288	3,297
Non-controlling interests	-	-
Other accumulated comprehensive income	16,544	57,789
Adjustments to Common Equity Tier 1 due to prudential filters	23,151	(9,940)
Transitional adjustment for first-time application of IFRS9 9	74,110	114,002
of which due to modifications introduced by Quick Fix	*23,607*	*40,359*
Deductions of common equity tier 1 instruments (CET 1)	(546,074)	(483,959)
Deduction for insufficient coverage of doubtful transactions	*(3,689)*	-
Additional deductions ordinary tier 1 capital	*(32,000)*	-
Intangible assets	*(275,742)*	*(245,635)*
Intangible asset amortisation adjustment	*30,772*	*25,369*
Deferred tax assets dependent on future earnings	*(265,415)*	*(263,693)*
Additional tier 1 capital (AT1)	**350,000**	**350,000**
Additional Tier 1 capital instruments	350,000	350,000
Deductions of additional tier 1 capital instruments (AT 1)	-	-
Tier 2 capital (T2)	**500,000**	**500,000**
Subordinated financing, subordinated loans and others	500,000	500,000

With regard to the minimum requirement for own funds and eligible liabilities (MREL), the current rules set the deadline for compliance with the requirements set out below as 1 January 2024, with an intermediate requirement to be met by 1 January 2022, and expressing these requirements as a percentage of both risk-weighted assets and the leverage ratio.

The binding interim requirement of 1 January 2022 has been set at 15.38% RWAs, excluding the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs). The requirement in terms of MREL leverage ratio is 5.21%.

Given the structure of own funds and eligible liabilities of the resolution group, as at 31 December 2021, the MREL ratio in terms of RWAs is 15.89%, excluding the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs) and 7.21% in terms of leverage ratio, 6.38% excluding the waiver to not compute central bank exposures which expires in March 2022, complying with the aforementioned MREL requirements.

As of 1 January 2024, Ibercaja Banco must have a percentage of own funds and eligible liabilities of 18.59%, not including the capital dedicated to cover the Combined Buffer Requirement (2.5% RWAs). The requirement in terms of leverage ratio will be 5.21%.

These requirements are in line with Ibercaja's financing plan.

Both this information and further details on regulatory capital and risk-weighted assets can be found in the Prudential Relevance Report (Pillar III Disclosures) published on the Company's website.

1.7.3 Capital management

The objective of Basel's Pilar II is to ensure an adequate relationship between the Group's risk profile and the own funds that it effectively holds. Accordingly, the Group performs a recurring capital self-assessment process in which:

- it applies processes for the identification, measurement and aggregation of risks;
- it determines the capital needed to cover them; in addition to the minimum own funds, it maintains a level in keeping with the risks inherent in its activity, in the economic climate in which it operates, in the management and control of such risks, in its governance and internal audit systems and in its strategic business plan;
- it plans capital at medium term; and
- It establishes the own funds objectives.

The Group sets a capital objective enabling it to permanently maintain sufficient means regarding prudential minimum requirements and capital guidelines, ensuring an adequate relationship between its risk profile and its own funds.

The Group's total capital needs were estimated through the aggregation of capital requirements associated with each risk.

In order to adequately plan the Group's future capital requirements, it forecast capital sources and consumption on the basis of business performance and expected results over a three-year period.

Likewise, the Group estimates projected capital levels in line with stress scenarios.

1.7.4 Information of Prudential Relevance

In order to comply with market disclosure requirements, the Board of Directors approved the information of prudential relevance disclosure policy (Basel Pillar III); consequently, the Ibercaja Group will make such information public on its web page prior to the publication and approval of the 2020 consolidated financial statements (Note 1.1).

1.7.5 Credit ratings granted

The credit ratings granted to Ibercaja Banco, S.A. are as follows:

	Date		Short-term		Long-term		Outlook	
Company	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Standard&Poors	June 2021	Abril 2020	B	B	BB+	BB+	Stable	Negative
Moody's	October 2021	Abril 2020	NP	NP	Ba1	Ba3	Stable	Stable
Fitch Ratings	September 2021	September 2020	B	B	BB+	BB+	Positive	Negative

During 2021, the rating agencies have revised upwards their outlook for Ibercaja as a result of the improvement in the health situation caused by Covid-19 and the improvement in the Bank's fundamentals.

On 27 January 2022, S&P Global Ratings affirmed the credit rating of "BB+" of Ibercaja Banco, S.A., maintaining the outlook unchanged at "Stable".

1.7.6 Stock market launch

On 31 March 2020, RDL 11/2020 was published, adopting urgent additional measures in the social and economic field to deal with Covid-19. In the current context of the health, social and economic crisis, the banking foundations' welfare projects take on even greater importance. Therefore, and with the aim of guaranteeing these welfare projects, Law 26/2013 of 27 December on savings banks and banking foundations was amended to extend by two years the divestment period foreseen for banking foundations with majority shareholdings in credit institutions.

In this context, the Bank maintains its plan to go public within the new deadline laid down by current regulations, before the end of 2022, and is taking the appropriate and necessary actions to achieve this objective.

1.8 Single Resolution Fund and Deposit Insurance Fund

1.8.1 Single Resolution Fund

Law 11/2015, of 18 June, together with its regulatory enactment through Royal Decree 1012/2015, led to the transposition into Spanish law of Directive 2014/59/EU, establishing the new framework for the resolution of credit institutions and investment services companies, and regulated the creation of the National Resolution Fund.

As part of the enactment of such regulation, on 1 January 2016, the Single Resolution Fund entered into force, which was established as a financing instrument for the Single Resolution Board, which is the European authority that will take resolution decisions to effectively implement the resolution measures adopted. The Single Resolution Fund will be maintained with the contributions made by investment services companies and credit institutions availing themselves of such Fund.

Under Regulation (EU) 2015/63, the calculation of the contribution of each entity will take into account the proportion that it represents with respect to the total aggregate of total liabilities of all banks included, net of own funds and the guaranteed amount of the deposits, adjusted with the Company's risk profile.

In 2021, the expense incurred as a result of the contribution to this body was 13,794 thousand euros (11,094 thousand euros in 2020; Note 37).

1.8.2 Deposit Guarantee Fund

The Company is a member of the Deposit Guarantee Fund of Credit Institutions.

Royal Decree-Law 2606/1996, of 20 December, amended by Royal Decree 1012/2015, of 6 November, stipulates that the Management Committee of the Deposit Guarantee Fund will calculate the annual contributions of the companies included in the Deposit Guarantee Fund for Credit Institutions.

The Management Committee of the Deposit Insurance Fund for credit institutions, pursuant to Article 6 of Royal Decree-Law 16/2011 and Article 3 of Royal Decree 2606/1996, set the contribution to be made for all institutions adhering to the deposit insurance sub-fund at 1.8 per thousand of the amount of insured deposits as at 30 June each year. Each institution's contribution is calculated on the basis of the amount of insured deposits and their risk profile, taking into account indicators such as capital adequacy, asset quality and liquidity, introduced by Bank of Spain Circular 5/2016 of 27 May, as amended by Circular 1/2018 of 31 January. Likewise, the contribution to the securities guarantee compartment was set at 2/1000 of 5% of the guaranteed amount of the securities and other financial instruments at 31 December each year.

The expense for ordinary contributions referred to in the preceding paragraph accrue in full at year end, accordingly, at that time, the balance sheet included the liability for the contribution paid in the first quarter of the subsequent year (44,786 thousand euros and 46,229 thousand euros at 31 December 2021 and 2020, respectively; Note 22).

On 30 July 2012, the Management Committee of the Deposit Guarantee Fund agreed to cover an extraordinary shortfall between Fund members, to be paid by each entity through ten equal annual instalments. The amount of the shortfall corresponding to the Bank is 81,460 thousand euros (ten annual instalments of 8,146 thousand euros each).

In 2021, the expense incurred as a result of all contributions made to this body was 52,094 thousand euros (53,774 thousand euros in 2020). This amount was recognised under "Other operating expenses" (51,819 thousand euros and 53,269 thousand euros in 2021 and 2020, respectively; Note 37) and "Interest costs" (275 thousand euros and 505 thousand euros in 2021 and 2020, respectively; Note 29).

1.9 Minimum reserve ratio

At 31 December 2021, and throughout 2021, the Company complied with the minimums required by the minimum reserve ratio. In compliance with the legal obligations stipulated by the European Central Bank, the daily average of the minimum reserves to be held at 31 December 2021 amounted to 359,127 thousand euros (362,377 thousand euros at 31 December 2020).

1.10 Events after the reporting period

Between the closing date and the date of preparation of the consolidated financial statements and the corresponding explanatory notes, no events have occurred that significantly affect them, other than those mentioned in the various explanatory notes included in this document.

1.11 Changes in accounting estimates and criteria

In 2021, amendments were made to the accounting regulations applicable to the Group with respect to those applied in the previous period. The changes considered to be most important are listed below.

The mandatory standards, amendments and interpretations for the years commencing on 1 January 2021 were as follows:

Standards and Interpretations	Title
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Reform of interest rate benchmarks – phase 2
Amendments to IFRS 4	Deferral of IFRS 9
Amendments to IFRS 16	Covid-19-related rent concessions

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of interest rate benchmarks – phase 2

In the context of the global reform of interbank offered rates (IBORs), the IASB initiated a project to revise the main IFRS standards concerned in two phases.

The first phase focused on the accounting impacts prior to the replacement of interest rate indices and materialised with the publication in September 2019 of certain amendments to IAS 39, IFRS 9 and IFRS 7, which were endorsed at European level on 17 January 2020 and became effective on 1 January 2020. These amendments provided exceptions so that institutions would not discontinue their hedging relationships in an environment of uncertainty about the long-term viability of some benchmark interest rates.

On 27 August 2020, the IASB issued the second phase of the above-mentioned benchmark reform, which involves amendments to IAS39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements best reflect the economic effects of this reform. These amendments focus on the accounting for financial instruments once a new risk-free reference rate ("RFR") has been introduced and focus on cases where an entity replaces the previous benchmark interest rate with an alternative reference rate and on the effects of the change on the financial statements. Specifically:

- Changes in contractual cash flows: an entity need not derecognise or adjust the carrying amount of financial instruments due to changes required by the adopted reform, but should update the effective interest rate to reflect the change to the alternative reference rate;

- Hedge accounting: an entity need not discontinue hedge accounting simply because of changes required by the reform if the hedge meets other hedge accounting criteria; and

- Disclosures: the institution shall disclose information on the new risks arising from the reform and how it manages the transition to alternative reference rates.

A significant portion of the Group's financial assets and liabilities are tied to the Euribor index, and the existing hedging relationships are based on this index, with no positions tied to other indices.

The Euribor index has not been replaced, but only its calculation methodology has been changed to date. Therefore, the impacts of the overall reform itself are small and the disclosures of information envisaged in both the first and second phases do not apply to it.

Amendment to IFRS 4 Insurance contracts: deferral of IFRS 9

Currently, with IFRS 4 Insurance Contracts, the date of application of IFRS 9 Financial Instruments for entities applying that standard is 1 January 2021. The IASB has decided to delay the effective date for these entities to periods beginning on or after 1 January 2023 in order to align it with the effective date of IFRS 17. This standard has had no impact on the Group.

Amendment to IFRS 16 – Leases: Covid-19-related rent concessions

The IASB has extended the deadline to take advantage of the exemption that allows lessees not to account for concessions in leases as a lease modification if they are a direct consequence of Covid-19. This exemption has had no impact on the Group as the Bank has not received any concessions on its rents as a result of Covid-19.

Application of the exemption will remain optional and applies to rent concessions made up until 30 June 2022.

Standards and interpretations that are not effective as at 31 December 2021

At the date of preparation of these consolidated financial statements, new International Financial Reporting Standards and Interpretations had been published which were not mandatory as at 31 December 2021. Although, in some cases, the International Accounting Standards Board ("IASB") allows the application of the amendments prior to their effective date, the Group has not applied them early.

Standards and Interpretations	**Title**
Amendment to IAS 16 (*)	Property, plant and equipment – Revenue earned prior to intended use
Amendment to IAS 37 (*)	Onerous contracts – Cost of fulfilling a contract
Amendment to NIIF 3 (*)	Reference to the Conceptual Framework
Annual improvements to IFRS (*)	Cycle 2018-2020
IFRS 17 (**)	Insurance contracts
Amendment to IAS 1 (**)	Classification of liabilities as current or non-current and breakdown of accounting policies
Amendment to IAS 8 (**)	Definition of Accounting Estimates
Amendment to IAS 12 (**)	Taxes
Amendment to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture (***)

(*) Applicable for financial years beginning on or after 1 January 2022.
(**) Applicable for financial years beginning on or after 1 January 2023.
(***) Applicable for annual periods beginning on or after 1 January 2016, however, the IASB decided to postpone the effective date.

Amendments to IAS 16 Property, Plant and Equipment: Revenue earned prior to intended use

These amendments, issued by the IASB in May 2020, prohibit the deduction from the acquisition cost of assets of the amount of sales made from the asset while it is being brought to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, these amounts shall be recorded in the income statement.

These amendments are effective for periods beginning on or after 1 January 2022 and are to be applied retrospectively only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management as of the beginning of the earliest period presented in the financial statements in which they are first applied. The Group does not expect any material impact from these changes.

Amendments to IAS 37 - Costs of Fulfilling a Contract

These amendments, issued by the IASB in May 2020, detail the costs that entities have to include when assessing whether a contract is onerous or loss-making. The amendments propose a "direct cost approach". Costs directly related to a contract for the delivery of goods or services include both incremental costs as well as an allocation of costs directly related to the contract. General and administrative costs are not directly attributable to a contract and are therefore excluded from the calculation unless they are explicitly passed on to the counterparty in accordance with the contract.

These amendments are effective for periods beginning on or after 1 January 2022. The Group does not expect any material impact from these changes.

Amendments to IFRS 3 Business Combinations: Reference to the conceptual framework

These amendments, issued by the IASB in May 2020, are intended to replace the reference to the 1989 Framework with a reference to the 2018 Framework, without significantly changing its requirements.

The IASB also added an exception to the requirements of IFRS 3 to avoid 'day 2' gains or losses that may arise from liabilities or contingent liabilities (within the scope of IAS 37 or IFRIC 21) if they are incurred separately. At the same time the IASB has decided to clarify the existing IFRS 3 guidance for the recognition of contingent assets which will not be affected by the references to the Conceptual Framework.

These amendments are effective for periods beginning on or after 1 January 2022 and are applied prospectively. The Group does not expect any impact from these changes.

Minor amendments to several IFRS and the annual cycle of minor improvements to various IFRS 2018- 2020 (IFRS 1 - First-time application of IFRS, IFRS 9 - Financial Instruments, IAS 41 - Agriculture and amendments to illustrative examples in IFRS 16 - Leases).

The IASB issued minor amendments and improvements to several IFRS to clarify the wording or correct minor consequences, oversights or conflicts between the requirements of the Standards. The affected standards are: IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, IFRS 9 Financial Instruments, IFRS 16 Leases, IFRS 1 First-time Adoption of IFRS and IAS 41 Agriculture.

The amendments will come into force on 1 January 2022. They are not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 17 Insurance contracts

IFRS 17 sets out the principles that an entity shall apply in accounting for insurance contracts. This new standard replaces IFRS 4, introducing profound changes in the way insurance contracts are accounted for, with the aim of achieving greater consistency and increasing comparability between entities.

In contrast to IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for recognition and measurement purposes, determining units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), cohorts and onerousness.

As regards the measurement model, the new standard provides for several methods, with the General Model (Building Block Approach) being the default method to be applied for the valuation of insurance contracts, unless the conditions for applying one of the other two methods are met: the Variable Fee Approach and the Premium Allocation Approach.

With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model using updated assumptions at each closing. The General Model requires entities to value insurance contracts at the total of:

– compliance flows, comprising the estimate of future cash flows discounted to reflect the time value of money, the financial risk associated with future cash flows and a risk adjustment for non-financial risk;

– and the contractual service margin, representing the expected unearned benefit of insurance contracts, which is recognised in the entity's income statement as the service is provided in the future, rather than at the time of estimation.

Amounts recognised in the income statement shall be broken down into income from insurance activity, expenses from the provision of insurance service and insurance finance income or expenses. The income from the insurance business and the expenses of providing the insurance service shall exclude any investment component. Revenue from insurance activity shall be recognised over the period in which the entity provides insurance cover.

This standard will apply to financial years beginning on or after 1 January 2023 (with a minimum of one year's comparative information), pending its adoption by the European Commission.

The Group has an IFRS 17 implementation project in place with the objective of identifying the impacts and changes necessary to adapt to the new criteria. This standard will have an impact on information systems, accounting and IT tools for information generation. The implementation of the standard and the assessment of the impact on the Group's financial statements is still ongoing and preliminary figures are not yet available.

To date, the Group specified the structure of the financial statements to comply with the measurement, presentation and disclosure requirements of IFRS 17. In addition, the Group is in the process of specifying the chart of accounts to link the output information from the measurement engines with the accounting events and thus be able to subsequently set relevant parameters in the insurance company's accounting tool.

Amendments to IAS 1 and IFRS Practice Paper 2 - Disclosures about Accounting Policies and amendments to IAS 1 on Classification of Non-current or Current Liabilities

In these amendments, the IASB has included guidance and examples for applying judgement in identifying which accounting policies are material. The amendments replace the criterion of disclosing significant accounting policies with material accounting policies. It also provides guidance on how the concept of materiality should be applied in deciding which accounting policies are material.

Regarding classification as non-current or current liabilities, these amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the end of the period. The amendment also clarifies what is meant in IAS 1 when it refers to the "settlement" of a liability.

These amendments are effective for periods beginning on or after 1 January 2023. The Group is currently analysing the impact of these changes.

Amendments to IAS 8 – Definition of Accounting Estimates

In these amendments, the IASB has introduced a new definition of "accounting estimate", which clarifies the difference between changes in accounting estimates, changes in accounting policies and corrections of errors.

These amendments are effective for periods beginning on or after 1 January 2023. The Group does not expect any material impact from these changes.

Amendments to IAS 12 "Income Taxes"

The IASB issued an amendment to IAS 12 to clarify how deferred taxes arising on transactions such as leases or decommissioning obligations should be accounted for.

The amendments clarify that entities are required to recognise deferred taxes on leases and decommissioning provisions. The purpose of the amendments is to reduce diversity in the reporting of deferred tax information on such transactions. The amendments will come into force on 1 January 2023. Earlier application is permitted and it is not expected to have a significant impact on the consolidated financial statements of the Ibercaja Group.

IFRS 10 and IAS 28 (Amendment) *"Sale or allocation of assets between an investor and its associates or joint ventures"*

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of "business", the investor recognises the gain or loss in line with the interests of other investors. The amendments will only be applied when the investor sells or contributes assets to its associates or joint ventures.

Originally, these modifications to IFRS 10 and IAS 28 were applied prospectively and were effective for the annual financial years that began on 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone their date of validity (without setting a new specific date), as it is planning a more extensive review that may result in the simplification of accounting for these transactions and other accounting aspects for associates and joint ventures.

The Group is analysing the impact that these standards, amendments and interpretations may have on the consolidated financial statements and at the date of preparation of these consolidated financial statements it is considered that their entry into force will not have a material impact.

2. Accounting policies and measurement bases

The most significant accounting policies and principles and measurement bases applied in the preparation of these consolidated financial statements are described below. There are no accounting principles or measurement bases that, having a material effect on the 2021 financial year, have not been applied in its preparation.

2.1 Business combinations and consolidation

2.1.1 Subsidiaries

"Subsidiaries" are those companies over which the Entity has the ability to exercise control, which is generally, although not exclusively, expressed by the direct or indirect ownership of over 50% of the voting rights of the investees or, if this percentage is less or nil, by the existence of other circumstances or agreements that grant control. In line with the prevailing standards, control is deemed to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Appendices I and II provide significant information on these companies.

The financial statements of the subsidiaries are consolidated using the equity method, as defined by the prevailing standards: Consequently, all balances arising from transactions performed between companies consolidated using this method and which were significant were eliminated on consolidation. Also, the ownership interest of third parties in:

- the Group's equity was recognised under "Non-controlling interests" in the consolidated balance sheet,

- consolidated profit for the year was posted under “Profit/(loss) attributable to non-controlling interests” in the consolidated income statement.

The results of subsidiaries acquired during the year are consolidated only taking into consideration those relating to the period between the date of acquisition and the close of that year. Alongside this, the results of subsidiaries disposed of during the year are consolidated only taking into consideration those relating to the period between the start of that year and the disposal date.

2.1.2 Joint ventures

“Jointly controlled entities” are deemed to be those companies, although not subsidiaries, with which contractual agreements of joint control exist, whereby decisions on significant activities are taken unanimously by the entities that share control, with entitlement to their net assets.

These entities are accounted for using the “equity method”.

Appendices I and II provide significant information on these companies.

2.1.3 Associates

An “associate” is an enterprise over which the Bank has significant influence, but with which it does not form a decision-making unit nor is it subject to joint control therewith. In general, although not exclusively, this capacity is presumed when a direct or indirect ownership interest is held equal to or exceeding 20% of the voting rights of the investee.

In the consolidated financial statements, associates are accounted for using the “equity method”, as defined by the prevailing standards:

If, as a consequence of the losses incurred, an associate reported negative equity, it would be recognised in the consolidated balance sheet as zero, since the Group is not obliged to provide it with financial support, and a provision for liability would be recognised under “Provisions” on the liability side of the balance sheet.

Appendices I and II provide significant information on these entities.

2.1.4 Structured entities

A structured entity is an entity designed in a manner that its voting and/or similar rights are not a decisive factor when determining control thereover.

When the Group forms or holds ownership interests in entities to transfer risks or to provide access to investments, it analyses whether it has control thereover and, therefore, whether the entities formed should be consolidated, mainly taking into account the following factors:

- Analysis of the Group’s influence over the entity’s activities that are important with a view to determining said entity’s profit.

- Implicit or explicit commitments to provide financial support to the entity.

- Significant exposure of the Group to the variable returns of the entity’s assets.

These entities include the so-called “asset securitisation funds” consolidated by the Group when contractual financial aid agreements exist (commonly used on the securitisations market). In virtually all securitisations performed by the Group, the transferred risks cannot be derecognised from the asset side of the balance sheet and the securitisation fund issues are recognised as liabilities on the Group’s balance sheet.

The Group does not hold any significant interests in the companies and investment and pension funds managed by the Group itself that would constitute a potential indication of control or meet the criteria for consolidation as defined in IFRS 10 Consolidated Financial Statements. Therefore, these investment vehicles marketed to customers are not consolidated.

Note 27.5 provides details of the Group’s structured entities and Appendix III provides details of the percentages held by the Group in the companies and mutual and pension funds managed by the Group.

As at 31 December 2021 and 2020 there were no unconsolidated structured entities.

2.1.5 Business combinations

A business combination is the union of two or more entities or independent economic units within a single entity or group of entities in which the acquirer obtains control over the other entities.

At the acquisition date, the acquirer will include the assets, liabilities and contingent liabilities of the acquired company in its financial statements, including the intangible assets not recognised by the latter, initially booking all of them at their fair value.

Any excess of the cost of the ownership interests in the entities over their corresponding carrying amounts acquired, adjusted on the date of the first business combination, are allocated as follows:

- Where they can be allocated to specific assets of the companies acquired, they are recognised by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets and whose accounting treatment is similar to that of the Group's equivalent assets (liabilities).

- If they are attributable to specific intangible assets, they are explicitly recognised in the consolidated balance sheet provided that their fair value at the date of acquisition can be measured reliably.

- The remaining non-attributable differences are recognised as goodwill, which is allocated to one or more specific cash-generating units.

Negative differences, once their amount has been established, are recognised in the consolidated income statement.

Acquisitions of non-controlling interests, subsequent to the takeover of the entity, are recognised as an addition to the business combination.

In those cases in which the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities of the acquired entity cannot be definitively determined, the initial recognition of the business combination will be deemed to be provisional. In any case, the process must be completed within a maximum of one year from the acquisition date, effective on that date.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contract originating them, in accordance with the provisions thereof. Specifically, debt instruments, such as credits and monetary deposits, are recognised from the date on which the legal right to receive or a legal obligation to pay cash, respectively, arises. Financial derivatives are generally recognised on their trading date.

Regular way purchases and sales of financial assets are recognised on the date on which the benefits, risks, rights and duties attaching to all owners are for the purchaser which, depending on the type of financial asset bought or sold, may be the trading date or the settlement or delivery date. In particular, transactions carried out in the spot currency market are recognised on the settlement date, transactions carried out with equity instruments traded on Spanish secondary securities markets are recognised on the trade date and transactions carried out with debt instruments traded on secondary Spanish securities markets are recognised on the settlement date.

2.2.2 Derecognition of financial instruments

A financial asset is derecognised from the consolidated balance sheet when any of the following circumstances occur:

- the contractual rights over the cash flows they generate have expired, or

- the financial asset is transferred, together with substantially all its risks and benefits, or

- the risks and rewards associated with the transferred financial asset are not substantially transferred or retained - this being the case of sales of financial assets with an acquired call or written put option that are not deeply in or out of the money, or securitisations in which the transferor assumes subordinated financing or other credit enhancements for part of the transferred asset and other similar cases - if the transferor does not retain control of the transferred financial asset, it is derecognised and any rights or obligations retained or created as a result of the transfer are recognised.

A financial liability is derecognised from the balance sheet when the related obligation is extinguished or when it is re-purchased by the Group.

2.2.3 Fair value and amortised cost of the financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable interested parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence of this information, of valuation techniques commonly used by the international financial community, taking into consideration the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of the financial derivatives traded in organised, transparent and deep markets, included in the trading portfolios, is similar to their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

All investments in equity instruments and contracts relating to such instruments are measured at fair value.

Amortised cost is the amount at which a financial asset or liability is measured at initial recognition, as corrected by principal repayments and by the cumulative amortisation of any difference between that initial amount and the maturity amount of the financial instrument, using the effective interest rate method. In the case of financial assets, amortised cost also includes any impairment loss allowances.

The effective interest rate is the discount rate that matches the gross carrying amount of a financial asset or the carrying amount of a financial liability to estimated cash flows over the expected life of the instrument, based on the contractual terms and disregarding expected credit losses. For fixed-rate financial instruments, the effective interest rate is the contractual interest rate set upon acquisition, adjusted by any fees and transaction costs that in accordance with current legislation form part of the effective yield or cost of the instrument and must therefore be considered in the calculation of the effective interest rate. For financial instruments at variable interest rates, the effective interest rate is estimated in a similar way to the transactions at a fixed interest rate, with the contractual interest rate of the transaction being recalculated on each review date, taking into account the changes to future cash flows from the transaction.

2.2.4 Classification and measurement of financial assets and liabilities

<u>Business model and contractual cash flow characteristics of financial assets</u>

Financial assets are classified into different categories depending on the business model under which they are managed and the contractual characteristics of their cash flows.

"Business model" means the way in which the Group manages its financial assets to generate cash flows, having regard to how groups of financial assets are managed together to achieve a specific objective. So a business model does not depend on the Group's intentions for an individual instrument but is determined for a wider set of instruments.

Specifically, the business models used by the Group consist of holding financial assets to collect their related contractual cash flows, selling such assets, or a combination of both approaches (mixed model):

- Holding financial assets to collect their related contractual cash flows: the Group's objective is to hold financial assets to collect their related contractual cash flows. In accordance with the requirements of the standard, debt instruments managed under this model are rarely or never sold, i.e., sales are merely accessory and subject to restrictions. However, the Group takes the view that sales of financial assets close to maturity and sales prompted by increased credit risk or the need to manage concentration risk are consistent with this business model.

- Sale of financial assets: the Group's objective is to realise gains and losses on financial assets.

- Mixed model: the Group's objective combines collection of contractual cash flows and realisation of financial assets. For financial instruments managed under the mixed model, sales are essential and not accessory; therefore, sales are unrestricted.

Based on the characteristics of its contractual cash flows, a financial asset is initially classified into one of the following categories:

- Financial assets whose contractual terms give rise, on specified dates, to cash flows consisting only of payments of principal and interest on principal outstanding.

- Other financial assets:

For the purposes of this classification, the principal of a financial asset is its fair value at the time of initial recognition. That amount may change over the life of the financial asset: for example, after repayments of principal. Interest is defined as the sum of the consideration for the time value of money, for financing and structural costs, and for the credit risk associated with the principal amount outstanding during a specified period, plus a profit margin.

Although, given the nature of the Group's business, almost none of its debt instruments give rise to cash flows other than payments of principal and interest, the Group monitors compliance with the contractual conditions of its financial assets (solely payments of principal and interest, SPPI test) and classifies such assets accordingly.

The main function of this test is to discriminate which products contained in the "holding of financial assets to receive their contractual cash flows" and "mixed model" business models can be measured at amortised cost and at fair value through other comprehensive income, or, conversely, must be measured at fair value through profit or loss.

The following are the judgements that guide the analysis to determine that the contractual cash flows of a financial instrument are only payments of principal and interest on the amount of principal outstanding:

- Principal: variables such as leverage or transaction currency are taken into account.

- Interest: account is taken of variables such as the time value of money, credit risk, other basic risks and costs such as liquidity risk or administrative costs associated with holding the financial asset and the profit margin.

- Contract terms that change the timing or amount of contractual cash flows.

- De minimis or non-genuine features: instruments that do not pass the SPPI test provided that the impact identified is considered to be insignificant or that the event affecting compliance with the SPPI test is extremely exceptional, highly abnormal and very unlikely to occur.

- Non-recourse assets: instruments with contractual cash flows that are described as principal and interest but that are not solely payments of principal and interest on the outstanding amount of principal.

- Contractually related instruments: situations in which an institution prioritizes payments to holders of multiple contractually related instruments that create credit concentration risk.

<u>Classification and portfolios of financial instruments for presentation and measurement purposes</u>

Financial instruments are mainly classified in the Group's consolidated balance sheet in accordance with the categories listed below:

- **Financial assets at amortised cost:** this category includes financial assets that are managed under a business model that holds assets to collect their contractual cash flows and whose contractual terms give rise to cash flows on specified dates, which are solely principal and interest payments on the outstanding principal amount.

  This portfolio includes financing to third parties from typical credit and lending activities, debt securities satisfying the two conditions set out above, and debts incurred by purchasers of goods and by users of services. Finance leases in which the Group acts as lessor are also included.

  Financial assets included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. Following their acquisition, the assets classified under this category are measured at amortised cost, using the effective interest rate method.

Income and expenses from financial instruments at amortised cost are recognised on the following basis:

– Accrued interest is recognised under "Interest income" in the consolidated income statement, using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where the rate is applied to the net carrying amount).

– Other changes in value are recognised as income or expense when the financial instrument is derecognised; when it is reclassified; when there are exchange differences (see Note 2.5.3) and when there are impairment losses or gains due to subsequent recovery.

- **Financial assets at fair value through other comprehensive income:** this category mainly includes debt instruments acquired to manage the Group's balance sheet, which are managed using a mixed business model whose objective combines collection of contractual cash flows and sales, and whose contractual terms give rise to cash flows on specified dates, which are solely payments of principal and interest on the outstanding principal amount.

  In addition, the Group has opted to include in this portfolio the investments it holds in equity instruments that should not be classified to the portfolio of "Financial assets held for trading" and that, but for the use of this option, would be classified as financial assets mandatorily measured at fair value through profit or loss. This optional treatment is applied instrument by instrument.

  Instruments included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. After acquisition, financial assets included in this category are measured at fair value through other comprehensive income.

  Income and expenses of financial assets at fair value through other comprehensive income are recognised on the following basis:

  – Accrued interest or, where applicable, accrued dividends are recognised in the consolidated income statement.

  – Exchange differences are recognised in the income statement in the case of monetary financial assets and in other comprehensive income, net of tax effects, in the case of non-monetary financial assets.

  – For debt instruments, impairment losses or gains on subsequent recovery are recognised in the consolidated income statement.

  – Other changes in value are recognised, net of tax effects, in other comprehensive income.

  When a debt instrument at fair value through other comprehensive income is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. However, when an equity instrument at fair value through other comprehensive income is derecognised, the amount of the gain or loss recognised in other comprehensive income is reclassified not to profit or loss but to an item of reserves.

- **Financial assets and liabilities at fair value through profit or loss:** this category includes the following financial instruments:

  – Financial assets and liabilities held for trading: financial assets or liabilities acquired to be sold in the short term or that are part of a portfolio of identified financial instruments managed jointly and for which there is evidence of a recent pattern of short-term profit-taking, together with derivative instruments that do not comply with the definition of a financial guarantee contract and have not been designated as hedging instruments, including those segregated derivatives of hybrid financial instruments pursuant to the regulations in force.

  The held-for-trading portfolio also covers short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities.

  – Financial assets not held for trading mandatorily measured at fair value through profit or loss: financial assets whose contractual terms do not pass the SPPI test, i.e., they do not give rise to cash flows consisting solely of principal and interest payments on the outstanding principal amount, as defined in the previous section.

  – Financial assets and liabilities designated at fair value through profit or loss: to avoid differences between the measurement bases of the related assets and liabilities, the Group classifies to this portfolio any debt instruments that are managed jointly with insurance contract liabilities ("Unit-linked"), measured at fair value.

A financial asset is classified to the portfolio of financial assets held for trading or the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss if the Group's business model for its management or the characteristics of its contractual cash flows do not warrant classification to any of the financial asset portfolios described above.

Financial instruments classified at fair value through profit or loss are initially measured at fair value, and directly attributable transaction costs are recognised immediately in the income statement.

Income and expenses of financial instruments at fair value through profit or loss are recognised on the following basis:

– Changes in fair value are recognised directly in the consolidated income statement, distinguishing, for non-derivative instruments, between the portion attributable to the instrument's accrued income, which is recognised as interest or dividends depending on its nature, and the remainder, which is recorded as gains/losses on financial transactions with a balancing entry under the headings "Gains/losses on financial assets and liabilities held for trading (net)", "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss (net)" and "Gains/losses on financial assets and liabilities designated at fair value through profit or loss (net)" of the consolidated income statement.

– Accrued interest on debt instruments is calculated using the effective interest method.

In relation to derivative instruments, the Group manages both those classified as "Financial assets and liabilities held for trading" and those classified as hedging derivatives on the basis of their net exposure to their credit risk; accordingly, it estimated their fair value by taking into account such net exposure, as indicated in paragraph 48 of IFRS 13.

- **Financial liabilities at amortised cost:** this category of financial instruments includes those financial liabilities that do not belong to any of the above categories and reflect the typical funding activities of financial institutions.

Financial liabilities included in this category are initially measured at fair value, adjusted by the transaction costs directly attributable to their issue. Subsequently, they are valued at their amortised cost, calculated through the application of the effective interest rate method.

The interest accruing on these securities, calculated using such method, is registered under the "Interest cost" heading in the consolidated income statement.

Despite the foregoing, the financial instruments that must be considered to be non-current assets and disposal groups on sale under prevailing regulations are recognised in the consolidated financial statements in accordance with the criteria set forth in Note 2.18.

There have been no reclassifications in the financial asset portfolios in 2021 or 2020.

2.3 Impairment of financial assets

A financial asset or other form of exposure to credit risk is considered to be impaired when there is objective evidence that events have occurred that:

- in the case of debt instruments (loans and advances and debt securities), have an adverse impact on future cash flows as estimated at the time of entering into the transaction.

- in the case of other exposures involving credit risk other than debt instruments, an adverse impact on the future cash flows that would be due in the case of the drawdown of the loan commitment and the cash flows that are expected to be collected if the loan commitment is drawn, or in the case of financial security granted, on the payments that the entity expects to make.

Impairment losses on debt instruments arising in the period are recognised as an expense under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss" in the consolidated income statement, and is recorded against an allowance account that reduces the carrying amount of the asset.

Allowances for impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses arising in the period for these exposures are recognised as an expense in the consolidated income statement.

Subsequent reversals of previously recognised impairment losses are immediately recognised as income in the consolidated income statement for the period.

The calculation of the impairment of financial assets is based on the type of instrument and on other circumstances that may affect them, once the guarantees received have been taken into account. For debt instruments at amortised cost, the Group recognises both allowance accounts, when provisions for bad debts are recognised to cover estimated losses, and direct write-offs against the asset, when it is considered that the likelihood of recovery is remote.

Interest accrual is recognised in the consolidated income statement by applying the effective interest rate to the gross carrying amount of the transaction, in the case of transactions classified as normal risk (stage 1) and normal risk under special watch (stage 2); while such recognition is carried out by applying the effective interest rate at amortised cost, i.e. adjusted for any impairment correction, in the case of transactions classified as non-performing risk (stage 3).

Following are the criteria applied by the Group to determine potential impairment losses in each of the different financial instrument categories, together with the method used to calculate the allowances recognised for such impairment.

Debt instruments and other exposures involving credit risk

Within the framework of EU-IFRS, International Financial Reporting Standard 9, "Financial Instruments", which sets the criteria for measurement and impairment of financial assets, it is considered important to link credit risk monitoring policies to the accounting recognition of provisions under IFRS.

Credit risk management constitutes a priority for the Group, in order to provide sustainable balanced growth and to guarantee the soundness of the Bank's financial and equity position at all times and to optimise the return/risk ratio. These principles are followed in the "Loan and discount risk management policy and procedure manual".

To determine impairment losses, the Group performs an individual monitoring of at least the significant debtors and a collective monitoring of the groups of financial assets with similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it is exclusively analysed individually to estimate the impairment loss.

The credit risk characteristics considered for grouping instruments are, among others: type of instrument, debtor's sector of activity, geographical area of activity, type of security, age of past-due amounts and any other factor relevant to the estimation of future cash flows.

The Group has policies, methods and procedures in place to estimate expected losses as a result of credit risk exposures, relating both to insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied to the arrangement, study and formalisation of debt instruments and off-balance sheet exposure, and to the identification of their possible impairment and, where appropriate, to the calculation of the amounts required to hedge the estimated losses.

The Group has established criteria to identify borrowers and bond issuers displaying significant increases in risk or objective evidence of impairment and classify them on the basis of their credit risk.

The following sections describe the classification principles and methodology used by the Group.

Classification category definitions

Credit exposures are classified according to credit risk as follows:

- Performing (stage 1): a transaction is considered to be at this stage when no significant increase in risk has occurred since its initial recognition. Where appropriate, the impairment loss allowance will reflect the expected credit losses arising from possible default during the 12 months following the reporting date.

- Performing on special watch (stage 2): when the risk has significantly increased from the date on which the transaction was initially recognised, but without leading to impairment, the transaction will be classified to stage 2. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses arising from default during the residual life of the financial instrument.

- Non-performing (stage 3): a transaction will be catalogued as stage 3 when it shows effective signs of impairment as a result of one or more events that have already occurred and will lead to a loss. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses due to credit risk during the expected residual life of the financial instrument.

  – Due to borrower default: transactions with some part of the principal, interest or contractually agreed expenses is past-due, generally speaking, more than 90 days, unless they should be classified as written-off. Guarantees provided shall also be included in this category when the guarantor has defaulted under the guaranteed transaction. Furthermore, the amounts of all transactions of a single holder are included when the transactions with overdue sums, generally speaking, and as mentioned above, are past-due more than 90 days, account for more than 20% of the amounts receivable.

  – For reasons other than borrower default: transactions in which, not classifiable as written-off or non-performing due to default, there are reasonable doubts about their full repayment under the contractual terms; in addition to off-balance-sheet exposures not classified as non-performing due to default, concerning which payment by the Group is likely and recovery is doubtful.

  In order to determine the existence of reasonable doubt as to the full repayment of these transactions, the entity performs an analysis of indicators on transactions that are not overdue by more than 90 days, which may or may not automatically classify the transaction as stage 3.

  The indicators analysed for those borrowers whose provisioning is determined on an individual basis, which do not automatically classify the operation as stage 3, are as follows:

  - Negative equity or equity that has significantly decreased in the last financial year.
  - Negative EBITDA for two years or a significant decrease in EBITDA for one year.
  - Very significant decrease in revenue and in operating income.
  - Significant decrease in cash flow generated in the last three years or in the last year.
  - Accumulation of defaults with other credit institutions.
  - Borrower has defaults equal to or greater than 91 days in less than 20% of exposure, and there are doubts about its total repayment.

  The indicators analysed that lead to the automatic classification of the transaction as stage 3 are the following:

  - Transaction that ceases to have amounts overdue for 91 or more days but is not classified in Stage 1 as there are other transactions classified in Stage 3.
  - Refinancing with a Stage 3 rating as it meets the conditions for reclassification to non-performing.
  - The borrower is in uncured insolvency proceedings.
  - The transactions of holders that are declared or are known to be in insolvency proceedings without a winding-up petition.
  - Transaction claimed judicially or in the process of enforcement of the security interest.

- Write-off: transactions for which, after individual analysis, it is considered that there is no reasonable expectation of full or partial recovery due to a significant or irrecoverable deterioration in the creditworthiness of the transaction or the holder. The entity considers in any case that there is no reasonable expectation of recovery for the following cases:

  – The risks of customers who are declared to be insolvent and for whom it is known that the liquidation phase has been or will be declared, except for those which have effective collateral covering at least 10% of the gross carrying amount of the transaction.

  – Non-performing risks due to borrower default that have been classified as such for more than four years or, before reaching this age when the amount not covered by effective guarantees has been maintained with a credit risk coverage of 100% for more than two years, unless those balances have effective collateral covering at least 10% of the gross carrying amount of the transaction.

In the above circumstances, the Group derecognises any amount recognised along with the provision from the balance sheet, without prejudice to any actions that may be taken to seek collection until the contractual rights to receive sums are extinguished definitively by expiry of the statute-of-limitations period, remission or any other cause.

<u>Transactions purchased or originated with credit impairment</u>

As at 31 December 2021, there were no transactions purchased or originated with credit impairment. In recent years, the Bank has not acquired assets at a significant discount in accordance with the materiality threshold established by Group management.

<u>Transaction classification criteria</u>

The Group applies a range of criteria to classify borrowers, bond issuers and transactions among the different categories, depending on the related credit risk. These include:

- Automatic criteria,
- Specific refinancing criteria, and
- Indicator-based criteria.

Automatic factors and specific refinancing classification criteria constitute the classification and cure criteria against the entirety of the portfolio.

Furthermore, to facilitate advance identification of significantly increased risk or indications of impairment of transactions, the Group has constructed a series of indicators, distinguishing between significant and non-significant borrowers, which encompass all default events and signals depending on the composition of the relevant portfolio. This methodology is based on the Group's experience in Credit Risk, in the composition of its portfolio and loss events identified by the Group; in addition, it proactively seeks to identify potential impairment in advance. Specifically, non-significant borrowers who, having surpassed the automatic classification algorithm, fail to meet any of the conditions to be transferred to either the non-performing or special watch categories, are assessed using indicators; the objective of these indicators is to identify weaknesses that may involve the assumption of greater losses than other similar transactions classified as performing. These indicators are based on the best current estimate of the likelihood of being classified non-performing associated with each transaction.

To assess the significant increase in credit risk, the quantitative measurement indicators used in the ordinary management of credit risk will be taken into account, such as the increased risk of a breach in any of the key indicators for which a threshold has been previously defined which depends on the management practices of each portfolio; for example, non-payments of between 30 and 90 days will be considered, together with increases in the reporting Probability of Default (PD) with respect to the PD at the origination date, based on established thresholds. Other qualitative variables are also considered such as signs of whether an unimpaired transaction is considered to be refinanced, or the consideration of operations included in a special debt sustainability agreement.

In addition, as a result of the outbreak of Covid-19, the Group determined new indicators to determine the increase in credit risk based both on the identification of companies and individuals for which it has estimated a low or medium-low capacity to overcome the crisis or resume payments, and on belonging to sectors highly impacted by the pandemic (hotels, restaurants, management of entertainment venues, etc.) for which early warnings are being activated and which have weak financial ratios in their financial statements or significant financing and reduced liability balances.

The definition of default is based on non-payment of more than 90 days, except in the cases mentioned above, although, in accordance with the EBA (4.3.1.89 to - 4.3.1.90), indicators of subjective default (unlikeliness to pay events) have been established as described above.

Operations classified as doubtful are reclassified to performing when, as result of the partial or full collection of outstanding amounts in the case of doubtful exposures due to default, or because the cure period has been completed in the case of doubtful exposures for reasons other than default, the reasons that gave rise to the classification of the operation as doubtful no longer apply, unless reasons subsist for maintaining it in this category.

As a result of these procedures, the Group classifies its borrowers in the categories of performing under special watch or doubtful due to debtor default, or maintains them under performing.

Individual classification

The Group has established an exposure threshold for considering borrowers as significant, based on EAD (exposure at default) levels.

On the basis of credit risk management and monitoring criteria, the Group has identified the following as individually significant borrowers:

- Borrowers/issuers with EAD (exposure at default) in excess of 3 million euros.

- Borrowers classified as doubtful for reasons other than default due to non-automatic factors (manually identified default).

- Borrowers without appreciable risk classified as doubtful for accounting purposes, irrespective of EAD.

For significant borrowers assessed through individual analyses, a trigger system has been established to identify significant increases in risks or signs of deterioration. The triggers system covers signs of impairment or of weaknesses through the definition of:

- Triggers with different pre-alert thresholds permitting the identification of increased risk and signs of impairment.

- Specific triggers that indicate a significant increase in risk.

- Specific triggers that indicate signs of impairment.

A team of expert risk analysts analyses borrowers with activated triggers to conclude on the existence of a significant increase of risk or objective evidence for deterioration and, in the event that there is evidence of deterioration, whether the event or events causing the loss have any impact on estimated future cash flows from the financial asset or group of financial assets.

The indicator system for significant borrowers is automated and takes into account the specific characteristics of the differentiated behaviour segments in the loan portfolio. The issues to be identified by the indicator system are as follows:

- Significant financial difficulty faced by the issuer or obligor.

- Breach of contract terms, default or delay in interest payments.

- For financial difficulties, the borrower is granted concessions or benefits that would not otherwise be taken into account.

- Probability of borrower insolvency: cases where there is a high probability that the borrower will be declared insolvent or will have to be restructured.

The Group carries out an annual review of the reasonableness of the thresholds and coverage used in the individual analyses, unless the borrower's financial situation changes substantially, making a review of that situation necessary.

According to the specified levels, a volume of borrowers that allows a reasonable coverage of the total credit exposure is above the significance threshold, which requires them to be subjected to an individual expert analysis.

Collective classification

Both for borrowers that exceed the aforementioned materiality threshold and those that do not exceed the materiality threshold, and additionally have not been classified as doubtful or under special watch by the automatic classification algorithm, the Group has constructed a synthetic indicator to identify exposures that display significantly increased risk or weaknesses which could entail losses that are higher than those in other similar transactions classified as performing. In this respect the Group has laid down thresholds that, once exceeded, entail an automatic classification as performing exposure under special watch due to the significant increase in risk or weaknesses.

The methods used to determine whether the credit risk of an instrument has increased significantly since initial recognition must take into account the characteristics of the instrument (or group of instruments) and past default patterns in comparable financial instruments. In order to define the significant increase in risk (SICR) at the Group, qualitative variables and quantitative measurement indicators used in ordinary credit risk management are taken into account. The latter include increases in the probability of default (PD) with respect to the PD at the time of the origin of the operation, based on a series of thresholds.

For debtors assessed in line with a group approximation, thresholds were defined based on the comparison of PD during the expected lifetime of the operation. If insufficient past information of a granular nature is available, thresholds were defined based on the comparison of a current 12 months PD PIT versus a PD PIT involving 12 months of origination for such period. These thresholds were determined in such a way that the NPL rates observed, for a sufficiently long period, are statistically different.

Refinancing and restructuring

Once a transaction has been identified as refinancing, refinanced or restructured, it may only be classified as non-performing or under special watch.

The following refinancing or restructuring operations are classified as doubtful:

- Operations reclassified from doubtful exposures or which are refinanced to avoid their classification as doubtful due to default.
- Operations with a grace period exceeding 24 months.
- Operations with reductions higher than the impairment that would be applicable if they were classified under exposures subject to special watch.
- Transactions based on an unsuitable payment plan - because the plan has been repeatedly breached, because it has been modified to avoid default, or because it is based on expectations that are not properly supported by macroeconomic forecasts.

For a refinancing or restructuring classified as non-performing to be upgraded to “under special watch”, all the criteria that generally determine the classification of transactions outside the category of non-performing risk must be satisfied, and, furthermore:

- It has been concluded, following an exhaustive review of the borrower’s assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- One year has elapsed from the date of refinancing or restructuring.
- Accrued principal repayments and interest payments must be met, reducing the renegotiated capital. The transaction cannot have overdue amounts.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid. The presence of contractual terms that delay repayment, such as grace periods, entails that the transaction remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 90 days on the date of the potential reclassification.

Refinancing or restructuring operations that do not meet the above conditions for classification as doubtful will be classified as exposures under special watch. They must remain under special watch for a trial period, until the following requirements are met:

- It has been concluded, following an exhaustive review of the borrower’s assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- A minimum of two years elapse from the formalisation of the operation or from reclassification from doubtful exposures.
- The borrower has paid principal and interest accruing since the date of the refinancing or since the date of reclassification from non-performing exposure.

- The principal and interest due at the time of the refinancing or which were written off as a result there of must be paid. The presence of contractual terms that delay repayment, such as grace periods, will imply that the operation remains under special watch.

- The borrower must not have any other operations involving amounts overdue by more than 30 days at the end of the trial period.

During the trial period described, a new refinancing or restructuring of the refinanced or restructured operations, or the existence of amounts overdue by more than 30 days, will entail the reclassification of these operations to doubtful exposures for reasons other than default, provided that they were classified as doubtful before the trial period.

Credit risk management policies and procedures applied by the Group guarantee detailed monitoring of borrowers, indicating that provisions need to be recorded when there is evidence of impairment in a borrower’s solvency. The Group records any bad-debt provisions that may be necessary in transactions in which the borrower’s situation thus requires, before restructuring or refinancing operations are formally approved.

For refinanced operations, the algorithm provides for their initial classification on the basis of their characteristics, mainly the existence of financial difficulties for the borrower and certain contractual terms, such as lengthy grace periods; subsequently, the algorithm changes the initial classification on the basis of the cure periods established.

The Group’s refinancing, restructuring, renewal and renegotiation policies are described in Note 3.5.5.2 to these financial statements.

<u>Determination of provisions</u>

Once the accounting classification of the borrower and of the related transactions has been determined, credit risk allowances are calculated. These allowances can be calculated by individual analysis or collective analysis.

The criteria for selecting portfolios for creating internal models for collective impairment testing follow the principles of materiality and complexity, and provide results that are in line with the real situation of the transactions in the current economic environment.

The Group applies the following policies for calculating credit risk loss provisions.

The amount of impairment loss provisions is calculated on the basis of whether or not there has been a significant increase in credit risk since the initial recognition of the transaction and whether or not an event of default has occurred. Thus, the allowance for impairment losses on transactions is equal to:

- The expected credit losses over twelve months, when the risk of an event of default in the transaction has not increased significantly since initial recognition (Stage 1).

- The expected credit losses over the lifetime of the transaction, if the risk of an event of default in the transaction has increased significantly since initial recognition (Stage 2).

- The expected credit losses over the lifetime of the transaction, if an event of default has occurred (Stage 3).

The Group uses forward-looking information in the calculation of the expected loss, for which it uses scenario projection models. The considerations made by the Group in relation to the effects of the Covid-19 health crisis are explained in Note 11.6.3.

The application of a range of scenarios to reflect the effect of non-linearity of losses entails estimation of the allowances required in different scenarios, including those that are unlikely but plausible. Specifically, three macroeconomic scenarios have been considered, a central scenario, an adverse scenario and a favourable scenario, which have been defined at Group level, with probabilities of occurrence of 60%, 30% and 10% respectively, taking into account the current uncertainty about how the pandemic will evolve and the time a large part of the economy will normalise. Timescales of three years are considered to cast these projections and the most relevant variables considered are the performance of GDP, the unemployment rate and housing prices, among others.

– Base case scenario:

The recovery continues to consolidate and the convergence with the Eurozone started in the second half of 2021 continues. The buoyant employment trend leads us to consider that structural damage has been limited and will allow, together with the investments derived from the European funds, a positive inertia and an intense improvement of the lagging sectors in 2022 and 2023, which would lead to above trend growth in the long term.

– Adverse scenario:

In the adverse scenario, the recovery of international tourism remains incomplete and causes more severe damage to the affected sectors. The increase in energy prices is persistent and is detrimental to households' spending power. Furthermore, there is a low take-up of Next Generation European Union funds.

– Favourable scenario:

In a favourable scenario, the rapid lifting of pandemic-related restrictions allows for a faster recovery of international tourism. Inflation moderates in the second half of the year thanks to the stabilisation of commodity prices and the easing of supply constraints.

The Group estimated the pre-payment rates for a range of different products and segments based on observed historical data. These pre-payment rates are applied to determine the expected loss on the exposures classified in Stage 1 and Stage 2. Also, the repayment table agreed for each transaction is applied.

Further, operations identified as not having appreciable risk (essentially operations with central banks, public administrations and companies, and financial institutions, all belonging to the European Union or certain countries regarded as non-risk, as well as advances to social security pensioners) are given a percentage of 0% (based on an analysis of past such operations and backtesting analysis), except for operations classed as doubtful, in which an individual impairment estimate is carried out. In this estimate, the amount of the provisions required for the credit risk allocable to the debtor and for the relevant country risk are calculated. When it is necessary to provide for both the debtor's credit risk and the country risk, more demanding provisioning criteria are applied.

The Group's exposure metric for provisioning purposes considers currently drawn down balances and the estimate of the amounts that are expected to be disbursed in the event that off-balance-sheet exposures become doubtful, through the application of a Credit Conversion Factor or CCF.

For transactions classified as non-performing, an estimate is made of expected losses, defined as the difference between the current exposure amount and the estimated future cash flows, as described below.

Subsequently, those cash flows are discounted at the current effective interest rate of the financial asset (if the contractual rate is fixed) or at the contractual interest rate effective on the date of discounting (if the contractual rate is variable).

The various Group methodologies are described in the following paragraphs.

Individualised provision estimates

In order to estimate the credit risk provisions due to the insolvency of a financial instrument, the Group makes an individualised estimate of the expected credit losses of those financial instruments that are considered to be material and with sufficient information to make such calculation.

On this point, it should be noted that the Entity estimates collectively the positions classified in Stage 1 of individually significant borrowers (except for borrowers with an exposure of more than 50 million euros), since on the basis of its historical experience and the hedge monitoring analyses performed, the individualised estimate of the hedges of these borrowers would be considerably lower than that calculated by the collective estimate.

The Group has developed a method for estimating these allowances: calculating the difference between the carrying amount of the asset and the present value of the future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Furthermore, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from enforcement of the security, less costs of obtaining and selling the collateral, whether or not enforcement is probable, with application of a haircut to the collateral.

The following methods for calculating the recoverable amount of assets tested individually have been established:

a) Generation of cash flows by the activity itself (going concern): this will be applied for borrowers with respect to which it is estimated that future cash flows can be generated in the course of business, which will allow the repayment of part or all of the debt concerned. In addition, these flows could be supplemented by potential sales of equity assets that are not essential for the generation of said cash flows.

b) Enforcement of guarantees (gone concern): this will be applied for borrowers that are not capable of generating cash flows in the course of their business, the only means of recovering the investment being the foreclosure and liquidation of their assets.

c) Mixed approach: individual analysis of the borrower in which the two previous approaches are combined, enforcing secondary (non-essential) collateral.

The Group uses macroeconomic scenarios in its method for calculating provisions for individually material borrowers via an add-on calculated on the basis of the Group's internal models.

Collective provision estimates

The Group estimates expected credit losses as a group in cases where they are not estimated individually.

The criteria for selecting portfolios for creating internal models involve the principles of significance and complexity, and provide results that are in line with the real situation of the operations in the current economic environment.

The Group has conducted a prior study of the operations used in the collective calculation of provisions. As a result of this study, the Group has chosen the following portfolios to be used in the development of internal methodologies:

- Home purchases,
- Credit cards and
- Companies (SMEs).

The following portfolios are excluded from the utilisation of internal models:

- Consumption,
- Self-employed,
- Large corporations and
- Property developers.

For the excluded portfolios, apart from the borrowers that are subject to individual analysis, the Group makes a group calculation of coverage based on the models prepared at sector level by the Bank of Spain on the basis of experience and the information it has on the Spanish banking sector, as well as forecasts of future conditions. In any case, these models are periodically checked retrospectively to ensure the reasonableness of the provision.

When calculating a collective impairment loss, the Group, in accordance with IFRS 9 and taking into account Bank of Spain Circular 4/2017, mainly takes into consideration the following aspects:

- The impairment estimate process takes into account all credit exposures except performing loans with no appreciable risk for which impairment estimation methods are used based on statistical data and models that aggregate the average behaviour across Spanish banking institutions. The Group recognises an impairment loss equal to the best available estimate under internal models, bearing in mind all available relevant information on conditions at the end of the period to which the calculation relates. The Group has identified the following transactions without appreciable risk for the estimation of credit risk allowances:
  - Transactions with central banks.
  - Transactions with the government bodies of European Union countries, including those arising from reverse repurchase loans of debt securities.

- Transactions with central governments of countries classified in group 1 for country-risk purposes.

- Transactions in the name of deposit insurance funds and resolution funds, provided that they are comparable in credit quality to those of the European Union.

- Transactions with credit institutions and credit financial institutions of European Union countries and, in general, of countries classified in Group 1 for country-risk purposes.

- Transactions with Spanish mutual guarantee companies and with government bodies or government-controlled companies from other countries classified in Group 1 for country-risk purposes whose main activity is credit insurance or guarantee.

- Transactions with non-financial corporations that qualify as public-sector.

- Advances on pension benefits and pay packets corresponding to the following month, provided that the paying entity is a government body and the payments are made to the bank on standing orders, and

- Advances other than loans.

- In order to make a group assessment of impairment, financial assets are grouped according to the similarity in characteristics relating to credit risk (such as type of product, purpose of financing, trade identifier, guarantees, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and allows for a more precise calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturity. The segmentation takes into account historical loss experience observed for a uniform group of assets (segment), once the present economic situation has been analysed, which is representative of the unreported losses incurred that will take place in that segment. This segmentation distinguishes risk, and is aligned with management and is being used in the Group's internal models, having been applied on various occasions by the internal control units and the supervisor. Finally, it is subjected to backtesting and the regular update and review of estimates to include all available information.

The Group has developed internal models for the collective calculation of impairment losses in which the aggregate amount of a credit risk loss is determined on the basis of the following parameters:

- Probability of impairment (PI): probability of an asset becoming impaired (corresponding to a borrower or uniform borrower group) within a specific time horizon (appropriate to the period for the identification/emergence of impairment).

- Probability of recovery: probability of asset being recovered expressed as a percentage, in the event of the impairment event occurring (determined using the PI parameter).

- Discounting of guarantees: percentage loss in the value of guarantees.

- Exposure at the time of Default: Group's exposure when the borrower impairment materialises (on the basis of which the above-mentioned probability of impairment is determined).

<u>Classification and Provision for credit risk due to country risk</u>

Country risk is considered to be the risk arising in counterparties resident in a specific country due to circumstances other than ordinary commercial risk (sovereign risk, transfer risk or risks arising from international financial activity). The Group classifies transactions with third parties into groups according to the economic performance of the respective countries, their political situation, regulatory and institutional framework, and payment ability and history.

Debt instruments or off-balance-sheet exposures with final obligors resident in countries with persistent difficulties in servicing their debt are considered non-performing assets due to the materialisation of country risk: the possibility of recovery is considered doubtful. The same applies to off-balance-sheet exposures for which the likelihood of recovery is considered remote, unless they are to be classified as write-offs.

Allowances are estimated in two stages: first, we estimate the allowance for insolvency risk and then the additional allowance for country risk.

Provision levels for this risk are not significant in relation to the impairment provisions recognised by the Group.

Guarantees

In-rem and personal guarantees are regarded as efficient when the Group has demonstrated their validity in mitigating credit risk. The analysis of guarantee efficiency takes into account the time required to enforce the guarantees and the Group's capacity and experience in this respect.

Under no circumstances are guarantees whose efficiency depends substantially on the credit quality of the debtor or corporate group to which the debtor belongs regarded as admissible as efficient guarantees.

The Group's collateral valuation criteria are in line with current regulations. Specifically, the Group applies policies for selecting and engaging valuation companies which aim to ensure their independence and the quality of the valuations. All the valuation companies and agencies used are entered in the Special Valuation Companies Register of the Bank of Spain and the valuations are conducted in accordance with the provisions of Order ECO/805/2003 on rules for valuing real estate and certain rights for certain financial purposes.

Real-estate guarantees in loan operations and properties are appraised at the time they are granted or acquired, the latter by purchase, adjudication or dation in payment, and when an asset suffers a significant decline in value. In addition, minimal updating criteria are applied that guarantee an annual frequency in the case of impaired assets (special vigilance, doubtful and repossessed assets or assets received in settlement of debts), or on a three-yearly basis for very large debts performing normally without any symptoms of latent risk. Statistical methods are used to update the appraisals, when the regulations so permit, especially for the above assets when exposure and risk is low.

2.4 Accounting hedges

The Group employs derivative financial instruments as part of its strategy to reduce exposure to interest rate and foreign exchange risks, where the transactions in question fulfil applicable legal requirements.

The Group designates a transaction as a hedge from inception. In the documentation relating to hedge operations, the hedged and hedging instruments are identified adequately along with the nature of the risk to be covered and the criteria or methods followed by the Group to appraise their efficiency over the term of the operation.

The Group only considers hedging operations to be those which are highly efficient throughout their term. A hedge is regarded as being highly efficient if the fluctuations arising in the fair value or in the cash flows attributed to the hedged risk over the duration of the hedge are almost entirely offset by the fluctuations in the fair value or the cash flows, as applicable, of the hedging instruments.

To assess whether a hedge is effective, the Group analyses whether, from inception to the finalisation of the term defined for the operation, it may be expected prospectively that any changes in the fair value or the cash flows of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value or the cash flows, as applicable, of the hedging instruments and that, retrospectively, the gains or losses on the hedge operation are within a range of 80% to 125% of the gains or losses on the hedged item.

Hedging operations performed by the Group are classified into the following categories:

- Fair value hedges: they hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects the consolidated statement of profit or loss.

- Cash flow hedges: hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised financial asset or liability or with a highly probable forecast transaction and could affect the consolidated statement of profit or loss.

In fair value hedges, the differences in the fair value of both hedging instruments or hedged items, involving hedged type of risk are recognised directly in the consolidated statement of profit or loss.

In cash flow hedges, changes to the fair value arising in the portion of the effective hedge of the hedging instruments are recognised temporarily in "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedge (effective portion) reserve until the time when the hedged transactions occur. At this moment, the amounts previously recognised in equity are taken to the statement of profit and loss in a symmetrical manner to the hedged cash flows. Gains or losses on the hedging instrument corresponding to the ineffective portion of cash flow hedging operations are recognised directly in the statement of profit or loss. Financial instruments hedged in this type of hedging transaction are recognised in the manner explained in Note 2.2, without any changes for their consideration as hedged items.

As well as the above hedging operations, the Group carries out fair value hedges of foreign exchange risk for a certain amount of financial assets (or financial liabilities) which form part of the instruments in its portfolio, but not specific instruments, which in accounting terms are usually called macro-hedges.

In fair value macro-hedges, changes to the fair value of hedged items attributable to interest rate risk are recognised directly in the statement of profit and loss, but the balancing entry is recognised in “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk” depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.

The accounting technique known as a macro-hedge requires the periodic assessment of its efficiency and therefore efficiency is verified on a quarterly basis by checking that the net position of assets and liabilities that mature or are repriced in the corresponding time band is higher than or equal to the amount hedged (sum of the hedging instruments in that band). Therefore, inefficiencies arise when the amount hedged is higher than the net asset and liabilities in the same time band, with the fair value of the inefficient portion immediately recognised in the consolidated statement of profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or, lastly, when the designation as a hedge is revoked.

Where fair value hedge accounting is interrupted as stated in the preceding paragraph, the value adjustments made for hedge accounting purposes are recognised in the statement of profit or loss until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date of the hedge.

In turn, in the event of an interruption of a cash flow hedge, the cumulative gain or loss recognised in equity remain in equity until the forecast transaction occurs, at which point it is recognised in the statement of profit and loss. However, if it is expected that the transaction will not be carried out, the cumulative gain or loss is recognised immediately in the consolidated statement of profit or loss.

2.5 Foreign currency transactions

2.5.1 Functional currency

The Ibercaja Group’s presentation and functional currency is the euro. All balances and transactions denominated in currencies other than the euro are therefore foreign currency balances and transactions.

The equivalent value of the main asset and liabilities balances on the consolidated balance sheet recorded in foreign currency breaks down as follows based on the nature of the items making them up and the most significant currencies in which they are denominated:

	Equivalent value in thousand euro			
	2021		**2020**	
	Assets	**Liabilities/ Equity**	**Assets**	**Liabilities/ Equity**
Breakdown by type of portfolio -				
Financial assets/liabilities at fair value through equity	104,863	-	10,443	-
Financial assets/liabilities at amortised cost	75,105	41,988	58,252	45,321
Other	-	(3,086)	-	480
	179,968	**38,902**	**68,695**	**45,801**
Breakdown by type of currency -				
US dollar	171,237	38,902	53,076	41,692
Pound sterling	4,357	2,974	6,600	2,949
Swiss franc	872	796	1,353	1,331
Japanese yen	943	15	909	16
Canadian dollar	23	8	10	7
Norwegian krone	45	20	2,798	19
Other	2,491	(3,813)	3,949	(213)
	179,968	**38,902**	**68,695**	**45,801**

2.5.2 Conversion criteria for foreign currency balances

Transactions in foreign currencies are initially recognised at the equivalent value in euro based on the exchange rates prevailing at the date of the transactions. Monetary balances denominated in foreign currency are subsequently converted to the functional currency at the exchange rate prevailing on the date of issue of the financial information.

Furthermore:

- Non-monetary items valued at historical cost are translated into the functional currency at the exchange rate prevailing on the date of acquisition.

- Non-monetary items stated at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value is determined.

2.5.3 Recognition of exchange rate differences

Exchange differences that arise when translating balances in foreign currency to the entities' functional currency are recorded in general at net value under Differences on exchange (net) on the consolidated statement of profit or loss, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated statement of profit or loss under "Gain/(loss) on financial assets and liabilities held for trading, net" and "Gain/(loss) on financial assets and liabilities at fair value through profit or loss, net", without differentiating them from other fair value fluctuations.

Exchange differences arising on foreign currency equity instruments whose fair value is adjusted against equity are recognised in consolidated equity under "Other accumulated comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheet until they are realised. When an equity instrument at fair value through other comprehensive income is derecognised, the amount of exchange differences arising on these financial instruments is not reclassified to profit or loss, but to an item of reserves alongside the gains or losses recorded in accumulated other comprehensive income from changes in fair value.

2.6 Recognition of income and expenses

The paragraphs below summarise the most significant accounting criteria applied by the Group in recognising income and expense:

2.6.1 Interest income, interest expenses, dividends and similar items

As a general rule, interest income, interest expense and similar items are recognised on a time proportion basis using the effective interest method. Dividends received from other companies are recognised as income when the right to receive them is declared by the consolidated entities. Dividends for which the right to receive payment has been declared prior to initial recognition shall not form part of the carrying amount of the equity instrument and shall not be recognised as income. If the distribution relates to income generated by the issuer prior to the date of initial recognition, the dividends are not recognised as income but as a reduction of the carrying amount of the instrument.

2.6.2 Fees, commissions and similar items

Commission and fee income and expenses which are not included in the calculation of the effective interest rate on transactions and/or which do not form part of the acquisition cost of financial assets or liabilities other than those classified at fair value through profit or loss are recognised on the consolidated statement of profit or loss using accounting policies that vary according to the nature of the item concerned. The most significant fee and commission items are as follows:

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the statement of profit or loss when payment is made.

- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated statement of profit or loss over the term of the transaction or service.

- Those relating to a one-off event, which are recorded when the originating event takes place.

2.6.3 *Non-financial income and expense*

They are recognised for accounting purposes when the goods are delivered or the non-financial service is rendered. To determine the amount and timing of recognition, a five-step model is followed: identify the contract with the customer, identify the separate obligations of the contract, determine the transaction price, allocate the transaction to each identified obligation, and finally recognise revenue as and when obligations are satisfied.

2.6.4 *Deferred receipts and payments*

Deferred receipts and payment are recognised for accounting purposes at the amount resulting from discounting the expected cash flows to net present value at market rates.

2.6.5 *Contributions to the Single Resolution Fund and Deposit Insurance Fund*

In accordance with IFRIC 21 Levies, recognition of the obligation, which entails recording the amount accrued to date, takes place upon receipt of the payment notification (second quarter for the contribution to the Single Resolution Fund and fourth quarter for the contribution to the Deposit Insurance Fund).

2.7 Offsetting of financial instruments

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.8 Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards of transferred assets to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised simultaneously.

- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of financial asset securitisations in which subordinated financing or another kind of credit improvement is maintained which substantially absorbs the loan losses expected for the securitised assets, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the criteria used prior the transfer. Conversely, the following items are recognised and not offset:

  – An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.

  – The income from the financial asset which is transferred but not written off, and the expenses derived from the new financial liability.

Therefore, financial assets are only derecognised from the consolidated balance sheet when the cash flows they generate have been extinguished, when the risks and rewards involved have been substantially transferred to third parties, and when the transferor does not retain control of the transferred financial asset.

Note 27.5 summarises the most significant circumstances of the main asset transfers in effect in the Group at year-end.

2.9 Financial guarantees and provisions made thereon

Financial guarantees are agreements in which the Group undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: collateral, financial guarantee, irrevocable documentary credit issued or guaranteed by the entity, etc.

At the time of initial recognition, the Group accounts for the financial guarantees provided under liabilities in the consolidated balance sheet at fair value, which is generally equal to the present value of the commissions and returns to be received on such contracts over the term of the same with, as the balancing entry under assets on the consolidated balance sheet, the amount of likened commissions and returns collected at inception and accounts receivable at the present value of the commissions and returns pending collection. These amounts are amortised on a straight-line basis over the term of the contracts in the consolidated statement of profit or loss.

Financial guarantees, whatever the holder or instrumentation, are analysed periodically to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to create a provision for them, which is determined by applying criteria similar to those used to quantify impairment losses on debt instruments, as explained in Note 2.3 above.

Provisions set aside for these operations are recognised under “Provisions – Commitments and guarantees given” on the liability side of the consolidated balance sheet. Additions to and reversals from these provisions are recognised in the consolidated statement of profit or loss under “Provisions or reversal of provisions”.

When a provision is required for financial guarantees, the associated commissions pending accrual, carried in the consolidated balance sheet under “Other liabilities”, are reclassified to the relevant provision.

Income from guarantee instruments is recorded under “Fee and commission income” in the consolidated income statement and is calculated by applying the rate established in the underlying contract to the nominal amount of the guarantee (Note 32).

2.10 Accounting of operating leases

The Group should identify at the beginning of the lease whether a contract is a lease or contains a lease component and this conclusion will only be reassessed in the event of a change in the terms and conditions of the contract. According to the criteria of the Standard, a contract is a lease if it gives the customer the right to exercise control over the use of the asset identified in the contract for a period of time in exchange for a consideration.

The Standard provides two exemptions from the recognition of lease assets and liabilities, which may be applied in the case of short-term contracts and those whose underlying asset is of low value, which the Group has decided to use.

<u>Leases in which the bank acts as lessee</u>

The lease term corresponds to the non-cancellable period of a lease, plus the periods covered by the option to extend the lease if it is reasonably certain that the lessee will exercise the option and the periods covered by the option to terminate the lease if it is reasonably certain that the lessee will not exercise the option.

The lease liabilities, which are initially recognised under “Financial liabilities at amortised cost - other financial liabilities” in the balance sheet, include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive receivable,
- variable lease payments that depend on an index or rate,
- amounts expected to be paid by the lessee as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise that option, and
- lease termination penalty payments, if the term of the lease reflects the lessee’s exercise of that option.

Subsequent to their initial recognition, they are measured at amortised cost using the effective interest rate method.

Lease payments are discounted using the interest rate implicit in the lease. The discount rate used was determined by the institution’s Capital Strategy and Balance Sheet Unit, which calculated a financing curve that approximates the cost of funding the Group through senior debt.

When the implicit interest rate cannot be readily calculated, use is made of the incremental interest rate, which is defined as the interest rate that a lessee would have to pay for borrowing, for a term similar to the duration of the lease and with similar security, funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.

Each lease payment is allocated between liabilities and finance expense. The interest expense is charged to income over the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. Interest expense on lease liabilities are recognised in the consolidated statement of profit or loss under “Interest expense - Other liabilities”.

Right-of-use assets are initially measured at cost, which includes the following:

- the amount of the initial valuation of the lease liability,
- any lease payment made on or before the start date less any lease incentive received,
- any initial direct cost and
- restoration costs.

Such assets are measured subsequent to initial recognition at cost corrected by:

- Accumulated depreciation and impairment, and
- any revaluation of the corresponding lease liability.

Depreciation is calculated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis. The annual provisions for depreciation are charged to the statement of profit or loss under "Depreciation - Tangible assets" and are calculated on the basis of the following average years of the different underlying asset classes comprising the rights of use, as follows:

	Years of estimated useful life
Branch offices	1 to 20
Sale & lease-back	8 to 28
Other	2 to 8

The criteria for impairment of these assets are similar to those used for tangible assets (see Note 2.15).

<u>Leases in which the bank acts as lessor</u>

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

Whenever consolidated entities act as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value, are recorded as financing provided to third parties and are therefore recognised under "Financial assets at amortised cost" in the consolidated balance sheet, in accordance with the nature of the lessee.

Note 11.4 sets out information on these leases.

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

When the consolidated entities act as lessors in operating leases, the acquisition cost of the leased assets is presented under "Tangible assets" as "Investment property" or as "Other assets leased out under operating lease", depending on the substance of the leased assets. These assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated statement of profit or loss on a straight-line basis under "Other operating income".

The impacts of these leases are presented in Note 15.2 in the consolidated income statement.

2.11 Assets managed

Third party assets managed by the consolidated companies are not included in the consolidated balance sheet. Fees generated by this activity are recorded under "Fee income" in the consolidated statement of profit or loss. Note 27.4 provides information on the third-party assets managed at year end.

2.12 Investment funds and pension funds managed by the Group

Mutual funds and pension funds managed by consolidated companies are not recognised in the Group's consolidated balance sheet since the related assets are owned by third parties. Fees and commissions earned on the services rendered to these funds by Group companies (asset management services, portfolio deposits, etc.) are recognised under "Fee income" in the consolidated statement of profit or loss.

Note 27.4 provides information on the investment funds and pension funds managed by the Group at the year end.

2.13 Staff expenses

2.13.1 Post-employment benefits

Post-employment remuneration is remuneration paid to employees after the end of their period of employment. All post-employment obligations are classified as defined contribution plans or defined benefit plans, based on the conditions of these obligations.

The Bank's post-employment commitments with its employees are treated as "Defined contribution plans" when the Bank makes predetermined contributions to a separate entity, on the basis of the agreements reached with each specific group of employees, without any legal or effective obligation to make additional contributions were the separate entity unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as "Defined benefit plans".

<u>Defined contribution plans</u>

The Group's pension commitments to active employees are arranged through a defined contribution system for retirement and a defined benefit system for death and disability during active employment, the latter being covered by annual insurance policies.

Defined contribution plans are recognised under "Personnel expenses" in the consolidated statement of profit or loss. The contributions made by the defined contribution plan promoters amounted to 15,413 thousand euros in 2021 and 15,339 thousand euros in 2020 (Note 38).

<u>Defined benefit plans</u>

With respect to defined benefit plans, the Group recognises the present value of post-employment obligations less the fair value of the plan assets, under "Provisions - Pensions and other post-employment defined benefit obligations" and "Provisions - Other long-term employee remuneration" on the liabilities side of the balance sheet. The liabilities for defined benefits are calculated annually by independent actuaries using the projected unit credit method.

"Plan assets" are the assets linked to a certain defined benefit obligation that will be directly used to settle these obligations and that meet the following conditions:

- They are not owned by the Bank, but rather by a legally separate, non-related third party.
- They are available to be used only to pay or fund employee benefits and are not available to Bank's own creditors, even in the event of bankruptcy.
- They cannot be returned to the Bank unless the assets remaining in the scheme are sufficient to meet all obligations of the scheme and of the Bank relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid.
- They may not be non-transferable financial instruments issued by the Bank.

The Group records its reimbursement right under assets on the balance sheet under "Other assets".

The present value of the defined benefit obligations with staff is determined by discounting the future cash flows estimated at discount rates for corporate bonds with high credit ratings that are consistent with the currency and estimated terms that the liabilities for post-employment benefits will be settled.

The expected return on plan assets for defined benefit plans and reimbursement rights are determined using the same discount rate as for calculating the present value of the obligations.

Post-employment benefits are recognised as follows:

- In the statement of profit or loss: the cost of services provided by employees, both during the year and in prior years (where not recognised in prior years), net interest on the provision (assets), and the gain or loss arising on settlement.

- In the statement of changes in equity: new measurements of the provision (asset) as a result of actuarial gains or losses, of yields on plan assets that have not been included in net interest on the provision (assets), and changes in the present value of the assets due to changes in the present value of flows available to the entity, which are not included in net interest on the provision (assets). The amounts not recorded in net interest under equity will not be reclassified to the statement of profit or loss in a subsequent period.

"Actuarial gains and losses" arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

<u>Pension supplements for serving or retired personnel</u>

Post-employment commitments acquired by the Group with serving and retired personnel derive from the various Collective Agreements and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

Post-employment commitments acquired by the Group with retired personnel included in the "Ibercaja Employee Pension Plan" derive from the Collective Agreement and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

In addition, the Group has retirement supplements commitments with former retired employees and management personnel which are externalised through insurance policies with Caser, Compañía de Seguros y Reaseguros, S.A. and Ibercaja Vida, S.A.

2.13.2 Other long term employee remuneration

Commitments with staff taking early retirement, widowhood commitments and disability commitments prior to retirement that depend on length of service and other similar items will be processed for accounting purposes, as applicable, as established in defined benefit post-employment plans, except that actuarial gains and losses are recognised immediately in the statement of profit or loss.

The Group has no commitments towards early retirees to pay salary complements and other welfare charges from the time of early retirement to the date of actual retirement.

2.13.3 Severance payments

Severance payments are recognised as a personnel expense when the Group undertakes to terminate the employment relationship before the normal retirement date, or to pay severance indemnities as a result of an offer made to encourage voluntary termination of employment by employees.

2.13.4 Other employee benefits

The Group has committed to providing employees with certain goods and services at partially or totally subsidised prices, in accordance with the collective bargaining agreement and the Corporate or Company Agreements. The most relevant employee benefits are credit facilities.

Employees of Ibercaja Banco, S.A. with indefinite contracts are generally entitled to request loans or credit facilities, subject to a maximum limit based on their annual salary, once their trial period has ended.

- Home loans: the maximum amount to be granted is that determined by the value of the dwelling plus the expenses inherent to the acquisition thereof, which must be duly supported and may not exceed five annuities, which are considered as comprising the items referred to in Article 39 of the Collective Agreement, plus the family support. If this second limit is applicable, the resulting amount may not be less than 200,000 euros under a Resolution of the Board of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 0.50% and a maximum of 5.25%.

- Personal loan/credit: the maximum capital to be financed is 25% of the employee's annual remuneration with respect to the corresponding items from those provided for in Article 39 of the Collective Agreement, plus the family support. However, any employee may obtain up to 30,000 euros. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October, with a minimum of 0%.

- Welfare support: to meet fully justified essential needs. The amount will not exceed six gross monthly payments, including all fixed items that make up the monthly salary, and will be repaid in monthly instalments consisting of 10% of the gross salary.

2.13.5 Multiannual incentive plan

On 15 April 2021, the General Shareholders' Meeting of Ibercaja Banco approved the terms and conditions of the long-term incentive plan (the "Plan") for the Bank's key executives, linked to the Strategic Challenge Plan for 2023. This Plan is aimed at a group of 29 members of staff (the "Beneficiaries") whose professional activities have a significant impact on the Bank's risk profile.

The Plan is linked to the permanence of the Beneficiaries and the achievement of objectives in the 2021-2023 period. The assessment of the degree of achievement of the multi-annual objectives shall be measured from the start date to the end date.

The maximum amount of the incentive shall be fixed as a percentage of the annual fixed remuneration for each Beneficiary. The deferred incentive shall be paid in the first quarter of 2024, 2025, 2026, 2027 and 2028, respectively. Each deferred incentive payment will be made 45% in cash and the remaining 55% in instruments linked to the Bank's value and subject to a one-year holding period.

The degree of achievement of the multi-annual objectives will be determined on the basis of:

I. Achievement of the Bank's shareholder return target for the 2021-2023 period.
II. Achievement of the tangible equity performance target for 2023.
III. Meeting the Fully Loaded Common Equity Tier I ratio target set for 2023
IV. Fulfilment of sustainability objectives for 2023.

The total estimated value of these commitments if the targets set in 2023 are met amounts to 4,632 thousand euros. At 31 December 2021 the Group has recognised a provision of 1,544 thousand euros under "Provisions - Other long-term employee benefits" in the accompanying consolidated balance sheet (Notes 21 and 38) for the accrued amount as it considers that the targets set in the plan will be met on the basis of the information available at year-end.

2.14 Income tax

The corporate income tax expense is recognised in the income statement, except when it results from a transaction whose outcome is recognised directly in equity, in which case the corporation tax is recognised with a balancing entry in equity.

The corporate income tax expense is calculated as the tax payable on the taxable profit for the year, adjusted for the changes arising during the financial year in the assets and liabilities recognised as a result of timing differences, tax credits and relief and possible tax loss carryforwards (Note 25).

As mentioned in Note 25, Ibercaja Banco forms part of a Tax Group, the parent of which is Fundación Bancaria Ibercaja, in accordance with Chapter VII of Title VII of the Corporate Income Tax Law.

A timing difference is a difference between the carrying amount and the taxable amount of an asset or liability. A taxable amount is one which will generate a future obligation to make a payment to the tax authorities and a deductible amount is one that will generate the right to a refund or a reduction in a payment to the tax authorities in the future.

Timing differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are only recognised when it is probable that sufficient future taxable profit will be obtained against which the deferred tax asset can be utilised. Deferred tax liabilities are recognised for practically all taxable temporary differences.

Tax credits and relief, and credits for tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, provided that the Group considers it probable that they will be used in future periods. Note 25 gives details of the assets recorded in this respect.

Current tax assets and liabilities are those which, respectively, are regarded as being recoverable or payable within 12 months as from the year end. Deferred tax assets and liabilities are those which, respectively, are expected to be recovered or paid in future years.

Deferred tax assets and liabilities are reviewed at each balance sheet date to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

2.15 Tangible assets

In general, tangible assets are presented on the balance sheet at cost, this being the fair value of any consideration paid plus all cash payments made or committed net of accumulated depreciation and any value adjustment resulting from comparing the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The annual provisions for depreciation are charged to the consolidated statement of profit or loss under “Depreciation - Tangible assets” and are calculated on the basis of the following average years of estimated useful life of the various assets, as follows:

	Years of estimated useful life
Properties for own use	25 to 100
Furniture	6 to 16.6
Fixtures	5 to 16.6
Computer equipment and installations	4 to 8

At each balance sheet date, the consolidated entities assess whether there is any internal or external indication that a tangible asset is impaired (i.e. its carrying amount exceeds its recoverable amount). If any such indication exists, the carrying amount of the asset is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the asset’s adjusted carrying amount and its new remaining useful life, in the event that a re-estimation of this is necessary. This reduction in the carrying amount is charged, as necessary to “Impairment or reversal of impairment of the value of non-financial assets (net)” in the consolidated statement of profit or loss.

Similarly, if there is an indication of a recovery in the value of a deteriorated tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods, through the corresponding credit to the heading “Impairment or reversal of impairment of the value of non-financial assets (net)” in the consolidated statement of profit or loss, and adjusts the future depreciation charges accordingly.

“Investment property” in the consolidated balance sheet includes the net values of land, buildings and other structures which are held either for rental purposes or to generate a possible capital gain on their sale as a result of possible future increases in their respective market prices.

Foreclosed assets that, depending on their nature and purpose, are classified as real-estate investments by the Group, are initially recognised at the lower of the fair value net of sales cost and the acquisition cost, which is understood as the net carrying value of the debts that give rise to them, with the net value calculated pursuant to the provisions of the applicable regulations as set out in Note 2.18. Subsequently, these foreclosed assets are subject to the corresponding estimated impairment losses that, as applicable, are generated; to this end, an appraisal is carried out on whether the lease operation meets the following requirements:

- the lessee’s payment capacity is sufficient to repay the amounts agreed in the contract, and
- the market value of the asset in the price of the lease exceeds its carrying amount.

In the event that either of these two points are not met, the estimated fair value will be calculated using the internal methodologies set out in Note 2.18.

Additionally, at least once every year, the estimated useful life of the elements of property, plant and equipment is reviewed, in order to detect significant changes in them that, if produced, will be adjusted through the corresponding correction charged to the statement of profit or loss for future years in concept of their depreciation by virtue of the new useful lives.

Repair and maintenance expenses relating to fixed assets for own use are charged to “Other administrative expenses” on the consolidated statement of profit or loss (Note 39).

2.16 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from an acquisition from third parties or have been developed internally.

2.16.1 Goodwill

The positive difference between the price paid in a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entities is recognised under assets on the balance sheet as goodwill. Goodwill represents a payment made by the group in anticipation of the future economic benefits from assets of an acquired entity that are not capable of being individually or separately identified and recognised. It is recognised only if it has been purchased for valuable consideration through a business combination. Goodwill is not amortised, but at the end of each accounting period it is subject to analysis for any possible impairment that would reduce its recoverable value to below its stated net cost and, if found to be impaired, is written down against the consolidated statement of profit or loss.

In order to verify if any impairment has taken place, the goodwill acquired in a business combination will be allocated from the date of acquisition among the cash generating units of the acquiring entity which are expected to benefit from the synergies produced by the business combination, irrespective of whether other assets or liabilities of the acquired entity are allocated to these units or groups of units. Each unit or group of units among which the goodwill is distributed:

a) will represent the lowest level of detail within the entity to which the goodwill is assigned for internal control purposes; and

b) will not be larger than an operating segment, as defined in Note 27.8.

Therefore, in the annual impairment test on goodwill, the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit’s carrying value.

To detect possible indications of goodwill impairment, value appraisals are undertaken generally based on the medium-term dividend discount model, having regard to the following parameters:

- Key business assumptions. The cash flow projections used in the measurement are based on these assumptions. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates, as well as capital requirements.

- The period covered by the projections: This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.

- Discount rate. The present value of estimated future dividends, from which a value in use is derived, is calculated from a discount rate taken as the capital cost of the entity from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) is used.

- The rate of growth used to extrapolate cash flow projections beyond the year in which they are considered standardised. Based on long-term estimates for the main macroeconomic numbers and key business variables, and bearing in mind the current financial market outlook at all times, a rate of growth in perpetuity is estimated.

Goodwill impairment losses are not reversed in a subsequent period.

2.16.2 Other intangible assets

Intangible assets other than goodwill are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortisation and any impairment losses.

Intangible assets may have indefinite useful lives when, on the basis of the analyses performed, it is concluded that there is no foreseeable limit to the period during which they are expected to generate cash flows and they are not amortised. Rather, at each accounting close, the Group reviews the assets’ remaining useful lives in order to ensure that they are still indefinite. The Group has not identified any assets of this kind.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets. The annual amortisation of intangible assets with finite useful lives is recognised under “Depreciation – Intangible assets” in the income statement and is calculated on the basis of the years of estimated useful life as follows:

	Years of estimated useful life
Computer software	3 to 14
Trademark	5
Customer relationships (Core Deposits) of Banco Grupo Cajatrés, S.A.U.	6 to 10

During 2020, the useful lives of computer software were re-estimated based on a functional, technical and strategic analysis, with the new useful lives ranging from 3 to 14 years, compared to 3 to 5 years in 2019.

The Group recognises any impairment loss in the carrying amount of these assets and makes a balancing entry under “Impairment or reversal of impairment of non-financial assets (net) - tangible assets” in the consolidated statement of profit or loss. The policies for recognising impairment losses on these assets and for reversing impairment losses recognised in prior years are similar to those for property, plant and equipment (Note 2.15).

2.17 Inventories

This item in the consolidated balance sheet includes the non-financial assets that the consolidated entities:

- hold for sale in the ordinary course of business,
- are in the process of making, building or developing for such purposes, or
- expect to consume in production or the provision of services.

Inventories are valued at the lower of their cost, including all acquisition and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated statement of profit or loss in the financial year they are incurred, under “Impairment or reversal of impairment of non-financial assets (net) - Other”.

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated statement of profit or loss under “Other operating expenses” in the year the income from their sale is recognised.

For assets foreclosed or received in settlement of debts which, according to their nature and purpose (in production, construction or development), are classified as inventories, the Group applies criteria similar to those described in Note 2.18 for said assets.

2.18 Non-current assets and disposal groups classified as held for sale

Under this heading, assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are recognised, provided that the sale is considered highly probable.

These are valued on the acquisition date and thereafter at the lower of carrying value and fair value of the estimated costs to sell. Assets that would otherwise be subject to depreciation and amortisation are not depreciated or amortised while they remain in the category of non-current assets held for sale.

In particular, repossessed real estate assets or assets received in settlement of debts by the Group in order to partially or fully meet the payment obligations of its debtors are considered non-current assets and disposal groups of items that are classified as held for sale, unless the decision has been taken to make continuing use of these assets or they are used in operations as leased properties.

- The carrying value at the date of acquisition of non-current assets and disposal groups of items that are classified as held for sale from foreclosures or received in settlement of debts is defined as the outstanding amount receivable of loans or credit facilities from which they originate net of any related provisions according to their accounting classification before receiving said assets. These repossessed assets or assets received in settlement of debts are treated as collateral. This carrying amount is compared with the previous carrying amount and the difference is recognised as a an increase or release of provisions, as applicable.

To estimate the provisions mentioned, the recoverable amount of the guarantee is taken to be fair value less estimated costs to sell of the repossessed assets or assets received in settlement of debts, since the Group has sufficient sales experience to ratify its capacity to realise the assets at fair value.

- To determine the fair value of selling costs, the repossessed assets or assets received in settlement of debts are measured initially on the basis, as a reference value, of the market value calculated in complete individual appraisals applying the policies and criteria described under Guarantees in Note 2.3. In addition, the Group assesses whether it is necessary to apply a discount to this reference value given its experience in sales and the average time that similar assets are held on the balance sheet.

  With the exception of the certain properties, which do not account for a significant amount in this portfolio, classified under Other properties, to which the discount on the reference value provided by the Bank of Spain is applied as an alternative solution given its experience and the information it has on the Spanish banking sector, the Group has developed internal methodologies for estimating discounts on reference values and selling costs, taking into account its experience in selling similar assets.

For the purposes of determining impairment after the foreclosure date or receipt as payment, when the fair value of costs to sell exceeds the carrying amount, the difference is recognised in the consolidated statement of profit or loss as income from impairment reversals, subject to the limit of the accumulated impairment since the initial recognition of said assets. When an asset has surpassed the average period for holding properties, the Company reviews the procedure for determining fair value. Therefore, no impairment reversal income is recognised for these assets.

The Group carries out regular comparison and reference exercises for the estimates made and has devised backtesting methods for comparing estimated and actual losses.

As a result of these analyses, the Group makes changes to internal methodologies when regular backtesting brings to light significant differences between estimated losses and actual losses.

The backtesting methods and analyses are also revised by the internal control department.

Gains and losses generated on the disposal of non-current assets and disposal groups of items classified as held for sale and impairment losses and impairment reversals, where applicable, are recognised under “Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” on the consolidated statement of profit or loss. The remaining income and expenses associated with these assets and liabilities are disclosed by nature.

2.19 Insurance transactions

The assets and liabilities of the Group’s insurance companies are recorded, depending on their nature, under the corresponding headings in the consolidated balance sheet.

The technical reserves for ceded reinsurance, calculated on the basis of the relevant reinsurance treaties applying the same criteria as for direct insurance, are recognised under “Assets under insurance or reinsurance contracts” (Note 14).

The technical provisions for direct insurance and accepted reinsurance recognised by the consolidated insurance company to cover the obligations arising from the insurance contracts in force at the end of the period are presented in the consolidated balance sheet under “Liabilities under insurance or reinsurance contracts” (Note 20).

In addition, the Group corrects the accounting asymmetries that arise in insurance transactions that are not covered by the Group’s insurance policies:

- are financially immunised,
- link the surrender value to the value of the assets specifically assigned,
- envisage a share in the profits of a related asset portfolio,
- are characterised by the fact that the policyholder assumes the investment risk.

The adjustment consists of symmetrically recognising the changes in the fair value of the financial assets linked to insurance activity classified in the categories “Financial assets not held for trading mandatorily measured at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.

The balancing entry for these changes is the life insurance provision, when this is required by Spanish insurance legislation, or a liability account (with a positive or negative balance) for the portion not recorded as in the life insurance provision which is disclosed under “Other liabilities” on the consolidated balance sheet.

In accordance with accounting standards specific to the insurance sector, group insurance companies record a revenue for the amount of premiums issued during the year and an expense for the cost of claims when these are made known. These accounting practices require insurance companies to apportion the amounts credited to the statement of profit or loss and not accrued at that date at year-end.

The most significant accruals and deferrals made by the consolidated entities in relation to direct insurance purchased by them are: unearned premiums, benefits, life insurance when the investment risk is assumed by the policyholder, share in profits and returned premiums.

Life insurance provisions

They represent the value of the institution’s obligations net of the Policyholder’s obligations for life insurance at the end of the financial year.

Life insurance reserves are broken down into the unearned premium reserve for insurance whose period of coverage is equal to or less than one year plus, where appropriate, the provision for current risks and, for other insurance, the mathematical reserves.

- **Unearned premium reserve**

The unearned premium reserve relates to the fraction of the premiums in the year that is allocated to the period between the year-end date and the end of the contract coverage period. The reserve is calculated for each individual policy, applying the actuarial bases contained in its technical notes.

- **Provision for current risks**

This provision is set up for each line of insurance in so far as the amount of the unearned premium reserve is not sufficient to reflect the value of all the risks and expenses to be covered by the institution for the coverage period not elapsed at the end of the financial year.

The necessary claims study has been carried out to determine the need for the provisioning of the Current Risk Provision on the basis of the provisions of Art. 31 of the Insurance Regulation, with a positive balance, which shows that there is no obligation to record the aforementioned provision.

- **Mathematical reserves**

The mathematical reserves represents the difference between the actuarial present value of the entity’s future obligations and those of the policyholder or, if applicable, the insured party. Its calculation is made policy by policy, via an individual system and applying a prospective method, taking as a basis for calculation the inventory premium accrued in the year.

Calculation of the mathematical reserves was based on the provisions of the Regulation for the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November, Royal Decree 239/2007 of 16 February and Order EHA/339/2007 of 16 February, as well as its subsequent amendments and the Resolutions of the Directorate General of Insurance of 6 July 2012 and 9 March 2015.

However, pursuant to the Second Transitional Provision of the Regulations, for insurance contracted before the entry into force of the Regulation for the Organisation and Supervision of Private Insurance, if the real yield obtained from the investments concerned in the financial year was lower than the technical rate used, the Company would calculate the mathematical reserves by applying an interest rate equal to the yield actually obtained.

The insurance company calculates the mathematical reserves of a significant part of its insurance portfolio in accordance with article 33.2 of the Regulation for the Organisation and Supervision of Private Insurance, measuring it by the maximum interest rate derived from the internal rate of return of certain investments allocated to the product, provided that certain requirements established in the applicable regulations are met by means of matching flows.

On 2 December 2015, Royal Decree 1060/2015 of 20 November was published on the organisation, supervision and solvency of insurance and reinsurance undertakings. It came into force on 1 January 2016 and its main purpose is to complete the transposition of European Solvency II regulations into Spanish law.

As a result of the foregoing, the institution has applied the fifth additional provision, which is mandatory for it, in relation to the interest rate for the calculation of technical provisions for accounting purposes of life insurance with respect to contracts entered into on or after 1 January 2016.

In 2017, the insurance company, pursuant to the provisions of section 1 of the fifth additional provision of Royal Decree 1060/2015, of 20 November, on the Regulation, Supervision and Solvency of Insurance and Reinsurance Companies, accepted, with regard to the interest rate to be used in the calculation of the life insurance provision for contracts concluded before 1 January 2016 and whose calculation is governed by the provisions of sections 1.a.1 and 1.b)1 of article 33 of the Regulation for the Organisation and Supervision of Private Insurance, to the option of adapting to the relevant temporary structure of risk-free interest rates provided for in article 54 of this Royal Decree, including, where appropriate, the component relating to the adjustment for volatility provided for in article 57 of this Royal Decree.

- **Reserves for benefits pending payment**

This represents the amount of the institution's outstanding obligations arising from claims occurring prior to the year-end date, which is equal to the difference between its total estimated or certain cost, including external and internal file management and administration expenses, and all the amounts already paid in respect of such claims.

In order to determine their amount, claims are classified by year of occurrence, with each claim being measured individually.

- **Reserves for benefits pending declaration**

The reserves for claims pending declaration has been estimated based on the information and experience in previous years of the Insurer, as established in article 41 of the Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

- **Provision for claim settlement expenses**

It reflect the amount sufficient to cover the internal expenses of the institution necessary for the total settlement of the claims. The provision for benefits for settlement expenses has been estimated as set out in article 42 of Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

Provision for profit sharing and returned premiums

It contains the amount of the benefits accrued in favour of the policyholders, insured parties or beneficiaries and the amount of the premiums that should be returned to the policyholders or insured parties, if applicable, by virtue of the behaviour experienced by the insured risk, as long as they have not been allocated individually to each of them.

Provisions for life insurance in which the investment risk is borne by the policyholders

The provision for life insurance in which it is contractually estimated that the risk of the investment is borne by the policyholder is determined on the basis of the technical notes for each type and on the basis of the investments concerned in order to establish the economic value of the policyholder's rights.

The Group carries out various procedures and has implemented controls to ensure the sufficiency of technical reserves, including:

- With regard to insurance reserves with mortality risk: the provision for current risks is calculated annually as detailed above. This calculation involves the preparation of a profit or loss account for the last two years of mortality risk in order to determine that the premiums collected, determined with the same mortality tables used for the calculation of technical reserves, are higher than the claims actually incurred. The fact that the mortality business yields profits ensures the sufficiency of the provisions made.

- With regard to insurance reserves with longevity risk: each year, the Group obtains real historical mortality assumptions in relation to this activity, for application in the Solvency II calculations (Best Estimate Liability and Capital Requirements (SCR)). For this generation of assumptions, the company's historical mortality rate in these products compared with the mortality tables applied in the collection of premiums and in the calculation of technical reserves. The fact that the reality does not differ from the tables applied ensures the sufficiency of the provisions made with these tables.

- Every month, from the second line of defence (control), the results obtained by the company are monitored by product, differentiating the financial result from the technical result (result associated with insurance risk). The observation that positive technical results are being generated in the different products ensures the sufficiency of the technical provisions set up.

- The Group has a specific Internal Audit function for the insurance activity which is set up as a third line of defence, independent from the rest of the company's units, which, as part of its action planning, periodically reviews the adequacy of the technical reserves associated with each insurance line.

- Lastly, the Group's external auditor issues the "Report on the Financial Condition and Solvency of the insurance company".

2.20 Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, their respective directors distinguished between:

- Provisions: credit balances covering present obligations at the date of the balance sheet arising from past events which could give rise to pecuniary losses for the entities that are considered likely to occur, are certain as to their nature but uncertain as to their amount and/or timing.

- Contingent liabilities: possible obligations that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events not within the control of the consolidated entities.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, although they are disclosed in accordance with applicable regulations (Note 27.1).

Provisions, which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close if new information comes to light, are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

Provisions considered necessary in accordance with the above criteria are debited or credited to "Provisions or reversal of provisions" on the consolidated statement of profit or loss.

At year end, certain litigation and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on the consolidated financial statements in the years in which they are settled.

2.21 Consolidated statements of recognised income and expenses

In accordance with the options established in IAS 1.81, the Group has chosen to present separately a statement showing the components of consolidated profits ("consolidated statement of profit or loss") and a second statement which, on the basis of consolidated profits for the year, reflects the components of the remaining income and expenses for the year recognised directly in equity ("Consolidated statement of comprehensive income").

The "Consolidated statement of comprehensive income" shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between items of income and expense that are recognised in profit and loss for the year and items of income and expense that, as required under current regulations, are recognised directly in consolidated equity.

In general, income and expenses recognised directly in equity are disclosed at the gross amount and the relevant tax effect is reflected under "Corporate Income Tax".

Therefore, this statement shows:

a) Consolidated profit/(loss) for the year.

b) The net amount of income and expenses recognised as “Other accumulated comprehensive income” in equity, which will not be reclassified to profit or loss.

c) The net amount of income and expenses recognised in equity, which may be reclassified to profit or loss.

d) Corporation tax accrued on the items indicated in (b) and (c) above, except for adjustments to other comprehensive income arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented on a net basis.

e) Total consolidated recognised income and expenses, calculated as the sum of the foregoing letters, showing separately the amount attributed to the parent and the amount attributed to non-controlling interests.

2.22 Total statement of changes in equity

The “Total statement of changes in equity” presents all changes in equity, including those arising from changes in accounting criteria and the correction of errors. This statement therefore reflects a reconciliation of the carrying value at the beginning and end of the year for all items forming part of consolidated equity, grouping movements on the basis of their nature into the following items:

a) Adjustments due to changes in accounting principles and correction of errors: Includes changes in consolidated equity due to the retroactive adjustment to financial statement balances because of changes in accounting principles or to correct errors.

b) Comprehensive income for the year: comprises an aggregate of all the aforementioned items recognised in the statement of comprehensive income.

c) Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of earnings, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in consolidated equity.

2.23 Consolidated statement of cash flows

The following expressions are used with the following meaning in the consolidated cash flow statement:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as on-demand investments.

- Operating activities: the ordinary activities of credit institutions. Activities involving financial instruments are regarded as operating activities, with certain exceptions such as the equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments and subordinate financial liabilities.

- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of equity and liabilities do not form part of operating activities.

For the purposes of preparing the consolidated cash flow statement, “cash and cash equivalents” are considered to be short-term, highly liquid investments with an insignificant risk of changes in value. The Group therefore treats the following financial assets and liabilities as cash or cash equivalents:

- The Group’s own cash, which is recognised in the consolidated balance sheet under “Cash and cash balances at central banks and other demand deposits” (Note 6).

- Net demand balances held with Central Banks, recognised in the consolidated balance sheet under “Cash and cash balances at central banks and other demand deposits” (Note 6).

- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised in the consolidated balance sheet under “Cash and cash balances at central banks and other demand deposits” (Note 6). Creditor balances are recognised under liabilities on the consolidated balance sheet under the heading “Financial liabilities at amortised cost – Deposits – Credit institutions” (Note 19.2).

3. <u>Risk management</u>

3.1 General principles

The Ibercaja Group's risk management is based on the strategic principles described below:

- Maintain a medium-low risk profile.
- Comply with regulatory requirements at all times, and with the capital and liquidity targets set in the self-assessment processes.
- Maintain strong risk governance with the effective involvement of senior management and the Board of Directors.
- Foster a risk-aware culture and support the organisation's suitable understanding of the level and nature of risks to which it is exposed.
- Maintain and reinforce the trust of customers, investors, employees, suppliers and other stakeholders.
- Maintain levels of credit, market and interest rate risk that ensure a medium-low risk profile and the objectives of profitability and solvency.
- Avoid concentration of risks in any form (individual, economic groups, sectorial, etc).
- Avoid the materialisation of operational, regulatory, legal or reputational risks through active and continuing risk management.
- Maintain a liquidity position that ensures that payment obligations can be met.
- Maintain suitable levels of risk-adjusted returns to ensure achievement of profit targets.

3.2 Catalogue of material risks for the Ibercaja Group

The material risks identified by the Ibercaja Group in the course of its business are as follows:

- Credit risk: the risk of loss due to borrowers' breach of payment obligations, and loss of value due to impairment in borrowers' credit quality. Includes the following sub-categories:
    - Concentration risk: These are defined as the risk of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Group.
    - Real estate risk: Risk of impairment of properties used as collateral in financing transactions or acquired through foreclosure arising from periods of crisis in the real estate market.
    - Sovereign risk: This relates to the risk that the country in which the investment is made, often in the form of purchase of bonds and government debt, will default on its payment obligations, outside the normal risks of a common credit operation.
- Operational Risk: reflects potential loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or a loss arising from external events. Includes the following sub-categories:
    - Reputational risk: Risk tied to the perception of stakeholders (customers, investors, employees, suppliers and others), from which economic losses may derive.
    - Legal risk: the possibility of financial loss due to failure to comply with applicable legal and administrative provisions, issuance of unfavourable administrative and judicial decisions, application of fines or sanctions in relation to any of the bank's operations, processes or activities, such as errors in legal opinions, contracts, bonds or any legal document, such as to preclude enforceability of a right or determine the legal impossibility of enforcing a contract due to failures of legal implementation.
    - Technological risk: the probability that the bank's ICT (information and communication technologies) services or infrastructure will not achieve the service levels necessary to support business processes with sufficient effectiveness, as a consequence of an event that affects the availability, integrity or confidentiality of the data, applications and networks that make up such infrastructure, causing economic loss or other types of loss.

- Market risk: the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, commodity prices, etc.) that determine the value of those positions. This risk affects the trading portfolio and the “hold to collect and sell” portfolio.

- Interest rate risk: the risk that the financial margin or economic value of the Bank are affected by adverse variations in interest rates that impact the cash flows of financial instruments.

- Liquidity and financing risk: the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

- Business and profitability risk: the probability of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. In addition, the risk encompasses extraordinary threats, which may endanger the continuity of the business or the Bank.

- Insurance business risk. In addition to its banking business risk, Ibercaja Banco, as a financial conglomerate, must specifically manage and control its insurance business risk. Material risks of this business include interest rate risk, spread risk, concentration risk, counterparty risk, underwriting risk, operational risk and sovereign risk.

- Adequacy of own funds: Possibility of having an inadequate quantity or quality of capital to meet internal business objectives, regulatory requirements or market expectations.

3.3 Global risk management processes and tools

<u>Risk Appetite Framework (RAF)</u>

The Group’s risk management is organised through the Risk Appetite Framework (RAF). The key aim of the Ibercaja Group’s RAF is to establish a set of principles, procedures, controls and systems through which the Bank’s risk appetite is specified, communicated and monitored.

Risk appetite is the level or profile of risk that the Ibercaja Group is willing to accept and maintain, in terms of type and amount, and its level of tolerance. Risk appetite must be geared towards achieving the targets of the strategic plan, in accordance with the lines of action established in that plan.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterized by:

- Alignment with the strategic plan and capital planning.

- Integration into the entity’s risk culture, with the involvement of all levels of responsibility.

- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.

- Associated with the information management systems.

<u>Internal Capital/Liquidity Adequacy Assessment Process (ICAAP & ILAAP)</u>

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) seek to provide certainty about the risks to which the Bank is or may be exposed and its ability to remain viable, while maintaining an adequate level of capitalisation and liquidity and managing its risks effectively.

This requires prospective assurance that all material risks are identified, managed effectively (with an appropriate combination of measurement and controls), and covered by a sufficient amount of high-quality capital, in the case of ICAAP, and by a sufficient amount of liquid assets and stable sources of financing, in the case of ILAAP.

The purpose of ICAAP and ILAAP is to ensure an adequate relationship between the Bank's risk profile and the own funds that it effectively holds. To do this, a recurring process is carried out that allows:

In relation to capital.

- Identify material risks whose materialisation could impair the capital base of the Ibercaja Banco Group.
- Assess the Group's ability to manage the main risks identified: policies, mitigation limits, tools, governance and monitoring.
- Quantify capital needs, additional to Pillar 1, for material risks using internal methodologies.
- Conduct a capital planning exercise based on a projection of the future development of the business.
- Realise severe but plausible adverse scenarios.
- Assess the results of the self-assessment and identify whether there are capital shortfalls relative to the levels needed to cover the requirements of Pillar 1, Pillar 2, the combined buffer, the capital guideline and the economic quantification.
- Establish action plans to respond to any situation of capital shortage.
- Present a formal and unequivocal statement on the adequacy of the Group's capital.

In relation to liquidity.

- Identify the material risks whose materialisation could impair Ibercaja Banco's liquidity position.
- Assess the Group's ability to manage the main risks identified: policies, mitigation limits, tools, governance and monitoring.
- Assess the adequacy of the Group's funding strategy in line with the business model and its risk profile, as well as the extent to which financial planning contributes to improving the funding profile.
- Assess the Group's ability to cope with unexpected liquidity stress, considering the possibility of facing stress conditions specific to the nature of the Group, the financial system or a combination of both.
- Assess the availability of alternative sources of funding in case of changes in market conditions.
- Present a formal and unequivocal statement on the adequacy of the Group's liquidity.

<u>Recovery Plan</u>

Ibercaja Banco's recovery plan is a response to the requirement under Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, or "Bank Recovery and Resolution Directive" (BRRD). The main objectives of the plan are:

- To provide a detailed view of the Bank, including an analysis of its main lines of business and critical economic functions.
- To describe the process of development, approval and updating of the plan, and how it is integrated into the Bank's procedures.
- To describe in detail the model of escalation and decision-making in a situation of continuity, early warning and recovery.
- To identify the set of recovery indicators that are to be monitored periodically to anticipate any situations of severe stress.
- To set out the selected recovery measures, which could be taken in a recovery situation to restore Ibercaja's capital and liquidity position. For each recovery measure, a feasibility and financial impact analysis was carried out, an operational plan was designed for its implementation, a communication plan was rolled out, and needs were analysed from an information management point of view. In addition, a test of the effectiveness of the measures in the face of hypothetical stress scenarios is described.

- To design the internal and external communication plan to be carried out in a recovery situation.

- To describe preparatory measures.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are reviewed and approved by the Bank's Board of Directors on an annual basis.

3.4 Governance Model

The Ibercaja Group has a robust organisational structure that allows it to ensure effective risk management and control. The governance structure provides adequate channels of communication to convey information and decisions at all levels of the organisation.

The following are the Governing Bodies and Executive Committees that directly address risk management and control.

3.4.1 Governing Bodies

Board of Directors

The Board of Directors is the body responsible for ensuring a robust risk culture, establishing the strategic lines of risk management and control and approving policies, manuals and procedures relating to risk management.

Its risk management and control duties and powers include:

- Establishing and approving the Ibercaja Group's Risk Appetite Framework (RAF) after a report from the Large Exposures and Solvency Committee, and review it at least once a year or whenever necessary depending on the circumstances.

- Evaluating and supervising the risk profile and its alignment with the established framework and the Group's strategy, and approving the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports.

- To approve and periodically review the strategies and policies for accepting, managing, supervising and reducing the risks to which the Group is or may be exposed, including risks posed by the macroeconomic situation in which it operates in relation to the current stage of the economic cycle.

- To actively participate in the management of material risks covered by solvency regulations and ensure that the organisation has adequate resources for such management.

- To ensure that the necessary action plans and corrective measures are in place to manage limit overshoots.

- To establish and supervise the Group's risk information and control systems, following a report from the Large Exposures and Solvency Committee.

- To ensure that all aspects of capital planning are integrated with management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Financing Plan.

The boards of directors of the subsidiaries are responsible for approving the respective risk appetite proposals once they have been validated by the Global Risk Committee and the Large Exposures and Solvency Committee.

The Ibercaja Group is a financial conglomerate and its insurance business is significant, so it jointly manages the risks arising from the banking and insurance businesses.

Large Exposures and Solvency Committee

The Large Exposures and Solvency Committee has had powers delegated to it by the Board of Directors to carry out the functions of framing and supervising risk management.

Its risk management duties and powers include:

- To report to the Board of Directors, prior to approval, on the Bank's Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS), the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan, ensuring that they are consistent with other policies and with the Bank's strategic framework.

- To review the effectiveness of the risk management framework and internal control systems.

- To periodically review compliance with risk appetite (significant risk exposures, breaches of limits and agreed management measures).

- To receive adequate information from management so as to be able to identify the risks faced by the Bank and its Group; to be able to assess and, where appropriate, propose measures to mitigate the impact of the risks identified.

<u>Strategy Committee</u>

The Strategy Committee has the core function of informing the Board of Directors of the Bank's strategic policy, ensuring that there is a specific organisation in place for its implementation.

<u>Audit and Compliance Committee</u>

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

3.4.2 Executive Committees

<u>Global Risk Committee</u>

Executive body responsible for defining and monitoring the Group's risk strategies and policies. The main functions and responsibilities of the Global Risk Committee are:

- To report periodically to the Large Exposures and Solvency Committee on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the action plans required to correct overshoots or breaches.

- To submit the proposed RAF, the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan to the Large Exposures and Solvency Committee for evaluation and analysis with a view to consistency with the Group's risk management policy and strategic plan.

- To evaluate and approve action plans in response to alerts or overshoots, prior to referral to the Large Exposures and Solvency Committee.

- To ensure that the Group has adequate procedures and means in place for the identification, measurement, follow-up and monitoring of the risk profile.

<u>Audit Committee</u>

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organisational scheme provides the Bank with a global structure of governance and risk management, in proportion to the complexity of the Ibercaja Group's business, with three lines of defence:

- First line of defence: Configured by the Group's risk-taking business and support units.

- Second line of defence: Located organisationally in the General Secretary's Office-Control Department as the head of the second line, it acts independently of the business units. The second line comprises the Risk Control functions, which monitor and report risks and review the application of management policies and control procedures by the first line, and the Compliance functions, in charge of reviewing that business is conducted in accordance with applicable legislation, regulations and internal policies.

- Third line of defence: Internal audit, as an independent function that provides an assessment and proposals for improving risk management and control processes.

3.5 Exposure to credit risk

Defined as the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

3.5.1 Strategies and policies for the credit risk management

Credit risk management is geared towards facilitating sustained and balanced growth in loans and receivables while guaranteeing at all times the soundness of the Company's position in financial and equity terms, so as to optimise the return / risk ratio within levels of tolerance established by the Board of Directors based on the defined management principles and operational policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Credit Risk Management Framework", the "Irregular Assets Management Framework" and the "Risk Models Management Framework" and the various policy manuals that implement those frameworks. The manuals include, inter alia, the action guidelines for the main operating segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorising risks that exceed the competence of the operating circuit.

In the current context of the health pandemic, the Entity, through the various support measures (public and private) put in place as a result of the Covid-19 crisis, has offered its customers solutions in keeping with their financial condition. The company has also implemented the guidelines issued by the regulator on the treatment and accounting recognition of such aid. (Note 11.6.1)

The Entity has carried out exercises to identify borrowers affected by this crisis, in order to assess their payment capacity, and the customers and exposures identified as having a higher risk profile, the Entity has carried out various risk management and accounting recognition actions.

The impact of the Covid-19 crisis, the support measures granted and their characteristics, as well as macroeconomic forecasts have been considered in the projection of the financial statements for the coming years, with special attention to the foreseeable development of inflows and outflows of non-performing loans, accounting provisioning and solvency.

3.5.2 Credit risk granting, monitoring and recovery policies

The loan portfolio is segmented into groups of customers with homogeneous risk profiles susceptible to different treatment through the application of specific evaluation models.

a) In relation to the granting of credit risk, the following policies have been implemented:

- Classifications of risk for borrower groups through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.

- Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.

- Methodology for operations analysis based on type and correspondence to different segments.

- Internal credit rating models integrated with decision-taking systems for the various areas of the retail business.

- Requirements necessary to provide each operation with legal safeguards.

- Risk mitigation techniques.

- Pricing policies in line with customers' credit quality.

The credit risk management policy is structured through a decentralised lending arrangement based on a formally established delegation of powers and set out in risk manuals.

The Bank has established in its “Admission Policies Manual” risk concession policies in accordance with Law 2/2011 of 4 March on Sustainable Economy, Order EHA/2899/2011 of 28 October on transparency and protection of customers of banking services and Bank of Spain Circular 5/2012, of 27 June on transparency of banking services and responsibility in the granting of loans and credit, the General Framework of Annex IX of Circular 4/2017 and in accordance with the Guidelines on Loan Origination and Monitoring (Guidelines on Loan Origination and Monitoring EBA/GL/2020/06) published in May 2020.

With respect to granting loans, the manual considers essential criteria to be the reasonableness of the proposal, the analysis of the borrower’s payment capacity and the prudent valuation of guarantees. Real-estate collateral is always appraised by independent valuation companies (authorised by the Bank of Spain).

In terms of banking services customer protection and transparency standards, the Group performs the following actions:

- Current rates (interest, fees and expenses) applied to the various financial products are displayed at branches.

- Rates in force are reported quarterly to the Bank of Spain.

- The rates applied in products can be consulted on the Company’s website (http://contransparencia.ibercaja.es).

- Customers are provided with documentation setting out contractual conditions before any contract is signed. A copy of the contract is subsequently given to the customer.

- Every January, customers receive personal reports giving details of interest, fees and expenses applied during the preceding year in the products they have contracted.

The Internal Audit Department, as part of the control actions performed at the branches, is responsible for overseeing compliance with the established policies and procedures.

b) In the area of credit risk monitoring, the main objective is to identify in advance any impairment in borrowers’ risk quality, to take corrective action and minimise the adverse impact of any entry into default of the exposure, or of classification of the exposure as Stage 2.

The credit risk monitoring function is carried out on the basis of individual monitoring of customers whose exposure or risk profile requires greater attention, monitoring at the portfolio level, as well as individual monitoring of the metrics and thresholds of the Risk Appetite Framework (section 2 of the Credit Risk Management Framework), and another series of operational or second level indicators, which complement the aforementioned metrics.

Some of the credit risk monitoring conducted at the Bank, including classification and estimation of allowances for exposures, is based on Annex IX “Analysis and Coverage of Credit Risk”, of Bank of Spain Circular 4/2017, of 27 November. Those regulatory provisions require institutions to have policies in place for credit risk assessment, monitoring and control that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, both when granted and throughout their term of effect. Under this Circular, the Bank considers borrowers with respect to which exposure exceeds 3 million euros to be individually material borrowers.

The principles, procedures and key tools on which the monitoring function is based to carry out its work effectively are set out in the Bank’s Credit Risk Monitoring Policy.

c) Integrated management risk is completed by recovery policies aimed at avoiding or minimising potential default through specific recover circuits based on the quantity and nature of the operations concerned and with the involvement of various internal and external managers to tailor the actions required by each situation.

3.5.3 Country risk

This is defined as the possibility of incurring losses due to the failure of a country to comply with payment obligations due to circumstances other than normal commercial risk. Comprises sovereign risk, transfer risk and other risks inherent to international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2017, on the basis of their rating, economic performance, political situation, regulatory and institutional framework, payment capacity and payment record.

In relation to sovereign risk, the Company has maximum limits for public debt issued by European Union States and other States, also based on their corresponding ratings.

3.5.4 Information on the credit risk of financial instruments

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and of the portfolio of financial assets at amortised cost (Note 11) at 31 December 2021 and 2020:

	Thousands of euros			
	31/12/2021			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**39,253,900**	**1,559,842**	**717,621**	**41,531,363**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**1,278**	**1,278**
Allowances for impairment of assets	**46,049**	**111,280**	**381,860**	**539,189**
Of which: calculated collectively	*46,049*	*96,904*	*286,866*	*429,819*
Of which: calculated separately	-	*14,376*	*94,994*	*109,370*
Net amount	**39,207,851**	**1,448,562**	**334,483**	**40,990,896**

	Thousands of euros			
	31/12/2020			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**37,712,925**	**1,677,854**	**1,012,938**	**40,403,717**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,241**	**2,241**
Allowances for impairment of assets	**52,154**	**132,330**	**460,616**	**645,100**
Of which: calculated collectively	*52,154*	*120,060*	*363,511*	*535,725*
Of which: calculated separately	-	*12,270*	*97,105*	*109,375*
Net amount	**37,660,771**	**1,545,524**	**550,081**	**39,756,376**

Impairment adjustments to collectively calculated assets amount to 2 thousand euros at 31 December 2021 (57 thousand euros at 31 December 2020) due to country risk.

In relation to the maximum level of exposure to credit risk, the most significant sectors of activity are detailed in relation to non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and financial assets at amortised cost (Note 11), by transaction purpose:

	Thousands of euros	
	2021	2020
Public sector	10,571,973	7,453,249
Credit institutions	421,129	405,120
Real estate construction and development	1,044,664	1,033,184
Other production activities	9,229,100	10,525,004
Housing acquisition and refurbishment	18,385,389	19,052,798
Consumer and other household lending	765,958	807,713
Other sectors not classified	1,113,150	1,126,649
	41,531,363	**40,403,717**

With respect to the maximum level of exposure to credit risk, financial assets at amortised cost (Note 11) secured by collateral or credit enhancements are as follows:

	Thousands of euros	
	2021	2020
Mortgage guarantees	20,887,418	21,857,969
Pledges - financial assets	161,579	74,900
Off-balance sheet guarantees – public sector, credit institutions, mutual guarantee funds	3,278,296	3,175,311
Guarantees - public sector debt	1,615,394	1,620,857
	25,942,687	**26,729,037**

Guarantees received and financial guarantees granted break down as follows at 31 December 2021 and 2020:

	Thousands of euros	
	2021	**2020**
Value of collateral	20,621,799	21,535,458
Of which: guarantees risks on special watch	*1,003,794*	*1,124,234*
Of which: guarantees non-performing risks	*424,694*	*642,981*
Value of other collateral	7,120,648	7,344,364
Of which: guarantees risks on special watch	*696,350*	*713,748*
Of which: guarantees non-performing risks	*249,032*	*316,958*
Total value of the collateral received	**27,742,447**	**28,879,822**

	Thousands of euros	
	2021	**2020**
Loan commitments given (Note 27.3)	**3,220,412**	**3,288,448**
Of which: classified as non-performing	*5,383*	*5,732*
Amount recognised under liabilities on the balance sheet (Note 21)	4,174	4,898
Financial guarantees granted (Note 27.1)	**97,630**	**93,631**
Of which: classified as non-performing	*4,733*	*5,495*
Amount recognised under liabilities on the balance sheet (Note 21)	6,073	6,048
Other commitments given	**820,619**	**795,006**
Of which: classified as non-performing	*25,359*	*31,270*
Amount recognised under liabilities on the balance sheet (Note 21)	6,460	8,531

At December 2021 the LTV (loan to value, reflecting the relationship between the financial transaction balance and the value of the guarantee associated with that transaction) of the Ibercaja Group's mortgage portfolio stood at 50.16% (51.14% at December 2020).

The classification of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8), of fixed-income assets at fair value through other comprehensive income (Note 10) and financial assets at amortised cost (Note 11) that are impaired, distinguishing between those where impairment arises from non-payment and those where it emerges from other factors, is as follows:

	Thousands of euros	
	2021	**2020**
Customer default	572,801	839,140
Other factors	144,820	173,798
	717,621	**1,012,938**

The main factors taken into account to calculate impairment for reasons other than non-payment are those reflected in Note 2.3.

There are generally no non-performing financial assets that are not impaired. The only exceptions to this rule are transactions where the Public Sector is the titleholder or which are secured through a cash guarantee and the amount involved is insignificant.

Note 11.4.1 includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

3.5.5 Information concerning risk concentration, refinancing and restructuring

3.5.5.1 Information concerning risk concentration

Below is a breakdown of the carrying amount of the distribution of customer loans by activity at 31 December 2021 and 2020:

	Thousands of euros							
	31/12/2021							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	**of which: mortgage collateral**	**of which: other collateral**	**Less than or equal to 40%**	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**
Public administrations	**672,711**	**48,679**	**334**	**4,782**	**21,835**	**21,241**	**381**	**774**
Other financial companies and individual entrepreneurs (financial business activity)	**1,628,474**	**7,571**	**1,615,223**	**5,056**	**2,463**	**59**	**1,615,115**	**101**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**8,036,651**	**2,209,609**	**115,307**	**677,892**	**612,908**	**459,033**	**248,411**	**326,672**
Real estate construction and development (including land)	993,549	968,088	18	100,323	170,838	282,314	199,624	215,007
Civil engineering	18,091	29	-	29	-	-	-	-
Other purposes	7,025,011	1,241,492	115,289	577,540	442,070	176,719	48,787	111,665
Large corporations	*1,821,670*	*27,732*	*172*	*6,975*	*8,158*	*12,502*	*0*	*269*
SMEs and individual entrepreneurs	*5,203,341*	*1,213,760*	*115,117*	*570,565*	*433,912*	*164,217*	*48,787*	*111,396*
Other households and non-profit institutions serving households	**19,975,083**	**18,448,699**	**49,802**	**5,809,684**	**7,096,571**	**4,965,959**	**392,659**	**233,628**
Homes	18,236,178	17,993,549	21,622	5,551,930	6,975,555	4,898,612	374,194	214,880
Consumption	743,313	97,582	17,855	72,192	22,190	14,176	5,221	1,658
Other purposes	995,592	357,568	10,325	185,562	98,826	53,171	13,244	17,090
Total	**30,312,919**	**20,714,558**	**1,780,666**	**6,497,414**	**7,733,777**	**5,446,292**	**2,256,566**	**561,175**
Memorandum items: refinancing, refinanced and restructured operations	**385,304**	**342,443**	**811**	**70,714**	**68,623**	**75,654**	**49,155**	**79,108**

	Thousands of euros							
	31/12/2020							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	**of which: mortgage collateral**	**of which: other collateral**	**Less than or equal to 40%**	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**
Public administrations	**733,879**	**53,579**	**-**	**5,408**	**17,753**	**29,207**	**396**	**815**
Other financial companies and individual entrepreneurs (financial business activity)	**1,631,822**	**4,033**	**1,620,429**	**1,093**	**2,740**	**200**	**1,620,429**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**7,582,830**	**2,369,709**	**31,675**	**734,812**	**622,044**	**450,185**	**259,672**	**334,671**
Real estate construction and development (including land)	978,430	942,023	-	79,388	153,749	236,948	206,002	265,936
Civil engineering	18,651	33	-	33	-	-	-	-
Other purposes	6,585,749	1,427,653	31,675	655,391	468,295	213,237	53,670	68,735
Large corporations	*1,459,380*	*20,584*	-	*10,349*	*1,732*	*8,022*	-	*481*
SMEs and individual entrepreneurs	*5,126,369*	*1,407,069*	*31,675*	*645,042*	*466,563*	*205,215*	*53,670*	*68,254*
Other households and non-profit institutions serving households	**20,663,018**	**19,141,646**	**29,340**	**5,858,906**	**7,413,127**	**5,039,182**	**539,079**	**320,692**
Homes	18,851,339	18,614,980	11,066	5,565,573	7,279,779	4,961,056	519,706	299,932
Consumption	783,435	118,191	12,163	87,511	23,870	12,441	4,721	1,811
Other purposes	1,028,244	408,475	6,111	205,822	109,478	65,685	14,652	18,949
Total	**30,611,549**	**21,568,967**	**1,681,444**	**6,600,219**	**8,055,664**	**5,518,774**	**2,419,576**	**656,178**
Memorandum items: refinancing, refinanced and restructured operations	**526,552**	**472,615**	**160**	**98,656**	**87,388**	**106,157**	**73,827**	**106,747**

The carrying amount of the risks classified by business and geographic area are set out below, including loans and advances, debt securities, equity instruments, trading derivatives, hedge derivatives, shares and contingent risks.

• Total activity:

	Thousands of euros				
	31/12/2021				
	Spain	Other EU	America	Rest of the world	Total
Central banks and credit institutions	**6,818,974**	**177,629**	**6,891**	**54,357**	**7,057,851**
Public administrations	**13,430,040**	**1,700,051**	**100,972**	**-**	**15,231,063**
Central government	12,465,518	1,700,051	100,972	-	14,266,541
Other public administrations	964,522	-	-	-	964,522
Other financial companies and individual entrepreneurs (financial business activity)	**1,875,751**	**91,852**	**-**	**1,978**	**1,969,581**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**11,004,116**	**885,722**	**34,949**	**10,380**	**11,935,167**
Real estate construction and development (including land)	1,335,591	-	-	-	1,335,591
Civil engineering	26,005	-	-	-	26,005
Other purposes	9,642,520	885,722	34,949	10,380	10,573,571
Large corporations	*2,291,535*	*841,929*	*15,033*	*6,672*	*3,155,169*
SMEs and individual entrepreneurs	*7,350,985*	*43,793*	*19,916*	*3,708*	*7,418,402*
Other households and non-profit institutions serving households	**19,978,281**	**58,200**	**10,522**	**41,918**	**20,088,921**
Homes	18,127,226	57,561	9,619	41,772	18,236,178
Consumption	742,261	451	497	104	743,313
Other purposes	1,108,794	188	406	42	1,109,430
Total	**53,107,162**	**2,913,454**	**153,334**	**108,633**	**56,282,583**

	Thousands of euros				
	31/12/2020				
	Spain	Other EU	America	Rest of the world	Total
Central banks and credit institutions	**8,239,362**	**112,408**	**8,962**	**33,781**	**8,394,513**
Public administrations	**11,159,034**	**1,145,475**	**-**	**3,981**	**12,308,490**
Central government	10,282,826	1,145,475	-	3,981	11,432,282
Other public administrations	876,208	-	-	-	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**3,582,550**	**170,455**	**-**	**-**	**3,753,005**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,667,457**	**1,022,964**	**26,333**	**22,246**	**10,739,000**
Real estate construction and development (including land)	1,278,958	-	-	-	1,278,958
Civil engineering	26,628	-	-	-	26,628
Other purposes	8,361,871	1,022,964	26,333	22,246	9,433,414
Large corporations	*1,951,031*	*985,918*	*7,613*	*18,190*	*2,962,752*
SMEs and individual entrepreneurs	*6,410,840*	*37,046*	*18,720*	*4,056*	*6,470,662*
Other households and non-profit institutions serving households	**20,648,372**	**57,961**	**12,637**	**46,600**	**20,765,570**
Homes	18,736,241	57,137	11,481	46,479	18,851,338
Consumption	781,895	673	790	76	783,434
Other purposes	1,130,236	151	366	45	1,130,798
Total	**53,296,775**	**2,509,263**	**47,932**	**106,608**	**55,960,578**

• Activity in Spain:

	Thousands of euros								
	31/12/2021								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**6,680,473**	**39,603**	**-**	**39,006**	**24,257**	**-**	**-**	**35,635**	**6,818,974**
Public administrations	**162,018**	**99,054**	**7,407**	**62,016**	**41,049**	**102,725**	**44,724**	**445,529**	**13,430,040**
Central government (*)	-	-	-	-	-	-	-	-	12,465,518
Other public administrations	162,018	99,054	7,407	62,016	41,049	102,725	44,724	445,529	964,522
Other financial companies and individual entrepreneurs (financial business activity)	**121,116**	**1,749,551**	**873**	**316**	**649**	**1,987**	**231**	**1,028**	**1,875,751**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**4,316,740**	**2,341,900**	**1,034,961**	**668,055**	**593,671**	**452,230**	**280,257**	**1,316,302**	**11,004,116**
Real estate construction and development (including land)	293,872	710,770	65,190	47,886	79,210	47,025	25,906	65,732	1,335,591
Civil engineering	1,356	24,280	-	-	-	212	-	157	26,005
Other purposes	4,021,512	1,606,850	969,771	620,169	514,461	404,993	254,351	1,250,413	9,642,520
Large corporations	*538,589*	*669,787*	*318,871*	*179,529*	*122,554*	*77,799*	*47,945*	*336,461*	*2,291,535*
SMEs and individual entrepreneurs	*3,482,923*	*937,063*	*650,900*	*440,640*	*391,907*	*327,194*	*206,406*	*913,952*	*7,350,985*
Other households and non-profit institutions serving households	**5,275,510**	**5,370,661**	**1,930,812**	**1,670,685**	**1,234,740**	**863,308**	**1,217,557**	**2,415,008**	**19,978,281**
Homes	4,279,095	5,102,455	1,821,792	1,589,465	1,177,322	782,682	1,147,151	2,227,264	18,127,226
Consumption	296,909	116,734	54,003	42,129	28,391	41,854	44,010	118,231	742,261
Other purposes	699,506	151,472	55,017	39,091	29,027	38,772	26,396	69,513	1,108,794
Total	**16,555,857**	**9,600,769**	**2,974,053**	**2,440,078**	**1,894,366**	**1,420,250**	**1,542,769**	**4,213,502**	**53,107,162**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

	Thousands of euros								
	31/12/2020								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**8,008,760**	**65,951**	**-**	**27,063**	**21,584**	**-**	**-**	**116,004**	**8,239,362**
Public administrations	**158,489**	**58,542**	**8,762**	**63,996**	**20,787**	**86,295**	**14,870**	**464,467**	**11,159,034**
Central government (*)	-	-	-	-	-	-	-	-	10,282,826
Other public administrations	158,489	58,542	8,762	63,996	20,787	86,295	14,870	464,467	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**151,034**	**3,425,252**	**1,610**	**449**	**696**	**2,115**	**320**	**1,074**	**3,582,550**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**3,395,506**	**2,182,543**	**965,381**	**615,344**	**528,644**	**486,397**	**273,036**	**1,220,606**	**9,667,457**
Real estate construction and development (including land)	267,920	657,467	52,264	66,467	80,418	76,593	18,095	59,734	1,278,958
Civil engineering	1,441	24,768	2	-	-	267	-	150	26,628
Other purposes	3,126,145	1,500,308	913,115	548,877	448,226	409,537	254,941	1,160,722	8,361,871
Large corporations	*535,491*	*583,098*	*251,779*	*133,379*	*90,983*	*65,707*	*36,234*	*254,360*	*1,951,031*
SMEs and individual entrepreneurs	*2,590,654*	*917,210*	*661,336*	*415,498*	*357,243*	*343,830*	*218,707*	*906,362*	*6,410,840*
Other households and non-profit institutions serving households	**5,527,566**	**5,401,921**	**1,957,435**	**1,733,119**	**1,291,608**	**916,796**	**1,283,623**	**2,536,304**	**20,648,372**
Homes	4,534,543	5,118,429	1,840,461	1,646,431	1,228,761	828,019	1,206,575	2,333,022	18,736,241
Consumption	307,058	124,967	54,838	44,508	30,535	46,374	44,704	128,911	781,895
Other purposes	685,965	158,525	62,136	42,180	32,312	42,403	32,344	74,371	1,130,236
Total	**17,241,355**	**11,134,209**	**2,933,188**	**2,439,971**	**1,863,319**	**1,491,603**	**1,571,849**	**4,338,455**	**53,296,775**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

The concentration of credit quality risk in debt securities based on the counterparty's rating at 31 December 2021 and 2020 is detailed below:

	Thousands of euros			
	2021			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	-	-	416,897	1,486
A	-	4,596	3,766,510	6,580,561
BBB	-	2,855	1,934,951	3,362,658
BB	-	-	-	29,808
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**-**	**7,451**	**6,118,358**	**9,974,513**

	Thousands of euros			
	2020			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	-	-	154,612	7,719
A	18,008	5,473	4,287,913	5,619,781
BBB	10,001	3,129	2,221,418	2,816,381
BB	-	-	5,513	30,431
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**28,009**	**8,602**	**6,669,456**	**8,474,312**

3.5.5.2 Information concerning refinancing and restructuring

The Group follows a policy aimed at utilising operations refinancing and restructuring as credit risk management instruments which, when implemented prudently and appropriately, contribute to improving risk quality, based on individualised analyses focused on providing economic viability to borrowers that, at some stage of the transaction, undergo transitory difficulties to meeting their payments commitments promptly at the time they fall due. The policy is aimed at:

- Ensuring the economic feasibility of borrowers and operations (grant of interest free periods, increase in timeframes, etc.).
- Improving as far as possible the Group's risk position through the delivery of additional effective guarantees and the review of existing guarantees.

<u>Acceptance of transactions</u>:

In general, refinancing/restructuring transactions must meet the following requirements:

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.
- Assessment of the borrower's/operation's compliance record.

- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. To this end, the following are considered effective guarantees:

  – Guarantees pledged over cash deposits, listed equity instruments and debt securities.

  – Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.

  – Personal guarantees (guarantee deposits, new holders etc.) fully covering the guaranteed risk.

Sanction:

The branch network is not authorised to sanction refinancing or restructuring transactions. The transactions are authorised by a specific circuit other than the admission circuit, which is completely separate from the Commercial Network.

In 2012 Ibercaja adhered to the Code of Good Practice for the viable restructuring of debts secured by mortgages over habitual dwellings governed by Royal Decree 6/2012.

A breakdown of refinancing and restructuring balances at 31 December 2021 and 2020 can be seen below:

	Thousands of euros			
	2021		2020	
	Total	Of which: default/non-performing	Total	Of which: default/non-performing
Gross amount	**538,586**	**329,245**	**736,561**	**496,929**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**1,278**	**1,278**	**2,241**	**2,241**
Allowances for impairment of assets	**152,002**	**139,280**	**207,768**	**188,750**
Of which: collective	*96,679*	*85,261*	*147,103*	*130,674*
Of which: individual	*55,323*	*54,019*	*60,665*	*58,076*
Net amount	**385,306**	**188,687**	**526,552**	**305,938**
Value of the collateral received	**572,005**	**331,133**	**788,729**	**511,512**
Value of collateral	390,364	217,750	544,141	351,281
Value of other collateral	181,641	113,383	244,588	160,231

On 31 December 2021, the Group assessed the renegotiated transactions, and according to their better judgement identified and provided those that having not mediated renegotiation could have been past-due or impaired, for a global risk amount of 209,341 thousand euros (239,632 million euros on 31 December 2020).

The reconciliation of the gross amounts of refinanced and restructured transactions at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Opening balance	**736,561**	**988,179**
(+) Refinancing and restructuring in the period	64,432	67,251
Memorandum items: impact recognised in the statement of profit and loss for the period	*7,860*	*13,862*
(-) Debt repayments	127,016	165,891
(-) Foreclosures	26,249	41,052
(-) Derecognitions (reclassification to written-off assets)	26,658	19,460
(+)/(-) Other changes (*)	(82,484)	(92,466)
Closing balance	**538,586**	**736,561**

(*) Includes operations that are no longer classified as refinancing, refinanced or restructured as the requirements for reclassification from performing exposures under special vigilance to performing exposures have been met (Note 2.3).

On 31 December 2021, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-
Other financial companies and individual entrepreneurs (financial business activity)	**3**	**15**	**1**	**29**	**29**	**-**	**(13)**	**31**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,000**	**72,458**	**754**	**144,995**	**107,654**	**589**	**(91,181)**	**126,272**
of which: financing for real estate construction and development (including land)	*8*	*3,424*	*115*	*53,679*	*40,006*	*6*	*(23,569)*	*33,534*
Other household	**2,034**	**24,125**	**3,598**	**296,964**	**262,570**	**76**	**(62,086)**	**259,003**
Total	**3,037**	**96,598**	**4,353**	**441,988**	**370,253**	**665**	**(153,280)**	**385,306**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

	Thousands of euros							
	Of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	-	-	-	-	-	-	-	-
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**12**	**1**	**29**	**29**	**-**	**(13)**	**28**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**600**	**49,788**	**517**	**108,037**	**75,932**	**267**	**(86,478)**	**71,347**
of which: financing for real estate construction and development (including land)	*7*	*3,334*	*102*	*44,709*	*31,056*	*6*	*(22,565)*	*25,478*
Other household	**1,352**	**18,370**	**1,908**	**153,009**	**129,281**	**65**	**(54,067)**	**117,312**
Total	**1,953**	**68,170**	**2,426**	**261,075**	**205,242**	**332**	**(140,558)**	**188,687**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

On 31 December 2020, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered			
					Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**1**	**815**	**5**	**1,069**	**578**	**-**	**673**	**1,211**
Other financial companies and individual entrepreneurs (financial business activity)	**2**	**20**	**1**	**29**	**29**	**-**	**15**	**34**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,216**	**95,376**	**1,031**	**205,267**	**160,439**	**766**	**122,962**	**177,681**
of which: financing for real estate construction and development (including land)	*8*	*8,118*	*143*	*77,470*	*63,353*	*6*	*29,780*	*55,808*
Other household	**2,412**	**28,902**	**4,773**	**405,083**	**358,161**	**130**	**86,359**	**347,626**
Total	**3,631**	**125,113**	**5,810**	**611,448**	**519,207**	**896**	**210,009**	**526,552**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousands of euros							
	Of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered			
					Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**-**	**-**	**5**	**1,069**	**578**	**-**	**673**	**396**
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**17**	**1**	**29**	**29**	**-**	**14**	**32**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**726**	**67,059**	**756**	**152,835**	**114,875**	**255**	**114,429**	**105,465**
of which: financing for real estate construction and development (including land)	*7*	*7,978*	*125*	*57,739*	*43,761*	*6*	*28,882*	*36,835*
Other household	**1,499**	**20,563**	**2,963**	**255,357**	**220,861**	**50**	**75,875**	**200,045**
Total	**2,226**	**87,639**	**3,725**	**409,290**	**336,343**	**305**	**190,991**	**305,938**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during fiscal years 2021 and 2020:

	Thousands of euros	
	2021	2020
Public administrations	**-**	**-**
Other legal persons and individual entrepreneurs	**4,674**	**7,269**
Of which: financing for real estate construction and development	*-*	*364*
Other individuals	**10,932**	**15,708**
Total	**15,606**	**22,977**

3.5.6 Policies for the management of problematic assets

Ibercaja Banco, S.A. establishes specific policies relating to the management of assets of the real estate sector.

These policies are focused on favouring the compliance of the obligations of the borrowers and mitigate the risks to which the Group is exposed. In this sense, alternatives are searched for that allow for the completion and sale of the projects, analysing the renegotiation of the risks if it improves the credit position of the Group and with the basic purpose that the borrower can maintain his/her commercial activity. To do so, they keep in mind the previous experience with the borrower, the apparent willingness of payment and the improvement of the Group in terms of expected loss, seeking to increase the guarantees of the credits and not increase the customer's risk.

Additionally the Group supports the promoters once the promotions are finished, working together in the management and speeding up of sales.

In the case that the support measurements are not possible or sufficient, other alternatives are searched for such as the granting in payment or the purchase of assets, with legal claim and subsequent acquisition of real estate being the last option.

All those assets that form part of the Group's balance sheet are managed seeking their divestment or lease.

To do so, the Group has agreements with third parties or has instrumental companies, specialised in the management of urban projects, sale of real estate and lease of real estate assets.

The Group has specific Units to implement these strategies and coordinate the actions of instrumental subsidiaries, the branch office network and the rest of actors involved. Additionally, the Group has the website www.ibercaja.es/inmuebles as one of the main tools with which they disclose to the public interested in these assets.

3.5.6.1 Credit investment linked to development and real estate activities and to retail mortgages

On 31 December 2021 and 2020, the details of the financing for the real estate construction and development and the hedging thereof is the following:

	Thousands of euros							
	Gross carrying amount		Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*)		Accumulated impairment		Net value	
	2021	2020	2021	2020	2021	2020	2021	2020
Financing for real estate construction and development (including land) (businesses in Spain)	**1,041,081**	**1,029,181**	**162,223**	**85,280**	**37,617**	**40,497**	**1,003,464**	**988,684**
of which: default/non-performing	57,701	79,927	31,061	38,696	28,745	34,457	28,956	45,470
Memorandum items: written-off assets	**133,524**	**131,500**	**-**	**-**	**-**	**-**	**-**	**-**

(*) Excess of the gross exposure on the maximum recoverable amount of the effective collateral calculated according to Circular 04/2017. That is, the positive difference between the gross carrying amount of the financial assets and the maximum recoverable amount of the effective collateral.

	Thousands of euros	
	Carrying amount	
Memorandum items: Data from the public consolidated balance sheet	**2021**	**2020**
Loans to customers, excluding Public Administrations (businesses in Spain)	29,640,212	29,877,672
Total consolidated asset (total businesses)	58,631,409	58,400,790
Impairment loss and provisions for exposures classified as normal (total businesses)	169,425	198,237

The breakdown of the heading of the financing for the real estate construction and development (including land), on 31 December 2021 and 2020 is the following:

	Thousands of euros	
	Gross carrying amount	
	2021	2020
Without real estate collateral	**21,921**	**26,516**
With real estate collateral (breakdown as per the type of asset received in collateral)	**1,019,160**	**1,002,665**
Buildings and other completed constructions	350,164	283,471
Housing	*312,154*	*245,068*
Other	*38,010*	*38,403*
Buildings and other constructions under construction	581,647	638,685
Housing	*581,261*	*638,577*
Other	*386*	*108*
Land	87,349	80,509
Consolidated urban land	*66,895*	*71,917*
Other land	*20,454*	*8,592*
Total	**1,041,081**	**1,029,181**

Below a detail of the collateral received and financial guarantees granted in relation to the financing for property construction and development is shown (including undeveloped land) on 31 December 2021 and 2020.

Collateral received:

	Thousands of euros	
	2021	2020
Value of collateral	1,027,909	1,028,265
Of which: guarantees default/non-performing risks	*42,091*	*57,041*
Value of other collateral	352,738	408,851
Of which: guarantees default/non-performing risks	*20,136*	*18,533*
Total value of the collateral received	**1,380,647**	**1,437,116**

Financial guarantees granted:

	Thousands of euros	
	2021	2020
Financial guarantees granted related to real estate construction and development	**5,347**	**5,973**
Amount recognised under liabilities on the balance sheet	2,306	2,804

On 31 December 2021 and 2020, the breakdown of loans to households for housing acquisition, is the following:

	Thousands of euros			
	Gross amount		of which: default/non-performing	
	2021	2020	2021	2020
Housing acquisition loans	**18,062,695**	**18,692,949**	**272,530**	**416,727**
Without mortgage loan	238,729	224,210	8,198	9,824
With mortgage loan	17,823,966	18,468,739	264,332	406,903

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) on 31 December 2021 and 2020 is the following:

	Thousands of euros					
	2021					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross carrying amount	5,391,568	6,924,348	4,902,202	377,912	227,936	**17,823,966**
of which: default/non-performing	38,095	69,579	83,629	30,327	42,702	**264,332**

	Thousands of euros					
	2020					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross carrying amount	5,394,865	7,227,198	4,993,412	534,422	318,842	**18,468,739**
of which: default/non-performing	49,009	96,534	133,142	57,881	70,337	**406,903**

On 31 December 2021 96,6% of the housing acquisition loan with real estate collateral has an LTV lower than 80% (95% on 31 December 2020).

3.5.6.2 Foreclosed or received assets in payment for debts.

As at 31 December 2021 and 2020, the following information relates to assets repossessed or accepted as payment for debts:

	Thousands of euros			
	31/12/2021			
	Gross carrying amount (*)	**Total allowances for impairment losses**	**Of which: Allowances for impairment losses from the time of the foreclosure**	**Carrying amount**
Real estate assets acquired from loans for real estate construction and development	**368,001**	**(246,009)**	**(150,440)**	**121,992**
Buildings and other completed constructions	33,230	(16,741)	(8,117)	16,489
Housing	*17,322*	*(8,434)*	*(3,469)*	*8,888*
Other	*15,908*	*(8,307)*	*(4,648)*	*7,601*
Buildings and other constructions under construction	3,579	(2,641)	(816)	938
Housing	*3,219*	*(2,356)*	*(666)*	*863*
Other	*360*	*(285)*	*(150)*	*75*
Land	331,192	(226,627)	(141,507)	104,565
Consolidated urban land	*81,579*	*(52,716)*	*(24,077)*	*28,863*
Other land	*249,613*	*(173,911)*	*(117,430)*	*75,702*
Real estate assets acquired in mortgage loans to households for housing acquisition	**109,185**	**(47,747)**	**(22,145)**	**61,438**
Other foreclosed or received real estate assets in payment of debt	**65,055**	**(32,441)**	**(12,679)**	**32,614**
	542,241	**(326,197)**	**(185,264)**	**216,044**

(*) Amount before deducting the allowances for impairment loss

	Thousands of euros			
	31/12/2020			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**444,900**	**(286,929)**	**(175,151)**	**157,971**
Buildings and other completed constructions	36,522	(18,012)	(9,201)	18,510
Housing	*14,540*	*(7,902)*	*(4,076)*	*6,638*
Other	*21,982*	*(10,110)*	*(5,125)*	*11,872*
Buildings and other constructions under construction	3,578	(2,711)	(886)	867
Housing	*3,218*	*(2,433)*	*(743)*	*785*
Other	*360*	*(278)*	*(143)*	*82*
Land	404,800	(266,206)	(165,064)	138,594
Consolidated urban land	*104,560*	*(64,873)*	*(32,475)*	*39,687*
Other land	*300,240*	*(201,333)*	*(132,589)*	*98,907*
Real estate assets acquired in mortgage loans to households for housing acquisition	**107,931**	**(47,816)**	**(23,797)**	**60,115**
Other foreclosed or received real estate assets in payment of debt	**66,696**	**(32,668)**	**(12,390)**	**34,028**
	619,527	**(367,413)**	**(211,338)**	**252,114**

(*) Amount before deducting the allowances for impairment loss

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item as at 31 December 2021 and 2020 is as follows:

	Thousands of euros				
	31/12/2021				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets - Investment property	15,789	(2,330)	(262)	(4,441)	8,756
Other assets - Inventories	142,193	(25,422)	-	(87,756)	29,015
Non-current assets and disposal groups classified as held for sale	384,259	(112,821)	(98)	(93,067)	178,273
	542,241	**(140,573)**	**(360)**	**(185,264)**	**216,044**

	Thousands of euros				
	31/12/2020				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets - Investment property	16,251	(2,204)	(565)	(4,049)	9,433
Other assets - Inventories	169,990	(34,789)	-	(92,831)	42,370
Non-current assets and disposal groups classified as held for sale	433,286	(118,384)	(133)	(114,458)	200,311
	619,527	**(155,377)**	**(698)**	**(211,338)**	**252,114**

3.6 Exposure to operational risk

This is defined as the risk of loss resulting from a lack of adequacy or failure of internal processes, personnel and systems, or a loss arising from external events, and therefore encompasses sub-categories such as conduct risk, technological risk or model risk, among others.

3.6.1 Strategies and policies for the operational risk management

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Framework of operational risk management".

The Group currently has a management an assessment model for this risk, which basically contemplates the following points:

- General aspects: definition of operational risk, categorisation and assessment of risks.
- Methodologies applied for the identification, assessment and measuring of operational risks.
- Scope of application of the methodologies and personnel that participate in the management of this risk.
- Indicators, limits and tolerance ranges.
- Generation of stress scenarios.
- Models of support to the management (management, control and mitigation of the operational risk): information derived from the previous methodologies and implementation of measures directed at the mitigation of this risk.

The scope of application of the model of management and assessment model of the operational risk is extended both to business units and support of Ibercaja Banco, and the Group companies.

Its application and effective use in each of the units and subsidiary companies are developed in a decentralised manner. For its part, the Market, Operational and Reputational Risk Control Unit, together with other units and subsidiaries, coordinates risk measurement and carries out risk monitoring, analysis and communication.

Finally, it should be noted that the Market, Operational and Reputational Risk Control Unit is incorporating into its activity those aspects linked to Environmental Risk that affect the Operational Risk area.

3.6.2 Procedures for measurement, management and control

The Group, in applying the adopted model for the operational risk management, use the following methodologies combined, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and the existing controls in the processes and activities, together with the breakdown and analysis of risk indicators. During 2020 they reviewed and self-assessed 585 operational risks, concluding in this process, a low risk profile.
- Quantitative methodology, supported in the identification and analysis of the real losses fluctuations in the Group, which are recorded in the database established for that purpose (BDP).

The quantification of real losses recorded in the data base of losses in 2021 shows the total annual net losses (net of direct recoveries and insurance) for operational risk events came to 39,584 thousand euros, corresponding to 15,457 events, of which 667 events for 22,182 thousand euros derive from write-downs linked to floor clauses (return of interest totalling 20,631 thousand euros and legal costs of 1,551 thousand euros). If the provisions linked to these losses from interest rate floor clauses and other provisions associated with different losses, which were also extraordinary, are discounted, the total annual net loss is 13,121 thousand euros.

Stripping out the exceptional impact certain losses such as interest rate floor clauses, real operational losses were small in relation to capital requirements, consistently with the overall result of the qualitative assessment mentioned above.

Streamlining in processes of operational risk management and control resulting from the established policies and methodologies, allow the Entity to calculate from December 2010 the capital consumption for Operational Risk by standard method, in accordance with that established in Regulation (EU) No. 575/2013.

3.7 Exposure to the interest rate risk

This is defined as the current or future risk to the Company's capital or earnings as a result of adverse fluctuations in interest rates affecting the positions of its investment portfolio.

The sources of the interest rate risk are the gap, base or optionality risks. In particular, gap risk arises from the different timing of interest rate-sensitive balance sheet instruments, as a result of differences in the timing of their repricing or maturities. Basis risk derives from the different benchmark indices used for repricing, interest rate-sensitive asset and liability instruments. Optionality risk arises from embedded or explicit options that arise when either the Entity or the customer have the option of altering future cash flows if it benefits them.

3.7.1 Strategies and policies for the interest rate risk management

The aim of risk management is to contribute to the maintenance of the current and future profitability in the adequate levels, preserving the economic value of the Company.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Manual of policies and procedures for the management and control of interest rate risk".

3.7.2 Procedures for measurement and control

The Group manages the exposure to the risk that derives from the transactions of their portfolio, both at the time of its agreement and in its subsequent monitoring, and incorporate to its analysis horizon the assessment established for the business and the expectations respect to the interest rates, as well as the proposals of management and hedging, simulating different behaviour scenarios.

The Company's tools measure the effects of interest rate movements on the intermediation margin and the economic value, simulate scenarios depending on the assumptions used for interest rate behaviour and business performance, and help estimate the potential impact on capital and on results of abnormal fluctuations of the market, so that the results can be considered in the establishment and review of risk policies and limits and in the planning and decision-making process.

As to optionality risk, behavioural models are available that provide the key assumptions on the sensitivity and duration of demand savings transactions, as their maturity date is not contractually specified, and on early repayments on loans, early redemption of time deposits, and duration of non-performing assets, always based on historical experience for different scenarios.

In the same way, the effect that the variations in interest rates have on the financial margin and economic value is controlled by the establishment of limits to the exposure. The limits allow for maintaining the exposure to the interest rate risk within the levels compatible with the approved policies.

Below, the sensitivity profile is shown of the balance of the Group to the interest rate risk on 31 December 2021 and on 31 December 2020, indicating the carrying amount of those financial assets and liabilities affected by this risk, which appear classified depending on the estimated term until the review date of the interest rate or maturity.

On 31 December 2021:

	Millions of euros						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**12,337**	**7,081**	**13,883**	**33,302**	**18,404**	**6,523**	**11,881**
Financial assets with fixed interest rates and other assets without determined maturity	8,833	1,284	3,853	13,970	15,364	5,195	10,169
Financial assets at fixed rate hedged with derivatives	21	(444)	(360)	(783)	2,181	800	1,381
Financial assets at variable interest rate	3,483	6,241	10,390	20,114	858	528	331
Liabilities	**13,283**	**2,159**	**9,176**	**24,618**	**27,088**	**21,698**	**5,390**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	7,294	1,262	8,148	16,704	26,574	21,122	5,452
Financial liabilities at fixed rate hedged with derivatives	517	124	1,027	1,668	510	575	(65)
Financial liabilities at variable interest rate	5,472	773	1	6,246	4	1	3
Difference or Gap in the period	**(946)**	**4,924**	**4,707**	**8,684**	**(8,684)**	**(15,175)**	**6,491**
Difference or accumulated Gap	**(946)**	**3,977**	**8,684**	**8,684**	**(8,684)**	**(6,491)**	
Average gap	(946)	2,746	3,592	5,108			
% of total assets	(1.83)	5.31	6.95	9.88			

On 31 December 2020:

	Millions of euros						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitiv e Balance**	**1 to 5 years**	**Over 5 years**
Assets	**13,326**	**7,740**	**15,641**	**36,707**	**14,523**	**4,643**	**9,880**
Financial assets with fixed interest rates and other assets without determined maturity	9,126	1,091	3,095	13,312	12,453	4,202	8,251
Financial assets at fixed rate hedged with derivatives	21	(151)	1,256	1,126	1,133	-	1,133
Financial assets at variable interest rate	4,179	6,800	11,290	22,269	937	441	496
Liabilities	**8,207**	**8,348**	**10,601**	**27,156**	**24,074**	**18,380**	**5,693**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	7,602	1,364	8,564	17,530	25,212	19,456	5,756
Financial liabilities at fixed rate hedged with derivatives	518	1,300	2,036	3,854	(1,144)	(1,076)	(68)
Financial liabilities at variable interest rate	87	5,684	1	5,772	6	-	6
Difference or Gap in the period	**5,119**	**(608)**	**5,040**	**9,551**	**(9,551)**	**(13,737)**	**4,186**
Difference or accumulated Gap	**5,119**	**4,511**	**9,551**	**9,551**	**(9,551)**	**(4,186)**	
Average gap	5,119	4,664	1,118	5,934			
% of total assets	9.99	9.1	2.18	11.58			

Sensitive balances will be considered those whose maturity or repricing occurs in the next twelve months. This period is established as a reference to quantify the effect of the variation of the interest rates on the annual intermediation margin of the Group.

The Gap that appears in the box represents the difference between the sensitive assets and liabilities in each period, i.e., the net balance exposed to changes in prices. The average gap of the period is 5,107.6 million euros, 9.88% of the asset (5,933.7 million euros, 11.58% of the asset on 31 December 2020).

With data on 31 December 2021, the impact on the interest margin of the company before a raise of 200 basis points in the interest rates is 79.03 million euros, 19.07% on the interest margin of the next 12 months and before a decrease of 200 basis points is -70.58 million euros, -17.03% on the interest margin of the next 12 months (in December of 2020, 160.03 million euros and 40.45% before increases and -69.98 million euros and -17.69% before decreases) under the assumption of maintenance of size and structure of the balance and that the activity of the interest rates occurs instantly and are equal on all points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

Meanwhile, the impact on the economic value of the Company in the event of a 200 basis points rise in interest rates is -245.65 million euros, -4.18% on the equity economic value and in the event of a 200 basis points decrease it is 82.99 million euros, 1.41% on the equity economic value (in December of 2020, 141.58 million euros and 2.27% in the event of increases and -47.73 million euros and -0.77% in the event of decreases) under the assumption that the activity of the interest rates occur instantly and are equal on all the points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

3.8 Exposure to liquidity risk

It is defined as the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

3.8.1 Strategies and policies for the liquidity risk management

The management and control of the liquidity risk are governed by the principles of financial autonomy and balance equilibrium, guaranteeing the continuity of the business and the availability of sufficient liquid resources to fulfil the payment commitments associated with the cancellation of the liabilities on their respective maturity dates without compromising the capacity of answering before strategic opportunities of market.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management of liquidity risk”.

The strategies for attracting resources in the retail segments and the use of alternative sources of short-, medium- and long-term liquidity, allow the Group to have the necessary resources to attend the solvent credit demand derived from the commercial activity and maintain the positions of treasury within the parameters of management established in the Framework of risk appetite and in the Liquidity manual.

3.8.2 Procedures for measurement and control

The measurement of the liquidity risk considers the estimated treasury flows of the assets and liabilities, as well as the guarantees or additional instruments that it has to ensure alternative sources of liquidity that could be required.

Likewise, the evolution established for the business and the expectations respect to the interest rates are incorporated, as well as the proposals of management and hedging, simulating different behaviour scenarios. These procedures and analysis techniques are reviewed with the necessary frequency to ensure their correct operation.

Progress is made in the short-, medium- and long-term to know the needs of financing and the compliance of the limits, that have in mind the most recent macroeconomic tendencies, for its incidence in the evolution of the different assets and liabilities of the balance sheet, as well as in the contingent liabilities and derived products. In the same way, the liquidity risk is controlled via the establishment of tolerance ranges compatible with the approved policies.

In addition, the Company is prepared to affront possible crisis, both internal and of the markets in which they operate, with action plans that guarantee sufficient liquidity at the lowest cost possible.

At 31 December 2021, the Company's available liquidity amounted to 15,250 million euros (14,959 million euros at 31 December 2020), coupled with an issuance capacity of 8,776 million euros (8,380 million euros at 31 December 2020). Total availability stood at 24,027 million euros (23,339 million euros at 31 December 2020), 687 million euros up on the close of last year. During 2021, wholesale maturities were outstanding for a nominal amount of 605 million euros: covered bonds (525 million euros), securitisation bonds owned by third parties (80 million euros). In addition, they have carried out repurchases of issuances for 14 thousand euros, instrumented in Securitisation bonds.

The collateral policy with the B1E includes pledged assets with a discounted value of 6,938 million euros as at 31 December 2021 (31 December 2020: 6,278 million euros), of which it has drawn down 5,959 million euros, leaving it with 1.051 million euros (31 December 2020: 892 million euros) available to meet its liquidity needs.

In addition to the policy mentioned, the Company has very different sources of financing. There is a large base of retail deposits of 33,298 million euros (32,256 million euros at 31 December 2020), of which 85% had stable balances. The Bank also has financing collateralised by securities in the amount of 6,560 million euros (6,056 million euros at 31 December 2020), 512 million euros of which is transacted with central counterparties. In addition, wholesale issues of a total 2,786 million euros (3,327 million euros at 31 December 2020), characterised by diversification of maturities, and deposits from the Group's financial institutions amounting to 309 million euros (796 million euros at 31 December 2020), and deposits from other customers of 3,400 million euros (3,242 million euros at 31 December 2020), among others.

The Company's balance sheet does not have major exposures of liquidity risk in their assets or in their financing sources.

In relation to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that cause the reimbursement depending on reversals in the credit qualification of Ibercaja Banco. At the end of 2021, there was no amount affected by the reversal of a qualification scale.

- Liability derivatives for 250 million euros, that have required the contribution of additional guarantees for 253 million as well as asset derivatives for 4 million euros, for those that have received additional guarantees for 4 million euros. In addition, those transacted through the clearing house contributed additional collateral of 21 million euros.

- Financing collateralised by securities of 601 million euros, which required the provision of additional collateral of 142 million euros in cash (collateral includes both repurchase agreements and reverse repurchase agreements).

- International card transactions with CECA cards require collateral of 11 million euros in fixed income.

Ibercaja Banco has signed framework agreements of compensation or “netting”, and their appendices of guarantee exchange, with all the entities that operate in OTC (over the counter, for its letters in English) derivatives and in simultaneous transactions. Their signature is a prerequisite for those entities with which this type of transaction will be started. Ibercaja Banco participates as a direct member in the central chambers of compensation of simultaneous transactions LCH Clearnet and MEFFClear, and in Eurex for the operation with some classes of derivatives of interest rates, being a normal market practice extended among the participants after regulation EMIR goes into effect.

Below a breakdown is offered of the available liquidity:

	Thousands of euros	
	2021	**2020**
Cash and central banks	6,183,416	7,319,717
Available in policy	1,050,679	891,981
Eligible assets not included in the policy	7,590,280	6,421,078
Other marketable assets not eligible by the Central Bank	425,796	326,665
Accumulated available balance	**15,250,171**	**14,959,441**

On 31 December 2021, the capacity to issue covered bonds was 8,776 million euros (8,380 million euros on 31 December 2020).

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group as at 31 December 2021 amounts to 452% (468% as at 31 December 2020). The breakdown of liquid assets at 31 December 2021 under the criteria established for calculating the LCR ratio is as follows:

	Thousands of euros					
	31/12/2021			**31/12/2020**		
	Balance sheet figure	**Weighting (%)**	**Weighted balance**	**Balance sheet figure**	**Weighting (%)**	**Weighted balance**
Cash and central banks	5,811,647	100	5,811,647	6,958,365	100	6,958,365
Tier 1 fixed-income	8,602,572	100	8,602,572	7,053,254	100	7,053,254
Central government sovereign debt	*6,530,311*	*100*	*6,530,311*	*5,175,852*	*100*	*5,175,852*
Regional government sovereign debt	-	*100*	-	*494,132*	*100*	*494,132*
Foreign government debt	*1,111,407*	*100*	*1,111,407*	*225,300*	*100*	*225,300*
SAREB/ICO	-	*100*	-	*8,698*	*100*	*8,698*
FADE/FROB/State-backed bonds	*58,650*	*100*	*58,650*	*190,332*	*100*	*190,332*
Reverse repurchase agreement for Tier 1 fixed-income assets	*1,500,007*	*100*	*1,500,007*	*1,612,849*	*100*	*1,612,849*
Fixed-income repos	*(597,803)*	*100*	*(597,803)*	*(653,909)*	*100*	*(653,909)*
NCC1 covered bonds	-	93	-	-	93	-
TIER 1 ASSETS	**14,414,219**		**14,414,219**	**14,011,619**		**14,011,619**
Non-financial entity NCC1 bonds	1,244	85	1,057	-	85	-
NCC2 covered bonds	-	85	-	128,265	85	109,025
TIER 2A ASSETS	**1,244**		**1,057**	**128,265**		**109,025**
NCC1 securitisations	-	75	-	-	75	-
Non-financial entity NCC 2/3 bonds	13,790	50	6,895	17,502	50	8,751
NCC3 covered bonds	-	70	-	-	70	-
Disposable equities	117,709	50	58,854	118,640	50	59,320
TIER 2B ASSETS	131,499		65,749	136,142		68,071
LIQUID ASSETS	**14,546,962**		**14,841,026**	**14,276,026**		**14,188,715**

The LCR ratio data for the Ibercaja Group are:

	Thousands of euros					
	31/12/2021			31/12/2020		
	Balance sheet figure	**Weighting (%)**	**Weighted balance**	**Balance sheet figure**	**Weighting (%)**	**Weighted balance**
TIER 1 ASSETS (70% limit)	14,414,219	100	14,414,219	14,011,619	100	14,011,619
TIER 2 ASSETS	1,244	85	1,057	128,265	85	109,025
TIER 2B ASSETS	131,499	50	65,749	136,142	50	68,071
LIQUID ASSETS	**14,546,962**		**14,481,026**	**14,276,026**		**14,188,715**
Stable deposits	*28,351,257*	*5*	*1,417,563*	*27,468,797*	*5*	*1,373,440*
Non-stable deposits	*4,368,514*	*10*	*463,851*	*4,428,694*	*10*	*442,869*
RETAIL CUSTOMER DEPOSITS	32,989,771	6	1,881,414	31,897,491	6	1,816,309
Unsecured wholesale financing	3,984,643	36	1,428,899	4,148,392	35	1,436,388
Additional requirements	3,094,083	11	331,706	3,837,971	7	261,672
GROSS OUTFLOWS			**3,642,019**			**3,514,369**
INFLOWS - Maximum allowed inflows (75% outflows)	867,121	51	438,476	880,402	55	483,274
NET OUTFLOWS			**3,203,543**			**3,031,095**
LIQUIDITY COVERAGE RATIO (LCR)			**452.03%**			**468.11%**

Below the breakdown by terms of the contractual maturities of assets and liabilities is presented (liquidity gap) on 31 December 2021 and 31 December 2020:

	Thousands of euros						
	On demand	Up to 1 month	Between one and three months	Between three months and one year	Between one and five years	After 5 years	Total
ASSETS							
Deposits in credit institutions	35,825	3,343	42,935	-	-	123,716	205,820
Loans to other financial institutions	-	6	1,482	310	1,552	34934	38,255
Temporary acquisitions of securities and securities lending	-	1,615,394	-	-	-	-	1,615,394
Loans (including matured, non-performing, written-off and foreclosed)	-	745,825	1,111,982	2,472,290	8,453,918	17,959,748	30,743,764
Securities portfolio settlement	-	211,000	232,741	223,151	3,690,115	5,094,077	9,451,084
Hedging derivatives	-	49	4,381	33,821	16,586	1,291	56,128
Trading derivatives	-	-	-	-	-	-	-
Net interest income	-	48,120	61,074	313,670	-	-	422,864
Total on 31 December 2021	**35,825**	**2,623,735**	**1,454,596**	**3,049,243**	**12,162,141**	**23,213,766**	**42,533,307**
Total on 31 December 2020	**71,500**	**2,150,026**	**1,488,861**	**2,948,161**	**11,452,035**	**23,046,654**	**41,157,236**
LIABILITIES							
Wholesale issues	-	3,343	6,664	48,996	2,447,215	279,792	2,786,010
Deposits from credit entities	17,256	10,928	2,000	-	290	2371	32,845
Deposits from other financial institutions and bodies	381,698	303	435	8,655	39,695	-	430,726
Deposits from large non-financial companies	169,579	1	-	2,200	-	-	171,779
Financing from the rest of the customers	33,968,149	321,502	484,036	1,518,114	403,988	2,694	36,698,483
Funds for brokered loans	-	2,928	2,881	19,954	59,508	26,246	111,517
Financing with secured securities	-	511,906	89,066	-	5,959,000	-	6,559,972
Other net outflows	-	35,670	61,094	278,008	43,364	51,284	469,421
Hedging derivatives	-	6,249	4,746	(7,807)	16,680	4,121	23,989
Formalised loans pending settlement	-	487,454	-	-	-	-	487,454
Commitments available for third parties	3,220,412	-	-	-	-	-	3,220,412
Financial guarantees issued	9,015	3,041	278	1,468	1,782	1,122	16,707
Total on 31 December 2021	**37,766,108**	**1,383,325**	**651,200**	**1,869,589**	**8,971,462**	**367,631**	**51,009,315**
Total on 31 December 2020	**36,193,873**	**1,636,669**	**926,745**	**2,685,645**	**8,793,922**	**472,884**	**50,709,739**
2021 gap period	**(37,730,283)**	**1,240,411**	**803,396**	**1,173,654**	**3,190,679**	**22,846,135**	
2020 gap period	**(36,122,373)**	**513,356**	**562,115**	**262,515**	**2,658,113**	**22,573,770**	
Accumulated gap (without demand savings) 2021	**-**	**1,240,411**	**2,043,807**	**3,217,461**	**6,408,140**	**29,254,275**	
Accumulated gap (without demand savings) 2020	**-**	**513,356**	**1,075,471**	**1,337,987**	**3,996,100**	**26,569,870**	

Includes maturities of principal and interests and does not take assumptions of a new business.

The amounts shown in the table above correspond to the undiscounted contractual amounts.

The maturity of the demand deposits is not determined contractually. It has been entered in the first time slot (demand) even though for the most part, these deposits are stable.

The financing of the rest of the customers include the implicit derivative in the structured deposits.

Loan commitments amounted to 3.220 million euros (3.288 million euros at 31 December 2020). While these commitments are available immediately for the customers, and therefore would have "demand" nature in accordance with IFRS 7, in the practice of cash flow outputs they are distributed in all the time slots.

In relation with the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily have to represent an actual obligation of settlement or of liquidity needs, which will depend on if they meet the conditions so that the amount of the committed guarantee should be settled.

The Group only hopes to produce a cash outflow in relation with financial guarantee contracts that have qualified as non-performing and special watch. The amount that is expected to be settled of these contracts is recorded under “Provisions for contingent risks and commitments”, in the heading Provisions (Note 21), for an amount of 16,707 thousand euros (19,477 thousand euros on 31 December 2020).

Long-term wholesale financing maturities are shown in the following boxes.

On 31 December 2021:

	Thousands of euros						
	On demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Senior debt	-	-	-	-	50,000	-	50,000
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	-	850,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	-	19,444	1,416,026	165,000	1,600,470
Securitisations	-	3,343	6,664	29,551	131,190	114,792	285,540
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,343**	**6,664**	**48,996**	**2,447,215**	**279,792**	**2,786,010**
Financing with long-term secured securities	**-**	**-**	**-**	**-**	**5,959,000**	**-**	**5,959,000**
Maturities in the period	**-**	**3,343**	**6,664**	**48,996**	**8,406,215**	**279,792**	**8,745,010**
Accumulated maturities	**-**	**3,343**	**10,007**	**59,002**	**8,465,217**	**8,745,010**	

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

On 31 December 2020:

	Thousands of euros						
	On demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	-	850,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	225,000	300,000	1,435,470	165,000	2,125,470
Securitisations	-	3,052	6,097	31,895	155,724	155,189	351,956
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,052**	**231,097**	**331,895**	**2,441,194**	**320,189**	**3,327,426**
Financing with long-term secured securities	**-**	**-**	**-**	**-**	**5,400,000**	**-**	**5,400,000**
Maturities in the period	**-**	**3,052**	**231,097**	**331,895**	**7,841,194**	**320,189**	**8,727,426**
Accumulated maturities	**-**	**3,052**	**234,148**	**566,043**	**8,407,237**	**8,727,426**	

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

The diversification policy at the time of the maturities of the wholesale issues, will permit the Company to cover the maturities of the next financial years, maintaining ample liquidity.

Thus, keeping in mind the available liquidity (15,250 billion euros), the Company could cover the total of the maturities of the long-term wholesale financing (2,786 billion euros). Additionally, it is able to issue 8,776 billion euros (total availability of 24,027 billion euros).

3.9 Exposure to other risks

3.9.1 Exposure to market and counterparty risk

3.9.1.1 Strategies and policies for the market and counterparty risk management

a) Market risk

This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Bank manages the market risk, trying to obtain an adequate financial profitability in relation to the assumed risk level, keeping in mind certain levels of overall exposure, exposure due to segmentation rates (portfolios, instruments, ratings), structure of the portfolio and portfolio/risk objectives. In their management and control they apply analysis of sensitivity and simulation of stress scenarios for the estimation of their impact in the profits and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, as documented in the "Capital Markets Department Policy Manual".

For the market risk management, they have policies on identification, measuring, monitoring, control and mitigation as well as policies on transactions in that relative to their trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approving of new products, relationships with intermediaries and delegation of duties.

b) Counterparty risk

The possibility of default by counterparties in financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Manual for Lines of Risk" of Ibercaja Banco.

For the management of the counterparty risk, the Company has policies for identification, measuring, monitoring, control and mitigation. Additionally the "Manual of Lines of Risk of Ibercaja Banco" establishes the criteria, methods and procedures for the granting of lines of risks, the proposal of limits, the process for formalisation and documentation of transactions, as well as the procedures for monitoring and controlling the risks for financial institutions, public administrations with rating and listed and/or qualified companies with rating, with the exception of promoting entities.

The lines of risk are established essentially depending on the ratings assigned by the credit qualification agencies, of the reports that these agencies issue and of the expert analysis of their financial statements.

For the granting of transactions related with the counterparty risk to the entities previously mentioned, it will be the Capital and Balance Sheet Management Unit and the Governing Bodies in charge of managing the assumption of risk, attending to the fixed limits for the lines of credit.

The Company uses specialised tools for the management, control and measuring of the counterparty risk, with the aim of considering the risk consumption of each product and gather the risk consumption at the Group level under one application.

3.9.1.2 Procedures for measurement and control

a) Market Risk

The portfolios exposed to Market Risk are characterised for their high liquidity and for the absence of materiality in the trading activity, which implies that the Market Risk assumed by the trading activity is insignificant as a whole.

The Company monitors the progression of the expected loss of the management portfolio given a trust level of 99% and a time horizon (1 day or 10 days) as a result of the variations of the risk factors that determine the price of the financial assets via the VaR indicator (Value at risk).

The VaR calculation is carried out with different methodologies:

- The parametric VaR assumes normalcy of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a trust level of 99% and a time horizon (1 day or 10 days).

- The diversified parametric VaR keeps in mind the diversification offered by the correlations of the risk factors (interest rates, exchange rates, shares listing, etc.). It is the standard measure.

- The non-diversified parametric VaR assumes the lack of diversification among those factors (correlations equal to 1 or -1 according to the case), and is useful in stress or change periods of the risk factors correlations.

- The Historic Simulation VaR uses the relative variations made in the last year of the risk factors to generate the scenarios in which the loss potential of the portfolio is evaluated given a trust level of 99% and a time horizon.

- The Shortfall VaR measures, given a calculated VaR at 99% and with a time horizon of 1 day, the expected loss in 1% of the worst results beyond the VaR. It provides an average of the losses in case of breakage of the VaR.

- In any case, the impact in absolute terms of the VaR is relativised regarding capital.

Thus, at 31 December 2021, the measurement of VaR presents the following values:

Thousands of euros **Confidence level: 99%**	**Parametric diversified VaR**	**Parametric VaR vs *PR.***	**Parametric non-diversified VaR**	**Parametric non-diversified VaR vs *PR.***	**Historical Simulation VaR**	**Historical Simulation VaR vs PR.**	**Shortfall VaR**	**Shortfall VaR vs PR.**
Time horizon: 1 day	(4,769)	0.15%	(12,966)	0.40%	(6,587)	0.20%	(6,587)	0.20%
Time horizon: 10 days	(15,080)	0.46%	(41,003)	1.25%				

The calculation on 31 December 2020 of the VaR, presented the following values:

Thousands of euros **Confidence level: 99%**	**Parametric diversified VaR**	**Parametric VaR vs *PR.***	**Parametric non-diversified VaR**	**Parametric non-diversified VaR vs *PR.***	**Historical Simulation VaR**	**Historical Simulation VaR vs PR.**	**Shortfall VaR**	**Shortfall VaR vs PR.**
Time horizon: 1 day	(5,422)	0.16%	(9,831)	0.29%	(4,411)	0.13%	(5,430)	0.16%
Time horizon: 10 days	(17,147)	0.51%	(31,089)	0.93%				

Likewise, and supplementing the VaR analysis, stress tests have been performed that analyse the impact of different scenarios of the risk factors on the value of the portfolio being measured.

b) Counterparty risk

The limits authorised by the Board of Directors are established by investment volume weighted by the borrower's credit rating, the term of the investment and the instrument type.

Additionally, the legal limits are respected for the concentration and grand exposures in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the consumed risks are kept within the established limits at all times. They incorporate controls regarding the variations produced in the ratings, and in general of the borrower's solvency.

Among the techniques for counterparty risk mitigation appear the compensation or netting master agreements, the guarantee agreements, the reduction of portfolios in the case of adverse credit events, the reduction of the lines of risk in the case of decreases in the rating or negative news of some company and the timely monitoring of the companies' financial information.

With those entities with whom they have agreed on a compensation of risks and an agreement on guarantee contribution, in accordance with the requirements demanded by the Bank of Spain, the risk may be computed by the net resulting position.

3.9.2 Exchange rate risk management

It is defined as the possibility of incurring in losses derived from the negative fluctuations in the exchange rates of the currencies in which the assets, liabilities and transactions are denominated off the Company's balance sheet.

The Company does not maintain significant positions in foreign currency in a speculative nature. They do not hold open positions in foreign money that is not speculative of a significant amount either.

The Company's policy is to limit this type of risk, mitigating it generally speaking, at the time it presents itself via the agreement on symmetrical active or passive transactions or via financial derivatives that allow their coverage.

3.9.3 Exposure to sovereign debt

Below, the following information is detailed regarding the exposure to sovereign debt, which includes all the positions with public entities, on 31 December 2021 and 2020:

- Breakdown of the carrying amount of the exposure per country:

	Thousands of euros	
	2021	**2020**
Spain	13,421,612	11,149,836
Italy	1,382,405	1,025,440
Portugal	67,788	89,445
France	240,733	23,494
United States	100,972	-
Other	6,311	10,694
Total gross amount	**15,219,821**	**12,298,909**
(Impairment losses)	*(180)*	*(821)*
Total net amount	**15,219,641**	**12,298,088**
of which: from the insurance company	*4,196,302*	*4,893,693*

- Breakdown of the carrying amount of the exposure per portfolio in which the assets are recorded:

	Thousands of euros	
	2021	**2020**
Financial assets at fair value through profit or loss	6,278	7,416
Financial assets at fair value through other comprehensive income	4,641,651	4,838,244
Financial assets at amortised cost	10,571,892	7,453,249
Total	**15,219,821**	**12,298,909**
of which: from the insurance company	*4,196,302*	*4,893,693*

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

- Breakdown of the term to residual maturity of the exposure per portfolio in which the assets are recorded:

	Thousands of euros					
	2021					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	4,596	1,682	-	6,278
Financial assets at fair value through other comprehensive income	159,382	246,561	786,869	528,504	2,920,335	4,641,651
Financial assets at amortised cost	733,675	242,951	2,233,291	2,168,689	5,193,286	10,571,892
Total	**893,057**	**489,512**	**3,024,756**	**2,698,875**	**8,113,621**	**15,219,821**
of which: from the insurance company	*159,382*	*244,535*	*800,249*	*538,458*	*2,453,678*	*4,196,302*

	Thousands of euros					
	2020					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	1,347	6,069	-	7,416
Financial assets at fair value through other comprehensive income	51,287	458,161	835,536	717,024	2,776,236	4,838,244
Financial assets at amortised cost	9,330	251,571	264,504	1,885,920	5,041,924	7,453,249
Total	**60,617**	**709,732**	**1,101,387**	**2,609,013**	**7,818,160**	**12,298,909**
of which: from the insurance company	*57,254*	*458,161*	*807,711*	*724,223*	*2,846,344*	*4,893,693*

- Other information

  – Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets designated at fair value through profit or loss and the portfolio of financial assets at fair value through other comprehensive income matches the carrying amount indicated above.

    Note 26 specifies the valuation methodology of the portfolio of financial assets at amortised cost, in which it is observed that the fair value detailed does not differ significantly from the carrying amount. The fair value associated to the sovereign risk is obtained via valuation techniques from level 1 (the description of them is given in Note 26).

  – The effect of a rise of 100 basis points in the interest rate would have an effect on the fair value of -5.13% (-5.85% in 2020).

3.9.4 Reputational risk management

Reputational risk is defined as the unfavourable impact that an event may cause in the corporate reputation of the entities that form part of the Group. It is associated to a negative perception on behalf of the stakeholders (customers, employees, company in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that affects the capacity of the Group to maintain the existing business relationships or establish new ones.

The management of this risk aims at protecting one of the main intangible assets, corporate reputation, by preventing events that may have an adverse effect.

Reputational risk has a wide relationship with the rest of the risks due to the amplifying effect that it can have on them. In the majority of the occasions, reputational risk appears due to the materialisation of other risks that could affect any of the entities of the Group, especially with the regulatory risk or regulatory incompliance (imposing sanctions, especially in the case that they were presented to the public). To do so, the policies and procedures directed at ensuring the compliance of the applicable regulations, whether internal or external, are added.

Additionally, and as a key function of control, to mitigate the risk of suffering possible negative impacts derived from regulatory incompliance, the Company and different financial institutions of the Group have a verification function for regulatory compliance, with supervisory powers in areas especially relevant such as the prevention of money laundering and terrorism financing, the protection of the investor in the sale of financial instruments and lending of investment services (MIFID), the behaviour regulations in the area of Stock Market, the regulations on communication of transactions suspected of abusing the market, etc.

The Group grants, therefore, the maximum relevancy to the management of the corporate reputation as a method to prevent, avoid and/or manage possible reputational risks, and for its positive impact on the creation of value. Reputation metrics are constructed and regularly measured so as to monitor the perception of the Company by the general public, customers and employees and the Group's evolving footprint in social media. The results are the basis for identifying strong points, improvement areas, possible focuses for reputational risk and to elaborate the action plans to improve the reputation.

In 2021, the Group continued to measure its reputational risk, identifying strengths and areas for improvement and continuing action plans to enhance its reputation involving the Group's main areas.

3.10 Climate risk management

Ibercaja is working on the inclusion of the ESG factors in the admission and monitoring of credit risk, in line with the EBA Guidelines on the Arrangement and Monitoring of Loans, which defines the internal governance mechanisms and procedures of financial institutions in relation to loan transactions and concessions. In this regard, it included in its admission policies an analysis of the potential impact of ESG factors, both in aspects that may mark an inherent risk (activity sector, the geographical area of the operations, etc), as well as in other idiosyncratic aspects of the counterparties (internal policies, mitigation measures, penalties and/or disputes, sustainable investment plans, etc.). In aspects relating to the monitoring of the production activity portfolio, monitoring will commence of the changes in the exposure of the Ibercaja Group to those sectors that may have a greater ESG risk, in particular, to climate change risks.

In this vein, Ibercaja has worked on the development of an Exclusions Policy that limits the impact of the ESG factors on the Entity's credit risk.

This work will continue in 2022 to completely integrate the ESG risks in the area of management activity and control thereover.

In this same vein, the asset managers of the Financial Group (Ibercaja Pensión and Ibercaja Gestión), committed to the development of society and the care and protection of the environment through socially responsible investment, are developing an internal and progressive model of investment selection and the management of non-financial risks that is being incorporated into the traditional essential analysis. Likewise, in 2021, the following policies were approved:

- Sustainability Policy, to evidence and formalise the commitment of the Financial Group with sustainable development and value creation through its activity and to establish the global action framework for the Group in matters of sustainability, containing the commitments voluntarily assumed to promote long-term sustainable, inclusive and environmentally-friendly growth, with a long-term vision (Regulation (EU) 2019/2088).

- The Sustainability Risk Integration Policy, which establishes the principles, processes and governance framework, governing ESG risk integration in the investment decisions.

- Exclusions Policy, to ensure that the investment policies are not exposed to unethical, irresponsible or unsustainable activities, and to contribute to the attainment of the UN Sustainable Development Goals (ODS) in the framework of the ESG Risk Integration Policy.

- Adverse Incident Policy for the identification, analysis and management of the impacts of the investment decisions that may have negative effects on sustainability factors (EU Regulation 2019/2088).

- Implication Policy, including the general principles, criteria and procedures to foster the long-term involvement of shareholders in listed companies (RDL 4/2015)".

With regard to liquidity management risk, the decline in value of additional liquid assets for ESG assets was included as a novelty (including climate and environmental risks) within the main types of risk.

In the area of market risk management, work was carried out in the sphere of portfolio management, through the monitoring of indicators that define ESG criteria (which include aspects related with climate and environmental risks) and certain asset selection criteria that enable private fixed income and equity portfolios to be characterised.

Lastly, in the area of operational risk, the Entity has adapted the Operational Risk Management Framework, allowing consideration of the ESG factors by including climate and environment risk among the operational risks. Likewise, the Entity updated the operational risk map by including an identification of physical risks in the area of climate and environmental risks, also including them in the assessment tools.

4. Appropriation of profit and earnings per share

4.1 Appropriation of profit

The proposed appropriation of the profit of Ibercaja Banco, S.A. from the 2021 financial year, which the Board of Directors will propose for its approval to the General Shareholders' Meeting, and that which was approved from the 2020 financial year are the following:

	Thousands of euros	
	2021	**2020**
Distribution		
To dividends:	98,140	3,849
To retained earnings:	26,175	4,122
Legal reserve	-	-
Capitalisation reserves (*)	*1,825*	-
Voluntary reserve	*24,350*	*4,122*
Profit/(loss) for the year	**124,315**	**7,971**

(*) This reserve will be unavailable for the period, with the conditions and exceptions envisaged in article 25 of Corporation Tax Law 27/2014, of 27 November,

As a consequence of the economic impacts generated by COVID-19, and with the aim of preserving the regulatory capital of credit institutions, the European Central Bank issued a recommendation on 27 March 2020 urging European banks under its supervision, including Ibercaja Banco, to refrain, at least until 1 October 2020, from distributing dividends or entering into irrevocable commitments to distribute dividends for 2019 and 2020, as well as from buy back shares to remunerate shareholders. This recommendation was updated on 27 July 2020, extending the limitation until 1 January 2021.

Subsequently, on 15 December 2020, the European Central Bank again amended its recommendation, urging banks to be very prudent in deciding on dividend amounts or buy back shares to remunerate shareholders until 30 September 2021. It also urges credit institutions that intend to implement dividend or share buy-back measures to remunerate shareholders to contact their joint supervisory teams, in the framework of the supervisory dialogue, to discuss the prudence of such measures.

It should be noted that during the second semester of 2021, the European Central Bank has decided, in view of the improvement in the Eurosystem's macroeconomic expectations for the period 2021-2023, not to extend this recommendation on dividend payouts, urging, however, banks to maintain prudence in deciding whether to distribute dividends or to buy back shares to remunerate shareholders and to consider the impact of variable remuneration payments on their ability to maintain a strong capital base.

The General Shareholders' Meeting of Ibercaja Banco held on 15 April 2021 approved the distribution of a dividend against 2020 results in the amount of 3,849 thousand euros, in full compliance with the aforementioned recommendations of the European Central Bank. The dividend was paid on 16 April 2021.

On 5 October 2021, the Board of Directors of Ibercaja Banco, taking into the account the aforementioned recommendations agreed, in accordance with the provisions of article 277 of the Corporate Enterprises Act, to distribute to the shareholders an interim dividend of 47,000 thousand euros in proportion to their respective holdings in the share capital of the Bank. This interim dividend was paid in full on 7 October 2021.

Below, is the accounting statement prepared in accordance with the legal requirements and which demonstrated the existence of sufficient liquidity to distribute the interim dividend approved:

	Thousands of euros
Profit before tax from 1 January 2021 to 31 August 2021	**91,178**
Estimate of corporation tax.	(38,916)
Legal reserve	-
Attributed profit/(loss)	-
Maximum amount of possible distribution	**52,262**
Amount to be distributed	**47,000**

	Thousands of euros
Balance in cash and cash equivalents at 1 January 2021	**7,377,476**
Cash flows from operating activities	(1,660,791)
Cash flows from investing activities	(20,103)
Cash flows from financing activities	(16,099)
Effect of exchange rate fluctuations	-
Balance in cash and cash equivalents at 31 August 2021	**5,680,483**
Interim dividend distributed	(47,000)
Balance in cash and cash equivalents at 31 August 2021 following the dividend distribution	**5,633,483**

Additionally, the Board of Directors will propose to the General Shareholders' Meeting that they agree to distribute a dividend out of 2021 profits for 98,140 thousand euros, taking into account that the shareholders have already been paid an interim dividend of 47,000 thousand euros, and 51,140 thousand euros were pending distribution.

4.2 Earnings per share

Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year by the weighted average number of outstanding shares, excluding the average number of treasury shares held, during that period.

Diluted earnings per share: for its calculation, both the amount of profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all dilutive effects inherent in potential ordinary shares (share options, warrants and convertible debt).

Basic and diluted earnings per share at 31 December 2021 and 2020 are detailed below:

	31/12/2021	31/12/2020
Earnings per share numerator		
Profit/(loss) attributed to the parent (thousands of euros)	150,985	23,602
Adjustment: Remuneration of other equity instruments AT1 (thousands of euros)	(17,150)	(17,150)
Adjusted profit (thousands of euros)	133,835	6,452
Earnings per share denominator		
Average weighted number of shares	214,427,597	214,427,597
Basic and diluted earnings per share (euros)	**0.62**	**0.03**

As at 31 December 2021 and 2020 there are no dilutive effects on the earnings per share calculation.

5. Information on the Board of Directors and Senior Management of the Parent

Under the provisions of the Bank of Spain Circular 4/2017, the “key management personnel and executives” of the Parent, are deemed to be those persons having authority and responsibility for planning, directing and controlling the activities of the Parent, directly or indirectly, including any member of the Board of Directors and Senior Management. By virtue of their positions, this group of persons is considered a “related party” and, as such, subject to the disclosure requirements described in this Note.

Persons who have certain kinship or personal relationships with “key management personnel and executives” are also considered related parties, along with controlling companies, with significant influence or significant voting rights from key personnel or any of the persons in their family environment. The transactions carried out by the Ibercaja Banco Group with related parties are disclosed in Note 43.

5.1 Remuneration to the Board of Directors of the Parent

The remunerations and other benefits received in 2021 by the members of the Board of Directors of the Parent, in their status as Directors or Secretary of the Board of Directors of the Parent is detailed below by item individually:

		Thousands of euros						
Members of the Board of Directors	**Position**	**Remuneration**		**Attendance fees**	**Life insurance premiums**	**Remuneration for membership on board committees**	**Other items**	**Total**
		Fixed	**Variable**					
José Luis Aguirre Loaso	Chairman	361.0	-	33.6	15.3	-	6.9	416.8
Jesús Bueno Arrese	First Deputy Chairman	-	-	46.2	34.8	-	4.3	85.3
Victor Iglesias Ruiz	Chief Executive Officer	394.2	87.0	33.6	2.0	-	5.6	522.4
Jesús Solchaga Loitegui	Member	-	-	42.7	-	30.4	4.4	77.5
Gabriela González-Bueno Lillo	Member	-	-	25.2	-	-	1.9	27.1
Vicente Cóndor López	Member	-	-	49.7	5.3	45.6	3.5	104.1
Jesús Tejel Giménez	Member	-	-	49.7	3.7	45.6	5.6	104.6
Félix Longás Lafuente	Member	-	-	39.9	4.0	-	4.9	48.8
José Miguel Echarri Porta (1)	Member	-	-	4.9	-	-	0.1	5.0
Enrique Arrufat Guerra	Member	-	-	23.8	5.3	-	6.9	36.0
María Pilar Segura Bas	Member	-	-	35.7	2.8	-	5.6	44.1
Jesús Barreiro Sanz	Non-Director Secretary	-	-	66.5	5.7	-	6.9	79.1
Emilio Jiménez Labrador (2)	Member	-	-	38.5	-	-	0.5	39.0

(1) Director of the Parent appointed on 28 October 2021.
(2) Director of the Parent who resigned from his/her position on 28 October 2021.

The remunerations and other benefits received in 2020 by the members of the Board of Directors of the Parent, in their status as Directors or Secretary of the Board of Directors of the Parent is detailed below by item individually:

		Thousands of euros						
Members of the Board of Directors	**Position**	**Remuneration**		**Attendance fees**	**Life insurance premiums**	**Remuneration for membership on board committees**	**Other items**	**Total**
		Fixed	**Variable**					
José Luis Aguirre Loaso	Chairman	360.9	-	28.0	13.8	-	6.7	409.4
Jesús Bueno Arrese	First Deputy Chairman	-	-	42.0	31	-	4.3	77.3
Victor Iglesias Ruiz	Chief Executive Officer	395.2	139.2	28.0	1.6	-	5.5	569.5
Jesús Solchaga Loitegui	Member	-	-	28.7	-	30.4	4.2	63.3
Gabriela González-Bueno Lillo	Member	-	-	17.5	6.5	19.0	1.8	44.8
Vicente Cóndor López	Member	-	-	44.8	4.8	45.6	3.0	98.2
Jesús Tejel Giménez	Member	-	-	41.3	3.4	26.6	5.5	76.8
Félix Longás Lafuente	Member	-	-	27.3	3.7	-	6.7	37.7
Emilio Jiménez Labrador	Member	-	-	42.7	-	-	0.6	43.3
Enrique Arrufat Guerra	Member	-	-	18.2	4.9	-	6.7	29.8
María Pilar Segura Bas	Member	-	-	23.1	2.3	-	5.5	30.9
Jesús Barreiro Sanz	Non-Director Secretary	-	-	52.5	5.1	-	6.7	64.3

In relation to the attendance fees to be received by the proprietary director appointed by the shareholder foundations Fundación Ordinaria Caja Badajoz and Fundación Caja de Ahorros de la Inmaculada de Aragón, it is hereby stated that:

- Generally, the attendance allowances are allocated, for the purposes of the above information, to the proprietary director appointed at the request of the mentioned shareholder foundation, although in the application of the sectoral legislation applicable to him, and inasmuch as the director is part of their governance and management bodies, they have been directly paid to the shareholder foundation.

In the section "Remuneration for membership on board committees", the gross amounts accrued by the Chairmen of the internal committees of the Board of Directors are calculated.

In the section "Other concepts" the insurance premiums other than life insurance (health and accident) are included.

The Company does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

5.2 Remuneration of senior management of the Parent

For the purposes of preparing the consolidated financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee).

As at 31 December 2021, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management.

The remunerations accrued by Senior Management are shown in the following table, as was previously defined, for 2021 and 2020:

	Short-term remuneration		**Post-employment benefits**		**Total**	
Thousands of euros	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Senior Management	2,555	2,626	223	184	**2,778**	**2,810**

In 2021 and 2020, remuneration for pensions or life insurance premiums were not registered in the year for former members of Senior Management.

Also, in relation to the Long-term Incentive Plan described in Note 2.5, 1,017 thousand euros accrued relating to senior management.

5.3 Duties of loyalty of the Directors

As at 31 December 2021, with respect to the requirements of articles 229 and 230 of the Corporate Enterprises Act, the members of the Ibercaja Banco Board of Directors, as well as the persons related thereto referenced in article 231 of the aforementioned Law, have confirmed that they do not carry out, on their own account or the account of others, activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company's interests.

5.4 Transactions with significant shareholders

During 2021 and 2020, there have been no transactions outside the ordinary course of business or other than at arm's length with significant shareholders, except:

- Service level agreement (legal, fiscal, technological, marketing, communication, etc. council) formalised with Fundación Bancaria Ibercaja for the amount of 142,194 euros (142,867 euros as at 31 December 2020).

- Rental of Ibercaja Banco property used by Fundación Bancaria Ibercaja to carry out its activities for the amount of 99,294 euros (149,559 euros as at 31 December 2020).

- Service level agreement (use and management of installations, artistic assets, etc.) by Fundación Bancaria Ibercaja to Ibercaja Banco for the amount of 1,006,829 euros (1,028,627 euros as at 31 December 2020).

All the operations to be formalised with the shareholder foundations are previously reported by the Audit and Compliance Committee and are subject to the approval of the Board of Directors of the Parent.

6. Cash and cash balances at central banks and other demand deposits

The balances in this consolidated balance sheet heading as at 31 December 2021 and 2020 were as follows:

	Thousands of euros	
	2021	**2020**
Cash	221,486	239,019
Cash balances at central banks	5,961,332	7,079,491
Other demand deposits	205,806	254,099
	6,388,624	**7,572,609**

The average effective interest rate on debt instruments classified in this portfolio during 2021 was -0.39% (-0.32% during 2020).

7. Financial assets and liabilities held for trading

7.1 Breakdown of the balance and maximum credit risk - debit balances

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2021	**2020**
By geographical areas		
Spain	2,467	4,869
Rest of the countries in the European Monetary Union	358	518
Rest of Europe	39	-
Rest of the world	-	116
	2,864	**5,503**
By counterparty classes		
Credit institutions	1,035	2,138
Other resident sectors	1,829	3,365
	2,864	**5,503**
By type of instrument		
Debt securities	-	-
Derivatives not traded in organised markets	2,864	5,503
	2,864	**5,503**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

7.2 Breakdown of the balance - credit balances

The financial liabilities included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2021	**2020**
By geographical areas		
Spain	7,828	4,001
Rest of the countries in the European Monetary Union	408	436
Rest of the world	539	1,193
	8,775	**5,630**
By counterparty classes		
Credit institutions	8,735	5,553
Other resident sectors	40	77
	8,775	**5,630**
By type of instrument		
Derivatives not traded in organised markets	8,775	5,630
Of which: segregated embedded derivatives of hybrid financial instruments	-	-
	8,775	**5,630**

7.3 Financial derivatives held for trading

The details, by product type, of the fair and notional value of the financial derivatives held for trading as at 31 December 2021 and 2020 are shown below:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2021	2020	2021	2020
Not matured foreign currency purchases and sales	**245**	**400**	**-**	**-**
Security/index options	**-**	**-**	**377**	**377**
Interest rate options	**13**	**5**	**414**	**494**
Other interest rate transactions	**2,606**	**5,098**	**7,984**	**4,759**
Interest rate swaps (IRSs)	2,606	5,098	7,984	4,759
	2,864	**5,503**	**8,775**	**5,630**

	Thousands of euros	
	Notional	
	2021	2020
Not matured foreign currency purchases and sales	**142,104**	**26,148**
Security/index options	**7,550**	**7,550**
Interest rate options	**-**	**-**
Security/index embedded derivatives	**-**	**-**
Other interest rate transactions	**131,765**	**152,396**
Interest rate swap embedded derivatives	-	-
Retail market derivatives	79,773	84,845
Distribution of derivatives	51,992	67,551
	281,419	**186,094**

In addition to the balances detailed in the previous table, the notional value of the securities options (credit balances) derived from the return guarantee granted by the Group to Investment Funds commercialised by it amounts to 639,778 thousand euros as at 31 December 2021 (811,107 thousand euros as at 31 December 2020).

8. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instruments:

	Thousands of euros	
	2021	**2020**
By geographical areas		
Spain	1,669,715	827,953
Rest of the countries in the European Monetary Union	-	-
Rest of Europe	-	28,009
Total gross amount	1,669,715	**855,962**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	(1,278)	(2,241)
Total net amount	1,668,437	**853,721**
of which: equity instruments related to the insurance activity	*1,666,941*	*824,170*
of which: debt securities related to the insurance activity	-	*28,009*
By counterparty classes		
Credit institutions	-	28,009
Other resident sectors	1,669,715	827,953
	1,669,715	**855,962**
By instrument type		
Debt securities	-	28,009
Credits and loans	2,774	3,783
Shares	-	-
Ownership interests in Investment Funds	1,666,941	824,170
	1,669,715	**855,962**

The Group classifies financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities ("Unit linked") measured at fair value, which make up almost the entire balance. The changes in "Holdings in the equity of Investment Funds" are due mainly to the acquisition of units ("Unit Linked") in 2021, in accordance with the Group's strategy of increasing the weight of these products with respect to traditional savings insurance, which gave rise to a net decrease in the liability heading of the consolidated balance sheet "Liabilities under insurance or reinsurance contracts".

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2020, under the "Debt securities" heading, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), decreased the value of the subordinated debt that it held in this entity, amounting to 10,350 thousand euros, reducing the carrying amount of this asset to zero. This decrease in fair value is recognised with a charge to "Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net" in the consolidated income statement.

In 2021, this subordinated debt was converted into registered shares of SAREB. The debt issue was fully redeemed and the new shares of the Company were classified under “Financial assets at fair value through other comprehensive income” on the consolidated balance sheet, without generating any impairment loss or effect on equity on the consolidated balance sheet or consolidated income statement, since both the issue and the Company’s shares had been fully impaired by then.

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 0.60% (0.24% during 2020).

9. Financial assets at fair value through profit or loss

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2021	**2020**
By geographical areas		
Spain	4,596	5,473
Rest of the countries in the European Monetary Union	2,855	3,129
	7,451	**8,602**
By counterparty classes		
Credit institutions	1,173	1,186
Resident public administrations	4,596	5,473
Non-resident public administrations	1,682	1,943
	7,451	**8,602**
By instrument type		
Debt securities	7,451	8,602
	7,451	**8,602**

The Group classifies to this portfolio the fixed-income assets that are managed jointly with insurance contract liabilities (“Unit linked”) measured at fair value.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

10. Financial assets at fair value through other comprehensive income

10.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2021	**2020**
By geographical areas		
Spain	4,668,272	5,205,938
Rest of the countries in the European Monetary Union	1,326,964	1,306,002
Rest of Europe	118,956	165,522
Rest of the world	354,593	352,478
Total gross amount	**6,468,785**	**7,029,940**
(Impairment losses)	(4,751)	(6,612)
Total net amount	**6,464,034**	**7,023,328**
of which: equity instruments related to the insurance activity	*43,591*	*30,417*
of which: debt securities related to the insurance activity	*5,450,027*	*6,504,697*
By counterparty classes		
Credit institutions	465,202	616,258
Resident public administrations	4,071,726	4,418,272
Non-resident public administrations	663,709	419,972
Other resident sectors	358,671	497,111
Other non-resident sectors	909,477	1,078,327
Total gross amount	**6,468,785**	**7,029,940**
By type of instruments		
Debt securities:	6,123,109	6,676,068
Public sector debt	*3,925,799*	*4,264,454*
Other public administrations	*144,913*	*153,817*
Foreign government debt securities	*663,709*	*419,972*
Issued by financial institutions	*453,350*	*603,447*
Other fixed-income securities	*935,338*	*1,234,378*
Other equity instruments:	345,676	353,872
Shares in listed Spanish companies	*66,487*	*74,373*
Shares in non-listed Spanish companies	*134,389*	*136,796*
Shares in listed foreign companies	*85,049*	*84,606*
Shares in non-listed foreign companies	*45*	*45*
Ownership interests in Investment Funds	*46,031*	*48,583*
Ownership interests in Venture Capital Funds	*13,675*	*9,469*
Total gross amount	**6,468,785**	**7,029,940**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

At 31 December 2021 and 2020, “Other equity instruments” included the investment that the Bank holds in SAREB, which was fully impaired.

The entirety of losses from impairment related to the hedge against credit risk of debt securities, which are reversible, are detailed in the table above.

This heading includes a balance of 113,717 thousand euros (113,717 thousand euros at 31 December 2020) relating to the shareholding in Caser. In this respect, on 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. (“Caser”), which represents 4.45% of the share capital and voting rights of this company. On 25 June 2020, Ibercaja obtained the pertinent regulatory authorisations to formalise the aforementioned sale, which materialised with an end price of 53 million euros. The recognition of this transaction led to a reclassification among Equity masses, from the “Other cumulative comprehensive income” to “Other reserves” amounting to 32 million euros. Ibercaja maintains a shareholding in Caser of 9.5%

The positive impact of this transaction on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio was 24 basis points.

Additionally, Ibercaja formalised an agreement for a modifying novation of its non-life insurance distribution contract on the same date with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.)

This novation has meant for Ibercaja, in addition to the full maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities as well as the collection of the variable payment for the total fulfilment of the Business Plan of the previous agency contract, which is settled with the signing of this new agreement.

Accordingly, at 31 December 2020, the Group recognised 15 million euros under "Other operating income" in the consolidated income statement (see Note 36), following the interpretation of the Spanish National Securities Market Commission regarding the application of IFRS 15 which, in this specific case, has a certain technical complexity, admitting different interpretations. The remaining amount of the initial fixed fee already paid, i.e. 55 million euros, is being accrued in the consolidated profit and loss account in accordance with the provisions of the aforementioned standard.

Finally, the signing of this contract will result in additional profit-sharing payments of up to 50 million euros over the next 10 years. Such receipts shall be recorded as revenue on an accruals basis.

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 1.65% (2.01% during 2020), which includes the effect of the revenue reversals from risk hedging for interest rate risk.

10.2 Impaired debt securities

At 31 December 2021 and 2020 there were no impaired debt securities.

10.3 Credit risk hedges and others

The changes in the impairment losses recognised to cover the credit risk of the debt instruments included in this portfolio in 2021 and 2020 are presented below:

	Thousands of euros	
	2021	2020
Opening balance	**6,612**	**7,999**
Transfer charged to profit for the year	1,083	10,903
Reversal of provisions taken to income statement	(2,970)	(9,603)
Amounts used	-	(3,257)
Exchange differences and other movements	26	570
Closing balance	**4,751**	**6,612**
Of which:		
- Individually determined	-	-
- Collectively determined	*4,751*	*6,612*

The impairment losses indicated in this Note are recognised in the consolidated income statement under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income)".

11. Financial assets at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2021 and 2020 are as follows:

	Thousands of euros	
	2021	2020
Debt securities (Note 11.2)	9,974,513	8,474,312
Loans and advances	31,014,887	31,252,513
Credit institutions (Note 11.3)	361,357	311,651
Customers (Note 11.4)	30,653,530	30,940,862
	40,989,400	**39,726,825**

11.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2021 and 2020 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2021	**2020**
By geographical areas		
Spain	39,955,871	39,304,955
Rest of the countries in the European Monetary Union	1,172,761	70,310
Rest of the world	399,957	996,660
Total gross amount	**41,528,589**	**40,371,925**
(Impairment losses)	(539,189)	(645,100)
Total net amount	**40,989,400**	**39,726,825**
of which: debt securities related to the insurance activity	*145,677*	*160,465*
of which: loans and advances related to the insurance activity	*3,555*	*28,428*
By counterparty classes		
Credit institutions	378,870	377,111
Resident public administrations	9,482,201	6,726,092
Non-resident public administrations	1,139,270	727,157
Other resident sectors	30,352,302	32,387,036
Other non-resident sectors	175,946	154,529
Total gross amount	**41,528,589**	**40,371,925**
By type of instruments		
Debt securities	9,974,555	8,474,475
Credits and loans	29,235,037	29,633,919
Reverse repurchase agreements	1,615,394	1,727,248
Other	703,603	536,283
Total gross amount	**41,528,589**	**40,371,925**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument, except for:

- The asset corresponding to the current value of the fees outstanding on financial guarantees, registered under “Other” (in the breakdown by instrument type), amounts to 1,558 thousand euros as at 31 December 2021 (1,456 thousand euros as at 31 December 2020). In Note 27.1, the nominal value of the financial guarantees is broken down, which implies the maximum level of exposure to the credit risk.

This item also includes the balances of “Other financial assets” detailed in notes 11.3 and 11.4.

- The assets transferred to securitisation funds that were not derecognised from the balance, in accordance with that stipulated in Note 2.8, shall be registered under heading “Credits and loans” (in the breakdown by instrument type) and as at 31 December 2021 they amounted to 2,115,334 thousand euros (2,441,430 thousand euros as at 31 December 2020), with their breakdown detailed in Note 27.5. The maximum level of exposure to credit risk is collected by the value of all the positions of the Group in the mentioned securitisation funds, which amounts to 2,010,108 thousand euros as at 31 December 2021 (2,249,870 thousand euros as at 31 December 2020). The amount of the bonds issued by the securitisation funds that were subscribed by third parties outside to the Group amounts to 258,354 thousand euros as at 31 December 2021 (326,522 thousand euros as at 31 December 2020), with their breakdown detailed in Note 19.4.

11.2 Debt securities

The breakdown by financial assets included in the debt securities category as at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Debt securities	**9,974,555**	**8,474,475**
Impaired assets	-	-
Total gross amount	**9,974,555**	**8,474,475**
(Impairment losses)	(42)	(163)
Total net amount	**9,974,513**	**8,474,312**

This heading includes, among others, SAREB bonds, with an irrevocable guarantee from the Spanish central government, whose nominal value at 31 December 2021 was 1,628,700 thousand euros (1,653,300 thousand euros at 31 December 2020).

In 2021, the Group sold a national public debt securities portfolio, for a nominal value of 320,000 thousand euros. The result of this transaction amounts to 18,686 thousand euros, which has been recognised under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost" in the condensed consolidated interim income statement (Note 34). This transaction is not considered to be significant, hence the business model under which the assets concerned are managed is not questioned, in accordance with IFRS 9 and the Group's policies and methodological manuals.

In 2020, the Group carried out a sales transaction of the national public debt securities portfolio for a nominal value of 1,381,770 thousand euros, of which 300,000 thousand euros were executed through a forward sale in the first quarter of 2021. This sales operation was performed as a response to the extraordinary circumstances of the COVID-19 pandemic and the unusual scale of the challenges posed. This extraordinary sale transaction is consistent with the business model under which the assets concerned are managed (Maintenance of financial assets to receive their contractual cash flows, Note 2.2.4), in accordance with IFRS 9 and the Entity's policies and methodological manuals. The result of this transaction amounted to 147,721 thousand euros, of which 114,619 thousand euros were recognised in 2020 and 33,102 thousand euros were recognised in 2021 under "Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net - Financial assets at amortised cost" in the consolidated income statement (Note 34).

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 0.63% (0.66% during 2020).

11.3 Credit institutions

The breakdown of the financial assets included in the "credit institutions" category at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Time or at notice:	**3,227**	**106,391**
Reverse repurchase agreements	-	106,391
Other accounts	3,227	-
Other financial assets:	**358,041**	**205,394**
Cheques payable by credit institutions	831	1,218
Cash guarantees	350,343	167,513
Other items	6,867	36,663
Impaired assets	**-**	**-**
Valuation adjustments	**89**	**(134)**
Total gross amount	**361,357**	**311,651**
(Impairment losses)	**-**	**-**
Total net amount	**361,357**	**311,651**

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 0.05% (0.06% during 2020).

11.4 Customers

The breakdown by financial assets included in the Loans and advances to customers category as at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Credits and loans	**29,235,037**	**29,633,919**
Commercial loans	562,519	450,769
Loans secured with collateral	20,085,277	20,754,757
Other term loans	6,521,467	6,240,819
Finance leases	452,226	463,997
Receivables on demand and other	803,795	633,133
Impaired assets	716,343	1,010,697
Valuation adjustments	93,410	79,747
Reverse repurchase agreements	**1,615,394**	**1,620,857**
Other financial assets	**342,246**	**331,023**
Financial transactions pending settlement	-	165
Cash guarantees	105,366	170,244
Financial guarantee fees	1,558	1,456
Other items	235,322	159,158
Total gross amount	**31,192,677**	**31,585,799**
(Impairment losses)	(539,147)	(644,937)
Total net amount	**30,653,530**	**30,940,862**

Finance leases in which the Group is the lessor are described below:

- The interest rate is variable.
- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise this purchase option, its value is recorded as a debt claim together with the rest of the minimum payments to be made by the lessee.

Details of finance leases for the year are as follows:

- At 31 December 2021, the gross investment totals 452,226 thousand euros (452,226 thousand euros at 31 December 2020).
- The present value of future minimum lease payments receivable during the non-cancellable part of the lease period (assuming that any existing rights to extend the lease or purchase options are not exercised) at 31 December 2021 is 163,682 thousand euros within one year (162,993 thousand euros in 2020), 246,104 thousand euros between one and five years (264,216 thousand euros in 2020) and 32,825 thousand euros at over five years (35,547 thousand euros in 2020).
- Unaccrued interest income totals 20,008 thousand euros in 2021 (22,373 thousand euros in 2020).
- The residual value of these leases amounts to 32,629 thousand euros at 31 December 2021 (36,732 thousand euros at 31 December 2020).
- Impairment adjustments to finance leases amount to 13,634 thousand euros at 31 December 2021 (18,190 thousand euros at 31 December 2020).

“Valuation adjustments” at 31 December 2021 included an amount of 22,317 thousand euros corresponding to the adjustment to the amortised cost of the covered assets pending accrual after the interruption of the macro-hedges described in Note 12.2 (31,262 million euros at 31 December 2020).

The average effective interest rate on debt instruments classified in this portfolio during 2021 was 1.09% (1.24% during 2020).

11.4.1. Overdue, impaired and unimpaired assets

There follows a breakdown of credit to customers considered to be impaired because of credit risk at 31 December 2021 and 2020, classified according to the period elapsed since the maturity of the oldest unpaid amount of each transaction at those dates:

	Thousands of euros					
	Not yet due	Up to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
Balances as at 31 December 2021	118,042	51,965	29,675	29,100	487,561	716,343
Balances as at 31 December 2020	142,193	48,278	45,422	50,962	723,842	1,010,697

The detail of the impaired assets by counterparty classes is as follows:

	Thousands of euros	
	2021	2020
Resident public administrations	178	1,246
Other resident sectors	712,870	1,005,184
Other non-resident sectors	3,295	4,267
	716,343	**1,010,697**

In general, the matured assets are not considered impaired until the length of service of the non-payment surpasses 90 days. The detail of the unimpaired matured assets by counterparty classes and length of service as at 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	2021			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	8	-	-	8
Other resident sectors	18,425	5,830	2,781	27,036
Other non-resident sectors	47	3	14	64
	18,480	**5,833**	**2,795**	**27,108**

	Thousands of euros			
	2020			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	68	73	-	141
Other resident sectors	23,903	4,923	3,768	32,594
Other non-resident sectors	49	13	11	73
	24,020	**5,009**	**3,779**	**32,808**

11.5 Credit risk hedges and others

The changes in the gross balance of financial assets included in this category in 2021 and 2020 are presented below:

	Thousands of euros			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**37,683,374**	**1,677,854**	**1,010,697**	**40,371,925**
Transfers:	(153,385)	105,720	47,665	-
from stage 1 to stage 2:	*(749,085)*	*749,085*	-	-
from stage 1 to stage 3	*(46,816)*	-	*46,816*	-
from stage 2 to stage 3	-	*(66,624)*	*66,624*	-
from stage 3 to stage 2	-	*64,821*	*(64,821)*	-
from stage 2 to stage 1	*641,562*	*(641,562)*	-	-
from stage 3 to stage 1	*954*	-	*(954)*	-
Increases	11,221,820	138,665	30,181	11,390,666
Decreases	(9,499,405)	(362,397)	(221,257)	(10,083,059)
Transfers to write-offs	-	-	(150,943)	(150,943)
Other movements	-	-	-	-
Gross balance at 31 December	**39,252,404**	**1,559,842**	**716,343**	**41,528,589**

	Thousands of euros			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**
Transfers:	(337,589)	283,275	54,314	-
from stage 1 to stage 2:	*(765,894)*	*765,894*	-	-
from stage 1 to stage 3	*(51,474)*	-	*51,474*	-
from stage 2 to stage 3	-	*(94,279)*	*94,279*	-
from stage 3 to stage 2	-	*89,769*	*(89,769)*	-
from stage 2 to stage 1	*478,109*	*(478,109)*	-	-
from stage 3 to stage 1	*1,670*	-	*(1,670)*	-
Increases	10,529,728	327,290	39,446	10,896,464
Decreases	(10,225,782)	(335,920)	(182,082)	(10,743,784)
Transfers to write-offs	-	-	(191,911)	(191,911)
Other movements	-	-	-	-
Gross balance at 31 December	**37,683,374**	**1,677,854**	**1,010,697**	**40,371,925**

The changes in impairment losses recognised to cover the credit risk of financial assets included in this category in 2021 and 2020 are presented below:

	Thousands of euros			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**52,154**	**132,330**	**460,616**	**645,100**
Of which:				
- Individually determined	-	*12,270*	*97,105*	*109,375*
- Collectively determined	*52,154*	*120,060*	*363,511*	*535,725*
Changes through profit or loss:	**(75,682)**	**42,497**	**121,455**	**88,270**
Increases in origination	37,576	-	-	37,576
Changes due to changes in credit risk	(77,933)	50,866	153,419	126,352
Changes in calculation method	-	-	-	-
Other	(35,325)	(8,369)	(31,964)	(75,658)
Changes other than through profit or loss:	**69,577**	**(63,547)**	**(200,211)**	**(194,181)**
Transfers:	69,577	(63,547)	(6,030)	-
from stage 1 to stage 2:	*(17,275)*	*17,275*	-	-
from stage 1 to stage 3:	*(220)*	-	*220*	-
from stage 2 to stage 3:	-	*(11,735)*	*11,735*	-
from stage 3 to stage 2	-	*17,649*	*(17,649)*	-
from stage 2 to stage 1	*86,736*	*(86,736)*	-	-
from stage 3 to stage 1	*336*	-	*(336)*	-
Existing provisions utilised	-	-	(172,134)	(172,134)
Other movements	-	-	(22,047)	(22,047)
Balance at 31 December	**46,049**	**111,280**	**381,860**	**539,189**
Of which:				
- Individually determined	-	*14,376*	*94,994*	*109,370*
- Collectively determined	*46,049*	*96,904*	*286,866*	*429,819*

	Thousands of euros			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	-	*10,109*	*124,634*	*134,743*
- Collectively determined	*60,248*	*55,091*	*392,306*	*507,645*
Changes through profit or loss:	**(67,638)**	**122,431**	**169,384**	**224,177**
Increases in origination	31,715	-	-	31,715
Changes due to changes in credit risk	(64,041)	129,221	199,225	264,405
Changes in calculation method	-	-	-	-
Other	(35,312)	(6,790)	(29,841)	(71,943)
Changes other than through profit or loss:	**59,544**	**(55,301)**	**(225,708)**	**(221,465)**
Transfers:	59,544	(55,301)	(4,243)	-
from stage 1 to stage 2:	*(19,448)*	*19,448*	-	-
from stage 1 to stage 3:	*(354)*	-	*354*	-
from stage 2 to stage 3:	-	*(16,947)*	*16,947*	-
from stage 3 to stage 2	-	*21,253*	*(21,253)*	-
from stage 2 to stage 1	*79,055*	*(79,055)*	-	-
from stage 3 to stage 1	*291*	-	*(291)*	-
Existing provisions utilised	-	-	(198,823)	(198,823)
Other movements	-	-	(22,642)	(22,642)
Balance at 31 December	**52,154**	**132,330**	**460,616**	**645,100**
Of which:				
- Individually determined	-	*12,270*	*97,105*	*109,375*
- Collectively determined	*52,154*	*120,060*	*363,511*	*535,725*

On 23 December 2021, Ibercaja Banco, S.A, formalised a sale contract for a doubtful loan book, with a nominal value of 51,260 thousand euros, in favour of LM IV B S,V and Axactor España S.L. The negative impact of the transaction, 9,623 thousand euros, is recognised under “Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss” in the consolidated income statement (Note 34).

The balance of provision utilisation in 2021 relates mainly to provisions covering transactions derecognised from the consolidated balance sheet amounting to 150,943 thousand euros (191,911 thousand euros in 2020). The balance of provision utilisation in 2021 also included provisions derecognised from the balance sheet covering the loan book referred to in the previous paragraph for 17,117 thousand euros.

“Other” includes releases generated by the write-downs of provisions for operations cancelled due to collections during the period.

The concept of “Other movements” includes the transfer of the non-performing loan allowance that the credit transaction had which were paid through the awarding or granting in payment for the overall or partial satisfaction of the debt, in accordance with the criteria described in Note 2.18.

The detail of the impaired losses by counterparty classes is as follows:

	Thousands of euros	
	2021	**2020**
Resident public administrations	178	821
Other resident sectors	535,716	641,948
Other non-resident sectors	3,295	2,331
	539,189	**645,100**

The various items recognised in 2021 and 2020 under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statements for those years are presented below:

	Thousands of euros	
	2021	**2020**
Impairment losses credited to allowances for assets	88,270	224,177
Recovery of written-off assets	(8,375)	(5,831)
	79,895	**218,346**

The movement of the consolidated Loans and receivables derecognised in 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Balances at the start of the year	**631,126**	**818,454**
Use of the Accumulated impairment balance	134,702	132,495
Contractually required interests	17,480	24,506
Direct write-down to the profit and loss account	7,698	-
Main cash payment to the counterparties	(8,126)	(5,618)
Interest cash payment to the counterparties	(248)	(213)
Forgiveness	(30,456)	(66,975)
Limitation period	(777)	(384)
Foreclosure of tangible assets	-	(2,524)
Debt refinancing or restructuring	-	-
Sales	(3,624)	(268,615)
Other items	-	-
Balance at the close of the year	**747,775**	**631,126**

“Sales” in 2020 mainly includes the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. The transaction resulted in a positive result of 3 million euros.

The accrued interest pending payment, registered in memorandum accounts, associated with impaired financial assets, amounts to 41,507 thousand euros as at 31 December 2021 (51,073 thousand euros as at 31 December 2020).

11.6 Impact of COVID-19 on classification and impairment of financial instruments (IFRS 9)

11.6.1. Measures implemented to mitigate the impacts of COVID-19

Since the beginning of the pandemic, the Group has offered COVID-19 support measures to its customers, which consisted of both moratoriums of existing loans and new financing with public backing, protected in the following legislative packages and sector agreements, to thereby reach a higher number of parties affected by this health crisis.

On 18 March 2020, Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published. On 1 April, Royal Decree-Law 11/2020 of 31 March was published, adopting urgent additional measures in the social and economic sphere to deal with COVID-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it.

One of the measures developed by these Royal Decrees is aimed at ensuring the protection of mortgage debtors in a situation of economic vulnerability, establishing a moratorium on the payment of their mortgage on their principal residence, loans secured by real estate used for economic activity, those secured by housing that was intended to rent and in which the debtor has ceased to receive rent due to the COVID-19 situation, as well as loan and credit contracts without mortgage collateral, including consumer loans. Banks could enter into such transactions until 29 September 2020.

It should be noted that, after the close of the 2020 financial year and prior to preparing these consolidated annual accounts, Royal Decree-Law 3/2021 of 2 February was published, adopting measures to reduce the gender gap and other matters in the Social Security and economic fields, which includes the measure to extend the application period for moratoriums, in line with the extension of the effects of the pandemic. In this way, the beneficiaries of any moratoriums, whether legal or under a sector understanding, are allowed to take advantage of them for a maximum cumulative duration of nine months, including those who had initially requested a moratorium for a shorter period. The deadline to apply for these moratoriums was extended to 31 March 2021.

Another of the measures adopted in Royal Decree-Law 8/2020 addressed the difficult economic situation that companies and the self-employed would have to face as a result of the health crisis by creating a 100 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their liquidity needs. This line has been managed by the Official Credit Institute (ICO) and its objective was to facilitate granting sufficient liquidity to maintain employment and alleviate the economic effects of COVID-19. Institutions could enter into such transactions until 1 June 2021, provided that they did not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

Similarly, on 3 July 2020, Royal Decree-Law 25/2020 was published, approving the creation of a 40 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their needs for new investments. Institutions could enter into such transactions until 1 June 2021, provided that they did not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

In addition, the publication of Royal Decree-Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in the area of taxation, in addition to extending the application period for these publicly-guaranteed financing transactions until 1 June 2021, lays down an extension of the maturity and grace periods of these transactions for all debtors who so request. Specifically, the maturity of these transactions was be extended by a maximum of three years, provided that the total maturity of the guaranteed transaction does not exceed eight years from the date of the initial formalisation of the transaction, and the grace period for the repayment of the principal of the guaranteed transaction was increased by a maximum of twelve additional months, if the total grace period, taking into account the initial grace period, does not exceed twenty-four months.

Lastly, the Group adhered to the Sector Understanding on the deferral of financing operations for customers affected by the coronavirus crisis, approved by the Board of the Spanish Confederation of Savings Banks (CECA) and published on 16 April 2020. The purpose of this agreement was to establish the framework and general criteria for certain debtors affected by this health crisis to defer payment of mortgage loans or credits and personal loans or credits. Entities could enter into such transactions until 30 September 2020.

On 15 December 2020, CECA issued an addendum to the abovementioned Sector Understanding, adapting the term of the Sector Understanding until 30 March 2021, the latest date for submission of applications under this Sector Understanding, in line with the new provisions contained in the EBA/GL/2020/15 Guidelines.

Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in response to the Covid-19 pandemic extended until 31 December 2021 the application period for ICO Avales COVID-19 lines developed under Royal Decree-Law 8/2020 and Royal Decree-Law 25/2020, and approved three levels of possible action regarding financing guaranteed by the ICO to strengthen business solvency. The Resolution of the Council of Ministers of 11 May 2021 approved the Code of Good Practices, to which the Bank adheres, and on the basis of which the three possible levels of action regulated by this Royal Decree-Law are structured:

- Extension of the maturity of guarantees.
- Conversion of guaranteed financing into participating loans.
- Transfers for reduction of outstanding principal of guaranteed loans.

Lastly, the Agreement of the Council of Ministers of 30 November 2021 approved the extension of the request for guarantees granted to companies and self-employed workers until 1 June 2022.

The detail of these transactions at 31 December 2021 and 2020 is as follows:

	Thousands of euros								
	31/12/2021								
	Total data						Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Balance granted	of which: legal moratoriums	of which: extended moratoriums	of which: expired moratoriums	Outstanding balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,642	693,308	598,939	240,998	669,395	23,913	19,429	4,114	370
Consumer finance	363	3,615	3,385	1,400	3,407	208	139	26	43
Other operations	922	43,760	36,597	15,006	42,348	1,412	915	497	-
Total	**8,927**	**740,683**	**638,921**	**257,404**	**715,150**	**25,533**	**20,483**	**4,637**	**413**

	Thousands of euros								
	31/12/2020								
	Total data						Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Balance granted	of which: legal moratoriums	of which: extended moratoriums	of which: expired moratoriums	Outstanding balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,353	688,112	607,058	232,826	348,039	340,073	241,165	89,479	9,429
Consumer finance	372	4,179	3,987	1,649	3,059	1,120	1,034	72	14
Other operations	939	49,130	41,414	14,813	24,194	24,936	20,783	3,651	502
Total	**8,664**	**741,421**	**652,459**	**249,288**	**375,292**	**366,129**	**262,982**	**93,202**	**9,945**

	Thousands of euros						
	31/12/2021						
	Total data				Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Amount granted	Amount guaranteed	Outstanding balance	Stage 1	Stage 2	Stage 3
COVID-19 ICO Guarantees	**19,643**	**2,137,350**	**1,286,160**	**1,667,880**	**1,365,390**	**270,266**	**32,224**
Self-employed	3,754	85,507	57,087	71,371	59,720	10,263	1,388
SMEs	14,694	1,628,893	999,735	1,267,287	1,043,435	197,946	25,906
Other corporations	1,195	422,950	229,338	329,222	262,235	62,057	4,930

	Thousands of euros						
	31/12/2020						
	Total data				Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Amount granted	Amount guaranteed	Outstanding balance	Stage 1	Stage 2	Stage 3
COVID-19 ICO Guarantees	**17,082**	**1,829,587**	**1,089,024**	**1,454,067**	**1,272,178**	**179,493**	**2,396**
Self-employed	3,619	80,685	57,417	73,451	72,766	607	78
SMEs	12,804	1,417,729	856,006	1,111,003	953,368	155,398	2,237
Other corporations	659	331,173	175,601	269,613	246,044	23,488	81

In addition to these support operations established in legal and sector-wide frameworks, the Group, in its desire to help its customers overcome this crisis, has renegotiated certain financial lease operations whose holders had accredited correct compliance with their financial obligations and who, as a result of COVID-19, are experiencing temporary financial difficulties. Until 31 December 2021, the Group had granted 290 transactions of this type (285 transactions at 31 December 2020), whose outstanding balance amounted to 271 thousand euros (2,170 thousand euros at 31 December 2020),

All the operations described above have been carried out in accordance with the provisions of the regulations of the Royal Decrees, as well as the guidelines and sector understandings.

The characteristics of the financial instruments under which these mitigation measures have been implemented are as follows:

- **Legal moratorium:** entails the suspension of the mortgage debt for a period of three months and the consequent non-application, during the period of validity of the same, of the early maturity clause that, where applicable, was included in the mortgage loan contract. During the period of validity, the Entity may not demand payment of the mortgage instalment, nor of any of the items comprising it (amortisation of the capital or payment of interest), either in full or as a percentage. Until 31 December 2021, legal moratorium measures have been formalised affecting 7,760 transactions, whose outstanding risk exposure amounts to 17,173 thousand euros (7,695 transactions with an outstanding risk of 39,743 thousand euros as at 31 December 2020). In accordance with IFRS 9, these measures have resulted in a non-substantial modification of the contract and therefore the affected assets have not been derecognised, although the Group has recognised the adjustment to the carrying amount of these assets as a result of the change in cash flows under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement in 2021 and 2020 was not significant.

- **Sectoral moratorium:** In this moratorium, the repayment of the principal of the loan is deferred for the term of the loan, although the customer will pay interest on the outstanding principal during this period. The term of the moratorium is a maximum of 12 months for mortgage loans or credits, and a maximum of 6 months for personal loans or credits. In the case of customers who are granted this moratorium after having exhausted the legal moratorium granted, the maximum term of the sectoral moratorium shall be reduced by the term of the legal moratorium. At 31 December 2021, the Group had formalised sectoral moratorium measures affecting 3,808 transactions, of which 2,641 transactions have been formalised after the customer has exhausted the legal moratorium granted, with the outstanding risk of transactions with this type of moratorium in force amounting to 8,360 thousand euros (3,645 transactions, of which 2,676 transactions have been entered into after the customer has exhausted the legal moratorium granted, bringing the outstanding risk of transactions with this type of moratorium in force to 326,386 thousand euros as at 31 December 2020).

- **COVID-19 ICO Lines:** Royal Decree-Law 8/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 100 billion euros in guarantees for financing granted by credit institutions to meet their needs arising from invoice management, working capital requirements, financial or tax obligations, payment of employee salaries or other liquidity needs that allow them to maintain economic activity. Companies and the self-employed have access to these guarantees, through the formalisation of new financing operations or the renewal of existing ones. As at 31 December 2020, the lines of guarantees activated by the Government now total the 100 billion euros set out in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers on 24 March, 10 April, 5 May, 19 May 2020 and 16 June. Of these total amounts, 67.5 billion euros have been earmarked for SMEs and the self-employed, 25 billion euros to other companies, 4 billion euros for issuing promissory notes, 2.5 billion euros for SMEs and the self-employed in the tourism sector and related activities, 500 million euros for the self-employed and companies for the acquisition or financial or operational leasing of road transport motor vehicles for professional use and 500 million euros for CERSA (Compañía Española de Reafianzamiento, S.A.)

  Additionally, Royal Decree-Law 25/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 40 billion euros in guarantees for financing granted by credit institutions to mainly meet their financial needs arising from new investments. Companies and the self-employed have access to these guarantees, through formalising new financing operations. Until 31 December 2021, the Government activated six tranches of this line of guarantees, some of which will be managed by the ICO, for a total of 26.8 billion euros, approved by the Council of Ministers on 28 July, 24 November, 22 December 2020 and 28 May 2021, the total amounts of which are earmarked for 15 billion euros for SMEs and the self employed, 8 billion euros for other companies, 2.5 billion to guarantee financing operations for companies and the self-employed that are in the process of executing an insolvency agreement within an insolvency proceeding (but are up to date with their obligations under the agreement and can prove this by means of a court or administrator’s report), 250 million euros to guarantee promissory notes issued on the MARF (Mercado Alternativo de Renta Fija) by companies that could not benefit from the tranche available under the first line as they were in the process of renewing their promissory note programme, 500 million euros to meet the investment and liquidity needs of SMEs and the self-employed in the tourism, hospitality and related activities sector, and 500 million euros to strengthen CERSA’s guarantees and increase the capacity of the MGSs.

  As at 31 December 2021, the number of transactions formalised by the Group for the self-employed, SMEs and other companies came to 19,643, with an outstanding balance of 1,667,880 thousand euros and an ICO guarantee amount of 1,286,160 thousand euros (17,082 transactions with an outstanding balance of 1,454,067 thousand euros and an ICO guarantee amount of 1,089,024 thousand euros at 31 December 2020).

The ICO Covid-19 guarantees do not affect the assessment of the significant increase in risk as this is assessed through the credit quality of the instrument. The Group considers that the COVID-19 ICO guarantees form a substantial part of the secured financing (full guarantee), as they are in any case new operations or renewals of existing credit lines with substantial modifications to the original terms and conditions. Therefore, the accounting treatment applied to them is based on the following assumptions in line with the specifications of IFRS 9: (i) the fee paid by the Group to the ICO is incorporated as an incremental cost in the calculation of the effective interest rate of the operation, and (ii) the flows expected to be obtained as a result of the execution of the guarantee are taken into account in the calculation of the expected loss on the transaction.

The Group has strengthened procedures both when granting moratoriums and for monitoring credit risk during the lifetime of the moratoriums and upon maturity. Transactions are analysed on the basis of the credit quality of the customer, without the granting of the moratorium in itself implying an automatic trigger for a significant increase in risk.

In addition, as evidence of payment no longer exists or has been reduced, the Group has introduced additional indicators to identify the significant increase in credit or impairment that may have occurred in certain transactions or groups of transactions and, where appropriate, they have been classified as Stage 2 or, where applicable, Stage 3.

In addition, account has been taken of the indications from the European Banking Authority (EBA) to not classify as refinancing moratoriums if they meet certain requirements. This is without prejudice to maintaining their status as refinancing if they were previously so classified or putting the exposure in the appropriate risk category as set out above.

Moreover, the accounting treatment of singular transactions, i.e. those not covered by the general frameworks described above, as well as of overdue arrears that have required additional support, is in line with the updated assessment of the customer's credit quality and the characteristics of the solution to be granted.

11.6.2. Effect on rating by credit risk stages

In the current economic context arising from the COVID-19 health crisis, banking regulators and supervisors around the world have recommended making appropriate use of the flexibility implicit in the regulatory framework, without undermining the adequate identification and hedging of credit risk. In line with these guidelines and recommendations, the Group has adapted its criteria for classifying financial instruments by stage according to their credit risk. The aim is to avoid automatisms and to allow greater flexibility in the application of expert judgement for the credit risk classification of operations, including those affected by legal and sectoral moratoriums, those that have been subject to a guarantee from the COVID-19 ICO line, and the treatment of refinancing. Following on from this, the existence of liquidity difficulties of borrowers with a good payment behaviour would not automatically lead to the amendments of the operations motivated by the COVID-19 crisis being identified as refinancing or restructuring at the time they are granted. These transactions may remain classified as normal as long as there are no reasonable doubts about their repayment and there has been no significant increase in their credit risk.

The Group has considered these guidelines and recommendations in its criteria for determining whether there is a significant increase in risk in its lending exposures. Furthermore, based on the recommendations of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), and in order to distinguish between exposures affected by temporary liquidity constraints (according to ESMA) and those that are actually affected by a situation of significantly increased risk, the Group refutes the presumption that there is a significant increase in risk in the case of operations affected by legal and sectoral moratoria, for the entire duration of the moratorium. However, those operations affected by sectoral moratoriums more than three months old and for which a low capacity to overcome this crisis is determined, based on the credit risk monitoring carried out by the Group, will be considered to have produced a significant increase in risk, with their consequent classification at Stage 2.

In addition, based on the results of the credit risk monitoring analyses of its loan portfolio described in Note 11.6.3, the Group has considered the classification at Stage 2 of those exposures in companies (not individually significant, since these are analysed by means of an individualised expert analysis) belonging to economic sectors especially affected by the health crisis or which, within the credit risk monitoring carried out by the Group, have been determined to have a low capacity to overcome this crisis.

11.6.3. Impact on credit risk impairment hedges

The current coronavirus pandemic (COVID-19) has continued to affect economic activity in 2021 due to the prolongation of containment measures. However, progress in the fight against the pandemic and the advance of the vaccination campaign, the improved capacity of economic agents to adapt to the pandemic, important additional fiscal policy measures, national and supranational policies, as well as the current recovery in demand are containing the impact on activity.

In this context, the Group, in its process of recalibrating the credit risk models in 2021, has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment coverage models. Hence, the probability of the occurrence of each scenario used was re-weighted (Note 2.3).

While in 2020, given the exceptional nature of the macroeconomic situation caused by COVID-19, in which unprecedented rates of falls and rebounds in the historical series of many variables have been observed and are estimated, the Group has considered, on the basis of the communications made by supervisors and supranational bodies to mitigate the treatment of short-term procyclicality in institutions' credit risk models, that, for those variables in which very distant peaks and troughs are reached, it is more prudent to draw up scenarios using the net effect of the variables, and it was thus decided to raise the probability of occurrence of the central scenario. Otherwise, in 2021, despite having reduced the level of uncertainty regarding the future economic forecasts, the Group has increased the weight of the pessimistic scenario, given the risks that have arisen especially during the last part of 2021, related with inflation, the supply chain and others of a geopolitical, which could delay the economic recovery and growth prospects of the projections issued by the European Central Bank or the Bank of Spain.

The main projected variables considered as at 31 December 2021 and 2020 are as follows:

	2021	2022	2023
GDP growth			
Base Scenario	6.5%	6.9%	2.7%
Best-case scenario	6.8%	7.6%	3.0%
Pessimistic scenario	2.7%	6.3%	2.0%
Unemployment rate			
Base Scenario	16.3%	16.0%	14.7%
Best-case scenario	16.0%	15.2%	13.6%
Pessimistic scenario	19.4%	18.9%	17.4%
Interest rate			
Base Scenario	(0.5%)	(0.4%)	(0.4%)
Best-case scenario	(0.5%)	(0.4%)	(0.4%)
Pessimistic scenario	(0.5%)	(0.5%)	(0.5%)
House price growth			
Base Scenario	1.5%	4.6%	4.0%
Best-case scenario	2.1%	6.0%	4.7%
Pessimistic scenario	(6.5)	3.3%	2.7%

	2020	2021	2022
GDP growth			
Base Scenario	(11.4%)	6.2%	6.3%
Best-case scenario	(11.4%)	8.6%	5.6%
Pessimistic scenario	(11.5%)	1.7%	5.8%
Unemployment rate			
Base Scenario	16.8%	18.4%	16.3%
Best-case scenario	16.8%	17.5%	15.1%
Pessimistic scenario	16.9%	19.3%	18.5%
Interest rate			
Base Scenario	(0.4%)	(0.4%)	(0.4%)
Best-case scenario	(0.4%)	(0.4%)	(0.4%)
Pessimistic scenario	(0.4%)	(0.6%)	(0.7%)
House price growth			
Base Scenario	(2.3%)	(1.8%)	(2.4%)
Best-case scenario	(2.3%)	(0.8%)	(2.7%)
Pessimistic scenario	(2.3%)	(9.7%)	(2.9%)

The weighting of the scenarios for 2021 and 2020 is as follows:

	2021	2020
Best-case scenario	10%	10%
Base Scenario	60%	70%
Pessimistic scenario	30%	20%

In addition, the Group analysed its loan portfolio taking into account the different types and segmentation of customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), their characteristics (companies, individuals, self-employed, etc.) as well as the sector to which each borrower belongs (CNAE). Following this analysis, it was concluded that there are economic sectors particularly impacted by the COVID-19 crisis, such as air transport, hotels, restaurants and tourism, for which the Group has to be particularly prudent in determining credit risk coverage.

In 2020, the Group recognised a non-recurring provision of 90 million euros, which was recorded for accounting purposes under the heading “Impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification - Financial assets at amortised cost”, 52 million of which has been recorded as a post model adjustment, in line with the multiple communications and recommendations of national and international regulators and supervisors regarding the treatment that credit entities must make to manage the credit risk of its financial assets faced with the high uncertainty existing at that moment of the pandemic, to cover the increase in credit risk of customers which are not in default at year-end 2021, but which, due to the persistent deterioration of the current macroeconomic situation, are expected to transition to Stage 2 in 2021, as the potential effect of the transitions between stages is not captured by the internal models.

Due to the extensions of the aforementioned governmental aid programmes and the recovery of economic activity, in 2021, there continued to be an absence of the default and stage transitions expected at 2020 year-end. This fact was evidenced in the analysis performed by the Entity regarding the operations of this type that have modified their Stage 1 accounting classification in December 2020 to Stage 2 in December 2021, observing that the impact on the impairment of these transactions amounted to approximately 6 million euros. This fact was ratified with the result of the recalibration of the models in 2021, especially in the company portfolio.

Therefore, at 2021 year-end, the Group maintained, due to prudence and faced with the validity and extension of the governmental support measures, an adjustment to the model of 52 million euros. The allocation of this subsequent adjustment to the stage and purpose model is explained on the basis of the progress of the transitions between stages of the moratorium and COVID-19 ICO operations observed in the Group during 2021 and in line with the loan portfolio change projections used in the Group’s Business Plan.

The breakdown by stage and by purpose of the subsequent adjustment to the model arranged by the Group for 31 December 2021 and 2020, due to the health crisis is presented below:

	Thousands of euros			
	31/12/2021			
	Stage 1	Stage 2	Stage 3	Total
Companies and self-employed	-	28,933	19,614	48,547
Mortgages to individuals	-	3,453	-	3,453
Other segments	-	-	-	-
Total	**-**	**32,386**	**19,614**	**52,000**

	Thousands of euros			
	31/12/2020			
	Stage 1	Stage 2	Stage 3	Total
Companies and self-employed	-	31,720	-	31,720
Mortgages to individuals	-	19,240	-	19,240
Other segments	-	1,040	-	1,040
Total	**-**	**52,000**	**-**	**52,000**

This post-model adjustment has a temporary nature, until the reasons for the post-model adjustment disappear or materialise,

The Group closely monitors the trend of both the sectors and the most relevant individual borrowers that could be affected by this crisis, in order to adapt its credit risk coverage to the different scenarios that may arise.

12. Derivatives - hedge accounting (assets and liabilities) and fair value changes of the hedged items in a portfolio with interest rate risk hedging

12.1 Derivatives - Hedge accounting

The breakdown, by product type, of the fair value of the financial derivatives designated as hedging instruments in fair value hedge and cash flow transactions at 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2021	2020	2021	2020
Interest rate swaps (IRSs)	71,866	142,020	275,690	216,202
	71,866	**142,020**	**275,690**	**216,202**

The carrying amount shown in the previous table represents the maximum level of exposure to credit risk with respect to the financial instruments included therein, except for the derivative assets contracted in which there are netting or compensation agreements, and that also have a collateral agreement consisting of the formalisation of deposits for an amount equivalent to the net fair value of the derivative transactions, so that in the event of default of the derivative operations by one of the parties, the other party is not required to satisfy the obligations associated with the deposit.

The main variations of the “Derivatives – hedge accounting” heading relate to the arrangement of the financial swaps to cover the risks of bonds indexed to inflation.

The Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The breakdown of the carrying amount of the financial instruments associated with these agreements and asset and liability deposits that are generated with the counterparties (for both the hedging and trading derivatives that are detailed in Note 7.3), is as follows:

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2021	2020
Derivative assets	250,311	25,283
Derivative liabilities	4,227	46,378

	Thousands of euros	
	Deposits subject to derivative offset arrangements	
	2021	2020
Deposits recognised under assets	4,150	70,217
Deposits recognised under liabilities	252,752	23,010

The purpose of all fair value hedges carried out by the Company is to hedge the risk of changes in the fair value of debt instruments, assets or liabilities issued at a fixed rate, due to changes in the reference interest rate. This risk is established in the increase of the fair value of the financial liabilities against reference interest rate decreases and decreases in the fair value of the financial assets in the event of their increases. To mitigate this risk, the Group arranges interest rate swaps, the value of which varies similarly and symmetrically to the changes in value of the hedged items.

The purpose of the cash flow hedges is to stabilise the impact on net interest income of interest associated with inflation-indexed public debt, eliminating the underlying risk of the benchmark index. To hedge this risk, interest rate swaps were arranged on the market that convert the issue’s inflation-indexed floating rate into a fixed rate.

In the event of ineffectiveness in fair value or cash flow hedges, the Bank mainly considers the following causes:

– Possible economic events affecting the Bank (e.g: default).

– Due to changes and possible differences with respect to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items, respectively.

– Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging instrument.

Note 3 analyses the nature of the Group’s main risks covered by these financial instruments.

A breakdown of the maturities of the notional amounts of the hedging instruments used by the Group at 31 December 2021 and 2020 is shown below:

	Thousands of euros					
	2021					
	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Fair value hedges	**21,000**	**950,000**	**705,128**	**1,372,650**	**365,000**	**3,413,778**
Interest rate swaps (IRSs)	**21,000**	**950,000**	**705,128**	**1,372,650**	**365,000**	**3,413,778**
Average interest rate	1.25%	-	-	-	0.03%	0.04%
Cash flow hedges	**-**	**-**	**-**	**300,000**	**503,500**	**803,500**
Interest rate swaps (IRSs)	-	-	-	300,000	503,500	803,500
Average interest rate	-	-	-	-	-	-

	Thousands of euros					
	2020					
	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Fair value hedges	**-**	**227,948**	**6,000**	**3,058,900**	**1,485,000**	**4,777,848**
Interest rate swaps (IRSs)	-	227,948	6,000	3,058,900	1,485,000	4,777,848
Average interest rate	-	0.08%	4.00%	0.85%	1.52%	0.49%
Cash flow hedges	**-**	**-**	**200,000**	**-**	**423,500**	**623,500**
Interest rate swaps (IRSs)	-	-	200,000	-	423,500	623,500
Average interest rate	-	-	-	-	-	-

A breakdown of the hedging instruments used by the Group at 31 December 2021 and 2020 is shown below:

	Thousands of euros			
	2021			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**3,413,778**	**67,361**	**(7,296)**	**(34,427)**
Interest rate swaps (IRSs)	3,413,778	67,361	(7,296)	(34,427)
Cash flow hedges	**803,500**	**4,504**	**(268,395)**	**(24,973)**
Interest rate swaps (IRSs)	803,500	4,504	(268,395)	(24,973)

	Thousands of euros			
	2020			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**4,777,848**	**122,347**	**(135,747)**	**(49,019)**
Interest rate swaps (IRSs)	4,777,848	122,347	(135,747)	(49,019)
Cash flow hedges	**623,500**	**19,673**	**(80,455)**	**8,551**
Interest rate swaps (IRSs)	623,500	19,673	(80,455)	8,551

A breakdown of the items hedged the Group at 31 December 2021 and 2020 is shown below:

	Thousands of euros					
	2021					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**220,699**	**3,167,360**	**(4,370)**	**(32,387)**	**34,233**	**-**
Transactions with clients	-	163,462	-	(1,709)	2,132	-
Loans	-	2,053,898	-	(29,557)	44,503	-
Fixed Income	220,699	-	(4,370)	-	(20,188)	-
Deposits taken (Money Market)	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Savings demand deposit hedge	-	950,000	-	(1,122)	7,786	-
Cash flow hedges	**1,081,884**	**-**	**-**	**-**	**-**	**(24,973)**
Fixed Income	1,081,884	-	-	-	-	(24,973)

	Thousands of euros					
	2020					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**1,142,031**	**3,441,265**	**112,988**	**(86,809)**	**48,655**	**-**
Transactions with clients	-	175,716	-	(3,842)	(599)	-
Loans	-	2,315,549	-	(74,059)	11,291	-
Fixed Income	1,142,031	-	112,988	-	26,408	-
Deposits taken (Money Market)	-	-	-	-	2,475	-
Equities	-	-	-	-	5,619	-
Savings demand deposit hedge	-	950,000	-	(8,908)	3,461	-
Cash flow hedges	**701,929**	**-**	**-**	**-**	**-**	**8,551**
Fixed Income	701,929	-	-	-	-	8,551

The following table shows the impact on the consolidated income statement and consolidated statement of other comprehensive income of the hedging relationships designated by the Group at 31 December 2021 and 2020:

	Thousands of euros			
	2021			
	Change in value of hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in profit or loss	Amount reclassified from equity to profit or loss	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**(194)**	**-**	**-**
Transactions with clients	-	72	-	-
Loans	-	(76)	-	-
Fixed Income	-	(190)	-	-
Deposits taken (Money Market)	-	-	-	-
Equities	-	-	-	-
Cash flow hedges	**(29,572)**	**-**	**-**	**(25,465)**
Fixed Income	(29,572)	-	-	(25,465)

	Thousands of euros			
	2020			
	Change in value of hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in profit or loss	Amount reclassified from equity to profit or loss	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**(364)**	**-**	**-**
Transactions with clients	-	205	-	-
Loans	-	(20)	-	-
Fixed Income	-	(212)	-	-
Deposits taken (Money Market)	-	162	-	-
Equities	-	(499)	-	-
Cash flow hedges	**27**	**-**	**-**	**11,802**
Fixed Income	27	-	-	11,802

At 31 December 2021 and 2020, there were no accounting hedges that failed the effectiveness test.

12.2 Fair value changes of the hedged items in a portfolio with interest rate risk hedging

As explained in Note 2.4, these gains or losses arising from changes in the fair value of the interest rate risk of the financial instruments effectively hedged in fair value macro-hedging transactions are charged or credited under these headings of the consolidated balance.

The breakdown of adjustments to financial assets and liabilities via macro-hedges at 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2021	2020	2021	2020
Mortgage loans	-	-	-	-
Financial liabilities	-	-	17,758	37,593
	-	**-**	**17,758**	**37,593**

With respect to the assets affecting the micro-hedges, Banco Grupo Cajatres, S.A.U. signed an option contract on interest rates in 2012, for which it would pay the positive difference between the floor rate and Euribor rate at 12 months (or zero if this difference is negative) on the current notional in each period in 2013-2026. The starting and maximum notional value of the option amounted to 2.672 billion euros, covering the cost of the floor value included in the mortgage loans in the portfolio on interest rate variations. In 2015 the Group decided to interrupt the micro-hedge. The change to the amortised cost of the hedged assets on the hedge interruption date, for an amount of 140.9 million euros, is accrued over the initially designated hedging period. At 31 December 2021, the adjustment pending accrual amounts to 22.3 million euros (31.2 million euros at 31 December 2020) and has been recorded since the interruption of the hedge under the heading “Financial assets at amortised cost - Customers” on the asset side of the balance sheet (Note 11.4). The cancellation of the derivative with the counterparty was made on the same day.

The nominal amount of financial liabilities corresponding to own issues, covered bonds, deposits and transactions with customers, covered by interest rate swaps (IRSs), amounted to 375,897 thousand euros at 31 December 2021 (450,897 thousand euros at 31 December 2020).

At 31 December 2021 and 2020, there were no accounting hedges that failed the effectiveness test.

13. Investments in joint ventures and associates

13.1 Investments in associates

This heading of investments in associates in the consolidated balance sheets as at 31 December 2021 and 2020 is broken down as follows:

	Thousands of euros	
	2021	2020
Equity instruments	75,976	76,820
(Impairment losses)	(128)	-
Total net amount	**75,848**	**76,820**

The balance of "Investments in subsidiaries, joint ventures and associates – Associates" of the consolidated balance sheets as at 31 December 2021 and 2020 included goodwill associated with these investments. The breakdown of this goodwill, based on the entity in which they originated, is shown below:

	Thousands of euros	
Company	**2021**	**2020**
Henneo	11,149	11,149
Total net amount	**11,149**	**11,149**

The movement of the impairment losses of the associated entities in 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Opening balance	**-**	**129**
Net transfers	**128**	**-**
Transfer charged to profit for the year	128	-
Recovered amount credited to profit for the year	-	-
Recovered amount credited to profit for the previous years	**-**	**-**
Amounts used	**-**	**(129)**
Other movements	**-**	**-**
Closing balance	**128**	**-**

13.2 Investments in joint ventures

Appendices I and II show a breakdown of the investments in joint ventures held by the Group at 31 December 2021 and 2020, with related details.

There are no impairment losses or goodwill associated with these investments.

14. Assets under insurance or reinsurance contracts

As at 31 December 2021 and 2020, the entirety of the budget under this heading of consolidated balances corresponds to the profit-sharing of the reinsured policies.

The reconciliation between the opening and closing balances under this heading in 2021 and 2020 is as follows:

	Thousands of euros
Balances as at 31 December 2019	**539**
Net transfers	(110)
Balances as at 31 December 2020	**429**
Net transfers	(39)
Balances as at 31 December 2021	**390**

15. Tangible assets

Movements in this consolidated balance sheet heading in 2021 and 2020 are as follows:

	Thousands of euros			
	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances at 1 January 2020	**1,349,339**	**410,979**	**87,716**	**1,848,034**
Additions	44,679	14,257	39,364	98,300
Disposals due to sales or through other means	(56,013)	(39,314)	(33,973)	(129,300)
Other transfers and other movements	(6,894)	1,466	(3,554)	(8,982)
Balances as at 31 December 2020	**1,331,111**	**387,388**	**89,553**	**1,808,052**
Additions	72,764	8,844	46,039	127,647
Disposals due to sales or through other means	(54,508)	(26,346)	(34,717)	(115,571)
Other transfers and other movements	13,953	9,045	6,610	29,608
Balances as at 31 December 2021	**1,363,320**	**378,931**	**107,485**	**1,849,736**
Accumulated depreciation				
Balances at 1 January 2020	**(704,075)**	**(97,093)**	**(13,735)**	**(814,903)**
Disposals due to sales or through other means	49,862	12,312	8,651	70,825
Allowances recognised in profit or loss	(39,069)	(6,658)	(9,124)	(54,851)
Other transfers and other movements	716	(856)	280	140
Balances as at 31 December 2020	**(692,566)**	**(92,295)**	**(13,928)**	(798,789)
Disposals due to sales or through other means	51,605	3,640	7,286	62,531
Allowances recognised in profit or loss	(40,485)	(6,420)	(9,386)	(56,291)
Other transfers and other movements	(10,397)	3,426	-	(6,971)
Balances as at 31 December 2021	**(691,843)**	(91,649)	**(16,028)**	**(799,520)**
Impairment losses				
Balances at 1 January 2020	**(200)**	**(49,221)**	**-**	**(49,421)**
Transfer charged to profit for the year (Note 40)	(386)	(2,488)	-	(2,874)
Recovered amount credited to profits (Note 40)	-	1,403	-	1,403
Applications and other movements	484	2,112	-	2,596
Balances as at 31 December 2020	**(102)**	**(48,194)**	**-**	**(48,296)**
Transfer charged to profit for the year (Note 40)	(1,765)	(2,649)	-	(4,414)
Recovered amount credited to profits (Note 40)	-	-	-	-
Applications and other movements	(12,929)	19,514	-	6,585
Balances as at 31 December 2021	**(14,796)**	**(31,329)**	**-**	**(46,125)**
Net tangible assets				
Balances as at 31 December 2020	**638,443**	**246,899**	**75,625**	**960,967**
Balances as at 31 December 2021	**656,681**	**255,953**	**91,457**	**1,004,091**

as at 31 December 2021, fully-amortised assets still in use amounted to 495,380 million euros (441,570 million at 31 December 2020).

In 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. availed themselves of the possibility offered by Article 9 of Law 16/2012 to update the tax value of property, plant and equipment, and certain buildings for own use and property investments were accordingly updated.

The amount of the tax update in Ibercaja Banco, S.A. amounted to 17,888 thousand euros, generating a share of 5% to be paid for this update, for an amount of 894 thousand euros. Given the revaluation of assets as a consequence of a tax law not permitted in the IFRS-EU, the carrying amount of the assets did not incur any variation in consolidated terms.

At Banco Grupo Cajatres, S.A.U., the amount of the tax update amounted to 36,094 thousand euros, generating a share of 5% to be paid for this update, for an amount of 1,805 thousand euros. However, given that the fiscally revaluated assets had already been revaluated for accounting purposes in 2010 when the Institutional Protection Scheme founded the Company, there was no increase in their carrying amount since the new tax value did not surpass the carrying amount before the update in any case.

In the Ibercaja Banco, S.A. individual financial statements of 2016, the information required by section 12 of article 9 of Law 16/2012 is set forth on the updated elements that were found in the Company equity.

15.1 Property, plant and equipment for own use

The breakdown, according to its nature, of the parties that include the balance under this heading of the consolidated balance as at 31 December 2021 and 2020 is the following:

	Thousands of euros			
	Cost	**Accumulated depreciation**	**Impairment losses**	**Net balance**
Computer equipment and installations	238,430	(196,531)	-	41,899
Furniture, vehicles and other installations	388,009	(335,069)	-	52,940
Buildings	607,998	(129,673)	(102)	478,223
Construction in progress	8,230	-	-	8,230
Use rights under lease	88,444	(31,293)	-	57,151
of which: Branch offices	*61,878*	*(25,908)*	-	*35,970*
of which: Sale & lease-back	*26,096*	*(5,241)*	-	*20,855*
of which: Other	*470*	*(144)*	-	*326*
Balances as at 31 December 2020	**1,331,111**	**(692,566)**	**(102)**	**638,443**
Computer equipment and installations	216,220	(165,913)	-	50,307
Furniture, vehicles and other installations	369,204	(313,859)	-	55,345
Buildings	642,914	(165,325)	(14,796)	462,793
Construction in progress	4,689	-	-	4,689
Use rights under lease	130,293	(46,746)	-	83,547
of which: Branch offices	*99,425*	*(37,266)*	-	*62,159*
of which: Sale & lease-back	*26,612*	*(8,016)*	-	*18,596*
of which: Other	*4,256*	*(1,464)*	-	*2,792*
Balances as at 31 December 2021	**1,363,320**	**(691,843)**	**(14,796)**	**656,681**

No third party termination benefits were received in 2021 for asset impairment, and there were no pending termination benefits to be received as at 31 December 2020.

There are no significant material asset acquisition commitments for its own use or restrictions on its ownership as at 31 December 2021 and 2020.

15.2 Investment property

The rental income coming from the Group's investment properties amounted to 3,905 thousand euros in 2021 (4,141 thousand euros in 2020) (Note 36), other related expenses amounted to 1,079 thousand euros (1,591 thousand euros in 2020) (Note 37) and operating expenses were incurred due to depreciation and amortisation in an amount of 6,420 thousand euros (6,658 thousand euros in 2020) (Note 15).

88% of the net carrying amount of the investment properties (84% in 2020) is based on appraisals made by experts with recognised professional capacity and recent experience in the location and category of the investment properties subject to assessment. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, Gesvalt, Gevasa, Instituto de Valoraciones and Eurovaloraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The following table displays a classification by type of asset of the investment properties. The carrying amount (excluding impairment losses) of these assets, which was valued by an independent surveyor, is as follows:

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2021	2020	2021	2020
Investment property	**287,465**	**295,093**	**254,985**	**270,098**
Residential	110,741	83,884	107,992	82,739
Commercial and industrial	175,043	206,325	145,312	182,475
Agricultural	1,681	4,884	1,681	4,884

The fair value calculated by independent appraisals for the assets amounts to 261,565 thousand euros at 31 December 2021 (288,222 thousand euros at 31 December 2020).

Appraisals of rental assets have a level 2 in the fair value hierarchy (Note 18).

There are no significant commitments for the acquisition or maintenance of investment properties, nor restrictions on their ownership as at 31 December 2021 and 2020.

15.3 Property, plant and equipment assigned under operating lease

The Group includes the assets associated with renting contracts under this heading, which amount to 91,457 thousand euros as at 31 December 2021 (75,625 thousand euros as at 31 December 2020). In 2021, the rental income coming from these assets amounted to 16,475 thousand euros (15,350 thousand euros in 2020) (Note 36) and operating expenses due to depreciation amounted to 9,386 thousand euros (9,124 thousand euros in 2020) (Note 15).

15.4 Impairment losses

In 2021, 1,765 thousand euros of impairment losses on property, plant and equipment for own use and 2,649 thousand euros of impairment losses on investment property were recognised (impairment losses of 386 thousand euros and 1,085 thousand euros in 2020, respectively) (Note 40).

16. Intangible assets

16.1 Goodwill

The breakdown of the parties that include the balance of this heading of the consolidated balance as at 31 December 2021 and 2020 is the following:

	Thousands of euros	
Company	**2021**	**2020**
Banco Grupo Cajatrés, S.A.U.	128,065	128,065
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	16,869
	144,934	**144,934**

On 23 May 2013, the market was notified that Ibercaja Banco, S.A.U., Banco Grupo Cajatres, S.A. and its respective shareholder savings banks had agreed the inclusion of the banks through a share exchange process and subsequent merger by absorption of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U.

On 25 July 2013, after satisfaction of the conditions precedent and the required administrative exemptions and authorisations having been secured, Ibercaja Banco became the owner of 100% of the share capital of Banco Grupo Cajatres, S.A. To this end, Ibercaja Banco carried out a 325.5 million euro capital increase subscribed for by the shareholders of Banco Grupo Cajatres, S.A. in exchange for all that bank's share capital. The new shareholders thereby obtained a joint holding of 12.20% in the share capital of Ibercaja Banco.

As a result of the difference between the consideration for the business acquired and the total at the acquisition date of the fair value of the assets and liabilities and the amount of the non-controlling interests, goodwill in the amount of 128,065 thousand euros was recognised in the consolidated financial statements. This goodwill takes into consideration, among other factors, the future results, the expected synergies of the combination of the acquirer and the acquiree and other intangible assets that do not qualify for separate recognition.

The goodwill associated with the company Caja Badajoz Vida y Pensiones, S.A. de Seguros was established as a consequence of the acquisition of 50% of this entity on 3 September 2014 that was not owned by the Group at the close of 2013.

This acquisition took place as part of the reorganisation of the Group's insurance business as a result of the takeover of Banco Grupo Cajatres, S.A.U. in 2013. In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (absorbed company) was merged by absorption into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Absorbing Company).

For the purposes of distributing the goodwill of that referred to in Note 2.16.1, in accordance with IAS 36 Impairment of Assets, the Group considered that there was only one cash-generating unit coinciding with the entirety of its balance, since the goodwill is controlled at the highest level for the purposes of internal management and there are no differentiated operational segments, in accordance with that indicated in Note 27.8. Ibercaja Banco has therefore been considered to be the cash-generating unit to which the goodwill is allocated.

The Group determines the recoverability of goodwill at the end of each reporting period in accordance with paragraph 96 of that IAS by comparing the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

The Group calculated the value in use by the cash-generating unit which constitutes Ibercaja Banco at the close of the year based on the valuation made by an independent expert (Deloitte Financial Advisory, S.L.U.) It was concluded that there was no need to record any impairment of the same.

In accordance with IAS 36, value in use has been calculated using discounted cash flows. The projected flows are the potentially distributable dividends based on the expected profit in an explicit 5-year projected scenario, net of compliance with the minimum solvency requirements defined by the supervisor. These flows have been discounted using market rates adjusted to the estimated cost of capital in accordance with the capital asset pricing model (CAPM) (Note 2.16).

The main criteria used to calculate value in use are as follows:

- Cash flows estimated from the Company's business plan
  - The net interest margin recovered as a result of a slight steepening of the yield curve.
  - Increase in asset management fees (unit trusts and pension plans) due to the rise in balances, which is explained by the strategy of transferring customers' savings from demand accounts.
  - Increase in bank fees, mainly those related to means of payment.
  - Reduction of the personnel and general expenses, as a consequence of the different rationalisation plans set in place by the Bank.
  - Normalisation of the allowance for asset impairments from 2023 after leaving behind the impact of COVID-19.

It should be noted that the projections for previous years have been reasonably met with the results obtained in those years. However, on occasions, the downward deviations from the projections for previous years arose mainly from differences between the actual rates and the rate curve used or from some extraordinary event that could not have been known at the time the projection was made (e.g. the sale of a loan portfolio or foreclosure, since they are made when there is a perceived appetite in the market and the market is not always able to anticipate it). With the exception of these cases, the Entity's projections do not usually show other significant downward deviations. However, in some cases, these downward deviations have been offset by upward deviations in other income statement headings, either due to improved income statement performance or to the use of levers to offset negative impacts. Nevertheless, the preparation of the projections has taken into account the strategic line set by the Entity, so that it follows a continuous and clearly defined path.

Additionally, the economic consequences of COVID-19, together with the measures adopted by the government to contain its spread, add further uncertainty to the projections of distributable flows, due to doubts about future changes in the main macroeconomic variables, and the Group has therefore been extremely prudent in its estimates.

Based on the foregoing, the impact of the COVID-19 contingency was absorbed in 2020. This negative impact was the result of the expected losses due to the impairment of loan portfolios until 2022, until reaching the highest increase in bad debts and due to the expected development of the pandemic and its macroeconomic effects, which the Group expects to leave behind in 2023.

In any event, the Group expects these provisions to revert, depending on how the situation evolves, to pre-pandemic levels, which has justified the accounting and prudential relaxation measures approved by the supervisors, as the true and fair view of a large part of the banking assets in the long term is not being called into question.

These effects should be contrasted with an interest margin generation capacity similar to that projected in the previous business plan, a context of low interest rates and the new conditions of the European Central Bank's TLTRO III programme, which, together with the increase in concessions guaranteed by the ICO, offset the lower accrual of interest income from doubtful investments.

- Discount rate

  The discount rate has been calculated on the basis of the capital asset pricing model (CAPM). In this formula, the following has been taken into consideration: a risk-free rate of 3.24% (3.1% in 2020), which, given the current sovereign debt rate environment, has been estimated from the normalisation of the Spanish 10-year bond; a beta adjusted by the Blume methodology of comparable listed companies taking the average monthly data of the last 5 years of 1.27 (1.16 in 2020), and a market risk premium of 4.9% (5.4% in 2020). Taking these factors into consideration, the discount rate calculated on the basis of profit after tax is 9.5% (9.8% in 2020), while the discount rate calculated on the basis of profit before tax is 13% (14% in 2020).

- Rate of growth in perpetuity of the cash flow starting in 2025.

  The rate has been set at 1.8% (1.7% in 2020), a level similar to Spain's long-term growth estimates.

A sensitivity analysis of the valuation to reasonably possible changes in the key valuation variables (perpetual growth rate of cash flows, discount rate, credit cost adjustments due to the effect of changes in government measures to combat COVID-19 and the time window of the cash flow projection) has been performed, noting that in no case would the calculated value in use be lower than the carrying amount of the cash-generating unit, which would imply impairment of the goodwill. The discount rate should vary at 418 bp (119 bp in 2020) so that, after incorporating the effects at the recoverable amount that are a consequence of this change to other variables, the value in use of the cash generating unit is equal to its value carrying amount.

16.2 Other intangible assets

The detail of this heading is as follows:

	Thousands of euros			
	Cost	Accumulated depreciation	Impairment losses	Net balance
Computer software	195,140	(109,978)	(673)	84,489
Trademark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatrés, S.A.U.	45,031	(37,228)	-	7,803
Other	-	-	-	-
Balances as at 31 December 2020	**247,671**	**(154,706)**	**(673)**	**92,292**
Computer software	237,763	(117,539)	(673)	119,551
Trade mark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatrés, S.A.U.	45,031	(40,349)	-	4,682
Other	-	-	-	-
Balances as at 31 December 2021	**290,294**	**(165,388)**	**(673)**	**124,233**

The "Trademark" includes the estimated value of the brands of the now extinct savings banks that gave rise to Banco Grupo Cajatrés, S.A. (CAI, Caja Círculo and Caja Badajoz).

The cost of the asset "Customer relationships with Banco Grupo Cajatrés, S.A.U." includes the net present value that, at the time of the acquisition of this entity, implies the saving of costs that the demand deposits and term of the this entity represent with respect to other alternative financing sources.

Movements in this consolidated balance sheet heading throughout 2021 and 2020 are as follows:

	Thousands of euros				
	Computer software	Trade mark	Customer relationships of Banco Grupo Cajatres	Other	Total
Cost					
Balances at 1 January 2020	**162,637**	**7,500**	**45,031**	**-**	**215,168**
Additions	32,821	-	-	-	32,821
Disposals due to sales or through other means	(318)	-	-	-	(318)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2020	**195,140**	**7,500**	**45,031**	**-**	**247,671**
Additions	42,623	-	-	-	42,623
Disposals due to sales or through other means	-	-	-	-	-
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2021	**237,763**	**7,500**	**45,031**	**-**	**290,294**
Accumulated depreciation					
Balances at 1 January 2020	**(105,148)**	**(7,500)**	**(34,108)**	**-**	**(146,756)**
Disposals due to sales or through other means	117	-	-	-	117
Allowances recognised in profit or loss	(4,947)	-	(3,120)	-	(8,067)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2020	**(109,978)**	**(7,500)**	**(37,228)**	**-**	**(154,706)**
Disposals due to sales or through other means	-	-	-	-	-
Allowances recognised in profit or loss	(7,561)	-	(3,121)	-	(10,682)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2021	**(117,539)**	**(7,500)**	**(40,349)**	**-**	**(165,388)**
Impairment losses					
Balances at 1 January 2020	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances as at 31 December 2020	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances as at 31 December 2021	**(673)**	**-**	**-**	**-**	**(673)**
Net intangible assets					
Balances as at 31 December 2020	**84,489**	**-**	**7,803**	**-**	**92,292**
Balances as at 31 December 2021	**119,551**	**-**	**4,682**	**-**	**124,233**

At 31 December 2021, fully-amortised intangible assets still in use amounted to 113,642 thousand euros (113,642 thousand euros at 31 December 2020).

17. Other assets

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

	Thousands of euros	
	2021	**2020**
Accruals and deferred income	49,341	35,938
Inventories	197,903	221,025
Transactions in transit	2,292	2,052
Other	7,011	9,434
Total gross amount	**256,547**	**268,449**
(Impairment losses)	(108,250)	(112,923)
Total net amount	**148,297**	**155,526**

Impairment analysed in the above table relates entirely to Inventories.

Movements in Inventories during 2021 and 2020 are as follows:

	Thousands of euros		
	Foreclosed assets	**Other assets**	**Total**
Cost			
Balances at 1 January 2020	**152,006**	**88,892**	**240,898**
Additions	562	-	562
Disposals due to sales or through other means	(17,367)	(3,068)	(20,435)
Other transfers and other movements	-	-	-
Balances as at 31 December 2020	**135,201**	**85,824**	**221,025**
Additions	143	219	362
Disposals due to sales or through other means	(18,573)	(5,324)	(23,897)
Other transfers and other movements	0	413	413
Balances as at 31 December 2021	**116,771**	**81,132**	**197,903**
Impairment losses			
Balances at 1 January 2020	**(86,713)**	**(18,901)**	**(105,614)**
Transfer charged to profit for the year (Note 40)	-	(840)	(840)
Recovered amount credited to profits (Note 40)	752	-	752
Applications and other movements	(6,870)	(351)	(7,221)
Balances as at 31 December 2020	**(92,831)**	**(20,092)**	**(112,923)**
Transfer charged to profit for the year (Note 40)	(6,964)	(549)	(7,513)
Recovered amount credited to profits (Note 40)	-	-	-
Applications and other movements	12,039	147	12,186
Balances as at 31 December 2021	**(87,756)**	**(20,494)**	**(108,250)**
Net inventories			
Balances as at 31 December 2020	**42,370**	**65,732**	**108,102**
Balances as at 31 December 2021	**29,015**	**60,638**	**89,653**

In inventories, all foreclosed assets consist of real estate.

The valuations of the above assets have been restated principally in the last year. The valuations have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets valued. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, Gesvalt, Gevasa, Instituto de Valoraciones and Eurovaloraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.
The breakdown of the inventory-related expenses for 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Costs to sell inventories sold during the year	6,961	12,745
Impairment losses on inventories (Note 40)	7,513	88
Impairment write-downs	7,513	840
Reversals of impairment write-downs	-	(752)
Total net amount	**14,474**	**12,833**

18. Non-current assets and disposal groups classified as held for sale

At 31 December 2021 and 2020, this consolidated balance sheet item breaks down as follows:

	Thousands of euros	
	2021	**2020**
Foreclosed assets	271,339	**314,769**
Residential	230,889	273,984
Industrial	28,997	29,751
Agricultural	11,453	11,034
Other assets	38,898	**64,806**
Residential	30,728	39,983
Industrial	1,821	21,692
Agricultural	6,349	3,131
Total gross amount	**310,237**	**379,575**
(Impairment losses)	(98,809)	(117,202)
Total net amount	**211,428**	**262,373**

Movements in this consolidated balance sheet heading in 2021 and 2020 are as follows:

	Thousands of euros		
	Foreclosed assets	Other assets	Total
Cost			
Balances at 1 January 2020	**310,949**	**63,798**	**374,747**
Additions	82,664	2,410	85,074
Disposals due to sales or through other means	(78,844)	(1,402)	(80,246)
Other transfers and other movements	-	-	-
Balances as at 31 December 2020	**314,769**	**64,806**	**379,575**
Additions	62,237	287	62,524
Disposals due to sales or through other means	(105,667)	(6,341)	(112,008)
Other transfers and other movements	-	(19,854)	(19,854)
Balances as at 31 December 2021	**271,339**	**38,898**	**310,237**
Impairment losses			
Balances at 1 January 2020	**(104,598)**	**(2,940)**	**(107,538)**
Net transfer charged to profit for the year (Note 42)	(18,862)	1	(18,861)
Applications and other movements	9,002	195	9,197
Balances as at 31 December 2020	**(114,458)**	**(2,744)**	**(117,202)**
Net transfer charged to profit for the year (Note 42)	(28,452)	(2,714)	(31,166)
Applications and other movements	49,844	(285)	49,559
Balances as at 31 December 2021	**(93,066)**	**(5,743)**	**(98,809)**
Net non-current assets held for sale			
Balances as at 31 December 2020	**200,311**	**62,062**	**262,373**
Balances as at 31 December 2021	**178,273**	**33,155**	**211,428**

The Group has a Realisation Plan for non-current assets held for sale, which includes the Sales financing policy. The Plan entails the collaboration of the estate agent network, the disclosure of specific information on the Company's web page and the existence of a unit dedicated to the disposal of assets foreclosed as payment for debts.

According to the Group's historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since the majority relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the market situation.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan, and
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

In 2021, the Group financed 19.70% of sales (15.39% in 2020).

Loans granted during the year to finance sales of this type of assets amount to 14,097 thousand euros (7,676 thousand euros at 31 December 2020) and the accumulated amount of loans granted is 581,210 thousand euros (567,113 thousand euros at 31 December 2020).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance appraised by an independent appraiser is indicated.

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2021	2020	2021	2020
Non-current assets held for sale	**310,237**	**379,575**	**301,255**	**354,173**
Residential	261,617	313,967	255,566	297,666
Industrial	30,818	51,443	28,748	43,203
Agricultural	17,802	14,165	16,941	13,304

The fair value calculated by independent appraisals for the assets amounts to 365,117 thousand euros at 31 December 2021 (400,420 thousand euros at 31 December 2020).

The Group has a corporate policy that ensures the professional competence, independence and objectivity of external appraisal companies, in accordance with the provisions of the regulations, which require appraisal companies to meet the requirements of neutrality and credibility so that the use of their estimates does not undermine the reliability of their appraisals. This policy establishes that all the appraisal companies with which the Group works must be registered with the Official Register of the Bank of Spain and their appraisals must be carried out in accordance with the methodology established in Order ECO/805/2003 of 27 March.

The appraisal techniques are used generally by all appraisal companies depending on the type of real estate asset. By regulatory requirement, these companies generally employ observable market data and other factors that market participants would consider in setting the price, limiting as much as possible the use of subjective considerations and unobservable or unverifiable data.

In order to determine the appraisal value, the necessary verifications are carried out to ascertain the characteristics and real situation of the object of the appraisal, which, in accordance with the provisions of the aforementioned Order, are as follows:

- The physical identification of the property, by means of its location and ocular inspection by a competent technician, verifying whether its surface area and other characteristics match the description in the documentation used to carry out the valuation, as well as the existence of visible easements and its apparent state of construction or conservation.

- The state of occupation of the property and the use or exploitation for which it is intended.

- In the case of housing, the public protection regime.

- The architectural heritage protection regime.

- The suitability of the property for the urban planning in force, and, if applicable, the existence of the right to the urban development that is being valued.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. Generally speaking, the residual method has been used to value land and the construction work underway, the discounted cash flow method for assets for rent and the comparison method for finished buildings and elements thereof. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer’s industrial margin, to arrive at the price of the land. In those cases where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate (dynamic residual method).

The following steps are used to calculate the residual value using the dynamic calculation procedure: the cash flows are estimated, the discount rate is chosen and the calculation formula is applied. The following shall be taken as cash flows: the collections and, where applicable, the credit deliveries expected to be obtained from the sale of the property to be developed; and the payments expected to be made for the various costs and expenses during construction or refurbishment, including payments for the credits granted. These charges and payments will be applied on the dates foreseen for the marketing and construction of the property.

The following requirements must be met for the use of the residual method:

- The existence of adequate information to determine the most likely property development to be carried out under the applicable planning regime or, in the case of land with completed buildings, to check whether it complies with the planning regime.

- The existence of sufficient information on construction costs, necessary development costs, financial costs, if any, and marketing costs to enable an estimate to be made of the normal costs and expenses for an average developer and for a development of similar characteristics to the one to be developed.

- The existence of market information allowing for the calculation of the most likely selling prices of the elements included in the development or in the building at the dates foreseen for their commercialisation.

- The existence of sufficient information on the performance of similar developments.

In order to be able to apply the residual method using the dynamic calculation procedure, it will also be necessary to have information on the construction or renovation periods, the marketing of the property and, where appropriate, the urban development management and the execution of the development.

• Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and/or present rent, taking into account the return required on each type of asset.

The calculation of the present value requires the valuer to estimate the cash flows, estimate the reversion value, choose the discount rate and apply the calculation formula.

For the use of the updating method, at least one of the following requirements must be met:

- There must be a rental market that is representative of comparable properties. In order to presume such an existence, there will be a need to have at least six pieces of rental income data on comparable properties that adequately reflect the current situation of this market and to have sufficient data on rental transactions or offers to identify suitable parameters to perform the homogenisation of rents on comparable properties.

- The existence of a lease on the property under valuation.

- The valued real estate is producing or is likely to produce income as real estate linked to an economic activity and there is also sufficient accounting data from the operation or adequate information on average structural ratios of the relevant branch of activity.

• Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties, the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

The following general rules are used to calculate the value by comparison:

- The qualities and characteristics of the appraised property that influence its value are established. In the case of buildings of an historic or artistic nature, in order to establish these qualities and characteristics, the particular value of the elements of the building that give it that nature is also considered.

- The real estate market segment of comparable properties is analysed and, on the basis of concrete information on actual transactions and firm offers, corrected where necessary, current cash purchase prices for these properties are obtained.

- A representative sample of the prices obtained after the previous analysis is selected from among the prices corresponding to the comparable properties, to which the necessary homogenisation procedure is applied. In the selection process, those prices that are abnormal must first be compared in order to identify and eliminate both those from transactions and offers that do not meet the conditions required in the definition of the market value of the goods concerned and, in the case of a valuation for the purpose foreseen in the aforementioned Order, those that may include speculative elements.

- The comparable properties are homogenised using the criteria, coefficients and/or weightings that are appropriate for the property in question.

- The value of the property, net of marketing costs, is assigned on the basis of the homogenised prices, after deduction of the easements and limitations of ownership that apply to it and that have not been taken into account in the application of the preceding rules.

In order to use the comparison method, the following requirements must be met:

- There must be a representative market for comparable properties.

- Sufficient data on transactions or bids to be able, in the area concerned, to identify appropriate parameters to perform the homogenisation of comparable properties.

- Sufficient information on at least six transactions or offers of comparable properties that adequately reflect the current state of that market.

Hence, real estate assets awarded have a level 3 in the fair value hierarchy,

19. Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2021 and 2020 are as follows:

	Thousands of euros	
	2021	**2020**
Deposits	**44,884,582**	**44,460,275**
Central banks (Note 19.1)	5,871,128	5,371,202
Credit institutions (Note 19.2)	745,174	1,207,820
Customers (Note 19.3)	38,268,280	37,881,253
Debt securities issued (Note 19.4)	**1,316,321**	**1,340,670**
Other financial liabilities (Note 19.5)	**1,084,210**	**826,435**
	47,285,113	**46,627,380**

19.1 Deposits - Central Banks

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2021 and 2020 is shown below:

	Thousands of euros	
	2021	**2020**
European Central Bank	5,959,000	5,400,000
Valuation adjustments	(87,872)	(28,798)
	5,871,128	**5,371,202**

On 30 April 2020, the Governing Council of the European Central Bank made a number of amendments to the terms and conditions of these financing operations in order to further support the provision of credit to households and businesses to mitigate the economic effects of the health crisis. With the maturity of the TLTRO II programme (1,650,000 thousand euros), the Group participated in the fourth auction of the TLTRO III programme for an amount of 5,400,000 thousand euros maturing in 2023, which has been recorded under “Financial liabilities at amortised cost - Deposits at central banks” in the consolidated balance sheet. In addition, on 24 June 2021, the Group participated in the seventh auction of the TLTRO III programme for an amount of 559,000 thousand euros.

For institutions that meet a certain volume of eligible loans between 1 March 2020 and 31 March 2021, the ECB discounted the interest rate by 0.5% with respect to the average rate of the deposit facilities, reaching a total of -1% for the period from June 2020 to June 2021. Furthermore, these conditions were extended on 10 December 2020, establishing, in addition to the above, that, if a certain volume of eligible loans is met between 1 October 2020 and 31 December 2021, the -1% interest rate may be applied for the period between June 2021 and June 2022.

Institutions shall have the option to repay the financing early one year after the settlement of each transaction, on a quarterly basis.

In accordance with point B5.4.4 of IFRS 9 on the application of the effective interest rate method to financial assets and liabilities at amortised cost, the Group has opted to accrue interest in accordance with the specific periods of adjustment to market rates, so that interest for the period from June 2020 to June 2022 (i.e. -1%) will be recognised in “Interest income and similar – Liability interest in the consolidated interim income statement, assuming that the threshold of eligible loans giving rise to the extra-rate is met. This approach is subject to the assumption that the probability of meeting the funding target set by the ECB, i.e., that there will be growth in the eligible portfolio of more than 0%, is highly probable. For this purpose, the Group has relied on the growth and development estimates used in the Business Plan and on the performance of the portfolio’s actual origination after several months of monitoring.

The amount of this positive remuneration amounts to 68,352 thousand euros and 37,815 thousand euros at 31 December 2021 and 2020, respectively (Note 28).

In addition, the Group monthly monitors the origination performed to ensure compliance with the assumptions. To date, there is a comfortable margin over the limits established by the ECB, which endorses the Bank’s assumptions for the recognition of the accrual of interest generated by these liquidity auctions.

The average effective interest rate on debt instruments classified in this caption during 2021 was -1.01% (-0.93% at 31 December 2020).

19.2 Deposits - Credit institutions

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2021 and 2020 is shown below:

	Thousands of euros	
	2021	**2020**
On demand	**21,365**	**9,975**
Other accounts	21,365	9,975
Time or at notice	**723,969**	**1,198,312**
Fixed-term deposits	113,807	526,295
Assets sold under repurchase agreements	600,972	632,633
Other accounts	9,190	39,384
Valuation adjustments	**(160)**	**(467)**
	745,174	**1,207,820**

The average effective interest rate on debt instruments classified in this caption during 2021 was 0.19% (0% during 2020).

19.3 Deposits - Customer

The breakdown of the balance under this heading in the consolidated balance sheets at 31 December 2021 and 2020, based on the geographical location, nature and counterparties of the transaction concerned, is indicated below:

	Thousands of euros	
	2021	**2020**
Geographic location		
Spain	38,141,024	37,751,833
Rest of the world	127,256	129,420
	38,268,280	**37,881,253**
By nature		
Demand deposits	34,673,081	33,014,125
Current accounts	*26,879,849*	*25,291,671*
Savings accounts	*7,748,700*	*7,634,909*
Rest of demand deposits	*44,532*	*87,545*
Term deposits	3,485,694	4,688,146
Fixed-term deposits	*2,349,119*	*3,017,862*
Non-marketable mortgage covered bonds and bonds issued (Note 44.1)	*1,100,470*	*1,625,470*
Hybrid deposits	-	-
Other term deposits	*36,105*	*44,814*
Assets sold under repurchase agreements	-	13,001
Valuation adjustments	109,505	165,981
	38,268,280	**37,881,253**
By counterparties		
Resident public administrations	1,606,262	1,430,828
Other resident sectors	36,534,762	36,321,005
Non-resident public administrations	13	13
Other non-resident sectors	127,243	129,407
	38,268,280	**37,881,253**

The average effective interest rate on debt instruments classified in this caption during 2021 was 0.04% (0.08% during 2020).

The item “Non-marketable mortgage covered bonds and bonds issued” (in the breakdown by nature) includes unique mortgage covered bonds issued under Law 2/1981 (25 March) governing the Mortgage Market in the amount of 1,100,470 thousand euros (1,625,470 thousand euros at 31 December 2020). The mortgage covered bonds were issued at variable or fixed rates of interest. The fixed-interest issues are hedged for interest-rate risk by means of interest rate swaps.

19.4 Debt securities issued

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

	Thousands of euros	
	2021	**2020**
Nominal value of mortgage covered bonds (Note 44.1)	3,000,000	3,000,000
Treasury shares	(2,500,000)	(2,507,121)
Nominal value of other securities linked to transferred financial assets	258,354	326,522
Nominal value of preferred ordinary bonds	50,000	-
Nominal value of subordinated bonds	500,030	500,030
Valuation adjustments	7,937	21,239
	1,316,321	**1,340,670**

During 2020, mortgage covered bonds matured in the nominal amount of 900 million euros, (Note 44.1).

Details regarding each issue of preferred ordinary bonds are as follows:

Issue	Nominal interest	Maturity	Thousands of euros Nominal amount 2021	2020
2 December 2021	Mixed	2 December 2027	50,000	-
			50,000	**-**

On 2 December 2021, Ibercaja Banco, S.A. issued preferred ordinary bonds of 50 million euros, maturing on 2 December 2027. The issue price was 99,754% and will accrue a fixed annual coupon of 1.25% until 2 December 2022. From that date, they will accrue fixed interest at the swap rate of 1 year plus a margin of 1.25%.

A breakdown of the security issues associated with financial assets transferred is as follows:

Type	Nominal interest	Issuance date	Maturity date	Nominal value of issue	Thousands of euros Amount subscribed 2021	2020
TDA2 securitisation bonds	Variable	13.10.2005	(*)	904,500	48,162	63,926
TDA3 securitisation bonds	Variable	12.05.2006	(*)	1,007,000	51,359	62,069
TDA4 securitisation bonds	Variable	18.10.2006	(*)	1,410,500	60,415	78,928
TDA5 securitisation bonds	Variable	11.05.2007	(*)	1,207,000	34,647	42,413
TDA6 securitisation bonds	Variable	25.06.2008	(*)	1,521,000	12,388	13,766
TDA ICO-FTVPO securitisation bonds	Variable	15.07.2009	(*)	447.200	51,383	65,420
TDA7 securitisation bonds	Variable	18.12.2009	(*)	2,070,000	-	-
					258,354	**326,522**

(*) These bonds are redeemed as the mortgage loans that have been assigned to the relevant securitisation fund are repaid.

The average effective interest rate on debt instruments classified in this caption during 2021 was -0.14% (0.14% during 2020).

Details regarding each issue of subordinated bonds are as follows:

Issue	Nominal interest	Maturity	Thousands of euros Nominal amount 2021	2020
15 June 2007	Mixed	15 June 2022	30	30
23 January 2020	Fixed	23 July 2030 (*)	500,000	500,000
			500,030	**500,030**

(*) The Group reserves the right to redeem these issues once five years have elapsed as from the issue date. Early redemption by the issuer is also possible within five years as from the issue date for causes deriving from a change in the tax treatment of the product and/or its treatment as an equity instrument. Such redemption must be authorised by the competent regulator from time to time.

On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback offer in cash to all holders of the subordinated obligations issue called “€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025”. Once this offer was concluded, Ibercaja accepted the purchase of Obligations for a nominal amount of 281,900 thousand euros, the settlement of which took place on 23 January 2020. Subsequently, Ibercaja met the selling interest of other investors who had not participated in the public offering, repurchasing an additional 77,700 thousand euros during the first half of that financial year.

Finally, on 28 July 2020, as anticipated in its “Other Relevant Information” communication to the CNMV on 3 June 2020, having obtained the necessary authorisations, the Group proceeded to carry out the early redemption of the remaining amount (140,400 thousand euros) of its issue of subordinated obligations called “€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025”. The nominal amount of 100 thousand euros has been paid for each outstanding security plus accrued and unpaid interest up to the aforementioned date (excluded), in accordance with the terms and conditions of the issuance prospectus.

On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an issue of subordinated obligations with a par value of 500 million euros and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2.882%. The disbursement and closure of this issue took place on 23 January 2020.

The bonds qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

These issues are subordinated and come behind all common creditors with respect to debt seniority.

Issues of subordinated bonds have been authorised by the competent Regulator to be classified as eligible own funds.

Interest accrued on the subordinated liabilities amounts to 14,391 thousand euros at 31 December 2021 (19,387 thousand euros at 31 December 2020).

The average effective interest rate on debt instruments classified in this caption during 2021 was 2.85% (3.36% during 2020).

Below follows a reconciliation of the carrying value of the liabilities originating from financing activities according to changes that generate cash flows and those that do not:

	Thousands of euros	
	2021	**2020**
Opening balance	**510,326**	**508,997**
Cash flows	50,000	-
Issue of preferred ordinary bonds	*50,000*	-
Subordinated bond issuance by Ibercaja Banco, S.A.	-	*500,000*
Redemption of subordinate bonds issued by Ibercaja Banco, S.A.	-	*(500,000)*
No impact on cash flows	(7,574)	1,329
Valuation adjustments	*(7,574)*	*1,329*
Closing balance	**552,752**	**510,326**

19.5 Other financial liabilities

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

	Thousands of euros	
	2021	**2020**
Bonds payable	55,288	37,836
Guarantees received	50,458	29,076
Collection accounts	711,450	539,751
Special accounts	41,167	37,714
Financial guarantees	2,136	2,234
Other items	223,711	179,824
	1,084,210	**826,435**

“Other items” include deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repos or reverse repos. The balance also includes lease liabilities amounting to 86,308 thousand euros (58,496 thousand euros during 2020, Note 2.10).

The Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The carrying value of financial instruments covered by these agreements and deposits payable and receivable generated with the counterparties are as follows:

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2021	2020
Assets under repos	-	-
Liabilities under repos	812	182

	Thousands of euros	
	Deposits subject to repo offset arrangements.	
	2021	2020
Deposits recognised under assets	310	1,060
Deposits recognised under liabilities	-	1,000

19.6 Information on average payment period for suppliers. Additional Provision Three. "Disclosure requirement" of Law 15/2010 of 5 July

Pursuant to Final Provision Two of Law 31/2014, of 3 December, amending Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on measures to combat late payment in commercial transactions, and in connection with the information to be included in the notes to the financial statements on the deferral of payments to suppliers in commercial transactions, calculated in accordance with the Spanish Institute of Accounting and Auditing's Ruling of 29 January 2016, the information for 2021 and 2020 is as follows:

	2021	2020
	Days	
Average supplier payment period	16	25
Ratio of settled transactions	14	23
Ratio of transactions pending payment	151	102
	Thousands of euros	
Total payments made	747,710	566,606
Total payments outstanding	8,130	15,859

20. Liabilities under insurance or reinsurance contracts

At 31 December 2021 and 2020, the balances in this consolidated balance sheet heading were as follows:

	Thousands of euros	
	2021	2020
Technical reserves for:		
Unearned premium reserves (non-life)	-	-
Life insurance:	5,326,263	6,573,738
Unearned premium reserve and current risks	*23,260*	*22,475*
Mathematical reserves	*5,303,003*	*6,551,263*
Benefits pending payment	96,055	92,728
Profit sharing and returned premiums	5,470	4,396
Life insurance in which the investment risk is borne by the policyholders	1,693,706	851,005
	7,121,494	**7,521,867**

There is no accepted reinsurance at 31 December 2021 or 31 December 2020.

The reconciliation between the opening and closing balances under this heading in 2019 and 2020 is as follows:

	Thousands of euros
Balances as at 31 December 2019	**7,784,537**
Transfers	*7,521,167*
Reversals	*(7,784,537)*
Balances as at 31 December 2020	**7,521,167**
Transfers	*7,121,494*
Reversals	*(7,521,167)*
Balances as at 31 December 2021	**7,121,494**

On 17 December 2020, the Directorate General of Insurance and Pension Funds published by means of a Resolution the new biometric tables to be applied by insurance companies, as well as the technical guide on supervisory criteria related to them.

The main objective of this Resolution was to declare the admissibility of these new tables and the inadmissibility of certain previous tables, establishing their application in calculating new premiums, accounting provisions and the valuation of liabilities under Solvency II, distinguishing between the various types of insurance (mortality, individual and group survival insurance).

In addition, and with regard to survival insurance, this resolution provides that institutions may choose between full adaptation to the tables in 2021 or progressive adaptation over time, complying with a timetable set by the supervisor. This timetable requires at least 25% of the difference in tables to be collected by the end of 2021 and each year thereafter additional quarters are to be computed, so that by the end of 2024 the institutions are fully adapted to the new tables.

Ibercaja Vida has estimated the total impact of the change of tables at 9,153 thousand euros, coming entirely from the survival insurance of its portfolio. At the end of 2021 an accumulated provision for this item amounting to 6,079 thousand euros had been recorded. Therefore, at the end of 2021, 66.42% of the impact of the change of tables has been included in its accounts, which is much higher than the minimum percentage laid down in the Resolution of the Directorate General of Insurance and Pension Funds for 2021, taking advantage of the adaptation period.

In the aforementioned Resolution, the Directorate General for Insurance and Pension Funds published two tables with different applications:

- Tables second-order or realistic: these are biometric tables based on actually observed historical mortality. They shall be applied in the calculation of the best estimate in the area of solvency.
- First order tables: these incorporate prudential surcharges determined by the supervisor on the second-order tables and are the tables to be applied for the quantification of accounting provisions.

Furthermore, at 31 December 2021 and 2020, Ibercaja Vida has analysed the adequacy of the new tables by comparing its actual experience with those that would be obtained in application of the new realistic, i.e. second-order, tables. The results obtained are shown in the following table:

2021

	Products	Actual Claims	Realistic Mortality Table	Estimated Claims	%
Death Risk Insurance	Life-savings insurance Risk insurance	1,074	PASS M/F 2020 2nd Order	1,412	76.07%
Insurance with Survival Risk	Rent insurance (Individual and Group)	1,802	PER M/F 2020 Ind 2nd Order PER M/F 2020 Gr 2nd Order	1,903	94.70%

2020

	Products	Actual Claims	Realistic Mortality Table	Estimated Claims	%
Death Risk Insurance	Life-savings insurance Risk insurance	1,216	PASS M/F 2020 2nd Order	1,653	73.56%
Insurance with Survival Risk	Rent insurance (Individual and Group)	1,969	PER M/F 2020 Ind 2nd Order PER M/F 2020 Gr 2nd Order	1,939	101.55%

As can be seen, in Death Risk Insurance there is a high sufficiency in the biometric hypotheses used in the calculation of the best estimate, since the real behaviour of the insured group (real deaths) is 76.07% (73.56% in 2020) of the behaviour obtained with the realistic mortality tables (second order). In other words, the company's mortality rate is lower than that determined by the realistic second-order table published by the supervisor.

In addition, sufficiency in Insurance with Survival Risk is verified because the real mortality of the insured group is 94.70% of the realistic longevity tables (second order), slightly above that indicated in the PER2020 second order table.

However, as explained above, the provision booked at year-end 2021 and 2020 has been calculated using the first-order tables, which represent a significant surcharge compared to the second-order tables. Therefore, once the adequacy of the second order tables has been verified with the company's experience, there is a very high probability that the provisions booked will cover future commitments, even if they are subject to some uncertainty.

20.1 Risk management under insurance contracts

The Group is exposed to market (interest rate, concentration, spread and variable income), liquidity, counterparty, operational and underwriting (life) risks under insurance contracts arranged and related transactions.

Ibercaja Vida has policies describing the management and control strategies applied to each of the abovementioned risks. These policies meet the Solvency II requirements that came into force on 1 January 2016 and have been approved by the Board of Directors.

Additionally, the Three Lines of Defence Model has been deployed in the Entity to assure effective risk management and supervision.

In addition, and with a risk-based approach, Ibercaja Vida has defined its Risk Appetite Framework (RAF), the main objective of which is to identify the risks to which the company is exposed and to determine tolerance limits for each of these risks, by establishing metrics with established compliance thresholds. This system makes it possible to monitor that the company is at all times within the threshold or risk appetite set by its Board of Directors.

In addition, and at least once a year, Ibercaja Vida carries out a Self-Assessment of its Risks and Solvency to obtain a prospective vision of the company's risks and solvency in different scenarios.

Market, liquidity, counterparty and operational risks affecting this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 on Risk Management.

Insurance business risk relates to life underwriting, which is the risk of incurring losses due to an increase in the value of liabilities as a result of a departure from the assumptions (mortality, longevity, policy lapse, expenses, etc.) on the basis of which they were contracted. This risk spans a number of sub-risks, the most significant being:

- Mortality Risk: the risk of incurring losses due to an increase in mortality rates in relation to forecasts.
- Survival/Longevity Risk: risk of incurring losses due to an increase in the survival of insured parties in relation to forecasts.
- Surrender/Portfolio Downside Risk: the risk of incurring losses due to variance in surrender rates in relation to forecasts.

Among others, the Company applies the following procedures to manage these life insurance underwriting risks to which it is exposed:

- Application of prudent mortality and survival tables to manage the risk associated with each product and generally accepted in the industry.
- Limits on taking out the insurance.
- Medical selection when taking out the insurance.
- Updating pricing and withholding platform.
- Ongoing monitoring of matching flows in portfolios subject to matching adjustment.
- In addition, risk diversification is an essential technique to reduce Ibercaja Group's overall exposure. To this end, Ibercaja Vida spreads its business strategy among various products, thus increasing the diversification of underwriting risks.

The main actuarial assumptions used in measuring the mathematical provisions of the various forms of insurance in the portfolio for 2021 and 2020 are detailed below:

	2021						
	Coverage type	Tables used	Profit sharing		Form of distribution	Form of payment	Guaranteed average rate
			With or without profit sharing	Amount to be distributed			
Systematic savings	Mixed	GK80/GK95/PASEM2010/ PASEM2019R1º	No profit sharing	-	Individual	Regular premiums	0.32%
Savings-investment	Mixed	GK80/GK95/PASEM2010/ PASEM2019R1º	No profit sharing	-	Individual	Single premium	0.32%
Life annuities	Mixed	GR95/PER2000P/ PER2020I1º	No profit sharing	-	Individual	Single premium	2.13%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010/ PASEM2019R1º	No profit sharing	-	Individual	Regular premiums	0.60%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010/ PASEM2019R1º	No profit sharing	-	Individual	Single premium	1.25%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010/ PASEM2019R1º	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GR95/PER2000P/ PER2020C1º	With/without profit sharing	26.11	Group	Single premium	4.14%
Other groups	Mixed	GK80/GK95	With profit sharing	44.50	Group	Regular/single premium	0.81%
Individual life-risk	Performing	GK80/GK95/PASEM2010/ PASEM2019R1º/ PASEM2019NR1º PASEM2019R1º/	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010/ PASEM2019R1º	With profit sharing	1,366	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	28.17	Group	Regular premiums	-

	2020						
	Coverage type	Tables used	Profit sharing		Form of distribution	Form of payment	Guaranteed average rate
			With or without profit sharing	Amount to be distributed			
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.28%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.32%
Life annuities	Mixed	GR95/PER2000P/ PER2020I1º	No profit sharing	-	Individual	Single premium	2.17%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.62%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.77%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P/PER2020C1º	With/without profit sharing	8	Group	Single premium	4.30%
Other groups	Mixed	GK80/GK95	With profit sharing	33	Group	Regular/single premium	1.28%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,500	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	34	Group	Regular premiums	-

20.2 Classification of insurance risk

The Group has a policy of diversifying insurance risks and there are mechanisms in place to detect any type of risk concentration. It is common practice to use treaty reinsurance to mitigate the risk of concentration or accumulation of guarantees above the maximum acceptance levels.

Set out below are the premiums issued classified based on their characteristics:

	Thousands of euros	
	2021	**2020**
Life-risk insurance premiums	75,549	73,606
Savings insurance premiums	825,974	883,695
	901,523	**957,301**
Premiums under individual policies	894,543	952,777
Premiums under group policies	6,980	4,524
	901,523	**957,301**
Regular premiums	356,739	372,128
Single premiums	544,784	585,173
	901,523	**957,301**
Premiums for policies with no profit-sharing	289,735	402,703
Premiums for policies with profit-sharing	6,561	4,460
Premiums for policies where the investment risk is assumed by the policyholder	605,227	550,138
	901,523	**957,301**

The premiums under the insurance contracts detailed in the table above are presented in the income statement item “Income from assets under insurance or reinsurance contracts”, which amounted to 904,463 thousand euros at 31 December 2021 (960,230 thousand euros at 31 December 2020). This heading also reflects income from reinsurance amounting to 2,940 thousand euros at 31 December 2021 (2,929 thousand euros at 31 December 2020).

According to the Directorate General of Insurance, individual insurance policies are those in which, despite a group policy being formalised, the premium payment obligations and inherent rights pertain to the insured. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2021 amounting to 904,756 thousand euros (960,461 thousand euros in 2020) relate to the technical reserves associated with such contracts.

20.3 Sensitivity to insurance risk

Ibercaja Vida monitors its risk exposure by applying the standard formula determined in the Solvency II regulations, obtaining a solvency ratio of 265% at 31 December 2021 (220% at 31 December 2020), with the regulatory minimum being 100%.

In addition, as explained above, Ibercaja Vida has established a Risk Appetite Framework (RAF) which defines the risk accepted in the company and establishes a series of first level metrics to monitor compliance with this appetite. In addition, in each of the risk management policies approved by the company, a series of second-level metrics or early warnings are determined that enable deviations to be anticipated and measures to be taken.

Among other sensitivity analyses, these metrics measure impacts on economic value and margin in the light of variations in the risk-free curve. The results achieved as at 31 December 2021 are as follows:

- A progressive decrease of -50 basis points in the discount curve would generate a 1% increase in the economic value and a 0.4% increase in the one-year result.

- A progressive increase of +50 basis points in the discount curve would mean a reduction in economic value of 1% and a reduction in one-year earnings of 0.8%.

As most of the insurer’s portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the economic value and income statement.

21. Provisions

The breakdown of movements in 2021 and 2020 indicating the purpose of the provisions recognised in the consolidated balance sheet at 31 December 2021 and 2020, is as follows:

	Thousands of euros				
	Pensions and other post-employment defined benefit obligations	**Other long term employee remuneration**	**Lawsuits and litigation for outstanding taxes**	**Commitments and guarantees given**	**Other provisions**
Balances at 1 January 2020	**123,610**	**466**	**7,930**	**22,515**	**161,174**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	432	434	17,307	23,450
Staff expenses (Note 38)	2,359	-	-	-	151,041
Reversal of provisions taken to income statement	-	-	-	(20,435)	(35,424)
Provisions utilised	(311)	(776)	(584)	-	(13,539)
Other movements	(6,535)	-	-	90	(40,106)
Balances as at 31 December 2020	**119,125**	**122**	**7,780**	**19,477**	**246,596**
Allowances charged to income statement					
Interest expense	3	-	-	-	-
Allowances to provisions and other	-	562	1,019	7,887	8,611
Staff expenses (Note 38)	2,254	1,544	-	-	16,333
Reversal of provisions taken to income statement	-	-	-	(10,636)	(1,721)
Provisions utilised	(308)	(684)	(1,636)	-	(115,554)
Other movements	(31,835)	-	-	(21)	25
Balances as at 31 December 2021	**89,239**	**1,544**	**7,163**	**16,707**	**154,290**

The composition of the provisions items “Pensions and other post-employment defined benefit commitments” and “Other long-term employee remuneration” is broken down in Note 38 “Staff expenses”. Other movements discloses the variation of exterior commitments implemented through pension plans and insurance policies without breaking down the financial and actuarial components and the benefits paid, with the information provided in the aforementioned Note.

The caption “Provision – Commitments and guarantees given” reflects impairment losses associated with financial guarantees (Note 27.1) and other off-balance-sheet exposures (Note 27.3) granted by the Group.

Post-employment benefits and other long-term commitments

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term remuneration commitments, carried as provisions in the balance sheet at 31 December 2021 and 2020, are analysed below:

	Thousands of euros	
	2021	**2020**
Liabilities		
Externalised post-employment benefits	82,720	112,168
Non-externalised post-employment benefits	6,519	6,957
Fund for labour-related costs of the restructuring plan	-	122
Long-term incentive plan (Note 2.13.5)	1,544	-
	90,783	**119,247**

The net balance in the consolidated balance sheet for defined benefit plans breaks down as follows:

	Thousands of euros	
	2021	**2020**
Commitments relating to:		
Post-employment benefits (Note 38.2)	(4,361)	(29,314)
Other long-term remuneration - pre-retirement (Note 38.3)	(1,544)	(122)
(Shortfall)/Surplus	**(5,905)**	**(29,436)**
Impact of limit on assets	(473)	(638)
Net asset (liability) on balance sheet:	**(6,378)**	**(30,074)**
Assets linked to pensions (*)	78,998	84,845
Net pension assets (**)	5,407	4,328
Net pension (provision)	(90,783)	(119,247)

(*) Financial assets at the subsidiary Ibercaja Vida, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The costs recognised in the consolidated income statement for employee benefits are as follows:

	Thousands of euros	
	2021	**2020**
Defined benefit plans	(2,254)	(2,359)
Contributions to defined contribution plans	(15,413)	(15,339)
interest expense and similar charges (net)	-	36
Transfers to provisions (*)	(561)	(412)
Actuarial gains (-) losses on long-term employee benefits	(1)	(20)
	(18,229)	**(18,094)**

(*) Includes annual provision for training, educational assistance for children, etc.

The amounts recognised in the consolidated statement of changes in equity are as follows:

	Thousands of euros	
	2021	**2020**
Actuarial gains/(losses) on post-employment benefits	14,635	849
Limitation on assets	(165)	(70)
	14,470	**779**

The main financial and actuarial assumptions used in measuring the commitments are as follows:

	2021	**2020**
Technical interest rate	0.68% - 1.12%	0.00% - 0.66%
Expected return on assets	0.68% - 1.12%	0.22% - 0.66%
Annual pension revision rate	0.00% - 2.00%	0.00% - 2.00%
Annual salary increase rate	2.00%	2.00%
Growth in Social Security contribution bases	1.00%	1.00%
Retirement age	63 - 67 years old	63 - 67 years old
Mortality tables	PER 2020 Col.1st order	PERM/F 2000P
Life expectancy		
Employees retiring in FY 2021/2020		
Men	24.18	22.66
Women	27.91	27.15
Employees retiring in FY 2041/2040		
Men	26.75	24.95
Women	30.30	29.21

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality (AA) corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the financial statements. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the post-employment obligations is 11.33 years and the weighted average discount rate was 0.78%.

Other provisions

Below is the detail and movement during the nine months of 2021 in “Provisions - Other provisions” in the consolidated balance sheet:

	Thousands of euros					
	Balance at 31/12/2020	Transfers	Reversals	Amounts used	Other movements	Balance at 31/12/2021
Interest rate floor clauses	20,659	5,516	-	(16,006)	-	10,169
Provisions ERE (temporary redundancy plan)	207,379	16,333	-	(89,894)	-	133,818
Mortgage expenses	5,367	2,555	-	(5,456)	-	2,466
Delivery demands on account of home purchases (purchasers with or without guarantee)	10,330	278	(1,558)	(3,619)	-	5,431
Other provisions	2,861	262	(163)	(579)	25	2,406
Total	**246,596**	**24,944**	**(1,721)**	**(115,554)**	**25**	**154,290**

Costs of the workforce downsizing plan

At 31 December 2021, the “Provisions -remaining provisions” heading related to the labour cost of the redundancy plans in 2014, 2015, 2017 and 2020, pending payment in the amount of 133,818 thousand euros (207,379 thousand euros at 31 December 2020). In 2021, payments were made in the amount of 89,894 thousand euros. In 2021, an additional cost was estimated for the labour force reduction provision in 2020 amounting to 12,842 thousand euros (Note 38). During 2020, the funds associated with this item were released for 19,011 thousand euros, due to the expiry of a contingency linked to these labour costs from Cajatrés.

Interest rate floor clauses

In relation to the possible impact of the return of the amounts received as a result of the application of the so-called interest rate floor clauses, either as a result of the hypothetical annulment by the courts of the interest rate floor clauses, or by application of Royal Decree-Law 1/2018, of 20 January, on consumer protection measures in relation to interest rate floor clauses, the Company has provisions set up to cover a hypothetical legal risk arising from the potential elimination of interest rate floor clauses in mortgage loans.

On 11 April 2018, in a judgment handed down by the full court, when analysing one of these resolutions, the Supreme Court considered it to be valid, as it was a genuine transaction, where both parties, reducing their original claims, resolved in a free and informed manner to reach an agreement to avoid litigation on the possible unfairness of the interest rate floor clause. Both parties renounced claiming the consequences of the possible abuse of the floor clause due to lack of transparency, and therefore, given that all the resolutions are in keeping with the same pattern and were adapted with equal or greater transparency than the one analysed by the S.C., the Group considers that all the agreements it entered into with its customers are valid.

On 26 June 2018, when analysing an Ibercaja Banco resolution, similar to the one examined by the Supreme Court in its judgment of 11 April 2018, the court of first instance and preliminary investigations 3 of Teruel called on the Court of Justice of the European Union (“CJEU”) to provide a preliminary ruling (Case C-452/18), calling into question the doctrine established by the Supreme Court in its Plenary Judgment of 11 April 2018.

On 9 July 2020, the CJEU delivered its judgment in case C-452/18. The CJEU affirms, contrary to the opinion of Court 3 of Teruel and in line with that stated by the Advocate General in his conclusions issued on 30 January 2020, that it is possible for a bank and a customer to sign a novation or settlement agreement on a potentially abusive interest rate floor clause, by virtue of which the customer sees the rate of the floor clause reduced and for its part waives the right to claim against the bank for the alleged unfairness of the initial floor clause, provided that the customer gives his free and informed consent.

Subsequently, on 5 November 2020, when ruling on an appeal in cassation lodged by Ibercaja, the Spanish Supreme Court, applying the CJEU ruling of 11 July, considered that, given that the novation agreement signed by the customer with Ibercaja was a pre-established contract and its clauses were general conditions, there was a need to examine the transparency of its clauses. In doing so, it considered that the clause modifying the interest rate was transparent and therefore valid, but the clause containing the reciprocal waiver of the exercise of actions was not, as it was a generic waiver not limited exclusively to the floor clause. This changed the criterion laid down by the Spanish Supreme Court in its judgment of 11 April 2018 in relation to the novation agreements signed by the Company, and ordered Ibercaja to return to the plaintiff the interest charged in excess due to the application of the interest rate floor clause from the time it began to operate in the contract until the date of the novation, and from that date onwards, the Entity could continue to charge the customer the floor clause.

Also, it should be highlighted that the new statute-of-limitations period is applicable for the shares that have not indicated a special term, which fell from 15 years to 5 years (Art. 1964 of the Civil Code), except in Catalonia, which maintains the 10-year period due to its regional regulation, which means that those who have not claimed the floor clause of their novated loan will have their claim action barred if more than five years have elapsed since the novation contract. This assertion is supported by the case law of the CJEU, and in its judgment of 16 July 2020, the European Court ruled on the length of the limitation period for actions to enforce the restitutionary effects of the declaration of invalidity of an unfair term, stating that “a period of five years ‘does not appear’ to make it impossible in practice or excessively difficult to exercise the rights conferred by Directive 93/13” (CJEU of 16 July 2020, sec. 87), especially when the CJEU, in other cases, has considered three-year limitation periods to be in line with the principle of effectiveness (CJEU of 15 April 2010, Barth, C-542/08, para. 28) and two years (CJEU of 15 December 2011, Banca Antoniana Popolare Veneta, Case C-42772010, para. 25).

Despite the foregoing, the SC submitted to the CJEU, a prejudicial matter relating to the beginning of the calculation period to apply the statute of limitations, relating to the mortgage loan expense clause, which will serve as a base to determine the commencement date of the calculation of the statute of limitations period, for all the actions that complain about the abusive nature of a general condition arranged in the signing of a mortgage loan.

The IRPH clause in mortgage loans.

On 14 December 2017, the Spanish Supreme Court, in the face of disparate criteria from the various provincial courts, declared in a unification of doctrine, that the Mortgage Loan Reference Index (IRPH) was valid and not abusive, given that it is an official index and as such cannot be subject to a transparency analysis.

On 16 February 2018, the 38th Court of First Instance of Barcelona made a reference to the CJEU for a preliminary ruling (Case C125/18), calling into question the criterion laid down by the Court of Justice in its judgment of 14 December 2017.

On 3 March 2020, the CJEU ruled in Case C-125/18, in which it clarified that a clause that fixes the interest rate on the basis of an official reference rate is subject to the Consumer Directive 93/13, and therefore, a national judge can examine whether the reference rate has been informed to the consumer in a transparent manner, unless this official rate is applied to the loan contract by application of a mandatory rule, as is the case, for example, in the Spanish case, with agreed loans (VPO).

Following this ruling, the different Spanish provincial courts maintained different criteria. Some considered the interest rate clauses that include the IRPH to be transparent and, therefore, not abusive, and others, conversely, considered them to be non-transparent and declared the interest rate clause abusive; however, the latter agree that the loan contract cannot survive without this clause and, hence inclusion in the contract is possible, but with very different criteria, since some courts replaced it with the Euribor, others with the IRPH credit institutions.

In November 2020, the Spanish Supreme Court issued five rulings related to the IRPH, four of them referring to free loans, and one of them related to an agreed loan. In the first four cases, the Court concluded that, despite the fact that the IRPH clause is not transparent, since the customer was not informed of the past performance of the index, it is not considered to be abusive, since, from the point of view of contractual good faith, the clause does not create an imbalance in the obligations of the contract for the consumer, and, therefore, since it was agreed by the Entity with the customer in good faith, it cannot be declared abusive. In relation to the fifth ruling, concerning a VPO loan, the SC stated that this clause, whose interest rate is imposed by the application of a regulation, cannot be considered abusive, since the Entity acted in good faith, limiting itself to applying the interest rate to the loan that is imposed for these loans by law.

Through the order of 17 November 2021, the CJEU confirmed what it expressed in its ruling of 3 March 2020, clarifying that, for transparency to exist, it is not necessary to deliver a prospectus to the consumer before signing the contract that included the previous change in the index, or that the contract should include a specific definition thereof, since the information related to the IRPH “is subject to official communication”, and hence, an attentive shrewd consumer would easily have knowledge of this information when taking out their loan.

In the case of the Group, the largest loan book referenced to IRPH comes from agreed or VPO loans, in which the interest rate is mandatorily imposed by the government and, therefore, the clause of these loans is outside the scope of application of the Consumer Directive, as has been affirmed by the CJEU ruling.

The rest of the IRPH-linked loan book is scant and many of these loans have already been repaid. As a result, the number of claims received for this legal contingency has been very low.

At 31 December 2021, the Group had 26 outstanding claims pending resolution. In the remaining proceedings in which we have been sued (that is, a total of 21 procedures), all the final decisions are favourable for the Group.

Based on this background and given that current case law on this matter is in favour of considering the IRPH clause as a non-abusive clause, the Group has considered it appropriate not to provision any amount for this legal risk, as it considers the probability that the Group will have to part with resources that include economic benefits to settle this obligation to be remote.

Mortgage expenses

In its ruling of 23 December 2015, the Spanish Supreme Court declared the nullity of the expense clause of the mortgage clauses due to its abusive nature, since it attributed the payment of all expenses to the consumer. According to its criteria, there was a serious imbalance in the contract's features in favour of the lending banks and against the consumers. The nullity led to the expulsion of the loan contract clause, which means, in line with the Supreme Court doctrine set in its ruling of 23 January 2019 that the Spanish laws must apply to determine how pays each of the loan expenses.

The CJEU Ruling of 16 July 2020 recognises that, once the costs clause has been declared unfair, national law can be applied to regulate the distribution of the costs of mortgage creation and cancellation in the absence of an agreement between the parties. In these paragraphs, in particular, the Court expressly mentions the possibility of not refunding to the consumer amounts imposed on him by national law (such as Stamp Duty).

In short, the CJEU confirms the validity of the interpretation made by the Supreme Court in such a way that it will be up to the national judge to determine, in the absence of an agreement as the expense clause has been eliminated, which of the costs borne by the consumer were imposed on him by the provisions of national law. And these national provisions are the ones that have been applied by the Supreme Court in its case law.

In this regard, the Supreme Court established on the basis of its Ruling 49/2019, of 23 January 2019, the distribution rules that must be applied and these national provisions state that:

- Stamp duty: As stated in the prevailing legislation at the arrangement date of the loan, the borrower was the payer of the tax, which was confirmed by Supreme Court case law. Hence, this expense must be paid by the borrower until the entry into force of Royal Decree Law 17/2018, of 8 November, which established that the taxpayer in the mortgage loans was the bank and not the borrower.

- Notary expenses: In the absence of the contract clause regulating this detail, rule Six of Appendix II of Royal Decree 1426/1989, of 17 November, approving notary fees, indicated that “The payment obligation on the rights will correspond to those that requested the provision of functions or services of the Notary and, where appropriate, to the interested parties in line with the substantial and fiscal regulations, and if several payers exist, the obligation will be joint and several”. Given that the two parties are interested in arranging the loan in a public deed (the borrower must obtain a long-duration mortgage loan and reduced interest rate to acquire a property, and the bank to have an enforceable title registrable in the Property Register), both parties must bear this cost 50-50%.

- Registration expenses: In the absence of the contract clause regulating this detail, rule Eight of Appendix II of Royal Decree 1427/1989, of 17 November, approving property registrar fees, indicated that the registrars' fees will be paid by those in whose favour said right is immediately registered or noted, and it must also be paid by the person that has presented the document. Hence, as stated in the customs duty regulations, since the party interested in registering the mortgage is the bank, the bank must support such expense.

- Appraisal expenses: It must be indicated that in relation to this expense, in its Ruling 61/2021, of 27 January 2021, the TS set the criteria that this expense must be met by the bank, since the property is appraised to mortgage it and since the mortgage is set up in favour of the bank, the bank must bear said cost, unless the loan was formalised after the entry into force of Law 5/2019 of 15 March, regulating real estate credit contracts, which imperatively establishes that this cost must be borne by the borrower.

Agency expenses: In principle, the SC understood that under national law this cost must be borne by the Bank and the borrower equally, since the agency provides a double service, one in favour of the borrower: to settle the taxes that must be paid, and another in favour of the bank: file the deed in the Property Register. However, in a ruling in November 2020, the SC changed its criteria and established that the payment of agency expenses corresponds to the bank, since the main activity of the agent is to file the mortgage loan in the property register.

Despite the foregoing, we must take into account various milestones of great importance which have occurred or will definitely occur in the future which, in our opinion, may affect the quantification of this legal risk:

- In 2017, Ibercaja, amended the loan agreement expense distribution clause, agreeing with the debtor to fairly distribute these expenses (register expenses: from bank account expenses; notary expenses: first copy without enforceable purposes on the account of the customer and first copy with enforceable purposes on the account of the bank; taxes as per the Law, appraisal expenses on the account of the customer, although with promotional campaigns assumed by Ibercaja).

- In June 2019, Law 5/2019, of 15 March entered into force, on the law on real estate loans, which mandatorily set the distribution of the expenses on mortgage loans arranged with consumers, hence, based on this law, no new loan can be the subject of a claim with respect to the expense clause.

- The number of new claims that we believe are going to be filed vis-à-vis IBERCAJA are going to be reduced to a large extent as a result of the prescription. On 28 December 2020 (once 82 days had elapsed since the state of alarm in which the statute-of limitations periods were suspended), the new five-year period entered into force for the prescription of the amount claim actions, instead of fifteen years. This will allow, in our opinion, the whole loan book arranged before 28 December 2015 to be saved, which had not claimed before 28 December 2020 the refund of the amounts unduly paid for expense clauses. However, in light of the differing criteria of the various provincial courts, the Spanish Supreme Court submitted a prejudicial matter to the CJEU, so it could pronounce on the commencement date of the calculation of the statute-of-limitations period. According to its outcome, the Bank must re-estimate the provisions it has recognised to cover this legal risk.

Amounts paid on account to the Bank in connection with home purchases

According to the Supreme Court judgment of 21 December 2015, in the sale and purchase of homes under Law 57/1968, credit institutions that accept deposits from buyers into an account held by the developer without requiring the opening of a special account and the related security are liable to the buyers for the total amounts advanced by the buyers and deposited in the account(s) that the developer holds with such institution in the event of insolvency of the developer. At 31 December 2021, the Bank had recognised a provision in the amount of 5,431 thousand euros to cover amounts received on account for home purchases (10,330 thousand euros at 31 December 2020), regardless of whether they had been claimed judicially.

Other provisions

The remainder of the balance relates to the coverage of other ordinary business risks.

22. <u>Other liabilities</u>

This heading in the consolidated balance sheets at 31 December 2021 and 2020 breaks down as follows:

	Thousands of euros	
	2021	**2020**
Personnel expense apportionment	13,964	9,882
Transactions in transit	1,417	4,320
Contribution to Deposit Guarantee Fund (Note 1.8.2)	44,786	46,229
Other	162,847	152,841
	223,014	**213,272**

At 31 December 2021 and 2020, "Other" mainly includes supplier expenses that have been accrued by the Group.

23. Shareholders' funds and non-controlling interests

23.1 Shareholders' equity

The breakdown of shareholders' equity at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Capital	214,428	214,428
Equity instruments issued other than capital	350,000	350,000
Retained earnings	621,589	602,663
Legal reserve	*59,215*	*59,215*
Goodwill reserve	*12,807*	*12,807*
Voluntary reserves	*527,083*	*511,313*
Capitalisation reserves	*22,484*	*19,328*
Revaluation reserves	3,288	3,297
Other reserves	1,960,567	1,966,640
Legal reserve	*13,671*	*13,671*
Accumulated reserves or losses on investments in jointly-controlled entities and associates	*(35,848)*	*(33,603)*
Other reserves	*1,982,744*	*1,986,572*
Of which: from the application of IFRS 9	*(115,872)*	*(115,872)*
Of which: from the issue of equity instruments other than capital	*(67,020)*	*(49,870)*
Profit/(loss) for the year	150,985	23,602
Interim dividends	(47,000)	-
Total	**3,253,857**	**3,160,630**

Equity instruments issued other than capital relate to an issue of preferential holdings, issued on 27 March 2018, in the amount of 350 million euros, known as "€350,000,000 Perpetual Non-Cumulative Additional Tier 1 Preferred Securites". The price of the emission was 100% and accrues a fixed annual coupon of 7%, which will be paid quarterly until 6 April 2023. From that date, fixed interest equal to the five-year swap rate plus a margin of 6.809% will accrue. In any event, payment of the remuneration is subject to certain conditions, and is discretionary for the issuer.

Preference shares are perpetual, without prejudice to their eligibility for redemption under certain conditions, at the discretion of the Bank. In addition, the nominal value of each of them may decrease to 0.01 euros if the Common Equity Tier 1 of Ibercaja Group falls below 5.125%. The payout and closing of this issue was carried out on 6 April 2018, and it was admitted for listing and trading in the AIAF fixed income market.

These shares were issued with the authorisation of the competent supervisor for classification as eligible tier-1 capital (Note 1.7.2).

Accrual and payment of the coupon of these instruments is recognised in "Other reserves" of equity. At 31 December 2021, this payment amounted to 24,500 thousand euros, 17,150 thousand euros net of the tax effect (24,500 thousand euros, 17,150 thousand euros, net of the tax effect at 31 December 2020).

In 2021, there have been movements in the Group's equity to comply with the requirements of article 25 of the Corporate Income Tax Law regarding the creation of a separate and appropriately titled restricted reserve for the amount of the reduction due to the capitalisation reserve.

As a result, the capitalisation reserve that was on the Group's consolidated balance sheet at 31 December 2020 was released with a credit to voluntary reserves in the amount of 7,528 thousand euros, leaving a capitalisation reserve for 2017 amounting to 11,799 thousand euros.

In addition, the Group has set up, with a charge to voluntary reserves, another capitalisation reserve for 2019, in accordance with the provisions of the aforementioned article of the Corporate Income Tax Law, amounting to 10,684 thousand euros, so that the carrying amount of the capitalisation reserves in the consolidated balance sheet totals 22,484 thousand euros (31 December 2020: 19,328 thousand euros).

In accordance with the definition of distributable items in the CRR regulations, in article 4, section 1, paragraph; the balance thereof, at 31 December 2021, amounted to 380,146 thousand euros (323,785 thousand euros at 31 December 2020).

“Interm dividends” includes the interim dividend out of 2021 profit, distributed among the shareholders in the last quarter of 2021 (Note 4.1).

23.1.1 Capital

Share capital at 31 December 2021 consisted of 214,427,597 shares (214,427,597 shares at 31 December 2020), with a par value of 1 euro each, fully subscribed and paid out, of the same class and series. The Bank’s shares are represented by bearer certificates.

The shareholders of Ibercaja Banco, S.A. are as follows:

	Thousands of euros	
	31/12/2021	**31/12/2020**
Fundación Bancaria Ibercaja	88.04%	88.04%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.73%	4.73%
Cajacírculo Fundación Bancaria	3.33%	3.33%
Fundación Ordinaria Caja de Badajoz	3.90%	3.90%

In 2020, 513,958 Ibercaja Banco shares were transferred from Fundación Caja de Ahorros de la Inmaculada de Aragón and Cajacírculo Fundación Bancaria to Fundación Bancaria Ibercaja, in accordance with the terms of the settlement agreement reached between the aforementioned shareholder foundations in relation to the payment of the price adjustment made by SAREB as payment of the compensation arising from the Integration Agreement between Ibercaja Banco and Banco Grupo Cajatrés.

23.1.2 Reserves

Appendix II includes a breakdown by company of the balance in “Accumulated reserves or losses on investments in jointly-controlled entities and associates” and the other accumulated reserves.

23.1.2.1 Legal reserve

In accordance with the consolidated text of the Corporate Enterprises Act, companies that record profits for the financial year must transfer 10% of the profits to the legal reserve until the balance in the reserve reaches at least 20% of share capital. The legal reserve may not be used to offset losses unless it exceeds the aforementioned limit and no other sufficient reserves are available for such purpose.

The legal reserve may be used to increase the share capital provided that the remaining reserve balance does not fall below 10% of the balance of share capital after the increase.

23.1.2.2 Goodwill reserve

The goodwill reserve is recognised pursuant to the previous Article 273.4 of the Corporate Enterprises Act, (eliminated in financial statements for periods commencing on or after 1 January 2016) and is not available for distribution. Law 22/2015 of 20 July on the Auditing of Accounts stipulates that in periods commencing on or after 1 January 2016, the goodwill reserve will be reclassified to voluntary reserves and will be unrestricted as from that date in an amount that exceeds the goodwill recognised on the assets side of the balance sheet.

23.1.2.3 Revaluation reserves

The revaluation reserves are the result of the accounting restatement carried out on the first-time adoption of IFRS-EU and may not be distributed, directly or indirectly, unless the capital gain has been realised, this being understood as when:

a) The part of the restated assets corresponding to the reserve has been written down.

b) The restated assets have been transferred or written off the balance sheet.

23.2 Non-controlling interests

The Group had no non-controlling interests in 2021 or 2020.

24. Accumulated other comprehensive income

24.1 Actuarial gains/(losses) on defined benefit pension plans

At 31 December 2021, cumulative actuarial losses on defined benefit pension plans amount to 13,612 thousand euros (23,741 thousand euros at 31 December 2020).

24.2 Hedging derivatives. Cash flow hedge reserve (effective portion)

At 31 December 2021, the amount of losses taken to equity for cash flow hedges amounted to 24,973 thousand euros (31 December 2020: gains of 8,551 thousand euros).

24.3 Financial assets at fair value through other comprehensive income

This heading on the consolidated balance sheets reflects the net amount of changes in fair value of assets which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4).

A breakdown of valuation adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26) is as follows:

	Thousands of euros				
	2021				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	(5,749)	203,543	193,076	10,467	-
Unlisted equity instruments	44,643	142,133	-	113,717	28,416
Listed fixed income	16,388	6,118,358	5,987,798	130,560	-
Total	**55,282**	**6,464,034**	**6,180,874**	**254,744**	**28,416**

	Thousands of euros				
	2020				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	(10,432)	210,904	201,601	9,303	-
Unlisted equity instruments	44,305	142,967	-	113,717	29,250
Listed fixed income	39,091	6,669,457	6,350,334	319,123	-
Total	**72,964**	**7,023,328**	**6,551,935**	**442,143**	**29,250**

25. Tax position

25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporation Tax Consolidated Group (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore corporation tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatrés, as from the tax period starting 1 January 2014, Banco Grupo Cajatrés and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

25.2 Years open to inspection

The Group and its companies are subject to inspection by the tax authorities for Corporation Tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2017 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the corporation tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Furthermore, in relation to the Corporation Tax of the tax consolidation group of Banco Grupo Cajatrés, a company absorbed by Ibercaja Banco in 2013, and of several of its companies, in July 2020 notification was received that inspection proceedings were commencing regarding supplementary tax returns and requests for rectification filed for 2011 to 2013. These proceedings are currently underway.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

25.3 Reconciliation of book and tax income

The reconciliation of consolidated profit before taxes for 2021 and 2020 and Corporation Tax expense is as follows:

	Thousands of euros	
	2021	**2020**
Consolidated profit(loss) before tax	**214,773**	**53,470**
Corporation tax at the 30% tax rate	64,432	16,041
Effect of permanent differences	6,165	(1,958)
Other adjustments on consolidation	(1,677)	(174)
Tax deductions and tax credits	(2,143)	(1,163)
Write-off of deferred tax assets	-	19,210
Corporation tax expense for the year	**66,777**	**31,956**
Adjustments to prior-year tax expense	(2,989)	(2,088)
Total corporation tax expense	**63,788**	**29,868**
of which: current tax expense	*15,955*	*41,977*
of which: deferred tax expense	*47,833*	*(12,109)*

The item "Effect of permanent differences" includes 5,494 thousand euros at 31 December 2020, relating to the straight-line reversal over five years of impairment losses on shareholdings that were tax deductible in periods prior to 2013, under Royal Decree-Law 3/2016 of 2 December,

In 2020, the Group derecognised tax credits associated with tax loss carryforwards generated by a subsidiary of the Group prior to its entry into the tax group for the amount of 19,210 thousand euros,

In 2020, pursuant to the provisions of Transitional Provision 16 of the Corporation Tax Law, in line with the wording used in Royal Law Decree 3/2016 of 2 December, which adopts tax measures that pursue the consolidation of public finances and other urgent social matters, the Bank has included 22,867 thousand euros in its taxable basis to reverse impairment losses on debt securities in the equity of entities that were tax deductible from the Corporation Tax base during the tax periods prior to 1 January 2013. Furthermore, as a result of the sale and settlement of Companies during the year, it will no longer be necessary to include income of 2,130 thousand euros. As at 31 December, no amount remained to be included in the taxable basis in this respect,

Corporation Tax expense increased by 25,737 thousand euros in 2021 due to the deferred taxes related to the origination and reversal of temporary differences (decrease of 31,007 thousand euros in 2020), Years prior to 2015, income was generated that qualified for the then-applicable tax credit for reinvestment of extraordinary profits, the relevant reinvestment commitment having been fulfilled. The following table shows the extraordinary gains that resulted in the tax credit:

	Thousands of euros	
Year income obtained	**Income**	**Year of reinvestment**
1998	3,498	2001
1999	190	2001
2001	6,001	2002
2002	6,017	2002
2003	4,181	2003
2004	6,707	2004
2005	4,486	2007
2006	14,633	2005-2007
2007	3,380	2007
2008	101,953	2007-2011
2009	1,598	2008-2012
2010	4,403	2009-2010
2011	17,729	2010-2011
2012	1,406	2012
2013	1,165	2012-2013
2014	9,229	2013-2014

Note: data for 2010 and prior years relate to operations of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja).

25.4 Deferred tax assets and liabilities

Based on tax legislation in force in Spain, there are certain timing differences and tax credits that should be taken into account when calculating consolidated corporation tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2021 and 2020 are as follows:

	Thousands of euros	
	Deferred tax liabilities	**Deferred tax assets**
Balance at 1 January 2019	**1,326,708**	**176,613**
Prior-year restatement and other	(16,142)	(1,364)
Generated during the year	82,890	339
Applied during the year	(59,875)	(4,211)
Change in deferred tax assets and liabilities applied to equity	2,044	(4,216)
Balance at 31 December 2020	**1,335,625**	**167,161**
Prior-year restatement and other	(7,724)	458
Generated during the year	18,902	388
Applied during the year	(60,247)	(2,082)
Change in deferred tax assets and liabilities applied to equity	5,596	(6,476)
Balance at 31 December 2021	**1,292,152**	**159,449**

In accordance with the provisions of transitional provision thirty-nine of the Corporation Tax Law, as amended by Royal Decree-Law 27/2019, of 28 December, the income or expense recorded directly in reserves as a result of the first application of Circular 4/2017 that have tax effects will be included in equal parts in the taxable basis of each of the first three years starting on or after 1 January 2018. The amount included in the taxable basis for 2020 for this item was 10,733 thousand euros. At 31 December 2020, no amount remained to be included in this regard, hence, in 2021, no amount was included for this item.

Below follows a breakdown of the Group's deferred tax assets and liabilities by type of temporary difference and tax credit:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	2021	2020	2021	2020
Impairment of financial assets	694,726	691,219	631	631
Pension commitments and other provisions	89,180	81,926	-	-
Fixed assets	15,770	13,322	109,468	110,900
Foreclosed assets	38	1,468	-	-
Other adjustments	53,903	92,655	33,444	33,248
Total temporary differences with a balancing item in income statement	**853,617**	**880,590**	**143,543**	**144,779**
Temporary differences with a balancing item in equity	**27,532**	**21,936**	**15,906**	**22,382**
Tax credit for tax-loss carryforwards	407,274	417,124	-	-
Tax credit for deductions pending application	3,729	15,975	-	-
Total tax credits	**411,003**	**433,099**	**-**	**-**
	1,292,152	**1,335,625**	**159,449**	**167,161**

Below follows a breakdown of income tax relating to each item included in the statement of recognised income and expense:

	Thousands of euros	
	2021	2020
Actuarial losses and gains on defined benefit pension plans	(4,341)	(234)
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(7,684)	3,755
Items that will not be reclassified to profit or loss	**(12,025)**	**3,521**
Debt instruments at fair value through other comprehensive income	9,730	2,751
Valuation gains/(losses) taken to equity	*7,478*	*(1,106)*
Transferred to the income statement	*2,252*	*3,857*
Cash flow hedges	14,367	(12)
Other recognised income and expenses	-	-
Items that may be reclassified to profit or loss	**24,097**	**2,739**
	12,072	**6,260**

No significant temporary differences associated with investments in subsidiaries, branches and associates or interests in joint arrangements have arisen which could give rise to deferred tax liabilities not recognised on the balance sheet.

Under current tax and accounting regulations, certain temporary differences must be taken into account when quantifying the relevant corporation tax expense on continuing operations.

In 2013, Royal Decree-Law 14/2013 classed as assets guaranteed by Spain's Central Government those tax assets generated by impairment losses on loans or other assets as a result of the possible insolvency of debtors unrelated to the taxpayer; this status was subsequently extended to impairment losses on public corporations and on provisions for or contributions to pension plans and, if applicable, pre-retirement plans ("monetisable tax assets").

Monetisable tax assets may be converted into debt claims against the tax administration in the event that the taxpayer records book losses or the entity is liquidated or declared to be insolvent by a court. They may also be exchange for government securities once 18 years have elapsed as from the last day of the tax period in which the assets were recognised in the accounts. In order to maintain the Central Government's guarantee, the assets are subject to an annual charge of 1.5% of their amount as from 2016 (Note 37).

In 2021, the net amount of deferred tax assets and liabilities related to temporary differences amounted to 721,700 thousand euros (735,365 thousand euros at 31 December 2020).

As noted above, a portion of deferred tax assets arising from temporary differences are enforceable against the public authorities in the above circumstances (monetisable assets), meaning that recoverability is not dependent on the existence of future taxable profits, so the recognition of the relevant amounts is justified. as at 31 December 2021, deferred tax assets amounted to 634 million euros (629 million euros at 31 December 2020).

In addition, at 31 December 2021 there are deferred tax assets for tax-loss carryforwards and for unused tax credits amounting to 411,003 thousand euros (433,099 thousand euros at 31 December 2020). The vast majority of these tax assets result from the prior-year losses, which were extraordinary and non-recurring, due basically to the write-down of real estate assets in 2012 and of renegotiated assets in 2013, as disclosed in the financial statements for those years.

The tax credits described in the preceding paragraph were recorded for accounting purposes on the premise that future tax benefits might be obtained that will allow the tax-loss carryforwards to be offset in a reasonable time. According to applicable regulations, there is no time limit for offsetting these deferred tax assets.

According to Ibercaja Banco's business plan, which has provided the basis for the valuation of the Bank at 31 December 2021, sufficient future taxable profits will be generated to enable the recovery of these deferred tax assets and therefore the Company considers that there is convincing objective evidence for the recognition of the deferred tax assets. Note 16.1 describes the justification of the basic assumptions used in determining the business plan considered by the Company, as well as the justification of the significant deviations therefrom in previous years that could jeopardise its fulfilment.

According to the business plan estimates referred to above, in 2021 the estimated period for recovering these deferred tax assets is no more than 15 years.

26. Fair value of financial assets and liabilities

26.1 Breakdown

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2021 and 2020 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the appraisal system (levels 1, 2 and 3):

	Thousands of euros				
	2021				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	6,388,624	6,388,624	-	6,388,624	-
Financial assets held for trading	2,864	2,864	-	2,864	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	1,668,437	1,668,437	1,666,941	-	1,496
Financial assets at fair value through profit or loss	7,451	7,451	7,451	-	-
Financial assets at fair value through other comprehensive income	6,464,034	6,464,034	6,180,874	254,744	28,416
Financial assets at amortised cost	40,989,400	43,759,819	8,027,646	3,640,451	32,091,723
Derivatives - Hedge accounting	71,866	71,866	-	71,866	-
Total financial assets	**55,592,676**	**58,363,095**	**15,882,912**	**10,358,549**	**32,121,635**
Financial liabilities held for trading	8,775	8,775	-	8,398	377
Financial liabilities at amortised cost	47,285,113	47,365,053	-	47,365,053	-
Derivatives - Hedge accounting	275,690	275,690	-	275,690	-
Total financial liabilities	**47,569,578**	**47,649,518**	**-**	**47,649,141**	**377**

	Thousands of euros				
	2020				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	7,572,609	7,572,609	-	7,572,609	-
Financial assets held for trading	5,503	5,503	-	5,503	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	853,721	853,721	824,170	-	29,551
Financial assets at fair value through profit or loss	8,602	8,602	8,602	-	-
Financial assets at fair value through other comprehensive income	7,023,328	7,023,328	6,551,935	442,143	29,250
Financial assets at amortised cost	39,726,825	43,033,735	6,548,679	3,636,832	32,848,224
Derivatives - Hedge accounting	142,020	142,020	-	142,020	-
Total financial assets	**55,332,608**	**58,639,518**	**13,933,386**	**11,799,107**	**32,907,025**
Financial liabilities held for trading	5,630	5,630	-	5,253	377
Financial liabilities at amortised cost	46,627,380	47,206,444	-	47,206,444	-
Derivatives - Hedge accounting	216,202	216,202	-	216,202	-
Total financial liabilities	**46,849,212**	**47,428,276**	**-**	**47,427,899**	**377**

The criteria used to determine fair value have been as follows:

- Level 1: using prices quoted on active markets for financial instruments.

- Level 2: using prices quoted on active markets for similar instruments or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.

- Level 3: using valuation techniques in which some significant inputs are not based on observable market data.

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.

- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.

- Equity instruments measured at fair value: In general, provided that directly or indirectly observable market data is available, their fair value is obtained from listed prices or transactions in active markets for similar instruments. If sufficient market information is not available, fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.

- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve, without considering a “spread” for credit risk. Additionally, the early amortisation of 1.38% of the total has been taken into account. This percentage is based on the Group’s historical data and is used in internal management.

The impact of a 100 basis point rise in the interbank interest rate curve would bring about a -2.18% reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the expected losses and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.

- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on the development of market interest rates. The longer the residual life of the instrument, the greater the variation.

- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins remain constant, the fair value coincides with the carrying value only on repricing dates. On all other dates, there is an interest rate risk for the flows that have already been calculated.

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. During 2021 and 2020 there were no financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

	Thousands of euros	
	2021	**2020**
Level 1	7,114	(776)
Level 2	(40,897)	915
Level 3	103	(10,587)
	(33,680)	**(10,448)**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, separately revealing changes during the year attributable to the following:

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2021	**-**	**29,551**	**29,250**	**377**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	108	(239)	-
Purchases	-	-	159	-
Sales	-	-	(754)	-
Issues	-	-		-
Settlements and maturities	-	(28,162)	-	-
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 31 December 2021	**-**	**1,497**	**28,416**	**377**

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2020	**-**	**90,980**	**30,494**	**387**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(10,475)	91	-
Purchases	-	-	150	-
Sales	-	(40,313)	(1,485)	-
Issues	-	-	-	-
Settlements and maturities	-	(10,641)	-	(10)
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 31 December 2020	**-**	**29,551**	**29,250**	**377**

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Private Equity Venture Capital Association).

Considering the amount of these investments, the Group believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine the value would not have a significant impact on the results, total assets or equity of the Group.

26.2 Impact of COVID-19 on fair value hierarchy levels

The events outlined above related to COVID-19 have had a significant impact on the financial markets at certain times during the 2020 financial year, and especially in the first half of the financial year, in the weeks following COVID-19 being declared a global pandemic. With the announcement of tightening measures affecting most of the world's economies, there was a decline in liquidity, a widening of bid-ask spreads in some financial instruments and some loss of convergence among the various price contributors.

Subsequently, market conditions have been normalising. Certain assets have recovered some of their accumulated losses, liquidity has recovered and volatility has declined in most markets from the highs reached in the weeks following COVID-19 being declared a global pandemic. At the end of 2021 and 2020, no significant reduction in the price sources used to value financial instruments has been observed.

As a result, in 2021 and 2020, the Group has not identified any significant changes in the fair value hierarchy levels of the financial assets in its portfolio.

27. Other significant information

27.1 Contingent risks

The following table breaks down financial guarantees granted at 31 December 2021 and 2020 in accordance with the maximum risk assumed by the Group:

	Thousands of euros	
	2021	2020
Guarantees and other sureties	**768,105**	**737,212**
Financial guarantees	97,630	93,631
Guarantees and other sureties	670,475	643,581
Irrevocable letters of credit	**41,725**	**23,018**
Irrevocable documents issued	41,725	23,018
Irrevocable documents confirmed	-	-
Assets associated with third-party obligations	234	**234**
	810,064	**760,464**

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties.

The income obtained from collateral instruments is recorded under the headings “Fee and commission income” and “Interest income” (in the amount relating to the restatement of the commission values) in the consolidated income statement and are calculated by applying the rate established contractually based on the nominal amount of the guarantee.

Provisions recorded to cover these guarantees, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the heading “Provisions - Commitments and guarantees given” in the balance sheet (Note 21).

At 31 December 2021 and 2020, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

	Thousands of euros	
	2021	2020
Assets under repos	598,062	617,298
Assets associated with Bank of Spain policy (*)	3,215,603	2,570,266
Other	-	-
	3,813,665	**3,187,564**

(*) There is an additional 3,580,615 thousand euros (3,707,465 thousand euros in 2020) relating to own securitisation bonds and mortgage covered bonds that are also associated with the Bank of Spain policy obtained to secure monetary policy operations in the Eurosystem.

The fair value of the assets provided or used as security do not differ from their carrying amount.

27.3 Contingent commitments

At 31 December 2021 and 2020, the limits on financing contracts granted and the undrawn balances were as follows:

	Thousands of euros			
	2021		2020	
	Limit granted	Undrawn balance	Limit granted	Undrawn balance
Drawable by third parties	**6,423,437**	**3,220,412**	**6,408,498**	**3,288,448**
Available immediately	3,761,680	2,178,988	3,677,218	2,296,459
Available subject to conditions	2,661,757	1,041,424	2,731,280	991,989
Securities subscribed pending disbursement	**-**	**1,268**	**-**	**1,268**
Documents in clearing houses	**-**	**106,917**	**-**	**126,905**
	6,423,437	**3,328,597**	**6,408,498**	**3,416,621**

The amounts available relate to variable interest operations.

Provisions recorded to cover these exposures, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the caption “Provisions - Commitments and guarantees given” in the balance sheet (Note 21).

27.4 Third-party funds managed and marketed by the Group and securities depository

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2021 and 2020 are indicated in the following table:

	Thousands of euros	
	2021	**2020**
Collective Investment Institutions	19,600,522	16,234,844
Pension funds	6,562,703	5,907,074
Insurance products	91,988	101,968
Discretionary portfolio management (*)	4,922,073	4,602,628
	31,177,286	**26,846,514**
Of which: managed by the Group	*31,053,343*	*25,814,364*

(*) Mainly includes discretionary managed Collective Investment Institutions.

Set out below is a breakdown of the securities deposited by third parties with the Group at 31 December 2021 and 2020:

	Thousands of euros	
	2021	**2020**
Fixed Income	1,147,598	1,113,273
Equities	2,793,202	2,588,749
	3,940,800	**3,702,022**

27.5 Securitisation of assets

The Group has securitised assets by assigning loans from its portfolio to a securitisation fund in which, due to the agreed transfer terms, the Company has continued to bear the substantial risks and rewards of the securitised assets and therefore these assets have been retained in full in the balance sheet. Details of the balances recorded in relation to these operations are set out below:

	Thousands of euros	
	2021	**2020**
Assets transferred to TDA Ibercaja 2, FTA in 2005	112,351	137,840
Assets transferred to TDA Ibercaja 3, FTA in 2006	167,066	197,836
Assets transferred to TDA Ibercaja 4, FTA in 2006	259,640	305,692
Assets transferred to TDA Ibercaja 5, FTA in 2007	268,203	313,746
Assets transferred to TDA Ibercaja 6, FTA in 2008	432,015	491,065
Assets transferred to TDA Ibercaja ICO-FTVPO, FTH in 2009	72,088	93,950
Assets transferred to TDA Ibercaja 7, FTA in 2009	803,971	901,301
	2,115,334	**2,441,430**

Note 11.1 provides details concerning the Company’s exposure in securitisation funds and the amount of securitisation fund liabilities that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitised assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2021 and 2020, which are backed by the transferred assets mentioned above, is as follows:

	Thousands of euros	
	2021	**2020**
Liabilities issued by TDA Ibercaja 2, FTA in 2005	112,407	136,906
Liabilities issued by TDA Ibercaja 3, FTA in 2006	165,529	192,725
Liabilities issued by TDA Ibercaja 4, FTA in 2006	258,198	298,965
Liabilities issued by TDA Ibercaja 5, FTA in 2007	268,835	259,101
Liabilities issued by TDA Ibercaja 6, FTA in 2008	420,383	466,713
Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009	70,965	91,057
Liabilities issued by TDA Ibercaja 7, FTA in 2009	749,904	813,562
	2,046,221	**2,259,029**

27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2021 amount to 5,384 thousand euros (6,709 thousand euros at 31 December 2020). The fair value of the assets received as security do not differ from their carrying amount.

27.7 Environment

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimise possible environmental impacts, and complies with current environmental legislation. During 2021 and 2020, no significant environment-related investments were made and no significant environment-related contingencies are considered to exist.

27.8 Segmentation

The ultimate decision-making body responsible for defining the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments, as the results of its activities are not examined on an independent basis by Management, for the following reasons:

- The types of products marketed by the Group's insurance companies are, in part, substitutes for bank savings products and are subject to similar risks.
- The use of the commercial network of Ibercaja Banco, S.A. as the majority distribution channel for the products of the Group's insurance companies affects the relationship of dependence between the two sectors.
- The existence of a common customer base and the linkage of the two brands from the consumer's point of view mean that operational risk is interrelated between the two sectors of banking and insurance.
- All strategic, commercial and regulatory analysis is carried out at the Group level.

Nevertheless, in accordance with applicable regulations, information on the distribution of the Group's revenues by geographical area and product type have been included in this Note.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

The breakdown of the Group's ordinary revenue (which includes interest income, dividend income, fees and commissions received, gains on financial assets and liabilities and other operating income) by type of product or service is as follows.

	Thousands of euros			
	Ordinary revenue from third-party customers		Gross margin excl. gains on financial assets and liabilities	
	2021	**2020**	**2021**	**2020**
Banking	994,570	1,056,949	799,046	774,872
Insurance	1,012,016	1,099,097	105,995	106,933
	2,006,586	**2,156,046**	**905,041**	**881,805**

The reconciliation between total ordinary income and gross income excluding gains and losses on financial transactions is shown below:

	Thousands of euros	
	2021	2020
Ordinary revenue from third-party customers	**2,006,586**	**2,156,046**
(Interest expenses)	57,097	99,125
Share of profit of entities accounted for using the equity method	5,589	579
(Fee and commission expenses)	19,509	16,636
(Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss)	46,108	128,856
(Net gains or (-) losses on financial assets and liabilities held for trading)	645	1,149
(Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss)	103	(10,476)
(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)	-	-
(Net gains or (-) losses from hedge accounting)	(194)	(364)
(Net exchange differences)	557	852
(Other operating expenses)	78,553	78,581
(Liability expenses covered by insurance or reinsurance contracts)	904,756	960,461
Gross margin excl. gains on financial assets and liabilities	**905,041**	**881,805**

28. Interest income

The breakdown of the balance under this consolidated income statement heading in 2021 and 2020, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2021	2020
Financial assets held for trading	-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	85	181
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	95,251	111,533
Financial assets at amortised cost	423,097	493,287
Interest rate hedging derivatives	(37,378)	(11,026)
Other assets	516	1,008
Interest income from liabilities	68,352	37,815
	549,923	**632,798**

"Interest income from liabilities" includes interest income from the application of negative interest rates on liquidity auctions under the European Central Bank's TLTRO programme amounting to 59,074 thousand euros (31 December 2020: 33,173 thousand euros; Note 19.1).

29. Interest expense

The breakdown of the balance under this consolidated income statement heading in 2021 and 2020, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2021	2020
Financial liabilities at amortised cost	81,055	119,568
Interest rate hedging derivatives	(50,108)	(59,367)
Insurance contracts	1,704	15,227
Other liabilities	1,572	9,285
Interest expense from assets	22,874	14,412
	57,097	**99,125**

"Other liabilities" includes interest expenses arising from the contribution made to the Deposit Guarantee Fund amounting to 275 thousand euros (505 thousand euros at 31 December 2020) (Note 1.8). In addition, at 31 December 2021, it also includes 1,207 thousand euros in interest expenses on lease liabilities (Note 2.10) (1,369 thousand euros at 31 December 2020).

30. Income from dividends

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of Financial assets at fair value through other comprehensive income, amounting to 9,542 thousand euros at 31 December 2021 (5,208 thousand euros at 31 December 2020).

31. Share of profit of entities accounted for using the equity method

Appendix II provides a breakdown by company of the balance under this consolidated income statement heading in 2021 and 2020.

32. Fee and commission income

Fee and commission income accrued in 2021 and 2020, classified in accordance with the item generating the fees and commissions, is reflected in the following table:

	Thousands of euros	
	2021	**2020**
Contingent risk fees	8,643	8,581
Contingent commitment fees	2,723	3,421
Foreign currency exchange fees	107	90
Collection and payment services fees	123,161	113,084
Securities services fees	49,581	38,992
Non-bank financial product marketing fees	254,860	206,590
Other fees	18,420	20,013
	457,495	**390,771**

33. Fee and commission expenses

Expenses for fees and commissions accrued in 2021 and 2020, classified in accordance with the item generating the fees and commissions, are reflected in the following table:

	Thousands of euros	
	2021	**2020**
Fees and commissions assigned to other entities	6,809	5,792
Fees for securities transactions	2,442	2,605
Other fees	10,258	8,239
	19,509	**16,636**

34. Gains/(losses) on financial transactions

The breakdown of the balance under this consolidated income statement heading in 2021 and 2020, based on the financial instrument portfolios from which the balances originate, is as follows:

	Thousands of euros	
	2021	2020
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**46,108**	**128,856**
Financial assets at fair value through other comprehensive income	7,508	12,856
Financial assets at amortised cost	40,779	125,366
Financial liabilities at amortised cost	(2,179)	(9,366)
Net gains/(losses) on financial assets and liabilities held for trading	**645**	**1,149**
Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**103**	**(10,476)**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**-**	**-**
Net gain/(loss) from hedge accounting	**(194)**	**(364)**
Adjustments to hedged instruments (fair value hedge)	34,233	48,655
Hedge derivative (fair value hedge)	(34,427)	(49,019)
	46,662	**119,165**

At 31 December 2020, the heading “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost” includes, among others, the impact of the sale of the national public debt securities portfolio explained in Note 11.2, which gave rise to a positive result of 114,619 thousand euros. As indicated in this Note, part of the nominal value of the portfolio was sold at term, generating a result of 33,102 thousand euros in 2021. Also, at 31 December 2020, it included the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. The transaction resulted in a positive result of 3 million euros.

Also, at 31 December 2021, this heading included both the impact of the sale of the national public debt securities portfolio performed in 2021 (Note 11.2), which led to a gain of 18,686 thousand euros, and the impact of the sale of a non-performing loan portfolio arranged at the end of 2021 (Note 11.5), which led to a negative impact of 9,623 thousand euros.

At 31 December 2020, “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss - Financial liabilities at amortised cost” mainly reflected the impact of the subordinated obligations repurchase transaction performed in 2020, described in Note 19.4. The Group had to pay an average premium of 2.14%, which led to a negative result of 9,363 thousand euros.

Lastly, at 31 December 2020, “Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss” mainly reflected the impact of the 10,350 thousand euros reduction in the value of SAREB’s subordinated debt (Note 8).

35. Exchange differences

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Translation into euro of monetary items denominated in foreign currency	389	1,376
Foreign currency trading	168	(524)
	557	**852**

No gain or loss was obtained on the cancellation of exchange differences recorded in consolidated equity, in accordance with the provisions of Note 2.5.3.

36. Other operating income

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Income from investment property (Note 15.2)	3,905	4,141
Income from other operating leases (Note 15.3)	16,475	15,350
Sales and income from provision of services	4,187	4,416
Other items	13,377	23,115
	37,944	**47,022**

At 31 December 2020, the heading “Other items” mainly includes the initial recognition of 15 million euros, as part of the 70 million euros already received by Ibercaja Mediación, for the signing of the novation agreement modifying Caser’s non-life insurance distribution contract (see Note 10).

37. Other operating expenses

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Operating expenses on investment properties (Note 15.2)	1,079	1,591
Contribution to National Resolution Fund (Note 1.8.1)	13,794	11,094
Contribution to Deposit Guarantee Fund (Note 1.8.2)	51,819	53,269
Other items	11,861	12,627
	78,553	**78,581**

At 31 December 2021, “Other items” includes the charge of 2,744 thousand euros (3,361 thousand euros at 31 December 2020) for converting deferred tax assets into debt claims against the Spanish tax administration (Note 25.4).

38. Staff expenses

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Wages and salaries	270,847	263,920
Social security contributions	68,638	68,660
Defined benefit plans	2,254	2,359
Contributions to defined contribution plans	15,413	15,339
Severance payments	16,333	151,072
Other staff expenses	1,698	1,218
	375,183	**502,568**

At 31 December 2021, the Entity recognised 1,544 thousand euros under “Wages and salaries” relating to the accrual of the management incentive multi-year plan (Note 2.13.5).

In December 2020, the management of Ibercaja Banco and employee representatives, as part of a redundancy programme, reached an agreement that envisaged a redundancy programme that would affect a maximum of 750 employees, establishing voluntary redundancy as a preferential selection criterion, either for reasons of age or due to the closure of the work centre. The departures of the participating employees will be staggered and will take place until June 2022. In accordance with point 165 of IAS 19 “Employee benefits” and the conditions established in IAS 37 “Provisions” for the recognition of restructuring costs, this plan has led to staff expenses amounting to 151,041 thousand euros being recognised under “Termination benefits” in the income statement for 2020. Note 21 includes the outstanding liabilities associated with this agreement. In 2021, an additional expense of 12,842 thousand euros was recognised, relating to changes in the departure dates of some employees, with respect to the remaining charges to a contingency tied to employment costs arising from prior years’ restructuring processes due to changes in social security legislation in 2021.

38.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2021 and 2020 is as follows:

	31/12/2021			31/12/2020		
	Men	Women	Total	Men	Women	Total
GR. 1 senior management	9	3	12	9	3	12
GR. 1 Levels I to V	1,227	716	1,943	1,403	754	2,157
GR. 1 Levels VI to X	1,030	1,494	2,524	1,180	1,610	2,790
GR. 1 Levels XI to XIII	176	209	385	145	177	322
GR. 2 and Cleaning service	14	2	16	23	3	26
	2,456	**2,424**	**4,880**	**2,760**	**2,547**	**5,307**

At 31 December 2021 and 2020, the entire workforce is based in Spain.

The average number of Group employees in 2021 and 2020 is as follows:

	2021	2020
GR. 1 senior management	12	12
GR. 1 Levels I to V	2,082	2,143
GR. 1 Levels VI to X	2,688	2,804
GR. 1 Levels XI to XIII	394	386
GR. 2 and Cleaning service	23	26
	5,199	**5,371**

At 31 December 2021, the average number of Group employees with a disability of 33% or more is 50 (57 employees at 31 December 2020).

38.2 Staff expenses - post-employment benefits

Net figures recognised in the balance sheet for defined benefit post-employment plans at December 2021 and 2020 are as follows:

	Thousands of euros	
	2021	2020
Present value of obligations financed	(229,644)	(254,922)
Fair value of plan assets	225,283	225,608
(**Shortfall)/Surplus**	**(4,361)**	**(29,314)**
Impact of limit on assets	(473)	(638)
Net asset (liability) on balance sheet:	**(4,834)**	**(29,952)**
Assets linked to pensions (Note 21) (*)	78,998	84,845
Net pension assets (Note 21) (**)	5,407	4,328
Net pension (provision) (Note 21)	(89,239)	(119,125)

(*) Financial assets at the subsidiary Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan obligations during 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Initial value of obligations financed	**(254,922)**	**(265,205)**
Cost of services for the current year	(2,254)	(2,359)
Interest expense	(157)	(282)
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Gains/(losses) on changes in demographic assumptions	(6,594)	-
Gains/(losses) on changes in financial assumptions	12,433	(4,522)
Gains/(losses) due to experience	4,425	(1,526)
Benefits paid	17,425	18,972
Transfers and other	-	-
Final present value of obligations	**(229,644)**	**(254,922)**

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan assets during 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Initial fair value of plan assets	**224,970**	**234,496**
Interest income	157	318
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Yield on plan assets excluding interest (expense)/income	-	-
Gains/(losses) on changes in financial assumptions	(3,443)	877
Gains/(losses) due to experience	7,483	6,018
Change in asset limit, excluding interest expense	166	(68)
Employer contributions	12,594	1,991
Member contributions	-	-
Benefits paid	(17,117)	(18,662)
Transfers and other	-	-
Final fair value of plan assets	**224,810**	**224,970**

The breakdown of the main types of plan assets at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Shares	15.90%	13.74%
Debt instruments	79.19%	82.51%
Constructions	-	-
Demand deposits	4.91%	3.75%
Other assets	-	-
Total	**100.00%**	**100.00%**

The analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

	Thousands of euros					
	2022	**2023**	**2024**	**2025**	**2026**	**2027-2030**
Probable post-employment benefits	15,435	14,914	14,367	13,800	13,209	56,928

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of post-employment plan obligations to changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(5.46%)	6.06%
Pension increase rate	50 bp	5.64%	(5.18%)
Salary increase rate	50 bp	0.18%	(0.17%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

The value of the obligation and the fair value of the assets for the purposes of the post-employment defined benefit plan for the current year and the previous four are as follows:

	2021	2020	2019	2018	2017
Present value of obligations financed	(229,644)	(254,922)	(265,205)	(256,700)	(264,016)
Fair value of plan assets	225,283	225,608	235,064	230,652	253,395
Surplus/(Shortfall)	**(4,361)**	**(29,314)**	**(30,141)**	**(26,048)**	**(10,621)**
Impact of limit on assets (Note 21)	(473)	(638)	(568)	(388)	(386)
Net asset (liability) on balance sheet:	**(4,834)**	**(29,952)**	**(30,709)**	**(26,436)**	**(11,007)**
Insurance contracts related to pensions (Note 21)	78,998	84,845	89,215	93,264	105,483
Net pension assets (Note 21)	5,407	4,328	3,686	4,565	4,261
Net pension assets (Provision) (Note 21)	(89,239)	(119,125)	(123,610)	(124,265)	(120,751)

38.3 Staff expenses - long-term remuneration for early retirees

The net figures recognised in the balance sheet for long-term remuneration payable to early retirees under defined benefit plans at December 2021 and 2020 are as follows:

	Thousands of euros	
	2021	2020
Present value of obligations financed	**(1,544)**	**(122)**
Fair value of plan assets	-	-
Net liability on balance sheet:	**(1,544)**	**(122)**
Assets linked to pensions	-	-
Net pension assets	-	-
Net pension (provision) (Note 21)	(1,544)	(122)

The reconciliation of opening and closing balances reflecting the present value of obligations under defined benefit plans for early retirees during 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Initial value of obligations financed	**(122)**	**(466)**
Cost of services for the current year	(1,544)	-
Interest expense	-	-
Past service cost	(561)	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:	-	-
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	-	-
Gains/(losses) due to experience	(1)	(20)
Benefits paid	684	364
Final present value of obligations	**(1,544)**	**(122)**

The analysis of the expected termination of other non-discounted long-term employee remuneration in the coming 10 years is as follows:

	Thousands of euros					
	2022	2023	2024	2025	2026	2027-2030
Probable long-term staff obligations	-	-	386	386	386	386

Changes in the main assumptions will not give rise to changes in the calculation of the obligations.

39. Other administration expenses

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Buildings, installations and office equipment	27,668	26,484
Equipment maintenance, licences, works and computer software	21,879	22,239
Communications	12,154	10,864
Advertising and publicity	5,771	5,003
Charges and taxes	18,170	20,221
Other management and administration expenses	83,424	68,209
	169,066	**153,020**

The item “Charges and taxes” includes the Tax on Deposits in Credit Institutions amounting to 10,685 thousand euros at 31 December 2021 (11,242 thousand euros in 2020).

- Other information

On 19 December 2019, the Bank’s General Shareholders’ Meeting appointed Ernst & Young, S.L. as auditor of Ibercaja Banco, S.A. for 2021, 2022 and 2023 to substitute PricewaterhouseCoopers Auditores, S.L.

The fees relating to the services provided by the audit company Ernst & Young, S.L. regarding the financial statements of Ibercaja Banco and the Group companies in the year ended 31 December 2021 are as follows:

	Thousands of euros
	2021
From audit services to the Group	862
From other assurance services	703
From other services	83
	1,648

The amount indicated in the previous table for audit services includes the total fees for these audit services, regardless of their billing date.

The other assurance services of the audit company relate mainly to limited reviews of the Group’s interim consolidated financial statements and other services requested of the auditor.

In 2021, no services have been provided by other companies that use the Ernst & Young brand.

The detail of the fees relating to 2020 agreed by the Bank with the audit firm PricewaterhouseCoopers Auditores, S.L. (auditor of Ibercaja Banco, S.A. until 2020) are provided below:

	Thousands of euros
	2020
From audit services to the Group	1,067
From other assurance services	503
From other services	561
	2,131

The fees accrued for non-audit services provided by the audit firm in 2020 relate mainly to limited reviews of the Group’s interim consolidated financial statements and other services requested of the auditor.

In 2020, no services have been provided by other companies that use the PricewaterhouseCoopers brand.

40. Impairment or reversal of impairment on non-financial assets

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Tangible assets (Note 15)	**4,414**	**1,471**
Property, plant and equipment	1,765	386
Investment property	2,649	1,085
Intangible assets (Note 16)	**-**	**-**
Goodwill	-	-
Other intangible assets	-	-
Other (Note 17)	**7,513**	**88**
	11,927	**1,559**

The increase in the provisions recognised under “Others” relates mainly to the recalibration effects of the 2021 internal model of the assets awarded.

41. Net gains/(losses) on derecognition of non-financial assets

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(5,594)	(3,066)
Gains/(losses) on disposal of shareholdings	395	19
	(5,199)	**(3,047)**

Gains/losses from the disposal of other non-current assets not classified as held for sale includes mainly the sale of land of a real estate subsidiary of the Group, which generated a loss of 4.4 million euros, with the remaining transactions being insignificant.

42. Profit/(loss) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

This consolidated income statement heading is analysed below for 2021 and 2020:

	Thousands of euros	
	2021	2020
Impairment gains/(losses) on other non-current assets for sale (Note 18)	(31,166)	(18,861)
Gains/(losses) on disposal of other non-current assets for sale	5,885	(969)
	(25,281)	**(19,830)**

The increase in the provisons recognised under “Impairment gains/(losses) on other non-current assets for sale” relates mainly to the recalibration effects of the 2021 internal model of the assets awarded.

43. Related parties

The balances recorded on the consolidated balance sheets at 31 December 2021 and 2020 and in the consolidated income statements for 2021 and 2020 are as follows:

	Thousands of euros									
	2021					2020				
	Shareholder	Associates	Multi. entities	Other related parties (*)	Related individuals (**)	Shareholder	Associates	Multi. entities	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and receivables	155,773	2,058	-	-	9,160	80,002	2,462	-	-	8,936
Counterparties under insurance contracts	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Deposits	195,014	10,750	1,319	123,096	20,393	103,790	12,305	1,004	478,163	22,484
Liabilities under insurance contracts linked to pensions		-	-	-	-	-	-	-	-	-
Provisions	-	1	-	-	-	-	3	-	-	-
PROFIT / (LOSS)										
Expenses										
Interest expense	81	-	-	-	4	79	345	-	-	4
Fees, commissions and other expenses	1,063	-	-	-	2	1,086	-	-	-	2
Income										
Interest income	-	-	80	53	60	-	-	29	68	63
Fees, commissions and other income	241	-	-	-	4	292	-	-	-	4
Dividends	50,849	-	-	-	-	17,500	-	-	-	-
OTHER										
Contingent liabilities	-	1,242	-	-	-	-	3,288	14	-	4
Commitments	-	-	6,007	-	800	-	6	6,000	-	719

(*) Investment funds and companies and pension funds.
(**) Senior management, Board of Directors, relatives to the second degree and their related entities.

The financial operations included have been carried out in accordance with the usual operating processes of the Group's parent entity and at arm's length. Arm's length terms are also applied in other related party transactions. For these purposes, the preferred valuation method taken into account is the comparable uncontrolled price method.

44. Other disclosure requirements

44.1 Information on the mortgage market

In accordance with Royal Decree 716/2009, of 24 April, whereby certain aspects of Law 2/1981, of 25 March, governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2010, of 29 June, the Board of Directors approved the "Loan and discount risk management policy and procedure manual" drawn up by the Company to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation companies authorised by the Bank of Spain.

- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by the borrower and the borrower's solvency, and the existence of other additional guarantees.

- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

The General Shareholders' Meeting of Ibercaja Banco, S.A. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 31 December 2021, the figure was 26.37% (29.54% at 31 December 2020).

Mortgage covered bonds are securities especially guaranteed by the issuer where the entire mortgage loan book arranged in its favour guarantees compliance with its payment commitments.

The level of over collateralisation or backing of mortgage covered bonds by the total mortgage portfolio is 446.78% at 31 December 2021 (409.76% at 31 December 2020).

At that date 99.56% of transactions in the mortgage portfolio have been formalised through loans (99.48% at 31 December 2020). Of these, instalments are collected on a monthly basis for 97.94% (97.69% at 31 December 2020). The operations formalised at variable interest rates are 99.38% of the total (99.45% at 31 December 2020) and of these, 78.32% are tied to Euribor (80.34% at 31 December 2020).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage covered bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitisations written off the balance sheet):

	Thousands of euros	
	Nominal value	
	2021	2020
Total loans	**20,950,696**	**21,956,512**
Mortgage participations issued	**851,069**	**995,475**
of which: loans recognised on asset side of balance sheet	851,069	995,475
Mortgage transfer certificates issued	**1,288,009**	**1,445,955**
of which: loans recognised on asset side of balance sheet	1,288,009	1,445,955
Mortgage loans pledged in guarantee for financing received	**-**	**-**
Loans backing mortgage bonds issues and covered bond issues	**18,811,618**	**19,515,082**
Non-eligible loans	3,253,653	3,842,758
They meet the requirements to be eligible, except for the limit under art. 5.1 of RD 716/2009	2,997,474	3,477,412
Other non-eligible loans	256,179	365,346
Eligible loans	15,557,965	15,672,324
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	15,557,965	15,672,324
Non-computable amounts	10,963	13,247
Computable amounts	15,547,002	15,659,077
Memorandum items	**Updated value**	
Loans backing mortgage bond issues	-	-

Note 3.5.4 sets out the carrying amount of mortgage backed loans and its reconciliation with mortgage market information.

• Information on eligible loans and mortgages:

<table>
<tr><th></th><th colspan="5">Thousands of euros</th></tr>
<tr><th></th><th colspan="5">2021</th></tr>
<tr><th></th><th colspan="5">Loan to value based on latest available appraisal</th></tr>
<tr><th></th><th>Less than or equal to 40%</th><th>Greater than 40% and less than or equal to 60%</th><th>Greater than 60% and less than or equal to 80%</th><th>Greater than 80%</th><th>Total</th></tr>
<tr><td>Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds</td><td></td><td></td><td></td><td></td><td>15,557,965</td></tr>
<tr><td>Residential</td><td>4,351,484</td><td>6,027,579</td><td>4,349,849</td><td>-</td><td>14,728,912</td></tr>
<tr><td>Other properties</td><td>455,589</td><td>346,286</td><td colspan="2">27,178</td><td>829,053</td></tr>
</table>

<table>
<tr><th></th><th colspan="5">Thousands of euros</th></tr>
<tr><th></th><th colspan="5">2020</th></tr>
<tr><th></th><th colspan="5">Loan to value based on latest available appraisal</th></tr>
<tr><th></th><th>Less than or equal to 40%</th><th>Greater than 40% and less than or equal to 60%</th><th>Greater than 60% and less than or equal to 80%</th><th>Greater than 80%</th><th>Total</th></tr>
<tr><td>Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds</td><td></td><td></td><td></td><td></td><td>15,672,324</td></tr>
<tr><td>Residential</td><td>4,275,966</td><td>6,195,817</td><td>4,262,679</td><td>-</td><td>14,734,462</td></tr>
<tr><td>Other properties</td><td>524,909</td><td>364,098</td><td colspan="2">48,855</td><td>937,862</td></tr>
</table>

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

	Thousands of euros			
	2021		2020	
	Loans backing mortgage bonds issues and covered bond issues	**Of which: Eligible loans**	**Loans backing mortgage bonds issues and covered bond issues**	**Of which: Eligible loans**
Total	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Origin of operations	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Originated by the Entity	13,055,673	10,392,629	13,339,039	10,252,575
Subrogated from other entities	308,761	298,974	349,447	334,967
Other	5,447,184	4,866,362	5,826,596	5,084,782
Currency	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Euro	18,810,650	15,557,965	19,513,236	15,672,324
Other currencies	968	-	1,846	-
Payment status	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Payment normality	18,352,058	15,473,797	18,824,638	15,558,535
Other situations	459,560	84,168	690,444	113,789
Average residual period to maturity	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Up to 10 years	2,347,150	1,769,443	2,547,022	1,826,748
More than 10 years and up to 20 years	7,207,578	6,226,128	7,362,897	6,270,273
More than 20 years and up to 30 years	8,833,180	7,352,301	8,949,357	7,221,455
More than 30 years	423,710	210,093	655,806	353,848
Interest rate	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Fixed interest rate	214,865	112,431	156,439	75,462
Variable interest rate	16,413,490	13,877,263	17,431,077	14,052,888
Mixed interest rate	2,183,263	1,568,271	1,927,566	1,543,974
Holders	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Legal entities and individual entrepreneurs (business activities)	2,486,212	1,209,015	2,717,982	1,254,242
of which: real estate construction and development (including land)	*1,107,242*	*299,529*	*1,132,046*	*266,928*
Other household	16,325,406	14,348,950	16,797,100	14,418,082
Type of collateral	**18,811,618**	**15,557,965**	**19,515,082**	**15,672,324**
Finished assets/buildings	18,168,111	15,243,624	18,777,153	15,347,661
Homes	17,588,933	14,851,272	18,091,717	14,896,076
of which: state-subsidised housing	*1,065,425*	*994,586*	*1,223,772*	*1,145,526*
Offices and commercial premises	281,042	206,706	336,552	240,021
Other buildings and constructions	298,136	185,646	348,884	211,564
Assets/buildings under construction	337,723	201,196	352,045	187,679
Homes	62,480	18,162	67,461	2,063
of which: state-subsidised housing	*1,750*	*902*	*2,029*	*1,046*
Offices and commercial premises	671	488	-	-
Other buildings and constructions	274,572	182,546	284,584	185,616
Land	305,784	113,145	385,884	136,984
Consolidated urban land	127,838	3,971	150,640	2,117
Other land	177,946	109,174	235,244	134,867

- Nominal value of mortgage covered bonds issued by the Company:

	Thousands of euros	
	Nominal value	
	2021	2020
Mortgage covered bonds (Note 19.4)	**3,000,000**	**3,000,000**
Ibercaja October 2016	500,000	500,000
Ibercaja September 2018 I	750,000	750,000
Ibercaja September 2018 II	750,000	750,000
Ibercaja December 2018	1,000,000	1,000,000
AYT mortgage covered bonds (Note 19.3)	**600,470**	**825,470**
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	-	225,000
AYT Global 2022 Single Covered Bond Series III	19,444	19,444
AYT Cajas Global 2023 Covered Bond Series X	75,000	75,000
AYT Cajas Global 2027 Covered Bond Series XIII	165,000	165,000
TDA mortgage covered bonds (Note 19.3)	**500,000**	**800,000**
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000
TDA Single Covered Bond Series A4	-	300,000

- Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	2021		2020	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	-	-	-	-
of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**4,100,470**	-	**4,625,470**	-
of which: recognised under liabilities	*1,600,470*	-	*2,125,470*	-
Debt securities. Issued through public offering	-	-	-	-
Debt securities. Other issues (Note 19.4)	3,000,000	-	3,000,000	-
Residual maturity up to one year	750,000	-	-	-
Residual maturity greater than one year and up to two years	-	-	750,000	-
Residual maturity greater than two years and up to three years	1,250,000	-	500,000	-
Residual maturity greater than three years and up to five years	-	-	750,000	-
Residual maturity greater than five years and up to ten years	1,000,000	-	1,000,000	-
Residual maturity greater than ten years	-	-	-	-
Deposits	1,100,470	-	1,625,470	-
Residual maturity up to one year	19,444	-	525,000	-
Residual maturity greater than one year and up to two years	75,000	-	19,444	-
Residual maturity greater than two years and up to three years	-	-	75,000	-
Residual maturity greater than three years and up to five years	841,026	-	841,026	-
Residual maturity greater than five years and up to ten years	165,000	-	165,000	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**851,069**	**86**	**995,475**	**88**
Issued through public offering	-	-	-	-
Other issues	851,069	86	995,475	88
Mortgage transfer certificates issued	**1,288,009**	**99**	**1,445,955**	**102**
Issued through public offering	-	-	-	-
Other issues	1,288,009	99	1,445,955	102

None of the issues has been made through a public offering and all are denominated in euros. The Company does not issue mortgage bonds and nor does it have replacement assets assigned to them.

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias) (eligible and non-eligible):

	Thousands of euros			
	2021		2020	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance	**15,672,324**	**3,842,758**	**15,744,874**	**4,420,677**
Write-offs in the year	**1,366,079**	**1,029,627**	**1,411,541**	**848,548**
Due principal received in cash	771,624	743,198	926,654	546,507
Repaid early	526,846	230,068	399,653	230,607
Subrogated by other entities	10,649	1,242	9,236	129
Other write-offs	56,960	55,119	75,998	71,305
Additions in the year	**1,251,720**	**440,522**	**1,338,991**	**270,629**
Originated by the Entity	966,893	400,366	992,397	237,174
Subrogated from other entities	6,943	-	451	-
Other additions	277,884	40,156	346,143	33,455
Closing balance	**15,557,965**	**3,253,653**	**15,672,324**	**3,842,758**

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias). Available balances:

	Thousands of euros	
	2021	2020
Total	**562,383**	**506,587**
Potentially eligible	548,712	487,222
Non-eligible	13,671	19,365

At 31 December 2021 and 2020, the Company had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

44.2 Customer service

As it does every year, the Ibercaja Group's Customer Service Department prepares a report in compliance with the requirement of article 17.1 of Order ECO/734/2004 of 11 March on Customer Service Departments and Services and the Customer Ombudsman of Financial Institutions and the requirement of art. 25 of the Regulations for the Defence of the Ibercaja Group's Customers. This annual report is presented and submitted for the consideration of the Board of Directors of the Group companies and contains the summary of its activity over the year, a statistical analysis of the complaints, claims and suggestions dealt with and the decisions adopted, together with a summary of the main criteria with which a response has been given to the most significant claims, a series of recommendations and suggestions raised in their study. All of this due to its work within the group, which situates it as one of the units charged with guaranteeing adequate risk control, compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures, together with a unit favouring the prudent business conduct of the Ibercaja Group.

For these purposes, the Ibercaja Group comprises the following entities: Ibercaja Banco, S.A.; Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Gestión, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A; Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U.; Ibercaja Pensión, Sociedad Gestora de Fondos de Pensiones, S.A.; and Ibercaja Mediación de Seguros, S.A.U.

In accordance with the regulations and law just discussed, the Customer Service at the Ibercaja Group will present a statistical report to the Board of Directors of Ibercaja Banco S.A. regarding complaints and claims handled, the decisions taken, the general criteria followed when reaching these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a. Claims processed

In 2021, the Customer Care Service (CCS) of the Ibercaja Group managed a total of 23,995 cases, which can be classified into two groups:

- Claims and grievances regarding mortgage arrangement costs and other clauses included in mortgage loan clauses: 11,561.

- Other claims, grievances and suggestions: 11,490, divided into 6,768 claims, 4,667 complaints and 55 suggestions.

b. Special out-of-court procedure for resolving claims relating to interest rate floor clauses under the terms of Royal Legislative Decree 1 of 20 January 2018

Since February 2017, the Ibercaja Group's Customer Care Service has also been responsible for resolving claims regarding interest rate floor clauses within the framework of Royal Decree Law 1 of 20 January 2017, through the Interest Rate Floor Clauses Claims Service (SERS). This service is voluntary for consumers and compulsory for Ibercaja, and consumer customers who do not use this procedure and go to court are not entitled to legal costs if Ibercaja agrees to their claims before the response to the lawsuit. In 2021, a total of 944 complaints were handled, about 20% of which were favourable. This year claims are also being resolved favourably for customers whose claims for the refund of novated loans in which only the surplus amounts collected for the floor clause are requested, from their activation to the date on which the novation was signed, in line with the Supreme Court case law, which has granted validity to these agreements.

The average time taken to resolve complaints and claims in 2021 was around 27 days for both procedures, which is within the current regulations. The service's efforts to resolve all complaints and claims within the set deadlines are evident.

General criteria contained in the decisions

The decisions have been issued with the utmost regard for good corporate governance and banking practices, transparency and consumer protection, taking into account the views formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. Moreover, all decisions were reached on the basis of the contractual documents signed with the customers.

45. Financial statements of Ibercaja Banco, S.A. for the years ended 31 December 2021 and 2020

Set out below are the balance sheets at 31 December 2021 and 2020, together with the income statements, statements of recognised income and expense, total statements of changes in equity and statements of cash flow of the parent entity for the years ended 31 December 2021 and 2020, all such statements drawn up in accordance with Bank of Spain Circular 4/2017, as discussed in Note 1.2 to the individual annual accounts of Ibercaja Banco at 31 December 2021.

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

ASSETS	2021	2020
Cash and cash balances at central banks and other demand deposits	**6,218,527**	**7,387,451**
Financial assets held for trading	**2,589**	**4,953**
Derivatives	2,589	4,953
Debt securities	-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**1,496**	**1,542**
Equity instruments	-	-
Debt securities	-	-
Loans and advances	1,496	1,542
Customers	*1,496*	*1,542*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through profit or loss	**-**	**-**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income	**932,907**	**437,288**
Equity instruments	299,508	311,733
Debt securities	633,399	125,555
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*190,604*	*71,059*
Financial assets at amortised cost	**41,087,817**	**39,858,274**
Debt securities	9,891,699	8,386,550
Loans and advances	31,196,118	31,471,724
Credit institutions	357,311	*282,362*
Customers	*30,838,807*	*31,189,362*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*3,623,061*	*3,126,292*
Derivatives - Hedge accounting	**71,866**	**142,020**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**835,206**	**899,019**
Subsidiaries	744,120	807,964
Joint ventures	38,226	38,226
Associates	52,860	52,829
Tangible assets	**790,782**	**758,550**
Property, plant and equipment	581,067	561,217
For own use	*581,067*	*561,217*
Assigned under operating lease	-	-
Investment property	209,715	197,333
of which: assigned under operating lease	*39,065*	*40,616*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**146,988**	**130,224**
Goodwill	25,613	38,420
Other intangible assets	121,375	91,804
Tax assets	**1,284,460**	**1,301,762**
Current tax assets	6,481	6,046
Deferred tax assets	1,277,979	1,295,716
Other assets	**195,323**	**192,998**
Insurance contracts linked to pensions	82,720	92,310
Inventories	247	338
Remainder of other assets	112,356	100,350
Non-current assets and disposal groups classified as held for sale	**37,001**	**62,245**
TOTAL ASSETS	**51,604,962**	**51,176,326**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

LIABILITIES	2021	2020
Financial liabilities held for trading	**2,210**	**3,729**
Derivatives	2,210	3,729
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**47,542,061**	**47,061,417**
Deposits	45,413,788	45,213,080
Central banks	*5,871,128*	*5,371,202*
Credit institutions	*745,173*	*1,207,848*
Customers	*38,797,487*	*38,634,030*
Debt securities issued	1,057,849	1,021,094
Other financial liabilities	1,070,424	827,243
Memorandum items: subordinated liabilities	*502,752*	*510,326*
Derivatives - Hedge accounting	**275,690**	**216,202**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**17,758**	**37,593**
Provisions	**265,573**	**369,532**
Pensions and other post-employment defined benefit obligations	89,239	99,268
Other long term employee remuneration	1,544	122
Lawsuits and litigation for outstanding taxes	5,617	6,235
Commitments and guarantees given	16,789	19,523
Other provisions	152,384	244,384
Tax liabilities	**142,266**	**143,546**
Current tax liabilities		-
Deferred tax liabilities	142,266	143,546
Other liabilities	**173,200**	**183,383**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**48,418,758**	**48,015,402**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Thousands of euros)

EQUITY	2021	2020
Shareholders' equity	**3,187,507**	**3,126,166**
Capital	214,428	214,428
Paid-in capital	*214,428*	*214,428*
Called-up capital	-	-
Memorandum items: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	350,000	350,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	*350,000*	*350,000*
Other equity items	-	-
Retained earnings	566,640	562,518
Revaluation reserves	2,327	2,327
Other reserves	1,976,797	1,988,922
(Treasury shares)	-	-
Profit/(loss) for the year	124,315	7,971
(Interim dividends)	*(47,000)*	-
Other accumulated comprehensive income	**(1,303)**	**34,758**
Items that will not be reclassified to profit or loss	25,970	24,571
Actuarial gains/(losses) on defined benefit pension plans	*(7,558)*	*(5,802)*
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	*33,528*	*30,373*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	(27,273)	10,187
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*(24,973)*	*8,551*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*(2,300)*	*1,636*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,186,204**	**3,160,924**
TOTAL EQUITY AND LIABILITIES	**51,604,962**	**51,176,326**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,443,229**	**3,780,315**
Financial guarantees granted	**98,283**	**94,627**
Other commitments given	**822,121**	**798,930**

IBERCAJA BANCO, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euros)

	2021	2020
Interest income	**448,109**	**499,320**
Financial assets at fair value through other comprehensive income	2,592	2,501
Financial assets at amortised cost	406,918	460,154
Other	38,599	36,665
(Interest expenses)	**69,766**	**84,632**
(Expenses on share capital repayable on demand)	**-**	**-**
INTEREST MARGIN	**378,343**	**414,688**
Dividend income	**171,881**	**144,539**
Fee and commission income	**306,376**	**274,203**
(Fee and commission expenses)	**10,759**	**10,137**
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**43,986**	**127,534**
(Financial assets at amortised cost)	40,779	125,366
(Other financial assets and liabilities)	3,207	2,168
Net gains or (-) losses on financial assets and liabilities held for trading	**644**	**1,148**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	644	1,148
Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss	**103**	**(10,364)**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	103	(10,364)
Net gains or losses on financial assets and liabilities designated at fair value through profit or loss	**-**	**-**
Net gains or (-) losses) from hedge accounting	**(193)**	**(364)**
Net exchange differences	**557**	**852**
Other operating income	**49,310**	**45,379**
(Other operating expenses)	**71,886**	**71,902**
GROSS INCOME	**868,362**	**915,576**
(Administration expenses)	**517,298**	**627,778**
(Staff expenses)	361,547	490,353
(Other administration expenses)	155,751	137,425
(Amortisation and depreciation)	**71,908**	**68,410**
(Provisions or (-) reversal of provisions)	**5,748**	**(15,399)**
(Impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or (-) losses on modification)	**78,240**	**209,387**
(Financial assets at fair value through other comprehensive income)	1	(164)
(Financial assets at amortised cost)	78,239	209,551
(Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures and associates)	**31,930**	**32,600**
(Impairment or (-) reversal of impairment on non-financial assets)	**2,946**	**506**
(Tangible assets)	2,957	388
(Intangible assets)	-	-
(Other)	(11)	118
Net gains/(losses) on derecognition of non-financial assets	**(282)**	**(3,735)**
Negative goodwill recognised in profit or loss	**-**	**-**
Profit/(loss) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**(3,390)**	**(2,158)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**156,620**	**(13,599)**
Expense or (-) income from taxes on income from continuing operations	**32,305**	**(21,570)**
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**124,315**	**7,971**
Profit/(loss) after tax from discontinued activities	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**124,315**	**7,971**

IBERCAJA BANCO, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euros)

	2021	2020
PROFIT/(LOSS) FOR THE YEAR	**124,315**	**7,971**
OTHER COMPREHENSIVE INCOME	**(31,036)**	**142**
Items that will not be reclassified to profit or loss	**6,424**	**(3,790)**
Actuarial gains/(losses) on defined benefit pension plans	(2,509)	1,525
Non-current assets and disposal groups of items held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	11,642	(8,854)
Net gains or (-) losses from hedge accounting of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes of fair value hedges of equity instruments measured at fair value through other comprehensive income (hedge instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Corporation tax relating to items not to be reclassified	(2,709)	3,539
Items that may be reclassified to profit or loss	**(37,460)**	**3,932**
Hedges of net investment in foreign operations (effective portion)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Currency translation	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	(47,891)	39
Valuation gains/(losses) taken to equity	*(42,246)*	*39*
Transferred to the income statement	*(5,645)*	-
Transferred to initial carrying amount of hedge items		
Other reclassifications	-	-
	-	-
Hedging instruments (undesignated items)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications		
Debt instruments at fair value through other comprehensive income	(5,623)	5,578
Valuation gains/(losses) taken to equity	*(237)*	*17,111*
Transferred to the income statement	*(5,386)*	*(11,533)*
Other reclassifications	-	-
Non-current assets and disposal groups of items held for sale	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Corporation tax relating to items that may be reclassified to profit or loss	16,054	(1,685)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**93,279**	**8,113**

IBERCAJA BANCO, S.A.

STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021
(Thousands of euros)

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit/(loss) for the year	(Interim dividends)	Other accumulated comprehensive income	Total
I. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**124,315**	**-**	**(31,036)**	**93,279**
Other changes in equity	**-**	**-**	**-**	**-**	**4,122**	**-**	**(12,124)**	**-**	**(7,971)**	**(47,000)**	**(5,025)**	**(67,998)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(3,849)	-	-	-	-	(47,000)	-	(50,849)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	7,971	-	5,025	-	(7,971)	-	(5,025)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,150)	-	-	-	-	(17,150)
III. Closing balance at 31/12/2021	**214,428**	**-**	**350,000**	**-**	**566,640**	**2,327**	**1,976,797**	**-**	**124,315**	**(47,000)**	**(1,303)**	**3,186,204**

IBERCAJA BANCO, S.A.

STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(Thousands of euros)

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit/(loss) for the year	(Interim dividends)	Other accumulated comprehensive income	Total
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,971**	**-**	**142**	**8,113**
Other changes in equity	**-**	**-**	**-**	**-**	**54,693**	**-**	**19,997**	**-**	**(72,193)**	**-**	**(35,290)**	**(32,793)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	72,193	-	35,290	-	(72,193)	-	(35,290)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(15,293)	-	-	-	-	(15,293)
III. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**

IBERCAJA BANCO, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Thousands of euros)

	2021	2020
A) CASH FLOWS FROM OPERATING ACTIVITIES	**(1,085,325)**	**3,726,127**
Profit/(loss) for the year	**124,315**	**7,971**
Adjustments to obtain cash flows from operating activities	**357,371**	**368,547**
Amortisation/Depreciation	71,908	68,410
Other adjustments	285,463	300,137
Net increase/decrease in operating assets	(1,862,416)	**326,277**
Financial assets held for trading	2,364	1,144
Financial assets not held for trading mandatorily measured at fair value through profit or loss	46	10,655
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(498,679)	529,297
Financial assets at amortised cost	(1,393,035)	(174,352)
Other operating assets	26,888	(40,467)
Net increase/(decrease) in operating liabilities	314,999	**2,966,270**
Financial liabilities held for trading	(1,519)	(1,159)
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	410,063	2,840,293
Other operating liabilities	(93,545)	127,136
Corporation tax credit/(payments)	**(19,594)**	**57,062**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(69,639)**	**(7,228)**
Payments	**(84,525)**	**(84,680)**
Tangible assets	(43,691)	(50,895)
Intangible assets	(40,082)	(32,456)
Investments in subsidiaries, joint ventures and associates	(597)	-
Other business units	-	-
Non-current assets and liabilities classified as held for sale	(155)	(1,329)
Other payments related to investing activities	-	-
Receipts	**14,886**	**77,452**
Tangible assets	10,489	22,446
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	834	1,671
Other business units	-	-
Non-current assets and liabilities classified as held for sale	3,563	53
Other receipts related to investing activities	-	53,282
C) CASH FLOWS FROM FINANCING ACTIVITIES	**(25,349)**	**(42,000)**
Payments	**(75,349)**	**(542,000)**
Dividends	(50,849)	(17,500)
Subordinated liabilities	-	(500,000)
Write down of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(24,500)	(24,500)
Receipts	50,000	500,000
Subordinated liabilities	-	500,000
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other receipts related to financing activities	50,000	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(1,180,313)**	**3,676,899**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**7,377,476**	**3,700,577**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**6,197,163**	**7,377,476**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	221,484	239,018
Cash equivalents at central banks	5,961,332	7,079,491
Other financial assets	14,347	58,967
Less: bank overdrafts repayable on demand	-	-

APPENDIX I

INFORMATION ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Group companies:

Company	Address	Country of residence	Shareholding (%)			
			2021		2020	
			Direct	Indirect	Direct	Indirect
Badajoz Siglo XXI, S.A.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
CAI Inmuebles, S.A. (in liquidation)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Cerro Goya, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	98.70%	1.30%	98.70%	1.30%
Cerro Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.77%	0.23%	99.77%	0.23%
Ibercaja Gestión de Inmuebles, S.A.	Pº Constitución, 10, entlo. izda., Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Gestión, S.G.I.I.C., S.A.	Pº Constitución, 4, 3ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Leasing y Financiación, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Pensión, E.G.F.P., S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Vida, S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Cajaragón, S.A.U.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	100.00%	-	100.00%	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	100.00%	-	100.00%
Residencial Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Connect, S.L.	C/ Bari, 49, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%

Joint ventures:

Company	Address	Country of residence	Shareholding (%)			
			2021		2020	
			Direct	Indirect	Direct	Indirect
Aramón Montañas de Aragón, S.A.	Pza. Aragón, 1, Zaragoza	Spain	50.00%	-	50.00%	-
Corredor del Iregua, S.L.	Avda. Pío XXI, 1, Bajo, Logroño	Spain	-	50.00%	-	50.00%

Associates:

Company	Address	Country of residence	Shareholding (%)			
			2021		2020	
			Direct	Indirect	Direct	Indirect
C y E Badajoz Servicios Sociosanitarios, S.A.	Avda. Juan Carlos I, 17, entpta., Badajoz	Spain	-	-	33.00%	-
Centro de Transportes Aduana de Burgos, S.A.	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	25.45%	-	25.45%	-
Cerro de Mahí, S.L.	Pza. Roma, F-1, 1ª planta, of. 5, Zaragoza	Spain	-	33.33%	-	33.33%
Concessia Cartera y Gestión de Infraest., S.A.	C/ Severo Ochoa, 3, of 4B, Las Rozas Madrid	Spain	30.15%	-	30.15%	-
Districlima Zaragoza, S.L.	Avda. Ranillas, 107, Zaragoza	Spain	35.00%	-	35.00%	-
Henneo (formerly Grupo Heraldo)	Pº Independencia, 29, Zaragoza	Spain	39.94%	-	39.94%	-
Northwind Finco, S.L	C/ Vía de los Poblados, 3, Ed.1, Parque Empresarial Cristalia, Madrid	Spain	-	20.00%	-	20.00%
Nuevos Materiales de Construcción, S.A.	C/ San Norberto, 26, Madrid	Spain	21.93%	-	21.93%	-
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Camino Molinos, 32, Zaragoza	Spain	31.29%	-	31.29%	-
Rioja Nueva Economía, S.A.	Gran Vía Rey Juan Carlos I, 9, Logroño	Spain	43.20%	-	43.20%	-
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Pol. Ind. Los Llanos, s/n, Teruel	Spain	23.42%	-	23.42%	-
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	C/ Los Enebros, 74, Teruel	Spain	22.17%	-	22.17%	-
Solavanti, S.L.	Avda. Academia Gral. Militar, 52, Zaragoza	Spain	-	20.00%	-	20.00%
Viacajas, S.L.	C/ Alcalá, 27, Madrid	Spain	20.59%	-	16.13%	-

APPENDIX II

FINANCIAL INFORMATION ON INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Group companies:

Company	Date of financial statements	Contribution to consolidated earnings		Contribution to consolidated reserves		Non-controlling interests	
		2021	2020	2021	2020	2021	2020
Badajoz Siglo XXI	Dec-21	(991)	(907)	(18,819)	(17,912)	-	-
CAI Inmuebles, S.A. (in liquidation)	Dec-21	129	3	(10,630)	(10,633)	-	-
Cerro Goya, S.L.	Dec-21	(1,162)	(937)	(870)	(770)	-	-
Cerro Murillo, S.A.	Dec-21	(61,751)	(59,668)	183,496	183,356	-	-
Ibercaja Cajaragón, S.A.U.	Dec-21	(18)	(2)	6,606	4,564	-	-
Ibercaja Banco, S.A.	Dec-21	78,073	(47,305)	2,132,378	2,129,848	-	-
Ibercaja Gestión, S.A.	Dec-21	45,973	27,985	10,414	10,339	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec-21	95	25	287	262	-	-
Ibercaja Leasing y Financiación, S.A.	Dec-21	5,067	3,235	24,596	26,274	-	-
Ibercaja Mediación de Seguros, S.A.	Dec-21	27,989	35,619	2,210	2,189	-	-
Ibercaja Pensión, S.A.	Dec-21	10,891	10,695	9,383	9,528	-	-
Ibercaja Vida, S.A.	Dec-21	63,588	61,753	207,290	201,304	-	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-21	314	859	36,911	35,991	-	-
Residencial Murillo, S.A.	Dec-21	(22,832)	(8,355)	37,937	31,760	-	-
Ibercaja Connect, S.L.	Dec-21	31	22	103	103	-	-

Company	Date of financial statements	Financial information					
		2021			2020		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val. adj.	Profit/(loss)
Badajoz Siglo XXI	Dec-21	40,950	(5,168)	(991)	40,950	(4,261)	(907)
CAI Inmuebles, S.A. (in liquidation)	Dec-21	64	(10,628)	129	64	(10,630)	2
Cerro Goya, S.L.	Dec-21	1,912	(3)	(835)	2,748	(4)	(835)
Cerro Murillo, S.A.	Dec-21	146,566	(33,044)	(31,790)	206,385	(35,591)	(57,272)
Ibercaja Cajaragón, S.A.U.	Dec-21	58,041	5,946	2,018	58,041	5,247	700
Ibercaja Banco, S.A.	Dec-21	214,428	2,497,461	124,315	214,428	2,588,525	7,971
Ibercaja Gestión, S.A.	Dec-21	2,705	(30,243)	45,976	2,705	(13,575)	27,902
Ibercaja Gestión de Inmuebles, S.A.	Dec-21	120	290	95	120	264	25
Ibercaja Leasing y Financiación, S.A.	Dec-21	5,006	21,024	5,222	3,006	26,524	2,982
Ibercaja Mediación de Seguros, S.A.	Dec-21	60	(23,216)	27,992	60	(33,370)	35,598
Ibercaja Pensión, S.A.	Dec-21	11,010	(197)	10,894	11,010	843	10,841
Ibercaja Vida, S.A.	Dec-21	135,065	160,945	65,056	135,065	184,718	57,449
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-21	40,051	30,125	1,118	40,051	29,478	746
Residencial Murillo, S.A.	Dec-21	182,817	(22,400)	(25,536)	197,306	(7,756)	(29,133)
Ibercaja Connect, S.L.	Dec-21	480	103	31	480	103	22

Joint ventures:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2021	2020	2021	2020	2021	2020
Aramón Montañas de Aragón, S.A. (*)	(4,230)	1,398	(27,449)	(28,852)	25,480	29,705
Other companies	-	-	-	-	-	-

The most significant information relating to joint ventures is shown below:

	Thousands of euros	
	Financial information	
	2021	2020
Company	Aramon, Montañas de Aragón, S.A. (*)	Aramon, Montañas de Aragón, S.A. (*)
Current assets	4,332	3,906
Non-current assets	124,926	118,140
Cash and cash equivalents	385	4,300
Current liabilities	20,509	12,340
Non-current liabilities	45,749	31,685
Current financial liabilities	15,749	3,050
Non-current financial liabilities	42,992	28,329
Ordinary income	1,300	46,100
Dividends paid	-	-
Total recognised income and expense	(20,987)	2,143
Profit/(loss) from ordinary activities	*(20,987)*	*2,143*
Profit/(loss) after tax from discontinued operations	-	-
Other recognised income and expense	-	-
Depreciation	-	1,703
Amortisation/Depreciation	10,089	10,507
Interest income	1,730	2
Interest expense	2,928	1,384
Corporation tax expense/(income)	(2,066)	4,006

(*) Financial information at 30 September of the year under way.

Associates:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2021	2020	2021	2020	2021	2020
Concessia Cartera y Gestión de Infraestructuras, S.A. (*)	(44)	(84)	61	145	5,096	5,268
Henneo (formerly Grupo Heraldo) (*)	(112)	(2,714)	(3,317)	(522)	27,991	28,181
Rioja Nueva Economía, S.A.	8,305	2,063	2,131	(43)	7,515	6,811
Other companies	1,670	(83)	(7,274)	(4,331)	35,246	36,560

The most significant information relating to associates is shown below:

	Thousands of euros					
	Financial information					
	2021			2020		
Company	Concessia Cartera y Gestión de Infra., S.A. (*)	Henneo (formerly Grupo Heraldo) (*)	Rioja Nueva Economía, S.A. (*)	Concessia Cartera y Gestión de Infra., S.A. (*)	Henneo (formerly Grupo Heraldo) (*)	Rioja Nueva Economía, S.A. (*)
Current assets	12,823	65,570	18,392	4,177	56,137	14,889
Non-current assets	5,461	50,123	29,858	14,478	44,995	37,458
Current liabilities	16	41,509	12,709	171	31,581	16,516
Non-current liabilities	933.0	18,524	11,981	1,027	16,043	15,100
Ordinary income	12	113,611	96,375	461	92,763	93,604
Dividends paid	-	-	-	-	-	-
Total recognised income and expense	(312)	(854)	20,984	(308)	4,712	5,894
Profit/(loss) from ordinary activities	*(312)*	*(854)*	*20,984*	*(308)*	*4,712*	*5,894*
Profit/(loss) after tax from discontinued operations	*12,823*	*65,570*	-	-	-	-
Other recognised income and expense	5,461	50,123	-	-	-	-

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

APPENDIX III

INFORMATION ON HOLDINGS IN COMPANIES AND INVESTMENT AND PENSION FUNDS MANAGED BY THE GROUP ITSELF

	Shareholding (%)			
	2021		2020	
	Not related to Unit Linked schemes	Related to Unit Linked schemes	Not related to Unit Linked schemes	Related to Unit Linked schemes
IBERCAJA ALL STAR FI	-	10.61%	-	6.27%
IBERCAJA ALPHA FI	-	0.11%	0.48%	0.09%
IBERCAJA BEST IDEAS FI	0.47%	14.06%	-	12.14%
IBERCAJA BOLSA ESPAÑA FI	-	10.58%	-	11.22%
IBERCAJA BOLSA EUROPA FI	1.12%	2.08%	1.47%	2.26%
IBERCAJA BOLSA INTERNACIONAL FI	0.02%	46.29%	1.55%	31.63%
IBERCAJA BOLSA USA FI	-	2.24%	-	1.54%
IBERCAJA BP HIGH YIELD 2023, FI	-	-	3.33%	-
IBERCAJA BP RENTA FIJA FI	-	28.61%	-	9.92%
IBERCAJA CAPITAL GARANTIZADO FI	-	1.61%	-	1.44%
IBERCAJA COLECTIVOS FONDO DE PENSIONES	-	0.74%	-	0.86%
IBERCAJA DEUDA CORPORATIVA 2024 FI	-	-	0.05%	-
IBERCAJA DEUDA CORPORATIVA 2025 FI	0.10%	0.89%	-	-
IBERCAJA DIVIDENDO FI	-	0.12%	0.20%	1.55%
IBERCAJA DOLAR FI	-	-	-	2.99%
IBERCAJA EMERGENTES FI	-	28.18%	1.74%	6.14%
IBERCAJA EMERGING BONDS FI	-	-	-	14.14%
IBERCAJA EUROPA STAR FI	0.02%	-	0.01%	21.11%
IBERCAJA ESTRATEGIA DINAMICA FI	-	11.14%	-	8.22%
IBERCAJA FINANCIERO FI	-	0.59%	-	0.78%
IBERCAJA GESTION EQUILIBRADA FI	-	-	0.03%	-
IBERCAJA GLOBAL BRANDS FI	0.33%	15.52%	0.67%	8.78%
IBERCAJA HIGH YIELD FI	-	14.79%	-	8.72%
IBERCAJA HORIZONTE FI	-	1.90%	-	2.73%
IBERCAJA JAPON FI	-	2.13%	-	0.18%
IBERCAJA MEGATRENDS FI	0.44%	11.07%	-	8.49%
IBERCAJA MIXTO FLEXIBLE 15 FI	-	-	0.14%	5.49%
IBERCAJA NEW ENERGY FI	-	-	-	0.37%
IBERCAJA OBJETIVO 2026 FI	0.01%	-	-	-
IBERCAJA OBJETIVO 2028 FI	0.04%	-	0.83%	-
IBERCAJA OPORTUNIDAD RENTA FIJA FI	-	39.80%	-	16.08%
IBERCAJA PLUS FI	-	0.38%	-	0.42%
IBERCAJA RENTA FIJA 2026 FI	-	9.07%	0.13%	-
IBERCAJA RENTA FIJA 2027 FI	0.02%	-	-	-
IBERCAJA RENTA FIJA SOSTENIBLE FI	0.01%	-	-	-
IBERCAJA SANIDAD FI	0.30%	9.16%	0.40%	5.08%
IBERCAJA SELECCION RENTA FIJA FI	-	0.81%	-	0.88%
IBERCAJA SMALL CAPS FI	0.01%	16.16%	0.01%	7.78%
IBERCAJA SOSTENIBLE Y SOLIDARIO FI	-	0.04%	-	0.29%
IBERCAJA TECNOLOGICO FI	0.24%	11.40%	0.60%	5.14%
SELECCIÓN BANCA PRIVADA 60 FI	1.38%	-	-	-

APPENDIX IV

ANNUAL BANKING REPORT

On 27 June 2014, the Official State Gazette published Act 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with Article 87 and Transitional Provision 12 of Act 10/2014, credit institutions are required to publish, as an appendix to their audited financial statements and for each country in which they operate, the following information on a consolidated basis for the last completed financial year:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of equivalent full-time employees
d) Gross profit/(loss) before tax
e) Corporation tax
f) Grants and public aid received

Accordingly, all this information is set out below.

a) Name, nature and geographical location of the activity

Ibercaja Banco is a credit institution. Its registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Companies Registry of Zaragoza at volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also entered on the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.es, where its bylaws and other public information can be viewed.

Ibercaja Banco, S.A. engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

In addition to the operations carried out directly, the Bank is the parent of a group of dependant entities that engage in various activities and that, together with it, make up the Ibercaja Banco Group. The Bank is therefore required to draw up the Group's consolidated annul accounts, as well as its own individual annual accounts.

The consolidated Group carries out all its activity in Spain.

b) Business volume

Information on consolidated business volume is as follows, by country. Business volume for these purposes means gross income, as shown on the Group's consolidated income statement at the end of 2021.

	Thousands of euros
	31/12/2021
Spain	952,260
	952,260

c) Number of equivalent full-time employees

Equivalent full time employees by country were as follows at year-end 2021:

	Thousands of euros
	31/12/2021
Spain	4,880
	4,880

d) Gross profit/(loss) before tax

	Thousands of euros
	31/12/2021
Spain	214,773
	214,773

e) Corporation tax

	Thousands of euros
	31/12/2021
Spain	63,788
	63,788

f) Grants and public aid received

No grants or public aid were received by Ibercaja Banco, S.A. or any Group company in 2021.

Other information

The return on the Group's assets during the year, calculated as net profit divided by the total balance sheet, was 0.26%.

iberCaja

Consolidated Directors Report for 2021

EL BANCO DEL Vamos

Ibercaja Banco, S.A.
and subsidiaries

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ibercaja

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Letter from the Chairman and Chief Executive Officer

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The **economic recovery** was widespread in all developed countries in 2021, largely thanks to progress in the vaccination process and despite uncertainties such as the persistence of the pandemic, supply problems and inflationary pressures.

Thus, although the economic improvement has been a verifiable fact, it is also true that the expected levels have not been reached, especially in Spain, which has recorded GDP growth of around 5%; however, the recovery to pre-pandemic production levels has not yet been completed.

Global **consumption** returned faster than expected, to the extent that the supply of some products could not meet the post-pandemic level of demand. This imbalance led to delays in delivery times, supply difficulties and, above all, price increases for raw materials and transport.

Another factor that has conditioned a slower recovery than expected has been the rise in **energy prices**, impacting the purchasing power of households and the margins of companies, which were affected by the increase in their production costs, especially in the case of industrial companies.

In this context, the policies of the main central banks began to be less lax at the end of the year, with various measures already being implemented to redirect the upward trend in the prices of goods and services.

In this context, in line with the sector's significant contribution in 2020 to mitigating the adverse economic effects of the outbreak of the pandemic, in 2021, **banks have been a key player in supporting the recovery of business and economic activity**.

Against this economic backdrop, the balance of activity of banks has been clearly positive, with significant dynamism in volumes, both in lending and, above all, in the management of savings; at the same time, non-performing loans have remained contained, notably reducing the need for provisions.

In addition, the sector has continued restructuring **its commercial network to adapt its structure to the current requirements of the environment, which entail greater digitalisation and the need for operational efficiency to** achieve reasonable levels of profitability.

All this finally crystallised in 2021 in a **general increase in the net profit** of financial institutions and a return to levels of return to shareholders that are already approaching the cost of capital.

Against this backdrop, in April 2021, Ibercaja presented its strategic roadmap for the next three years, the **Desafío 2023 Plan** (Challenge 2023 Plan), to reinforce its own independent project that gives continuity to 145 years of financial, economic, social and territorial function that has consolidated the Bank's distinctive DNA.

In the first year of the strategic three-year period, the Bank achieved profits of 151 million euros and a ROTE of 5.7%. At the same time, it continued to strengthen its financial soundness and solvency, ending the year with a common equity tier 1 ("CET1") fully loaded capital ratio of 12.7% and reducing the NPL ratio to 2.3%, with an NPL coverage ratio of 75.3%.

The **results** reflect the Bank's intense commercial activity to grow **in the corporate and personal banking segments**. A new Corporate Banking area was created at the beginning of the year, which boosted relations with these customers, capturing more than 5,400 new companies in 2021 and achieving growth of close to 7% in regular lending to this segment.

Overall (individuals, companies and institutions), new loans and credits were 5,421 million euros, returning to pre-pandemic levels.

In addition, the excellent performance of **asset management** was once again confirmed, with an increase of 5.78% in the national sector's share by volume of investment funds under management.

At the same time, the Bank intensified its **digital transformation**, responding to the acceleration in the digitalisation of society caused by the pandemic, as reflected in the almost 879,000 digital customers and more than 603,000 users of the mobile banking app at the end of 2021.

This year, in addition to implementing important new features and improvements in the online banking applications for businesses, individuals and the mobile app, the digital managers' project was launched. A team of professionals accompanies the customer, also through non-face-to-face channels, with a more personalised and specialised service. In this way, Ibercaja responds to its commitment to an omnichannel model focused on the customer experience and transfers the customer service model it provides in its physical branches to its non-face-to-face channels.

The Entity has also made steady progress towards being **a benchmark in sustainability**. In addition to accelerating the launch of specific investment and financing products and services to accompany its customers on their journey towards a more sustainable future, the action plan designed to integrate ESG (environmental, social and governance) risks into the Bank's overall risk management is being implemented.

Among other milestones achieved in this area, in 2021, Ibercaja became one of the **founding members of the Net Zero Banking Alliance**; offset all of its direct emissions in 2020, and organised its 1st Planet Week. This initiative is aimed at raising awareness and mobilising the participation of the Bank's employees and customers, as well as society at large, to convey the impetus that Ibercaja, its Financial Group and the Ibercaja Foundation are applying in their respective roadmaps to contribute to the achievement of the United Nations Sustainable Development Goals (SDGs).

The Bank continues to promote its **corporate purpose** **("to help people build the story of their lives because it will be our story")** in a year in which support for its employees, its customers and society has been essential to contribute to the necessary economic and social recovery underway.

Various measures deployed to mitigate the effects of the pandemic on customers have been maintained, such as the ICO lines for financing companies and the self-employed or the early payment of pensions and unemployment benefits, among others.

The Entity has supported institutions and public and private associations through collaboration agreements, initiatives such as Impulso Solidario (Wave of Solidarity) or Tu dinero con corazón (Your money with heart), thereby contributing to the development of the laudable and praiseworthy actions that favour social cohesion that they carry out.

The **Plan Desafío 2023**, launched this year, will guide the Bank's management in 2022, focusing on strengthening future competitiveness; driving transformation and growth in priority business segments; and consolidating a profitable business model that contributes to sustainable, inclusive and environmentally friendly growth.

To achieve this, the Bank has deep-rooted **strengths and proven competitive advantages**, including the Bank's staff's skills, commitment, and expertise. Their involvement in implementing the strategy, achieving the business goals, and the transformation itinerary constitute the most solid guarantee to ensure the successful future of this collective project, that is, Ibercaja.

José Luis Aguirre Loaso

CHAIRMAN

Mr Víctor Iglesias Ruiz

CEO

2 Main figures: economic and sustainable impact

Economic Impact

Key figures for the Bank

Capital adequacy & liquidity

12.7% (+12 bp)
cet1 fully loaded

17.4% (+17 bp)
capital total fully loaded

26.0%
available liquidity / total assets

5.2%
distance MDA

Asset Quality

-29.2%
non-performing assets

2.3% (-91 bp)
Loan NPL ratio

4.0% (-110 bp)
distressed assets ratio

68.8% (+664 bp)
distressed assets coverage

National size

€58,631 million
total assets

€99,025 million
retail business volume

914
branches

1,172
ATMs

4,880 (4,587 parent)
employees

1,6 million
cards

878,818
digital customers

74.3%
digital transactions

36.4%
digital sales

Commercial activity

+7.3%
retail funds

+12.9%
asset management and insurance

€5,421 million
loans and credit arranged

+6.9%
performing loans to company

+47%
new insurance origination

Results

€151 million
net profit

€931 million (+2.5%)
recurrent revenues

€114 million (-51.1%)
write-downs of credit and real estate

65%
pay-out

Market shares

2.4%
market shares for loans and households

3.5%
market shares for funds

5.1%
share of asset management and insurance

6 POSITION — 5.8% investment funds

7 POSITION — 3.5% life insurance

4 POSITION — 6.0% pension plans

6 POSITION — 3.5% individual pension plans

3 POSITION — 12.0% employment pension plans

Recognitions

Sustainable Impact

Our purpose

"Helping people build their life story because it will be our story"

We contribute to society and to our environment

+€14 million
investment in social action by Fundación Ibercaja

Close to 1 million
beneficiaries of the social action

104
towns served as the only bank present there

€460 thousand
delivered to worthy causes by customers of the Investment Fund and the Sustainable and Solidarity Pension Plan

We accompany our people

4,880
people work at the Ibercaja Group

31%
management positions held by women

214
young university students carried out internships at Ibercaja Banco centres

+100
work-life balance measures, making us a family-responsible company

Our commitment to sustainability

€2,105 million
managed in sustainable investment (as per art. 8)

Adherence to TCFD recommendations

Family-friendly business (efr) certification

Celebration of the 1st Ibercaja Planet Week

Signatory to:

UN Global Compact

UN Principles for Responsible Banking

Net Zero Banking Alliance

We care for the environment

Carbon
neutral (scopes 1 and 2)

100%
green energy

6,721.29 tn
of CO_2 avoided by purchasing green energy

56,150
cards with recycled plastic

ISO 14001
Certification in environmental management

We advance innovation and digitisation

More than 74%
of transactions carried out through digital banking

+95%
of Bank employees with mobility equipment

We accompany our customers: families and businesses

914
branches across Spain

23%
branches in towns or villages with fewer than 1.000 inhabitants

+348,000
SME and self-employed customers trust in Ibercaja

212
managers specialising in companies, rated by clients with a score of 9.7/10

Recognitions

We promote the Sustainable Development Goals

3 Key points of this document

Key points of this document

102-21, 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-54

> This 2021 Consolidated Management Report contains the most relevant economic and sustainability information on Ibercaja Banco and its subsidiaries.

Scope

The Consolidated Directors' Report brings together **all the relevant financial and sustainability information of the Ibercaja Group** in a **single document.** The aim is to make the best and most complete information available to all stakeholders transparently. This report provides an overview of the strategic lines, activities, business model, financial results and commitment to sustainability (environmental, social and personnel issues, governance, human rights, anti-corruption and anti-bribery). Its content is published on the corporate website (www.ibercaja.com) so that it is accessible to all interested parties.

> **OBJECTIVE**
>
> *The objective of this report is to provide stakeholders with the **best and most complete information** in a **transparent manner**.*

The **Appendix, "Requirements of Law 11/2018 on non-financial information and diversity"**, includes information pursuant to **Law 11/2018** amending the Spanish Commercial Code, the consolidated Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Law 22/2015, of 20 July, in relation to **non-**

financial information and diversity. This statement has been prepared taking into account the EC **Directives** on the presentation of non-financial reports and their supplement on **climate-related information**, as well as the recommendations provided by the ECB to the Bank in the field of climate and environmental risk disclosure. The contents identified in this Appendix form the Consolidated Statement of Non-financial Information.

The **reporting scope coincides** with that of the consolidated financial statements, which is 100% of the consolidation scope of the Ibercaja Banco Group, except for those aspects indicated in the final table of the "Requirements of Law 11/2018 on Non-Financial Information and Diversity" Appendix.

The objective of this report is also to address those aspects necessary for its consideration as a **Sustainability Report**, according to the criteria of the **Global Reporting Initiative (GRI)**, in line with the **"essential"** conformity option, whose directives have oriented Ibercaja's annual reports since 2005 and, in turn, serve as a **"Progress Report"**, in accordance with the reporting requirements of the **Global Compact**, relating to the 10 Principles of the United Nations Global Compact. It also includes the **implementation** report of the **United Nations Responsible Banking Principles**, signed by the Bank in 2019, together with the progress made in the report on **climate-related information**, in line with the recommendations of the **TCFD** (Task Force on Climate-Related Financial Disclosures), of which Ibercaja Banco became a member in August 2019.

This document also responds to the new requirements of the **Regulation (EU) 2020/852 on Taxonomy**, published on 22 June 2020 by the European Parliament and the Council in the framework of the European Green Pact, which aims to help create a fairer economy capable of generating employment equitably, by defining those economic activities that can be considered environmentally sustainable.

Materiality

Ibercaja periodically performs a **materiality study** to identify the priority financial, economic, social and environmental matters for its stakeholders and its business and thereby determine what information must be reported and its correct dimensioning. Significant aspects are deemed to be those matters that have a high probability of generating a significant impact, both on the business and in the valuations and decisions of the stakeholders.

With this approach, in 2015, the first materiality study was drawn up to identify those aspects that influence the ability to create value for Ibercaja and that are of interest to the people and/or groups with which it is related. This analysis is regularly updated to align it with each strategic cycle.

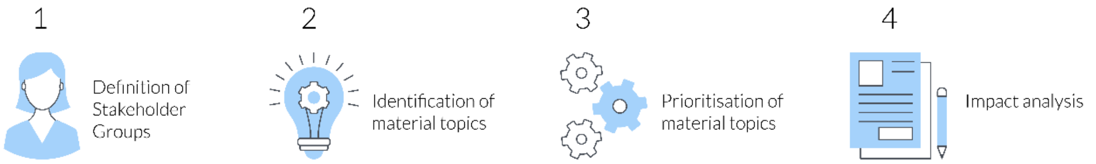
OBJECTIVE

Identify and prioritise relevant issues *ensuring alignment with the Bank's* ***new Strategic Plan*** *for 2021-2023.*

In 2021 Ibercaja performed a **new materiality analysis** applying the **double materiality approach under the European Non-Financial Reporting Directive** to identify and prioritise the material issues for the organisation and its stakeholders and ensure alignment with the **new Strategic Plan in effect at the Bank for 2021-2023**.

Methodology

Ibercaja has carried out its own methodology structured in **4 phases** of work and aligned with the standards on the subject (Global Reporting Initiative), stakeholders' requirements, and the best practices in the market. These 4 phases are:



1. Definition of key stakeholders for the materiality study.

Ibercaja has identified its priority stakeholders based on the materiality study. For each of them, the method of participation has been defined, the channels of communication and dialogue that the Entity has established to identify expectations and interests, and the method through which the relevant issues for these stakeholders will be assessed and prioritised.

According to the company's stakeholder map, those of a **priority** nature have been taken into account in the identification and prioritisation of issues of special relevance:

- **Customers**: various communication channels are used, such as regular surveys, suggestion boxes and customer service, among others.
- **Ownership and Investors**: a specific shareholder questionnaire was developed for materiality analysis and rating surveys, meetings, etc.
- **Employees**: an open survey of the entire workforce has been carried out; there is an internal employee portal, and regular focus groups, and an employee experience survey are conducted.

- **Suppliers**: There is an Ibercaja supplier portal, and a specific survey has been carried out for this analysis.
- **Company**: regular surveys, media and social media monitoring, etc. are conducted.
- **Competitors and benchmarks**: analysing public documentation from competitors in the sector and participating in industry associations to gain insight into trends and priorities.
- **Public Administrations**: legislation and regulatory requirements in ESG matters are analysed.
- **Media and opinion leaders**: media searches were carried out regularly and external experts are consulted.

2. Identification and assessment of relevant issues:

An **exhaustive internal and external analysis** has been carried out to **identify** and define the key ESG issues that should potentially guide Ibercaja's strategy and actions, and information reporting.

Internal analysis, where they have been evaluated:

- The **Plan Estratégico Desafío 2023** (Challenge 2023 Strategic Plan) and the Sustainability Roadmap, as essential pillars on which the relevance of Ibercaja's materiality is based.
- Commitments assumed by Ibercaja with respect to its stakeholders: **Code of Ethics**, **Corporate Purpose**, Mission, Vision and Values, manuals, regulations and corporate policies, among others.

- Results of the communication established in the usual channels with stakeholders (surveys, reports, mailboxes, meetings, questionnaires, etc.) and other specific analyses carried out.

External analysis, which has collected:

- **Regulatory requirements** and **recommendations** on ESG and Sustainable Finance.
- **Best practices and trends** in sustainability, focusing on sector-related aspects and the relevant issues gained in the financial industry.
- **External requirements and demands**: Media analysis, rating agencies' requirements, analysts and investors, among others.
- **Initiatives, partnerships and standards**: Global Reporting Initiative, WEF-IBC, Sustainable Development Goals, TCFD, etc.

The internal and external information analysis has been carried out with the aspiration, on the part of Ibercaja, to include a broad time horizon, taking into account the demands of the different stakeholders in the medium and long term, as far as possible. In this way, aspects such as Ibercaja's strategy, the regulatory roadmap for the coming years, trends in sustainability, as well as the future commitments assumed by the Institution have been considered.

From the internal and external analysis, Ibercaja obtained a list of **90 specific topics**, grouped into 15 relevant topics, aligned with industry expectations and responded to the programmes and initiatives included in the Bank's Desafío 2023 Strategic Plan.

Assessment of relevant issues:

Once the relevant issues had been identified, an internal and external consultation was carried out by means of **personalised questionnaires** for the main stakeholders to determine their priority, from the perspective of "Importance for Ibercaja" and "Importance for stakeholders", which will form the basis of the materiality matrix.

Importance for Ibercaja

Corporate Divisions

Business Divisions

Financial Group

Fundación Ibercaja

Importance for Stakeholders

Customers

Shareholders and Investors

Employees

Suppliers

Society at large

Opinion leaders

3. Prioritisation of material issues

The results of the assessments were structured in a materiality matrix reflecting the **priority** of the **15 relevant issues** identified.

Very high priority

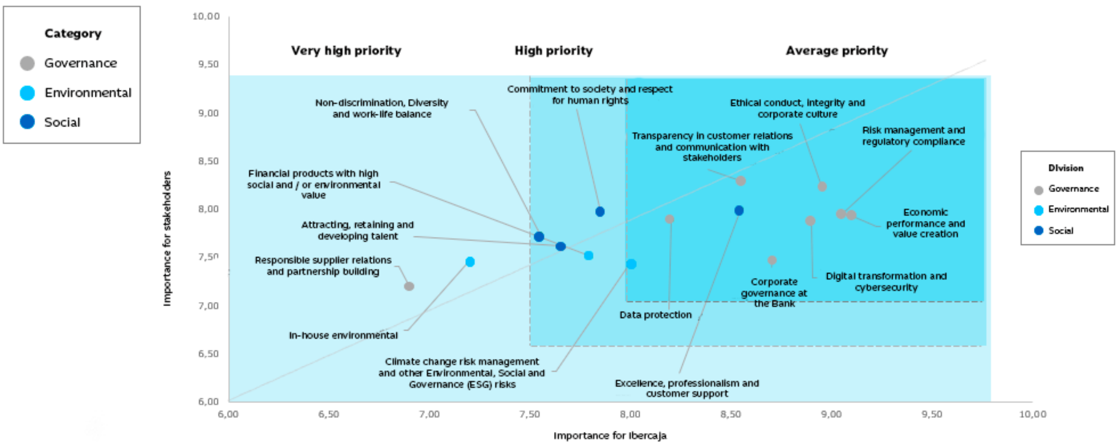
- Strategic aspects related to the generation of value for customers and shareholders and increased transparency towards all stakeholders.
- High standards of regulatory compliance and risk management.
- Highest standards in corporate culture, ethics and integrity.
- Digital transformation and cybersecurity.
- Excellence, professionalism and support in excellent customer service.
- Compliance with Corporate Governance best practices and standards.
- Ensuring absolute data privacy.
- Integration ESG aspects, and specifically those related to Climate Change, into the business and risk management.
- Transparency in customer relations and communication with stakeholders.

High priority

- Commitment to society and respect for human rights.
- Attracting and developing the best talent.
- Implementation of diversity, equality and work-life balance policies.
- Creation of products with high social and/or environmental value.

Average priority

- In-house environmental management.
- Conveying Ibercaja's commitments along its value chain.



The materiality matrix shows that all of Ibercaja's material issues are highly important **to both the Bank and its stakeholders**. Compared to the last materiality analysis in 2018, the relevant issues have evolved in 2021. These are strongly influenced by the regulatory environment and the current socio-economic context, including the pandemic. As a result of this analysis, the themes classified as "very high" priority in 2021 align with the Bank's strategic objectives. These issues include:

- Strategic aspects related to the **generation of value** for customers and shareholders, as well as increased transparency towards all stakeholders.
- Maintaining the highest standards in **ethics, integrity and corporate culture** of the Bank and high standards of regulatory compliance and risk management.
- The **digital transformation, transparency, communication and excellence in customer service** continue to be priorities for Ibercaja, as well as guaranteeing total data privacy.
- The integration of ESG aspects into business and risk management, particularly those related to climate change, also has the highest priority, reflecting the Bank's **commitment to sustainability** and the **fight against climate change**.

4. Impact analysis according to the dual perspective of materiality

The **dual perspective of materiality** is designed to **assess the impacts generated by the Bank on the environment and society**, as well as the **impacts that the environment may have on the business and the company**. It is an "inside-out" and "outside-in" analysis.

Ibercaja has analysed the qualitative impact of the very high priority themes based on this dual perspective:

Material issue and definition	Main environmental impacts on Ibercaja	Ibercaja's impact on the environment	SDG related
Ethical conduct, integrity and corporate culture Compliance with ethical principles and the specific commitments subscribed to voluntarily by the organisation and actions to improve the image and principles on which Ibercaja's Corporate Culture is based.	The correct management of these aspects is reflected in an improvement in Ibercaja's reputation with its stakeholders, ensuring regulatory and ethical compliance. To this end, the Entity must maintain a constant drive for employee training and stringent monitoring practices in these areas.	Having a corporate culture of integrity and ethics enhances trust in stakeholder relations while placing greater demands on all stakeholders. This results in increased investment security and increased job stability as the risk of regulatory non-compliance is reduced. This behaviour positively impacts stakeholders, who are favoured in this way. By demanding that they behave in the same way, they transfer these principles to the	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Risk Management and Regulatory Compliance Risk management model and compliance with applicable legislation and corporate policies and commitments.	Rigorous and continuous compliance is essential to avoid potential non-compliance and sanctions, which in turn boosts business stability and enhances reputation and stakeholder relations. In addition, it promotes the training of its employees on these issues and the supervision of monitoring systems in the three lines of defence.	Proper management of this aspect leads to greater confidence on the part of public administrations and greater security for the Bank's investors, employees, and suppliers due to a lower risk of non-compliance. In addition, the management of this aspect directly contributes to SDG 16.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
Economic performance and value creation Maintain adequate economic performance to ensure profitability, solvency and value creation for shareholders and investors.	A good economic performance will improve Ibercaja's positioning and stability, as well as attract new customers and investors attracted by a solvent and stable business. Ibercaja will maintain solvency controls and will continue to invest in training and recruiting the best team to achieve the solvency targets set by the Institution.	Creating value and economic profitability is key to consolidating the long-term stability of relations with stakeholders such as investors, customers, employees and suppliers and fosters their confidence in the Bank's profitability and solvency. Adequate economic performance and the creation of value for its shareholders enable the improvement of shareholders and society in general through the social action of its shareholder foundations.	8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS

Transparency in customer relations and communication with stakeholders Mechanisms to ensure adequate, clear and transparent communication with stakeholders to manage expectations and identify and respond to their requirements.	Transparency is a key aspect of the relationship with stakeholders, which translates into better communication with more straightforward and more accessible channels of dialogue, which will allow greater alignment with their expectations of information and an improvement in the perception of investors and rating agencies. In addition, maintaining transparency and quality information requires the need to maintain efficient and secure communication channels, as well as to establish control procedures to ensure confidentiality in data storage and	Generating trust for all stakeholders, including customers, as the management of this aspect improves accessibility to the Entity's information. Likewise, the management of this aspect improves communication with stakeholders and, therefore, identifies their expectations, thus providing a better response to their needs. Furthermore, generating value for the investor can be highlighted, as it improves traceability in Ibercaja's operations and business, as well as more agile participation and more effective decision-making.	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
The Entity's Corporate Governance policy Compliance with best practices in good corporate governance (including those aspects related to ESG governance).	Having a diverse, integral and capable Corporate Governance ensures correct decision making in the Entity, which translates into greater stability, reduced reputational risk and improved process efficiency. These aspects are directly related to attracting customers and investors. The governance structure must meet the objective of oversight, validation and control without impacting the loss of operational efficiency by slowing down decision-making.	Greater trust in Ibercaja and the establishment of more stable and lasting relationships, as a result of greater business stability, lower risk of default and proper management and decision-making (including ESG aspects). Shareholders benefit from good corporate governance as it provides stability, profitability and value creation. Compliance with best practices in corporate governance also benefits society and other stakeholders in general.	8 DECENT WORK AND ECONOMIC GROWTH 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS
Digital transformation and cybersecurity Identification and implementation of new digital solutions to streamline internal processes, boost efficiency, open up business opportunities and improve the customer experience while ensuring maximum system security and data protection.	Digitisation has a significant impact on increasing the efficiency and speed of processes. It is also associated with a reduction in costs and impacts on the environment, resulting from a digital service that requires less use of natural resources. In addition, the digitalisation process increases the need for investment in cybersecurity, given the possible risk of cyber-attacks, as well as the need to incorporate specialised human resources and tools (e.g., the use of cyber-attackers): Apps such as Ibercaja Pay).	Customers benefit from a more accessible, immediate and efficient service in their transactions (e.g. My manager), which in turn can be a difficulty for customers less familiar with digital services, who will receive the necessary support. In turn, employees and suppliers will see Ibercaja's demands in these areas increase and will have to train and adapt to an increasingly digital environment. Commonly for all stakeholders, digitalisation and cybersecurity improve relations with Ibercaja, resulting in a more agile, traceable and secure relationship.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Excellence, professionalism and support for the customer Operations implemented by the Entity in order to achieve excellence in the provision of its services and the highest quality perceived by customers, and to continue to promote proximity and tailored solutions.	Ibercaja, with its professional and excellent service, has the potential to attract and retain customers, which translates into greater stability and business growth and, therefore, greater attraction and loyalty of investors. Ibercaja will continue to invest in the training of its team and innovation in order to continue providing the best personalised service.	Customers require quality and personalised services tailored to their needs and expectations. Among others, Ibercaja has improved accessibility with tools such as Ibercaja Próxima and the protection and support of the most vulnerable groups, for example, through the Retail Trade Support Plan. This range of services and the specialisation demanded translates into a higher demand for suppliers and employees. Proper management of this aspect translates into greater confidence, stability and value creation for all stakeholders.	8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS

Data protection

Management model that guarantees maximum protection of stakeholder data.

To the extent that Ibercaja responsibly manages the privacy and confidentiality of its stakeholders' data, damages and losses are avoided, and possible risks of non-compliance are reduced. Ibercaja ensures compliance with the controls implemented to avoid reputational and economic damage due to privacy breaches, sanctions or loss of personal data integrity.

Stakeholders have the right to control the use of their personal data with regard to the right of access, rectification and deletion. The modification of the personal data of customers, employees or other stakeholders (destruction, loss, theft, misuse, etc.) can lead to moral and financial damage and loss of trust. Proper management of them, therefore, generates confidence in all groups.

Climate Change Risk Management and other Environmental, Social and Governance (ESG) Risks

Identifying and managing ESG risks (including risks associated with climate change) and integrating them into Ibercaja's risk model.

Ibercaja's management of these risks results in Ibercaja's business being less exposed to them and greater alignment with regulation and stakeholder expectations. The current focus is on climate change risks. Ibercaja will continue to make progress in identifying and managing these ESG risks to meet regulatory and stakeholder expectations. This will enhance the Bank's solvency and reputation.

The management of this aspect allows Ibercaja's customers to have support and backing in the transition processes of their businesses (companies) and their personal contribution (individuals), towards a sustainable, low-carbon economy. While funding requirements may be tightened for activities with higher exposure to climate risks, the future benefit will reward this approach. The correct management of these aspects improves stakeholder confidence in Ibercaja as a result of greater alignment with the 2030 Agenda, the 2015 Paris agreement, the TCFD recommendations, legal requirements and complete climate risk management.

Rigour

Throughout compiling and presenting the information, **Ibercaja has had in mind the principles of balance, precision, clarity, periodicity and reliability** necessary to guarantee the maximum quality of the information contained therein.

External audit review

Ernst & Young, S.L. has issued an independent assurance report, with limited assurance scope in accordance with the ISAE 3000 (Revised) Standard, on the non-financial reporting and diversity indicators that respond to Law 11/2018, on the indicators that respond to the GRI Standards under the "Core" compliance option and on the Financial Services Sector Supplement of the GRI G4 Guidelines, in addition to the United Nations Principles for Responsible Banking (UNEP FI), as well as the requirements set out in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the European Council on establishing a framework to facilitate sustainable investments (known as the EU Taxonomy Regulation). This Report is included in the "Independent Verification Report" Appendix of this document.

Finally, Ernst & Young, S.L. has issued an Auditor's Report on Information related to the Internal Control over Financial Reporting (ICFR) System, which is included as an Appendix to the Annual Corporate Governance Report.

4 Presentation of the Group and its context

4.1. Description, shareholding and organisational structure

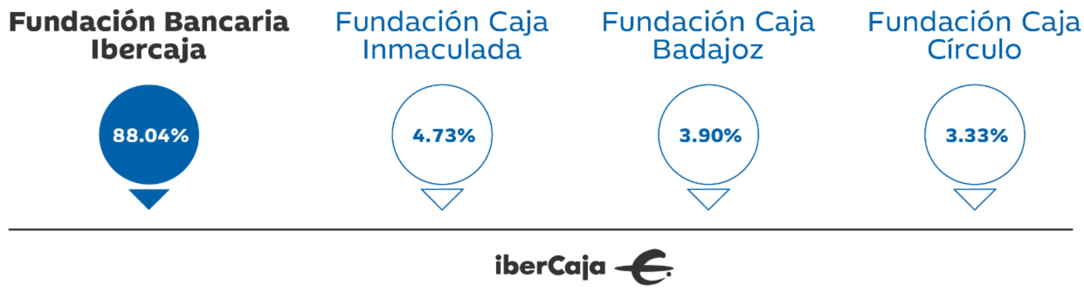
102-1, 102-2, 102-5, 102-45

> Ibercaja is a national banking entity specialised in the business of individuals and companies, whose objective is to generate value for its

The **Group primarily engages in retail banking, and carries out practically all of its business in Spain**. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including investment and auxiliary services.

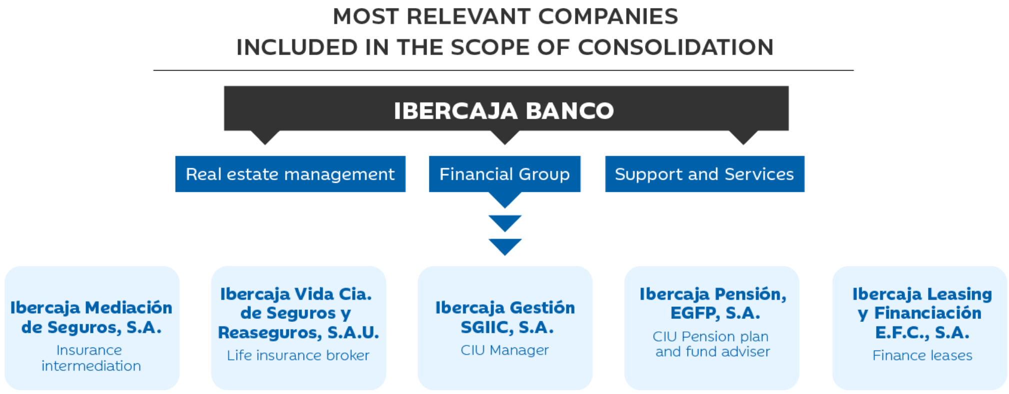
The Bank was created in 2011 following the spin-off and transfer to Ibercaja Banco of the financial business of the former Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, now transformed into the Ibercaja Banking Foundation, in accordance with the provisions of the Banking Foundations Act. **In 2013, the Bank absorbed Banco Caja3**, an entity formed as a result of the spin-off and subsequent merger of the financial business of three former savings banks: Caja de Ahorros de la Inmaculada (currently Fundación Caja Inmaculada), Caja Badajoz (currently Fundación Caja Badajoz) and Caja de Ahorros Círculo de Burgos (currently Fundación Caja Círculo), which have since been transformed into foundations and are the Bank's current minority shareholders, together with Fundación Bancaria Ibercaja, which is its majority shareholder.

Shareholder Structure



From an organisational standpoint, **the Bank is the parent of a group of subsidiaries**. Of these, the most notable (due to their wide range of banking products and high levels of profitability) belong to the **Financial Group**, which comprises companies specialising in investment funds, savings and pensions, bancassurance and leasing/renting.

Organisational Structure



4.2 Purpose, mission, vision, values and Code of Ethics

102-2, 102-16, 102-40, 102-42

> We are a different kind of bank, driven by a corporate purpose focused on people and the environment. The mission, vision and values define this purpose and define our way of banking and the value proposition for

Corporate Purpose

Ibercaja's Corporate Purpose is **"To help people build the story of their lives because it will be our story"**. It is the Bank's raison d'être, which gives meaning to its professionals' daily work and is very present in its strategy. Ibercaja works by and for people; it wants to help, accompany and support them in their life decisions, building and walking together with mutual commitment.

For this Purpose to be fully present in all business decisions, to be visible, known and shared by the entire Organisation and to mobilise action, Ibercaja is working on **its activation** within the framework of the new **Desafío 2023 Strategic**

It is carried out through one of the Purpose and Sustainability Initiative Challenges. The aim is for the Corporate Purpose to be reflected in **our way of banking** and to be a lever for competitive differentiation. To this end, it has communicated internally and externally, proactively and systematically, and is developing the **Culture and Purpose project**, defining the Entity's relationship model based on the pillars of the Purpose.

Purpose is the cornerstone of our corporate culture and the challenge is for it to be present in the daily behaviour of all Ibercaja's professionals and in decision-making, providing a differential value that is sustained over time. Our aim is for the Purpose to be perceived by customers and for it to be present in all interactions with them and in the Entity's value proposition, so that they feel that we accompany them at the most important moments, in accordance with their needs and expectations. We are also working on the external activation of the Purpose, identifying the main levers in our area of action, which will help us to transform and improve the territories and the lives of their people.

The Purpose is completed by the **mission** and **vision**, based on the Bank's **corporate values**, which have marked the Bank's path since its foundation.

Mission

Ibercaja's mission reflects how the Institution should act to achieve its Purpose: **to improve the lives of families and businesses**, helping them manage their finances to give the customer efficient service and a personalised and quality advice, which will help the bank achieve its

MISSION

Contribute **to improve the life** of families and companies, **helping them to manage** their finances by offering a **personalised global financial service**, so they can attain their own objectives

Since its origins, Ibercaja has been committed to society and works on generating resources that are returned to society through shareholder foundations.

Ibercaja understands that, in the carrying out its activity, its contribution to society and the environment makes the company more robust and more sustainable. Therefore, it accepts the triple challenge of generating business, social and environmental benefits to drive the transition towards a more sustainable economy.

Vision

The **vision** sets the path for the Entity to follow, towards what we want to be, towards **our goal**: to be an excellent bank. Our commitment to our stakeholders and to caring for the environment focuses on promoting sustainable development, preserving natural resources and promoting a fairer and more inclusive society.

Values

Ibercaja's corporate values define its business culture and have guided its path since its beginnings. They are the basis of the entity's ethical commitments, reflected in its **Code of Ethics**.

Ibercaja Code of Ethics

The Entity has an **"Ethics Model"** consisting of:

Ibercaja's **Code of Ethics**, a key element that reinforces the Bank's corporate culture and ethical approach to management. The Code contains the Bank's ethical commitments and the principles of action that must be present in the day-to-day work of the people who make up Ibercaja, to make its corporate values

The **key principles** of conduct that define us and shape our ethical culture are:

- We are **rigorous**: we know and follow the rules
- We are **honest and trustworthy**
- For us, **the customer takes centre stage**
- We are **role models**
- **We take care of the** Bank's reputation and look after information
- We **take care in the use of the Entity's media**
- We are **committed to our environment**

The approval and subsequent updates of the Code are the responsibility of the Board of Directors.

To ensure that all employees are aware of and comply with the Code of Ethics, it is available in the Internal Regulations. In addition, reminders are regularly included in the Daily Information published for all staff. In addition, in 2022, we plan to carry out a **training workshop** on **Corporate Culture and Ethics** for all Ibercaja employees, which will serve to strengthen and consolidate these principles, as well as the values and behaviours that define our different way of banking.

The **Ethical Management Handbook**, which establishes the internal functions and processes necessary to ensure the implementation of the Code.

The **whistleblower channel**, which is a specific and independent channel for reporting possible violations of the Code and for queries about its interpretation. The communications received are treated confidentially, guaranteeing the protection of the people who use it and in accordance with data protection regulations. All of them are analysed by the Brand, Reputation and Sustainability Department, with the assistance of the competent departments or units in each case, reporting periodically on them to the Reputation and Sustainability Committee, which, where appropriate, will inform the competent governing bodies.

*Also included on the corporate website is www.ibercaja.com an **e-mail address** (rsc@ibercaja.es) to which anyone can send **queries about the Bank's Code of Ethics**.*

To ensure this channel's correct functioning and use, periodic reviews are carried out by Internal Audit. **Employees have a Whistleblower Channel** to report any violations of the Code of Ethics.

Corporate Brand

The Bank's **brand**, both internally and externally, is one of Ibercaja's most valuable intangible assets: it represents our identity, our values and our Corporate Purpose, and makes them visible at every point of contact with customers and society.

"El Banco del vamos" communication concept responds to our brand DNA, the result of our 145-year history, and helps convey our Corporate Purpose.

This concept is developed in all institutional and commercial actions, our positioning and our communication style. It helps us show ourselves as a Bank that is approachable, transparent, honest in the information we offer, proactive, committed and dynamic, where people and their important moments in life are at the centre of our decisions.

In 2021, within the framework of the new Strategic Plan, taking into account the major transformation of the sector and society at large, the positioning (the perceived attributes of the Value Proposition) and notoriety of Ibercaja in the market have been analysed, with the aim of designing the strategy to transfer the positioning (current or evolved) to the process of commercial attraction and loyalty, defining how it declines in commercial management for each of the priority financial needs.

The final objective is to define the key levers that will make Ibercaja a more attractive and differential project for the different stakeholders.

4.3 Economic and financial environment

103-1

> Economic recovery consolidates despite the persistence of the pandemic.

World economic landscape

The recovery of the **global economy** **has been consolidated throughout 2021**, despite the persistence of the pandemic with its different waves and the emergence of new SARS-CoV-2 variants. The IMF estimates that **global GDP growth reached 5.9% after the -3.1% drop in 2020.** This would have exceeded pre-crisis output levels.

According to these estimates, growth would have been higher in emerging countries (6.5%) than in developed countries (5.0%), which, moreover, were coming from a larger decline in 2020 (-4.5% versus -2.0%). The different impact of the pandemic by country and by economic sector has meant that, despite widespread growth in 2021, not all economies and not all industries have fully recovered.

China's economy was the first to emerge from the crisis and **grew by 8.1% in 2021, after 2.3% in 2020**. However, beyond the base effect of the statistics, there is a slowdown in growth linked to the lower dynamism of the construction and real estate sectors, which is prompting the authorities to implement expansionary fiscal and monetary policies.

The US economy led the recovery among Western countries, and its GDP was already higher than before the pandemic in the second quarter of 2021. **For the year as a whole, it would have grown by 5.6% after falling by -3.4% in 2020**. The labour market has shown a good tone throughout 2021, although employment has not recovered to pre-pandemic levels.

On the negative side, the rapid improvement in demand, in many cases outstripping the pace of supply recovery, has led to sharp price rises. Moreover, the generous fiscal policy to combat the crisis has aggravated the situation of public accounts that were already starting from a significant imbalance.

GDP trend by country (BASE 100=4Q19)

The greater severity of restrictions in the face of the various pandemic waves delayed the recovery of the **Eurozone** compared to other advanced regions. However, **from the second quarter onwards, the economy gained traction and could have ended the year with a GDP growth of 5.2% according to initial estimates,** which, however, would be insufficient to overcome the sharp fall it experienced in 2020 (-6.5%). Country developments have been highly dispersed due to the measures taken to curb the coronavirus and the relative dependence of the sectors most affected by these constraints. Moreover, fiscal policy has been more or less expansionary depending on the state of public finances, something that could change from 2022 thanks to the implementation of the Next Generation EU funds. The labour market recovery has been faster than expected, and the unemployment rate is already lower than before the pandemic. However, it continues to vary sharply across countries, from full employment in the Netherlands and Malta to double-digit rates in Greece and Spain.

Monetary policy and financial markets

Monetary conditions remained very loose throughout 2021. However, the increase in inflationary pressures in the latter part of the year is causing a change in the orientation of the **central banks** after years of fighting the risk of deflation. Price acceleration is more structural in the US, which may lead to intervention rate hikes in the coming months, while in Europe, quantitative easing will continue with debt purchases at least until the end of the third quarter of 2022, and intervention rate hikes are not expected at least until the end of the year.

2021 was a very positive year for most stock markets. The US S&P 500 rose by 26.9% and the European Stoxx 600 by 22.2%. The Ibex lagged somewhat behind with a rise of 7.9% and a close below the year's highs. All Stoxx 600 sectors closed 2021 in positive territory. The largest increases were in banking (34.0%), technology (33.7%), media (31.7%) and construction (31.1%). Only two sectors did not show double-digit gains: electricity (5.4%) and travel and leisure (3.7%).

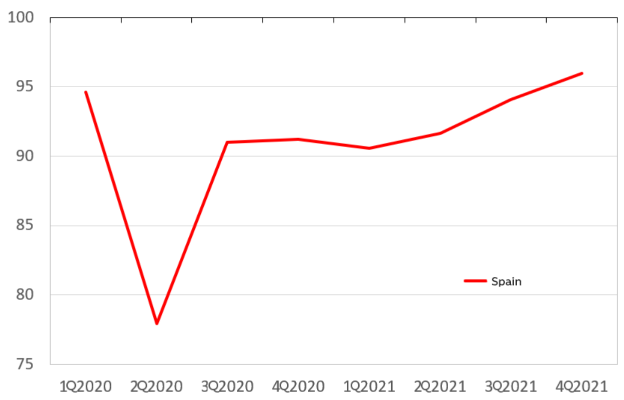
Interest rates on government debt remained at very low levels by historical standards in 2021, although there was some recovery from the lows reached in 2020. This rise could continue in 2022 due to rising price pressures and less expansionary central bank policies. **The 12-month Euribor traded around -0.50% for most of 2021; however,** this may change as upward movements in intervention rates begin to be priced in.

The Spanish economy

The recovery of **Spanish GDP** was somewhat disappointing during the first half of the year before gaining momentum in the second half. **In 2021 as a whole, GDP grew by 5.0%** according to the INE's first estimate, which is meagre if we take into account the -10.8% drop in 2020. Among the European economies that have published data, Spain remains the furthest away from pre-crisis output levels. The insufficient return to normality of the sectors most affected by the pandemic, which have a greater relative weight in the Spanish economy, and of private consumption explain this worse relative performance. The high savings generated during the previous year were channelled not into consumption but into investment, which was reflected in the good real estate figures, but not in GDP.

GDP in Spain (BASE 100= 4Q19)

Relative to 2019, **GDP** in 2021 was still **-6.4%** lower despite the aforementioned 5.0% rebound.



The insufficiency of the recovery was evident in the gross value added of professional and administrative services (-12.6% in 2021 compared to 2019), construction (-14.9%), trade, transport and accommodation (-15.5%) and entertainment and other services (-25.0%). In addition, financial services (13.7%), public administration, education and health (3.4%) and real estate activities (2.3%) performed well.

The **labour market** **surprised favourably by recovering much faster than output,** the opposite of the usual post-crisis behaviour. On average over the year, the number of employed was virtually the same in 2021 as in 2019 and exceeded it by 1.1% in the fourth quarter according to LFS data. The unemployment rate fell to 14.8% on the annual average (13.3% in the last quarter) from 15.5% in 2020 and 14.1% in 2019. The number of ERTE workers fell from 925,000 in February to 126,000 in December.

> **GDP GROWTH**
>
> *The recovery has accelerated in recent quarters, and this dynamism may continue in the coming quarters, provided that activity continues to return to the sectors most affected by the pandemic. For future growth, beyond the mere rebound effect, it is essential to recover lost productivity, something to which the European Next Generation funds can contribute.*

The increase in energy prices has conditioned the behaviour of **inflation**. CPI accelerated from -0.5% in December 2020 to 6.6% in December 2021, with an annual average of 3.1% (after -0.3% in 2020).

Banking and regulatory environment

The Spanish banking system has played a key role in mitigating the effects of the pandemic on economic activity and, in collaboration with the authorities, in facilitating financing for households and businesses to meet their financial obligations in the current adverse context. **It is also a key factor in the recovery,** maintaining the flow of credit to finance the investment necessary to modernise the productive fabric and the transition towards a more sustainable economy. However, the sector faces important challenges, including the following: improving profitability that recurrently offsets the cost of capital, progress in digitisation, competition with new, less regulated players such as technology giants and Fintech companies, risks linked to cybersecurity, climate risk management and sustainable finance, and the uncertainties still hanging over the effects of the phasing out of support measures for businesses and households.

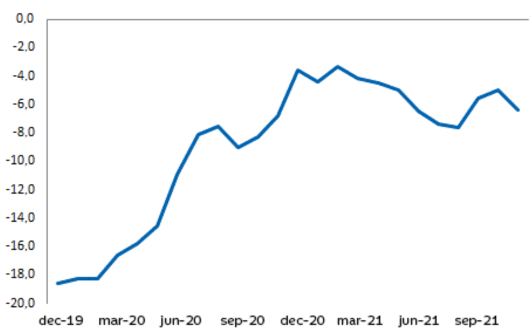
The **system's credit to households and companies is up 0.3% year-on-year**. Financing to non-financial companies rose 0.2% after overcoming the setbacks recorded during most of the year due to the base effect caused by the increase in financing for productive activities in the first months of 2020 under the ICO lines guaranteed by the State. Lending to households increased by 0.3% due to the momentum, observed in the last part of the year, of both lending for house purchases and consumer credit, which rose 1.1% and 1.4%, respectively.

The **retail deposits** in the system **rose 5.6% in the last twelve months.** Although the momentum generated by the health crisis has slowed, the increases are still significant. In companies, the variation reaches 8.9%, compared to 14.7% in December 2020, while in households, it rises by 4.6% vs 7.5% at the end of 2020. **Investment funds** increased their assets by **15.7% year-on-year,** both in terms of net contributions and returns obtained in a very positive scenario for the stock markets.

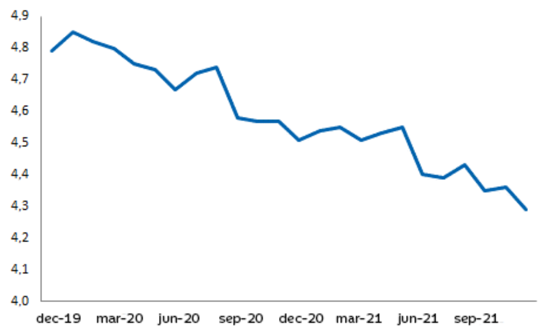
The effect of the pandemic on economic activity has not been reflected, in contrast to what was observed in previous crises, in an increase in non-performing loans contained mainly by public support measures such as ERTE, guarantees for access to credit and moratoriums. With data to November, the balance contracted by 4.7% compared with December 2020. The **NPL ratio** of credit to the resident private sector for credit institutions as a whole stood at **4.29%, 22 basis points lower than at the end of 2020**. However, the risk of credit quality deterioration in the economic sectors hardest hit by the crisis persists. Loans classified under special surveillance have increased, with the latest known data as at September, by 53% year-on-year, while refinanced or restructured loans, after declining in the pre-pandemic quarters, have moved to positive rates of change. After the extraordinary increase in 2020 in anticipation of future risks, asset impairment charges have been reduced to 2019 levels.

Doubtful assets indicators credit institutions

CHANGE IN NON-PERFORMING LOANS PRIVATE SECTOR
YEAR-ON-YEAR % RATE %



PRIVATE SECTOR NPL RATIO



In the **regulatory sphere,** the Bank of Spain published **Circular 5/2021 on 22 September**, amending Circular 2/2016 of 2 February on the supervision and solvency of credit institutions, to develop certain macroprudential instruments, which make it possible to establish a countercyclical capital buffer requirement in specific sectors, limits on the sectoral concentration of credit in relation to bank capital, and requirements on the criteria for granting credit.

The Bank of Spain, by means of **Circular 6/2021 of 22 December,** has amended Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and financial statement formats, and Circular 4/2019 of 26 November to financial credit institutions on public and confidential financial reporting standards and financial statement formats. The objective of the standard is to preserve the convergence of Spanish accounting regulations with the International Financial Reporting Standards adopted by the European Union (EU-IFRS).

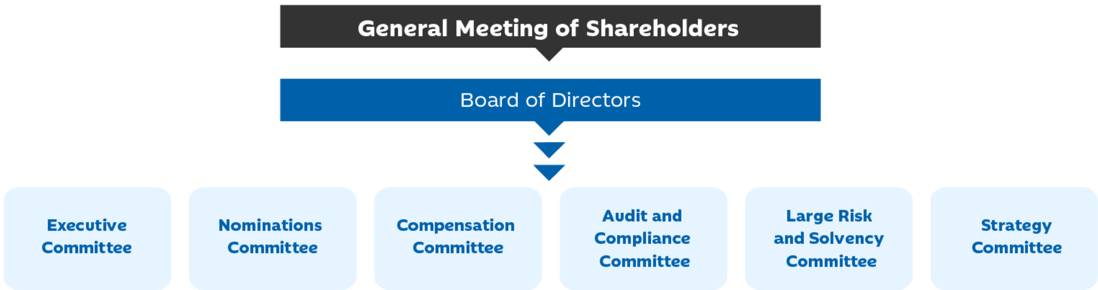
The **European Commission published on 27 October a proposal for a review of the regulation applicable to the banking sector**, which includes **legislative changes to implement the Basel III agreement**, taking into account the particular characteristics of the European banking sector. The proposal aims to strengthen the resilience of EU banks, without leading to significant capital increases, and introduces an extended transitional period, starting for some aspects in 2025. It also introduces rules on the management, monitoring and reporting to third parties of environmental, social and governance (ESG) risks, in line with the objectives set out in the EU Sustainable Finance Strategy.

4.4 Corporate governance

102-15, 102-16, 102-17, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32, 102-35, 102-36, 103-1, 103-2, 103-3, 405-1

> Ibercaja's governance structure carries out its functions efficiently, guided by the rules and codes of good corporate governance.

The **internal governance model** consists of the **General Meeting of Shareholders and the Board of Directors,** which has an Executive Committee and five advisory committees.



The Ibercaja Group's governing bodies, along with their composition and their internal rules, are governed by the **Articles of Association and the Regulations of the Board of Directors**, the contents of which are compliant, among other regulations, with the law on the organisation, supervision and solvency of credit institutions, the Corporate Enterprises Act, the Audit Act, the guidelines issued by international bodies such as the EBA or the ESMA, and the Code of Good Governance of Listed Companies, which is taken as a benchmark of best practices in this field. **In this respect, it should be noted that**:

1. Separation of functions between the non-executive Chairman and the executive CEO.

2. The independent status of 55% of the members of the Board of Directors.

3. The chairmanship of all advisory committees by an independent director.

The **composition, independence** and manner of action of the governing bodies, the **codes of conduct and internal rules** of mandatory compliance, the established **monitoring systems**, the **communication policy and transparency**, the **fight against fraud and corruption** and **confidentiality in the handling of information** all form the **basis of Ibercaja's corporate governance**.

General meeting of shareholders

The General Shareholders Meeting is the **most senior decision-making body at the Bank** and its resolutions are binding on the Board of Directors. The General Meeting has the broadest of authorities to govern the Bank and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Bank's own Bylaws.

The functioning of the General Shareholders Meeting is regulated in section 5 of the Articles of Association, which are accessible through the corporate website www.ibercaja.com in the Shareholders and Investors section (https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones), setting out in articles 13 to 23 the regulation of the Meeting, the place and time of the meetings, the right to attend and representation, the rules governing the constitution of the general meeting, the drawing up of attendance lists, deliberation, the casting of remote votes prior to the meeting and the adoption of resolutions.

Board of Directors

Meanwhile, the Board of Directors has the **broadest of authorities to manage, administer and represent the Bank** and, except for those matters reserved for the General Meeting, it is the highest decision-making body at the Bank. The Board has six committees: Delegate Committee and the internal advisory committees on Appointments, Remuneration, Audit and Compliance, Major Risks and Solvency and Strategy.

The composition of the Board of Directors on 31 December 2021 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr José Luis Aguirre Loaso	Proprietary
First Deputy Chairman	Mr. Jesús Máximo Bueno Arrese	Proprietary
CEO	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Ms Gabriela González-Bueno Lillo	Independent
Member	Mr José Miguel Echarri Porta	Proprietary
Member	Mr Vicente Cóndor López	Independent
Member	Mr Jesús Solchaga Loitegui	Independent
Member	Mr Jesús Tejel Giménez	Independent
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Mr Luis Enrique Arrufat Guerra	Proprietary
Member	Ms Maria Pilar Segura Bas	Independent

9.1	**36.36**	**54.54**	**25**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Composition of the Board of Directors

All appointments of the members of the Board of Directors have been favourably reported by the Appointments Committee, prior to their formal appointment, and have been subject to the mandatory individual and collective evaluation, in accordance with the terms established in the Policy for the assessment of suitability and diversity of directors and senior officers of the Bank, as required by current legislation.

The academic background, experience and professional career of the directors is available on the Entity's corporate website https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones/consejo-de-administracion).

According to article 28 of the current statutes, directors shall hold office for a term of four years and may be re-elected one or more times for terms of the same duration. The appointment of the directors shall lapse when, upon expiry of the term, the next general meeting has been held or the legal term for convening the meeting that is to decide on the approval of the accounts of the previous financial year has elapsed.

As at 31 December 2021, the average term of office of directors was five years, taking into account that the current Chairman and Vice-Chairman were appointed as directors on the occasion of the incorporation of Ibercaja Banco in 2011, and that a proprietary director was appointed in October 2021.

The Chairman of the Board of Directors, Mr José Luis Aguirre Loaso, informed the Board of his intention to resign for reasons of age once the accounts for the 2021 financial year had been drawn up. The Board agreed to initiate the process of succession of the non-executive Chairman, such process being directed by the Appointments Committee, which has been assisted for this purpose by external specialist advice.

On 17 December 2021, at the proposal of the Appointments Committee, the Board of Directors unanimously agreed to propose Francisco Serrano Gill de Albornoz as a candidate for non-executive Chairman of the Board. This proposal is conditional both on the European Central Bank's positive assessment of the candidate's suitability and, should this take place, on the Bank's General Meeting of Shareholders appointing the candidate as a director. Pending this process, Mr Aguirre Loaso will continue to serve as non-executive Chairman.

Executive Committee

The **powers delegated** by the Board of Directors to the Executive Committee are expressly set out in the **Board of Directors' Regulations** and are as follows:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions that fall within its competencies under the Policies and Procedures Manual to manage lending risk approved by the Board of Directors. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.
- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.), except in those cases in which the decision falls to the CEO or to the plenary Board of Directors' Meeting, since it involves employees that report directly to the CEO.
- Shall hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that shareholders must decide at a General Meeting in accordance with the law.
- When appropriate, shall grant the necessary or advisable authority to execute the resolutions adopted.

The composition of the Executive Committee as at 31 December 2021 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr José Luis Aguirre Loaso	Proprietary
Member	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Mr Vicente Cóndor López	Independent
Member	Mr Jesús Máximo Bueno Arrese	Proprietary
Member	Mr Jesús Tejel Giménez	Independent

20.00	**40.00**	**40.00**	**23**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Nominations Committee

The Nominations Committee is responsible for **proposing nominations** to the Board of Directors. It is specifically responsible for: evaluating the suitability of directors and senior managers of the Entity and the basic terms and conditions of their contracts, establishing a target for the gender less represented on the Board, making, together with shareholders at a general meeting, proposals for the nomination, re-election or removal of independent directors, reporting on motions to nominate or remove senior executives and key office holders, and examining and organising the succession of the Chairman and the CEO.

The composition of the Nomination Committee as at 31 December 2021 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Jesús Solchaga Loitegui	Independent
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Ms Maria Pilar Segura Bas	Independent
Member	Ms Gabriela González-Bueno Lillo	Independent

0.00	**0.00**	**100.00**	**7**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Compensation Committee

The Compensation Committee has the duty of **reporting, advising and proposing matters regarding compensation** for directors, general managers and similar personnel, and the remaining members of the so-called Identified Collective, i.e. the persons whose professional activity has a significant impact on the Bank's risk profile.

The composition of the Remuneration Committee as at 31 December 2021 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Jesús Solchaga Loitegui	Independent
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Ms Maria Pilar Segura Bas	Independent
Member	Ms Gabriela González-Bueno Lillo	Independent

0.00	**0.00**	**100.00**	**5**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Audit and Compliance Committee

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to **supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks**; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

The composition of the Audit and Compliance Committee, as at 31 December 2021, was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Jesús Tejel Giménez	Independent
Member	Mr Jesús Máximo Bueno Arrese	Proprietary
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Mr José Miguel Echarri Porta	Proprietary
Member	Mr Vicente Cóndor López	Independent

0.00	**40.00**	**60.00**	**11**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Large Risk and Solvency Committee

The Committee has the primary duty of **advising the Board as to the overall current and future risk appetite** of the Bank and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by the senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

The composition of the Large Exposures and Solvency Committee at 31 December 2021 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Vicente Cóndor López	Independent
Member	Mr Jesús Tejel Giménez	Independent
Member	Mr Jesús Máximo Bueno Arrese	Proprietary
Member	Ms Maria Pilar Segura Bas	Independent
Member	Mr Jesús Solchaga Loitegui	Independent

0.00	**20.00**	**80.00**	**15**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

Strategy Committee

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation. The committee regularly **evaluated the Strategic Plan** approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented **quarterly follow-up measures** regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors. It also monitors and reports to the Board of Directors on the sustainability policy.

The composition of the Strategy Committee as at 31 December 2021 was as follows:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr José Luis Aguirre Loaso	Proprietary
Member	Mr Jesús Solchaga Loitegui	Independent
Member	Mr Félix Santiago Longás Lafuente	Independent
Member	Mr Luis Enrique Arrufat Guerra	Proprietary
Member	Mr José Miguel Echarri Porta	Proprietary

0.00	**60.00**	**40.00**	**9**
% of Executive Directors	% of proprietary Directors	% of independent Directors	Number of meetings

*Information on the **composition of the different governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and which is available on the Bank's corporate website, www.ibercaja.com under the section titled "Shareholders and investors - Corporate Governance and Remuneration Policy".*

At its meeting on 8 January 2021, the Board of Directors, at the proposal of the Chief Executive Officer, resolved **to modify the structure of the Entity's senior management** to comprise a staff directorate attached to the Chief Executive Officer, nine area directorates and two staff directorates reporting

CEO **D. Víctor Iglesias Ruiz**

DEPARTMENT OF STAFF ATTACHED TO THE CHIEF EXECUTIVE OFFICER

D. Rodrigo Galán Gallardo

BUSINESS DIVISIONS

- **General Secretary and Control Department** Francisco Serrano Gill de Albornoz
- **Branch Network Business Division** José Ignacio Oto Ribate
- **Financial Business Division** Antonio Martínez Martínez
- **Credit Risk Business Division** María Raquel Martínez Cabañero
- **Media Business Division** José Palma Serrano
- **People Business Division** Ana Jesús Sangrós Orden
- **Marketing and Digital Strategy Business Division** Ignacio Torre Salà
- **Financial Group Business Division** Luis Miguel Carrasco Miguel
- **Corporate Banking Business Division** María Teresa Fernàndez Fortún

STAFF DEPARTMENTS

- **Communication and Institutional Relations Department** Enrique Barbero Lahoz
- **Framework, Reputation and Sustainability Department** María Campo Bernal

Suitability of the members of the Board of Directors

All members of the Board of Directors must **meet requirements** in order to be appointed and hold the position of director, in line with current regulations and those included in the **Entity's internal governance rules**.

Ibercaja has a **policy for assessing the suitability and diversity** of the members of the Board of Directors and key function holders at the Bank, in keeping with EBA/GL/2017/12 Guidelines and European Central Bank (ECB) Guidelines, on the assessment of suitability, establishing the criteria and systems that will be taken into account to assess the suitability of the members of the Board of Directors, general or similar managers, heads of internal control and other key function holders for the Entity's day-to-day operations.

To **assess the suitability of the aforementioned key posts** and positions, which, in any case, must take place prior to their appointment, the following will be taken into account:

- Their commercial and professional reputation.
- Their knowledge and experience.
- In the case of Board members, good governance aspects will also be considered, using indicators such as the ability to devote the amount of time required, independence of mind and the absence of significant conflicts of interest.

Care shall likewise be taken to ensure that the selection criteria take into **account the diversity** of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular, on the grounds of gender, ethnic origin, age or disability). In particular, the Entity will ensure that the selection processes are not implicitly biased to hinder the selection of women aimed at including women who meet the sought-after professional profiles among the potential candidates.

In the event that during the performance of their respective functions, any of the persons subject to the scope of the Policy is affected by a situation that modifies the criteria taken into account for the favourable assessment of their suitability for the performance of the position, the Entity will adopt the appropriate measures and notify the competent supervisory authority within a maximum period of fifteen working days.

Nevertheless, the Entity periodically promotes **training sessions** aimed at the members of the Board of Directors, whose content in various areas is determined according to the training needs of the directors, regulatory developments affecting credit institutions and relevant economic and social issues.

Performance assessment - self-assessment of the Board and committees

Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions assigns responsibility to the **Board of Directors** for the **oversight, control and periodic assessment of the effectiveness of the corporate governance system.** The European Banking Authority (EBA) Guidelines on internal governance (EBA/GL/2021/05) and the Bank of Spain's guidelines on the internal capital adequacy assessment process at credit institutions provide for the management body to periodically assess the individual and collective efficiency and effectiveness of its corporate governance activities, practices and procedures, as well as the functioning of the delegated committees. This obligation is stipulated in the Corporate Enterprises Act for listed companies and in the CNMV'S Code of Good Governance. These legal obligations and good practices are included in the Bank's Board of Directors' Regulations, which stipulate that one of the Board's duties is to prepare a self-assessment report of its performance annually and that of its internal committees Every three years, this performance evaluation is carried out by an external evaluator, the last external evaluation having been carried out in the 2019 financial year.

Remuneration of Governing bodies and Senior Management

The **position of member of the Board of Directors** is **remunerated** in accordance with article 34 of the Bylaws.

The **maximum amount of the annual remuneration of all the directors is approved by the General Shareholders' Meeting** and remains in force until their modification is approved. Unless otherwise resolved by the General Shareholders' Meeting, the distribution of remuneration among the directors shall be established by resolution of the Board of Directors, following a favourable report from the Remuneration Committee, taking into consideration the special duties and responsibilities inherent to the position, as well as sector and market practices (comparable sector based on size, market capitalisation, among other factors). Remuneration shall be set to reward the level of responsibility and career development of the Bank's Directors, ensuring both internal fairness and external competitiveness.

In particular, the **Board of Directors shall be responsible for setting the remuneration of the chief executive officer and the terms and conditions of his contract with the Bank**, in accordance with current legislation and the director remuneration policy.

In general, directors' remuneration shall be based on the following principles:

- **Prudent and effective risk management**: the Policy shall promote and be consistent with sound and effective risk management and shall not provide incentives to take risks beyond the level tolerated by the Entity.

- **Alignment with business strategy:** the Policy shall be consistent with the business strategy, objectives, values and long-term interests of the Entity and shall avoid conflicts of interest, ensuring that in the setting of performance targets to be achieved to which remuneration may be linked, there is no risk of such conflicts of interest.

- **Sustainability over time**, so as not to encourage the excessive or undue assumption of risk, and should be aligned with the Entity's solvency and capitalisation needs, maintaining adequate proportionality between the remuneration paid to directors and the responsibilities assumed and the volume of assets and nature of the Entity, also ensuring equality in the remuneration schemes of the directors from the point of view of gender diversity, and in particular, preventing excessive remuneration of independent external directors from circumventing their independence.

- **Alignment with long-term interests**: the valuation of any performance-based component shall focus on long-term results and consider the current and future risks associated with them.

- **Transparency**: the Policy shall be transparent and known to the persons to whom it applies from time to time so that they can have a clear idea at the beginning of the financial year of the total amount of remuneration they could achieve at the end of the financial year. Decisions taken by the governing bodies competent for remuneration matters shall be duly recorded in the minutes of the relevant meetings. The approved quantitative aspects in force from time to time shall be set out in an appendix to this Directors' Remuneration Policy.

- **Simplicity:** the rules for the management of remuneration shall be drafted clearly and concisely, simplifying as far as possible the description of the rules, the calculation methods and the conditions for their achievement.

- **Adequate ratio between fixed and variable components:** in those cases in which the remuneration system of a director provides for a variable component, the fixed component shall constitute a sufficiently large part of the total remuneration to allow the variable component sufficient flexibility to permit its modulation, to the extent that it is possible not to satisfy it by means of the "malus" clauses that have been established.

In order to avoid any excessive risk-taking, a maximum shall be set for the ratio between the fixed and the variable component of the total remuneration.

The remuneration policy of the members of the Board of Directors and senior management staff (Management Committee) is aimed at establishing a remuneration scheme **appropriate to the dedication and responsibility assumed**, all in accordance with the provisions of current legislation, and promoting sound and effective risk management, which does not imply an assumption of excessive risks.

The setting of global and specific targets for variable remuneration is linked to prudent risk management, with some of its main features in relation to *ex-ante* adjustments being as follows:

- **Depends on and is adapted to beneficiaries' individual performance and the Entity results**, considering the impact of the underlying economic cycle and the present and future risks.

- **Flexibility and alignment with the Entity's strategic interests** without limiting its ability to reinforce its solvency.

- **Setting certain upper and lower limits that clearly mitigate risks associated with their potential impact on the income statement and** the Entity's own funds.

Without prejudice to the foregoing, the Entity has established ex-post adjustment clauses for variable remuneration (*pre-malus*, *malus* and clawback clauses) that may be applied up to 100% of the total variable remuneration. In any case, the variable component of the remuneration may be reduced at the time of its performance evaluation, in the event of a negative performance of the Entity's results or of its capital ratios, either in relation to previous years or to those of similar entities, or a negative performance of other parameters such as the degree of achievement of budgetary targets, and provided that a requirement or recommendation by the competent authority to the Entity to restrict its dividend policy is in force.

Ibercaja's Remuneration Policy is coherent with the Sustainability Policy and the principles and values of the Bank with regard to managing environmental, social and corporate governance risks. It is in line with the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector with regard to establishing a remuneration system based on equal opportunities and non-discrimination, contributing to the Bank's good corporate governance, coherent with the internal code of conduct and mitigates an unreasonable assumption of risks.

In addition, a long-term incentive has been approved to align the interests of certain key executives of the Bank with the corporate strategy and long-term value creation. Three of its multi-annual objectives are related to sustainability: the percentage of female managers, CO_2 emissions and achievement of the major sustainability milestones contained in the Desafío 2023 Strategic Plan.

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Bylaws. Only the Chief Executive Officer and the Chairman receive a salary for the performance of their duties, as well as allowances for attending meetings of governing bodies, in accordance with the provisions of the Bylaws. The remuneration of the other directors, in their capacity as such, consists of (a) allowances for attending meetings of the Board of Directors and its committees, and (b) an annual allocation to be determined by the Board for directors with special dedication and duties (chair of the internal committees of the Board of Directors).

Hence the average remuneration of directors, including the CEO and the Chairman, (9 male directors and 2 female directors) amounted to 125.88 thousand euros. Furthermore, the average remuneration of directors in their capacity as such is 55.71 thousand euros (the average remuneration of male directors is 59.75 thousand euros and that of female directors is 35.5 thousand euros. This difference is due to the chairmanship of committees, the number of committees of which one is a member and the number of meetings of each committee).

Quantitative data on directors' remuneration are provided in the annual directors' remuneration report disclosed on the Entity's corporate website (https://www.ibercaja.com/accionistas-e-inverores/gobierno-corporativo-y-politica-de-remuneraciones/politica-de-remuneraciones) and for both directors and senior management in the Annual Corporate Governance Report (sections C.1.6 and C.1.7) also accessible through the corporate website (https://www.ibercaja.com/accionistas-e-inverores/gobierno-corporativo-y-politica-de-remuneraciones/informe-anual-del-gobierno-corporativo).

Conflicts of interest of the administrative, management and supervisory bodies

The members of the governing bodies of Ibercaja Banco **comply with the requirements established in the Corporate Enterprises Act**, and no conflicts of interest have been disclosed between persons, their private interests and other duties, and their activity at the Entity.

The board members must adopt the necessary measures to avoid situations where there may be a conflict of interest with the business and their duties to the Entity, as stipulated in the Board of Directors' Regulations.

No conflicts of interest of the Entity's directors that could affect the performance of their position as provided in article 229 of the Corporate Enterprise Act have been reported. In those specific situations where a director considers that a potential conflict of interest could be involved, the director has refrained from intervening in the deliberations and participating in the voting.

Internal Rules and Control Organs

103-1, 103-2, 103-3, 417-1

Ibercaja has established internal rules and control bodies to **ensure full and rigorous compliance** with the **Entity's good governance measures**, including the **following:**

- **Code of ethics**, which include a memorandum of operating conduct and security that affects all the Bank's employees.
- **Policy for managing the risk of non-compliance with regulations.**
- **Internal Code of Conduct in the securities market,** applicable to the Board of Directors, Senior Management and employees of the Entity who operate or whose professional activity is related to the securities market, or who may have access to privileged information or other relevant information of the Entity.
- **Body for reporting suspicious activities involving market abuse.**
- **Regulations for the Defence of the Customer** of the Ibercaja Group and the **Style Manual for customer service**, which contains the general criteria for customer service.
- **Retail savings product marketing manual**, in accordance with MiFID regulations.
- **Conflicts of interest policy**, prepared according to MiFID regulations, aims to objectively manage conflicts of interest that may arise between the Ibercaja Group and its customers.

- **Anti-money Laundering and Counter-Terrorism Financing Prevention Committee** (Internal Control Body-ICB) that has been commissioned the functions established in the anti-money laundering and counter-terrorism financing regulations.
- **Data Processing Officer** (DPO) of the Group and Privacy Office, whose duty is to ensure compliance with the personal data protection regulations.
- **Control body for the criminal risk prevention system.**
- **Tax compliance management and control model.**

Control Functions

The Group has an internal monitoring system in place to oversee the financial and operational risks inherent in its business activities. The **General Secretary's Office and Control area** bring together the **second line of defence**, formed by the Risk Control department and the Compliance department. The General Secretary of the Bank is also the Chief Risk Officer.

The **Risk Control Department** verifies compliance with the risk limits approved by the Board of Directors and the **Regulatory Compliance Department** supervises observance of the laws that govern the Group's business activities. In addition, the **Internal Audit Division** reviews the proper functioning of the risk monitoring systems, while verifying compliance with established policies, procedures and standards. The **Audit and Compliance Committee** of the Board of Directors supervises the effectiveness of internal audit and control and the systems for managing the risk of non-compliance with regulations.

The head of the Risk Control Department reports regularly to the Large Risk and Solvency Committee, while the heads of the Regulatory Compliance Department and the Internal Audit Department report regularly to the Audit and Compliance Committee. The chairmen of the committees, as well as the CRO, report to the plenary session of the Board of Directors within the scope of their respective areas of concern.

Commitment to privacy

103-1, 103-2, 103-3

All processes and actions of the Ibercaja Group are conducted with the utmost possible respect and protection for the privacy and security of personal data.

Privacy management is central to the design of internal actions, both commercially and technologically. The Ibercaja Group's data protection officer (corporate DPO) carries out his or her activity through the privacy branch and coordinates this function in all the Group's companies. Promotes maximum respect for privacy, above general standards, with a medium-term view to anticipate future obligations. Throughout 2021, several aspects have been reviewed, such as:

- **Improvement of internal rules and criteria** to achieve maximum effectiveness in protecting personal data when dealing with changes in processes, products or technological assets.
- **Constant improvement in the definition of special processes** for the blocking, erasure and conservation of data, making the legally mandated periods for the persistence of information compatible with absolute respect for the law in relation to the protection of such data.
- **Conducting both general and process-specific audits** to ensure the adequacy of the privacy framework to the internal dynamics of innovation and change.
- **Development of internal utilities** based on artificial intelligence tools aimed at creating a privacy innovation pipeline.

- **Training and outreach actions**, with recurrent privacy committees, internal communications and maintenance of a complete and clear internal regulatory corpus, as well as mandatory data protection courses and presence in professional exchange forums.

4.5 Business model and Strategic Plan

> Ibercaja's business model, with a robust retail profile, combines universality with specialisation by segments.

4.5.1 Business positioning and markets in which it operates

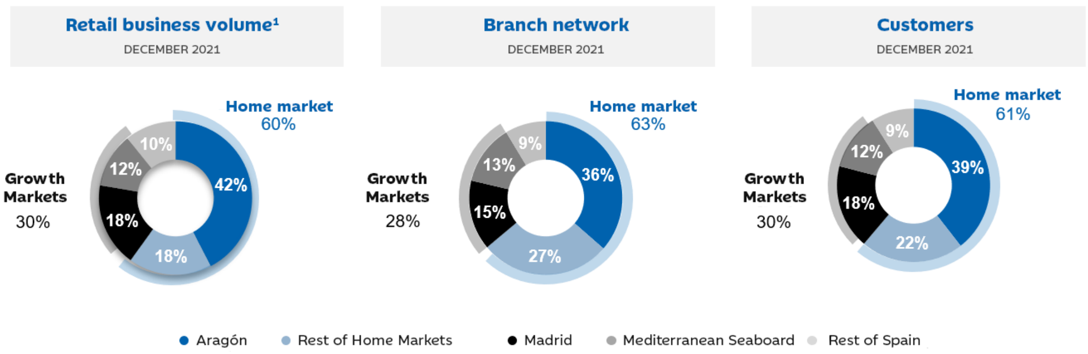
102-2, 102-4, 102-6, 102-7, 103-1, 103-2, 103-3

The Ibercaja Group, with a balance of **58,631 million euros**, is the **ninth largest in terms of asset volume in the Spanish banking system**. The Bank is developing a "universal banking" model to meet all the financial needs of its customers. It has a wide range of banking and financial products and services, focusing on first home mortgages, SME financing, asset management and life savings and risk insurance products.

The **retail nature of the business** is reflected in the balance sheet structure and the low-risk profile. Loans to individuals and small and medium-size enterprises account for almost 85% of loans and advances to customers, and retail deposits 80% of borrowings. At the national level, it has a market share of **2.4% in lending to households and non-financial corporations**, **3.6% in the individual house purchase segment**, and **2.7% in household and corporate deposits**, according to statistics published by the Bank of Spain.

Ibercaja owns its entire Financial Group, which is made up of subsidiaries specialising in the management of investment funds and pension plans, bancassurance, and leasing and renting, through which it offers a wide variety of products especially aimed at retail customers and which complement more traditional banking services. Ibercaja's Financial Group makes the Bank the **fourth largest financial institution in Spain in terms of asset management and life insurance** with 32,810 million euros in assets under management and technical provisions, reaching an aggregate market share in this range of products of **5.1% as at 31 December 2021.**

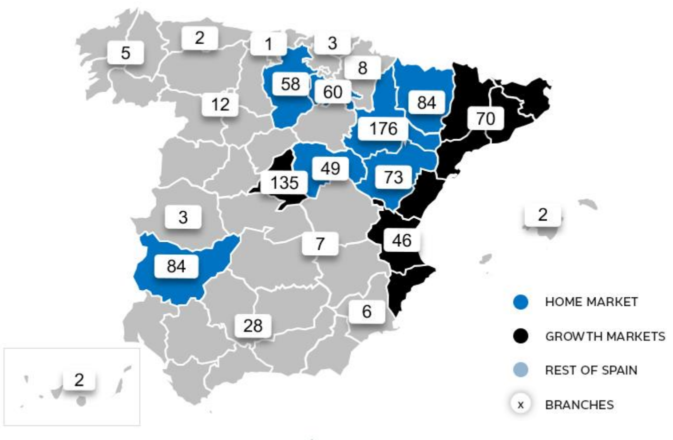
The Entity operates exclusively in Spain and has a **leading position in its traditional area of operation** (the autonomous communities of Aragón and La Rioja and the provinces of Guadalajara, Burgos and Badajoz), where **61% of customers** are concentrated and where **60% of retail business volume is obtained**. According to the Bank of Spain statistics, the market share in this territory, 31% in private sector deposits and 22% in credit reach 44% and 31% in Aragon. It also has a **significant presence in other areas of major economic significance, such as Madrid and the Mediterranean** (including the Autonomous Communities of Catalonia and Valencia), accounting for 18% and 12% of the Bank's customers, 18% and 12% of its turnover.



[1] Retail business volume in the ordinary course of business: loans and advances to customers ex reverse repos of assets and doubtful assets + retail deposits + asset management and insurance

At December 2021, the **network** totals **914 branches**, of which 255 are rural. Within the framework of the ERE agreement signed in 2020, **117 centres were closed during the year** out of the 199 planned. In line with a policy of economic streamlining, their closure was compatible in every case with the commitment to guarantee business continuity, conserve customer proximity, and maintain the Bank's presence in small towns and villages.

Distribution of Ibercaja Banco's branch network



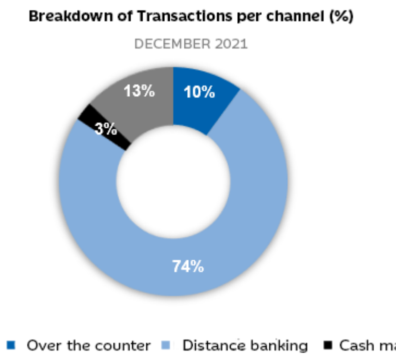
The **distribution of offices by Autonomous Community** is 333 points of sale in Aragón, 135 in the Community of Madrid, 87 in Extremadura, 70 in Castilla y León, 70 in Catalonia, 60 in La Rioja, 56 in Castilla-La Mancha, 46 in the Community of Valencia, 28 in Andalusia and 29 in other Autonomous Communities.

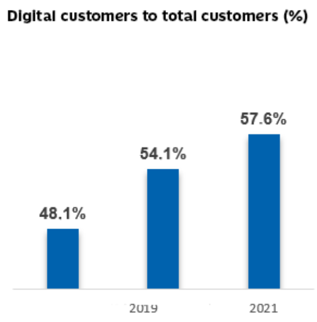
The **number of employees** in the Group totals **4,880 employees (4,587 in the parent)**. In December 2020, the Management of Ibercaja Banco and the employees' representatives, as part of a redundancy programme enforceable until 30 June 2022, reached an agreement that envisaged a compensated lay-off plan. It affected a maximum of 750 employees, establishing voluntary participation as preferential selection criteria, either due to age or the closure of the centre of employment. Departures during 2021 amounted to 525 people, 70% of the agreed separations. The remainder of the phase-outs will be staggered until June 2022.

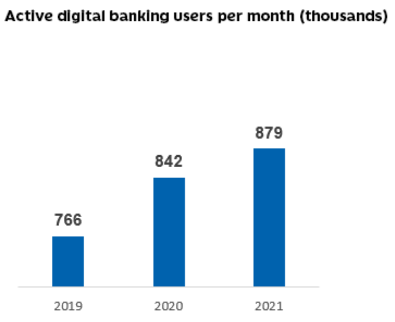
Commercial efficiency is being increased by **specialising more employees** to serve different types of customers and their specific needs. Supporting the branch network and providing a high value-added service are 212 managers specialising in corporate banking, 426 in personal banking, **and 76 in private banking.** Additionally, there are **83 digital managers** (67 digital personal banking managers and 16 digital customer managers) advising digital customers who need to engage with financial experts.

The situation created by the health crisis has accelerated the use of non-face-to-face services and digital assets through which customers can carry out their transactions in the most convenient and simple environment, whether online or via mobile phones. The **digitalisation strategy** being deployed by Ibercaja in recent years has enabled it to respond to the greater demand for online services while maintaining quality service. Digital customers reached 57.6%, compared to 54.1% in 2020, and the number of transactions carried out in the year accounted for 74.3% of the total. The **number of digital banking customers** who used any of the various channels last month reached **878,818**, a year-on-year increase of 4.3%, with notable advances in mobile banking users (+15.7%) and mobile payment (+51.1%).

Distribution of the number of transactions by channel and developments in remote banking







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4.5.2 Goals and Strategies

102-2

In April 2021, the Chairman and CEO of Ibercaja presented the **new Strategic Plan 2021-2023**, which, under the name **"Desafío 2023"**, will be the roadmap for the Entity over the three-year period. The **main objectives** of this Plan are **to improve the Bank's recurrent profitability**, **to reinforce Ibercaja's leadership in customer experience** as a differential value and accelerate its transformation to **ensure its competitiveness** in the future while maintaining its own independent and sustainable project.

Two programmes have been defined for this purpose:

1) Customer and profitable growth

This programme is based on the **premise** that the entire organisation must **focus on the customer and on fully satisfying their needs** by anticipating, with a personalised value proposal, and offering them a global service that makes a difference.

The aim is to make customers feel closer to the Bank and perceive a unique experience regardless of the channel through which they interact with the Bank. In this way, an equitable monetisation of the value and utility provided by the service to the

On the commercial level, **three major focal points for action are enabled**:

1.1 Business banking

1.2 Risk insurance

1.3 Personal banking

establishing **two common initiatives** for the whole programme:

1.4 Model for charging for products and services: this will make it possible to customise the product and service offering and redefine new lines to help increase and diversify the offer, while maximising revenues.

1.5 Knowledge of the customer and business intelligence: in-depth knowledge of each customer and optimal business intelligence will facilitate the development of a differential offer, adapted to the needs of each customer at all times, with an omnichannel approach.

2) Productivity and Efficiency

It aims to enable the organisation to **redirect resources and focus them on value creation,** reducing less productive operating costs, so that these savings are used to accelerate the Bank's digital and operational transformation.

To this end, it is undertaking two major initiatives:

2.1 Development of the operating model: focuses on four lines of work

2.2 Base budget 0: implementation of a new budgeting methodology for the efficient allocation of available resources, knowing in advance the real costs assigned to each task and process.

In addition, two blocks of cross-cutting initiatives have been established for the two programmes:

1) Value initiatives

These measures aim to **improve risk awareness** and advanced **risk management**. Risk-adjusted profitability is the basic criterion for decision making as well as for the orientation of business growth.

The main initiatives are:

1.1 IRB Model: launched in the previous Plan, seeks to achieve an integrated management of risks at the Organisation, improve the Bank's competitive position and enable the sectoral comparison in

1.2 Pricing and efficient capital allocation: deployment in the management of the RAROC methodology to set prices based on risk-adjusted returns and capital consumption.

1.3 Data governance: Building on the progress made in the past 2018-2020 Plan, this initiative aims to complete a corporate framework that ensures transparency and reliability of the information, streamlines decision-making and maximises commercial and risk management performance.

2) Enabling initiatives

Technology, people and corporate purpose are the basic pillars to make the Bank a more agile, innovative and flexible organisation, with a corporate culture focused on creating value for customers and shareholders.

These initiatives include:

2.1 Development of the technology model to make technology a competitive advantage, improve the efficiency and agility of processes, align ICT capabilities and services with business objectives and

2.2 Strategic people planning: shaping a new people management model that drives internal development, mobilises talent and identifies the workforce's needs to meet the Bank's strategic challenges.

2.3 Purpose and sustainability: this initiative meets the ECB's expectations in the four areas established by the Supervisor: strategy and business model, governance and risk appetite, risk management and disclosure. The lines of work, in which the initiative is materialised, and its objectives are as follows:

- *ESG risk management:* incorporating climate-related and environmental risks into cross-cutting risk processes as well as into existing risk policies and procedures.
- *Sustainable business strategy:* aligning the Group's commercial strategy with the principles of responsible banking and accompanying customers in the transition to a sustainable future and a low-carbon economy.

- *Communication and reporting:* creating an ongoing and transparent communication framework that reinforces the organisation's commitment to sustainability.
- *Synergies with shareholder foundations*: developing lines of collaboration with shareholder foundations to respond to the main social and environmental needs of the Bank's territories of operation.

The medium-term financial targets announced in the presentation of the Strategic Plan have subsequently been revised upwards, taking into account that they were designed at the end of 2020 and since then the degree of uncertainty about the impact of COVID-19 on the progress of the economy and, particularly, on the Bank's business has been significantly reduced. The following table shows the main financial figures at the end of 2021 and the new medium-term target:

Medium-term objectives	DEC 2021	MEDIUM-TERM OBJECTIVES
SOLVENCY		
Ratio CET1 (fully loaded)	12.7%	12.5%
Total capital ratio (fully loaded)	17.4%	17.0%
Ratio pay-out	65%	60% (*)
PROFITABILITY		
ROTE	5.7%	c. 9%
Recurring efficiency ratio	64.2%	≈55%
ASSET QUALITY		
Cost of risk	35 bp	30 bp
NPL ratio	2.3%	c. 2.5%
Problem asset ratio	4.0%	c. 4%
Coverage rate of Problem assets	69%	>65%

(*) The Bank has revised the target pay-out upwards from the previous 50%.

4.5.3 Impact of the COVID-19 crisis

On 11 March 2020, the World Health Organisation classified COVID-19 as an international pandemic. To cope with this situation in Spain, under Royal Decree 463/2020, of 14 March. a State of Alarm was declared, with diverse restrictions on mobility and on the exercise of non-essential activities, which was extended until 22 June. In October, in response to the resurgence of the infection, Royal Decree 926/2020 of 25 October re-decreed the state of alarm, which was extended until 9 May 2021. Global and Spanish economic activity has been significantly affected by the health crisis caused by COVID-19. Both the European and Spanish authorities implemented various measures to try to limit the impact of the pandemic.

> *Below are details of the most **significant impacts of the crisis** on strategic guidance, objectives, activities and results of the Bank, the support provided to customers, as well as other organisational and management measures.*

Impact on strategic orientation and objectives

The transformation of the Bank brought about by the initiatives launched in the 2018-2020 Strategic Plan meant that Ibercaja had the **means and resources to face the crisis** caused by COVID-19 in much more favourable conditions than the previous one in 2008, so that a strategic reorientation was not necessary. In 2021 the Entity launched a new Strategic Plan, "Desafio 2023", which outlines the objectives and strategies for the next three years, detailed in chapter 4.5.2 Objectives and strategy of the management report.

Organisational measures adopted by Ibercaja to mitigate the effects of COVID-19

The organisational and health and safety measures are described in chapter 6.4 Commitment to our employees in the management report.

Family and company protection measures

> *Through different Royal Decrees, the Government established **legislative moratoria** for individuals and professionals which, temporarily suspend payment commitments as receivables. Member banks of the Confederación Española de Cajas de Ahorro (CECA) provided a **sectoral moratoria**, in which Ibercaja participated to extend the scope of the mortgage moratoria approved by the Government.*

- On 18 March 2020, **Royal Decree-Law 8/2020** of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published, and on 1 April **Royal Decree-Law 11/2020** of 31 March, was published, extending and amending the previous Royal Decree-Law 8/2020. The measures implemented under these regulations is the establishment of a **deferral of payment on mortgage and non-mortgage debts** under certain circumstances. Banks could enter into such transactions until 21 September 2020. Subsequently, Royal Decree-Law 3/2021 of 2 February extended the application deadline to 31 March 2021.
- On 16 April 2020, the Spanish Confederation of Savings Banks (CECA) published the **sectoral agreement** establishing a moratorium that extended the scope of the mortgage moratorium approved by the Government until 30 September 2020 and subsequently extended to 30 March 2021.

> *The government implemented **credit lines**, partially guaranteed by the state through the Official Credit Institute (ICO), to maintain productive activity.*

- **Royal Decree-Law 8/2020** of 17 March, created a **100 billion guarantee line** to meet the liquidity needs of companies and the self-employed. Financial institutions could formalise operations of this type until 1 June 2021. **Royal Decree-law 25/2020** of 3 July, approved the creation of a **new guarantee line of 40 billion euros** to meet the investment needs of companies and the self-employed until 1 June 2021. Royal Decree-Law 27/2021. **Royal Decree-law 27/2021** of 23 November, extended the deadline for applying for the guaranteed credit lines until 30 June 2022.
- **Royal Decree-law 34/2020** of 17 November extended **the maturity and grace periods of these guaranteed operations** for all debtors who request it. The maturity may be extended by a maximum of three years, provided that the total maturity of the transaction does not exceed eight years from the date of initial arrangement. At the same time, the grace period for the repayment of the principal is increased to a maximum of 12 months, without exceeding 24 months.
- **Royal Decree-law 5/2021** of 12 March **approved the renegotiation framework for debtors with guaranteed finance**. The Agreement of the Council of Ministers of 11 May 2021 established the **Code of Best Practices (CBP)** for the above-mentioned renegotiation, which was subsequently amended on 30 November 2021 to extend the deadlines for the measures contained therein. The CBP sets out that debtors may request the application of three types of measures, either at once or successively, by proving compliance with the requirements set out in the regulation.

1. Extension of the maturity of guarantees.
2. Conversion of guaranteed financing into participating loans.

3. Transfers for reduction of outstanding principal of guaranteed loans.

The application deadline for the first two measures is 1 June 2022 and for the third measure 1 June 2023.

Ibercaja joined the CBP on 20 May 2021. In this way, it reinforces its commitment and support to companies in complex and uncertain situations.

At the end of 2021, the Group had formalised **moratorium operations** under Royal Decree-Laws 8/2020 of 17 March, and 11/2020 of 31 March, as well as the private moratorium under the sectoral agreement for an amount of 741 million euros, of which 97% or 715 million euros have matured. The **outstanding balance, 26 million euros**, is almost entirely secured by mortgages and **89% is due in the next three months**. It should be noted that the amount of overdue arrears classified in stage 3 and stage 2 represent 3.3% and 26.5% of the exposure, respectively.

The Entity actively participates in the processing of financing operations within the **ICO Liquidity and Investment** lines established in Royal Decree-Laws 8/2020 of 17 March and 25/2020 of 3 July to support companies and the self-employed affected by the economic effects of the crisis. Up to December 2021, a total of **19,643 operations** have been formalised for an aggregate amount of **2,137 million euros**, 80% of them for SMEs and the self-employed. The **drawn balance, 1,668 million**, represents **20% of financing to companies** and only 1.9% is within Stage 3. The amount guaranteed by the Spanish State through the ICO amounts to 77% of the outstanding balance. Most of the guaranteed credit lines mature between 2023 and 2028. As at 31 December 2021, in accordance with Royal Decree-Law 34/2020, the maturity or grace period of 36.6% of the total amount granted had been extended. In addition, 43% of the outstanding balance remains subject to grace periods. The maturity of these grace periods is concentrated in the second quarter of 2022.

In relation to the **CBP**, the impact of the measures envisaged therein has been very low, as only 6.8 million euros of deferrals have been granted and there have been no requests from customers in relation to the other measures (participating loans and write-offs).

Impact on the Group's activity, results and financial condition

The **impact of COVID-19 on the Group's business activity** in 2021 **was not significant**. Business dynamism has picked up and the growth targets for the strategic segments have been met. On the credit side, the **credits and loans being arranged, 5,421 million euros, recovered to pre-pandemic levels** and normal financing to companies increased 6.9% year-on-year. At the same time, **customer funds gathering performed favourably**, with growth of 7.3% in the year. Asset management activity reached a record level for the Entity, with advances in market share in investment funds (22 b.p.) and pension plans (6 b.p.).

In relation to the **quality of the credit portfolio no signs of deterioration have been perceived**. Non-performing assets continued to decline, more sharply than the sector as a whole (-29.2% vs -4.7% according to the latest available information from the Bank of Spain as at November), and the NPL ratio fell to 2.30%. Sales of real estate assets reactivated (+52%) after the standstill in 2020. Refinancing continued to fall (-26.9%) and the percentage of the loan portfolio classified as stage 2 is very low (5.0%). Exposure to economic sectors that have been particularly affected by the economic consequences of the COVID-19 pandemic, such as transport and warehousing, hotels and restaurants, and arts, entertainment and recreation, together amount to 631 million euros, representing only 2.0% of gross lending. However, the Group performed on ongoing monitoring of the main indicators to anticipate possible negative effects.

Ibercaja has a **sound solvency position which has been strengthened during 2021**. The CET1 phased-in ratio reached 13.41%, well above the minimum requirements communicated by the Supervisor. The CET1 fully loaded ratio was 12.71%, 12 basis points higher than in 2020.

At the end of the year, the **available liquidity** exceeded **15.25 billion euros** and comfortably covered debt maturities.

The **most relevant impact of the pandemic in 2020** was an **extraordinary provision for credit risk of 90 million euros**, of which **52 million euros was recorded as a post-model adjustment (*post model adjustment*)** to cover the increased credit risk of customers who due to the deterioration of the macroeconomic situation could move to stage 2 in 2021. At year end, it has been decided to maintain this post model adjustment as described in note 11.6.3 of the annual accounts.

The **result for the 2021 financial year** amounts to **151 million euros**, 127 million euros more than in 2020.

Expected trends in activity and results

The effect of COVID-19 on the economy has been gradually moderated by the progress of vaccination, the lifting of restrictions, the recovery of activity in the most affected sectors and the economic support measures implemented by the European and Spanish authorities. In this context, and taking into account the positive progress of the business in 2021, Ibercaja does not expect its activity and results to be pressured by the crisis. However, it cannot be ruled out that a hypothetical worsening of the macroeconomic environment would lead to lower lending activity and higher impairment losses.

4.5.4 Lines of the Group's Business Model

102-2, 102-4, 102-6, 102-9, 103-1, 103-2, 103-3, 417-1, FS6, FS14

> *Ibercaja is committed to a universal banking model, focused on retail business and based on a solid relationship with the customer, advice, quality of service and innovation.*

It serves a **stable base of 1.8 million customers (management units)**: comprising households, companies and public and private institutions. According to their financial needs, the segmentation of customers allows us to offer them a **diversified portfolio of products and tailor-made solutions through specialised managers**. The Entity offers basic banking services and other complements, such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group, whose companies it owns in full.

Ibercaja's commercial strategy is based on:

1. **Specialisation aims to meet the customer's financial needs and expectations through specifically qualified managers specialising in personal, private, and** corporate banking.

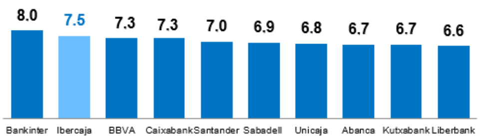
2. **Advice:** advisory services have become a differentiating factor that characterises Ibercaja. In 2012, the Bank was the first Spanish bank to obtain AENOR certification for excellence in personal banking advice, and since 2007 it has held the European Seal of Excellence 500+, awarded by the European Foundation for Quality Management (EFQM), which was renewed this year under the updated EFQM Model, making it the first financial institution to obtain it.

3. **Omni-channel relationship model:** the customer decides the most appropriate way to interact with the Bank according to their preferences, needs, characteristics, context and life cycle. The omnichannel system provides you with a unique and recognisable experience to use personal interaction for your advisory needs while using digital channels for your daily transactions. Omni-channel customers generate the highest revenues, with an average number of products and services purchased far higher than those operating only in branches.

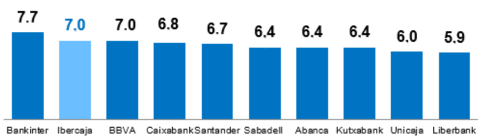
4. **Personalised product offer:** The production of the Group's subsidiaries enjoys a solid reputation and enables a customised offer tailored to each type of customer, their personal and financial circumstances and the level of risk they are willing to take.

The customer is constantly evolving, so it is important to deepen our understanding of their expectations and their experience of the Bank. Satisfaction surveys conducted by polling individuals and companies allow us to ascertain their perception of the Entity, evaluate the services offered and identify those aspects that may be improved. According to the results obtained in the sectoral report on the Satisfaction of Private Customers in the Financial Sector (BMKS), carried out by the consultancy firm Stiga, Ibercaja ranks second among its peers in terms of overall satisfaction, loyalty and recommendation.

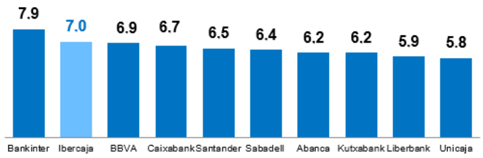
Overall satisfaction



Loyalty

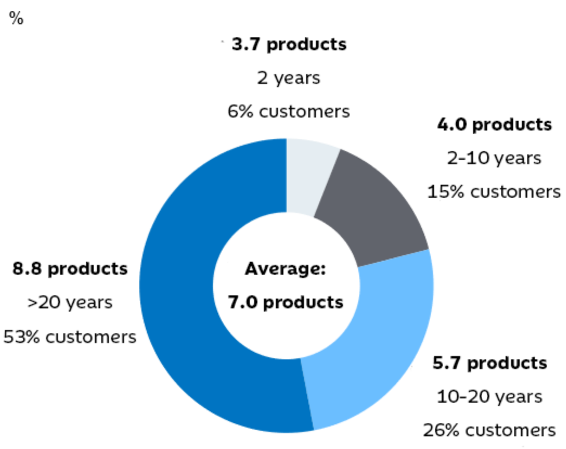


Word of mouth



Average number of products and services per customer

The level of customer satisfaction is translated in terms of ***commitment*** *and* ***engagement*** *with the Entity.*



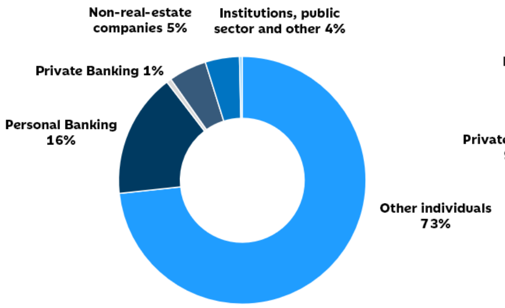
Ibercaja's business model distinguishes the following **segments** depending on the **commercial strategy** defined for each type of customer:

1. *Personal Banking*
2. *Private Banking*
3. *Other individuals*
4. *Non-real estate productive assets*
5. *Real estate productive assets*
6. *Institutions, public sector and others*

The distribution by segment of the number of customers and retail business volume at the end of 2021 is shown in the following charts:

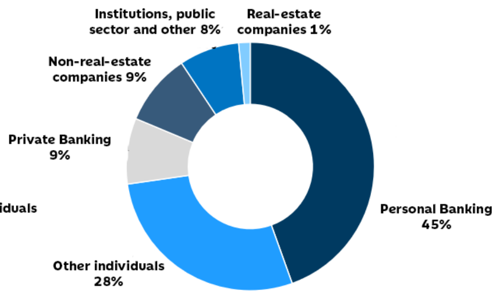
Number of customers

%



Retail business volume

%



The most relevant segments are described below:

PERSONAL BANKING

Personal banking encompasses over 290,000 customers with a **savings balance of more than 100,000 euros or 75,000 euros outside the Home Market**. The customer care model for this group is based on a personal manager who proposes the best investment strategy for the customer's profile and preferences. The **426 specialised managers**, based on their knowledge of the customer, offer him/her investment alternatives, mainly funds, pension plans and insurance, adjusted to his/her risk profile, objectives and experience in financial products.

Personal banking customers generated a retail business volume of **44,000 million euros (45% of the total)**. This segment contributes over 50% of the Group's retail customer loans with a mix, in which almost 50% is an asset management and insurance. The average number of products and services contracted per customer is 13.7.

The last year has seen the **digital personal banking model** take root, a new way of working whereby customers with a digital profile (with little or no presence in the branch) receive the same service provided by the branch through a digital banking manager supported by specific tools and with a timetable adapted to this type of model. The current team of **67 managers, serving almost 40,000 customers**, has grown in 2021 and, given the success of this model, will continue to expand over the coming years.

Personal banking advisers are trained with internal and external means. Most of them have specific qualifications, such as EIP (European Investment Practitioner) and EIA (European Investment Assistant), endorsed by the European Financial Planning Association (EFPA).

AENOR

*In 2021, Ibercaja renewed the **certification of service excellence management for the personal banking segment,** issued by Aenor.*

This stamp reinforces the Bank's leadership in professional advisory services in terms of customer savings management, and is accompanied by the **personal asset management advisory services certification**, also granted by Aenor, held by the Bank since 2012.

PRIVATE BANKING

Private banking is aimed at **customers or household management units with financial wealth in excess of 500,000 euros (300,000 euros in Extremadura)**. The customer is assisted by a private banking manager who analyses their needs and provides them with the best investment alternatives and financial-tax planning. The range of financial assets available to this private banking community is extensive: securities listed on Spanish and foreign markets, investment funds both of Ibercaja and of external suppliers, SICAVs, structured deposits, etc.

The assets under management of more than **11,000 family groups**, amount to almost **8.5 billion euros**, of which around **75% are in asset management and insurance**. The average number of products contracted per customer exceeds 21.

The year 2021 was particularly relevant for the private banking segment due to the volume of business achieved, particularly in the **discretionary portfolio management** service, which exceeded 3 billion euros. This figure means that almost 35% of customers opt for this formula, compared to 15% of the sector as a whole. In addition, 56% of the investment funds of private banking customers are under discretionary portfolio management contracts.

The work team assigned to the private banking services is made up of **76 people**, distributed among the branches of Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, as well as the customer service offices of Huesca, Teruel and Pamplona.

OTHER INDIVIDUALS

This segment **provides the largest number of customers, 1.3 million, and a turnover of almost 28 billion, representing 28% of the Group's total.** The management of the branch network in this collective focuses on capturing new customers and consolidating the loyalty of existing ones. The Bank carries out its mission through proposals adapted to personal needs, depending on the risk profile and available income.

Ibercaja has continued to support families affected by COVID-19 by maintaining the advance payment of pensions and unemployment benefits, facilitating access to public aid and offering solutions for customers in vulnerable situations.

Changing customer habits have driven the **growth of remote transactions**. In response to this demand, the Bank has strengthened its non-face-to-face operations, increasing to **16 (47 at the end of January 2022) the number of digital managers** serving 38,000 customers.

The Entity continues to enjoy the **confidence of its customers in the management of their financial assets**. The strong growth of funds, especially off-balance sheet funds, has been supported by increased household savings and favourable market conditions.

The Bank has maintained its **commitment to financing housing for individuals**, a sector in which it has historically specialised, adapting its offer to the different types of customers; in the case of the youngest customers, financing up to 95% of the value of the property, to facilitate their emancipation and access to homeownership.

In the last quarter of the year, under the slogan **"Madrileños siempre hemos estado juntos"** (we people of Madrid have always been together), an ambitious campaign was launched to attract 6,000 customers in the Madrid region. Customer support, proximity, and commitment to the territory and society are the values that the Bank wishes to highlight to drive this growth and constitute a differential business model.

The main strategic challenges and trends that will mark the activity of Retail Banking (personal banking, private banking and other individuals) in the near future are:

Value proposition	*To offer customers value propositions that meet their financial needs, both personally and professionally, providing them with personalised advice and content to improve their financial education and help them make decisions.*
Consolidate Personal and Private Banking	*Consolidate progress in the personal and private banking segments.*
Digitalisation	*Continue to drive digitalisation and non-face-to-face customer service channels.*
ESG Products	*Expand the range of financing and investment products with ESG criteria, showing customers how they can use their assets to help build a more sustainable and caring world.*

NON-REAL ESTATE PRODUCTIVE ASSETS

This segment includes **almost 90,000 customers** with a turnover of more than **9.2 billion euros**.

One of the Bank's strategic objectives is to gain a presence in the corporate world by broadening the diversification of its business. In this regard, the Desafío 2023 Plan sets out the roadmap and the transformations to be undertaken in the 2021-2023 cycle. To achieve the proposed goals, a **new Corporate Banking Area Division** has been created, to which the **specialised commercial network** reports, comprising **212 managers, 8 Corporate Business Centres, 16 Corporate Areas** in the main branches and a **Corporate and Syndicated Banking Financing Unit**. In addition, the focus on companies with a turnover of less than two million euros has been strengthened by increasing the number of **commercial business managers to a total of 130.**

The main lines of action within the framework of the Strategic Plan are:

1. Offer the customer a differential value proposition in terms of quality of service and excellent experience.
2. Simplify and digitise processes, improving operational agility and customer responsiveness.
3. The data as a basis for profitable business growth, as well as for anticipating possible credit deterioration.
4. Progress of business models and collaborative capabilities.

The **commercial offering** was expanded in 2021. In terms of investment products, a range of investment funds has been created, especially designed for companies, to enable them to manage their cash flow more efficiently and make the most of their surplus liquidity.

In terms of financing products, a line of sustainable products and another related to Next Generation EU funds have been opened. In May, an alliance was signed with the consulting firms Mazars and Silos, through which the Bank offers companies a clear and defined working model to articulate successful proposals for transformation projects that are eligible for Next Generation EU Funds.

Lastly, work was done to highlight the Group's experience as a specialist in employment plans for SMEs.

The **online banking service for companies** has incorporated the possibility of contacting and scheduling appointments through **"My Manager"** and the **"Priority"** service, which guarantees immediate attention to any customer query.

The **Ecosistema Más Empresa** (Ecosystem Plus Enterprise) initiative promoted by Ibercaja and its Foundation has been consolidated. It is a platform for innovation and a meeting point to stimulate economic activity, improve competitiveness, exchange knowledge and generate business value. Its 5,000 members from more than 2,500 companies can access mentoring programmes, tools, workshops, trend reports, and webinars to share best practices, identify common challenges, and create solutions to make everyone better while establishing a network of professional contacts.

Customers in the retail, professional, agricultural and livestock sectors and the self-employed in general are strategic for Ibercaja due to the important business opportunities they generate in the areas of financing, insurance and collection and payment services related to their professional activity, as well as others related to their particular needs.

In 2021, the range of value-added services associated with the POS was expanded with the launch of the **new Plazox service**, which offers instant financing at the time of sale. To increase the number of new customers, the **Vamos Comercios, Profesionales, and Agro accounts** have continued to be marketed. Various commercial actions were also launched during the year to link and build customer loyalty by contracting financing products, insurance, cards or payment and collection solutions, mainly. In the case of customers in the agricultural sector, we have provided the **CAP management service** in several Autonomous Communities.

The main strategic challenges and trends that will shape corporate business activity in the near future are:

Market share	*Consolidate Ibercaja's presence in these segments* ***by increasing its market share****.*
Integrated management	*Promote the* ***comprehensive management*** *of these customers, specifically Personal Banking and Wealth Management customers with professional activities on their own account, who have professional needs that we must respond to in order to be their main entity.*
Next Generation EU Funds	*Facilitate the dissemination and access of these customers to the* ***Next Generation EU Funds****, boosting the digitisation and growth of businesses by implementing new projects framed within the initiatives promoted by these funds.*
Support for entrepreneurs	*Intensify the participation of professionals and microenterprises in the* ***"Ecosistema+ Empresas" and "Ibercaja Emprende"*** *initiatives.*

PROGRESS IN DIGITAL TRANSFORMATION AND MULTI CHANNELLING

Digital transformation, a key pillar of the "Desafío 2023" Strategic Plan, aims to provide Ibercaja with the most advanced technological solutions that enable it to offer a quality service adapted to the digital capabilities and needs of each customer while at the same time contributing to boosting business generation and efficiency.

The impact of COVID-19 demonstrated the robustness of the Entity's digital channels and the capacity to achieve the objectives set both in terms of channel usage and the level of satisfaction generated. In 2021, we worked to implement new digital capabilities aligned with the Group's business objectives. The progress made with the entry into a transformational project such as the Financial Sandbox, the growth in digital sales to 36.4% and the consolidation of leadership in customer satisfaction with digital channels are noteworthy.

Mobile banking

- **Top-rated app:** Customer satisfaction with the app continued to increase, maintaining its leadership as the best rated in the Spanish financial sector.
- Launch of a **New Sales Environment** that integrates all the products marketed in the app.
- Contribution to financial inclusion by implementing cash pick-up and delivery at home or at branches through **Correos Cash**.
- Implementation of **new risk insurance consultation and service functionalities** in collaboration with Caser.

Relationship management

- **"Mi Gestor"** (My Manager) has been deployed to all managers in the branch network. The functionality allows individuals and businesses to chat, exchange documents and arrange appointments easily and securely, both in digital and mobile banking.
- **Digital managers** serve non-face-to-face customers who need to engage with financial experts. In 2021 the number of managers has grown by more than 70% to 83 people.
- The new **Contact Center** tool has been a significant step forward in terms of efficiency and quality in the specific services it supports through digital and automated processes.

Financial sandbox

This controlled testing environment enables the development and testing of innovative projects through collaboration between financial institutions, Fintech, technology companies and regulators. The Pension for Consumption project "Pensumo", developed jointly by Ibercaja and the Fintech Pensumo, was selected in the first call.

Promotion of virtual sales

One of the Strategic Plan objectives is for digital sales of the Bank's main products to reach 45% by 2023. Improved non-face-to-face sales processes have led to digital channels:

a. **36.4%** of **total sales**.

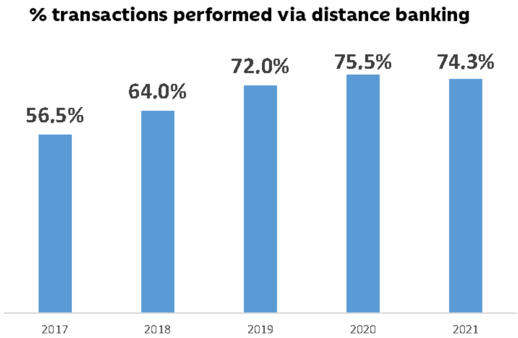
b. **13.4%** of **non-subrogated mortgage loans**.

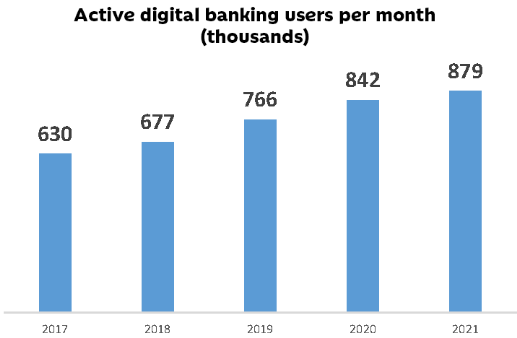
c. **91.4%** of **pre-qualified loans.**

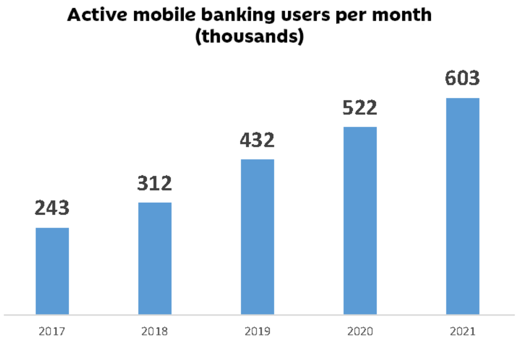
d. **29.4% and 19.6%** of **pension plans and investment funds, respectively.**

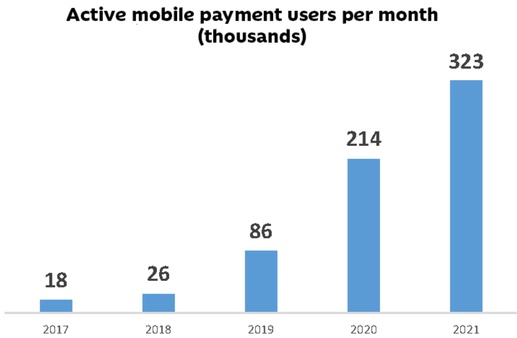
e. **5.2%** of **non-life risk insurance.**

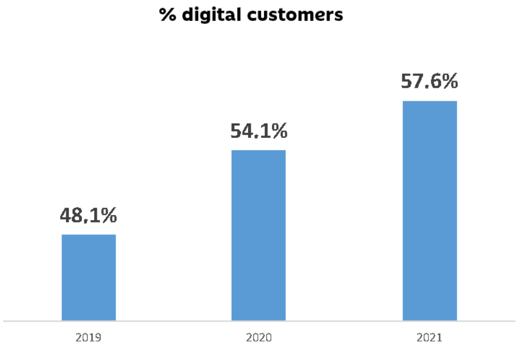
In addition to the new digital capabilities implemented in the non-face-to-face channels, the Marketing Automation System, **Adobe Campaign**, has enabled optimal integration between the Entity's business intelligence and the different communication and relationship channels.











BUSINESS MODEL AND SUSTAINABILITY

Since it was formed 145 years ago, the Bank has maintained a **sustainability commitment,** which is reflected in the social, economic and environmental approach of its activities. The Group is aware that financial institutions have a key role in sustainable development, mobilising the necessary capital flows and integrating environmental, social and corporate governance risks and opportunities into management. In 2020, the Board of Directors approved the **Group's Sustainability Policy**. This document reflects the commitment to sustainable growth and establishes the framework for global action in sustainability.

Ibercaja incorporates sustainability into its business model through different channels, including most notably:

- **Financial product offerings** which contribute to achieving sustainable development by reducing the carbon footprint and by mitigating the effects of economic activity on the climate: catalogue of investment funds and pension plans managed with ESG criteria, financing of renewable energy projects, financing to companies committed to sustainability and the environment, offering in the rental of cero emission vehicles, etc.

- Environmental care in **energy and property management**: central headquarters recognised as a green building in line with ISO 14001.

- **The Organisation's commitment to the Sustainable Development Goals** of the 2030 Agenda; signing of the United Nations Principles for Responsible Banking, together with the Bank's inclusion in the New Deal for Europe "CEO's call to action" initiative and the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD).

- **Commitment to employees:** development of their capabilities, Family Responsible Company Seal, training in sustainable finance, corporate volunteering, etc.

- **Commitment to society:** its social sensitivity is manifested in its daily activities and in obtaining resources that revert to society through the generation of wealth and welfare and through the social action of the Bank's shareholder foundations.

> ***Sections 2 and 6*** *of this document explain in further depth and quantify the aspects related to* ***sustainability****.*

FACTORS AND TRENDS THAT MAY AFFECT THE FUTURE PERFORMANCE OF THE GROUP

The trends for 2022 are framed in a context in which a certain degree of control of the health crisis means that the sectors most affected by the pandemic will be reactivated, and other sectors will gradually reach pre-pandemic levels of activity and employment. There is the threat to development posed by escalating inflation, which erodes household consumption capacity, squeezes business margins and hampers competitiveness. A fiscal policy to support the recovery and the arrival of European funds will allow investments in infrastructure, digitalisation and the environment to modernise and relaunch the economy.

On the banking side, the negative interest rate situation, which puts pressure on credit revenues, could change in the context of the measures to curb the inflationary situation mentioned above. In this scenario, **the Group's objectives and strategies focus on boosting the profitable growth of loans**, in particular, those aimed at companies, maintaining the pledge for other alternative income sources which, in turn, provide the customer with value-added products and services, such as investment funds and pension plans, accelerating the growth in risk insurance at the same time. Reducing non-performing assets and the cost of risk, together with monitoring NPLs, are a priority at a time when a large part of the moratoriums and deferrals on ICO loans granted in 2020 are due to expire. Cost reduction is a permanent objective, given the narrowing of margins, competition between institutions and the growing offer of financial services by new players.

Digitalisation in all areas of business must continue to progress to boost digital proximity with the customer, to make their relationship with the Bank easier and more efficient and to foster efficiency and productivity. Lastly, it is necessary to favour the transition towards a sustainable economy by developing the guidelines expressed in the Bank's Sustainability Policy and the Roadmap of the "Desafío 2023" Plan.

The **specific strategic challenges for each business area** in the short and medium term have been described above in their corresponding sections.

4.5.5 Financial Group

102-5, 102-45, 103-1, 103-2, 103-3, FS6

> *The Financial Group's activity enables it to provide customers with investment solutions of recognised prestige, expert support to strengthen their relationship with the Bank, as well as to diversify the business and generate recurring income.*

Created in 1988 and wholly owned by Ibercaja, the division is made up of savings and income generation mix **companies specialising in investment funds, savings and pension plans, bancassurance and leasing/renting**. Its products, which are aimed at both individuals and companies, are distributed mainly through the branch network and digital channels, complementing the Bank's range of banking products and services.

> **DIFFERENTIATING VALUES**
>
> *The **innovation** and **specialisation of the offer** are **differential values of the Ibercaja Financial Group**.*

The companies that form part of the Financial Group are:

IBERCAJA BANCO

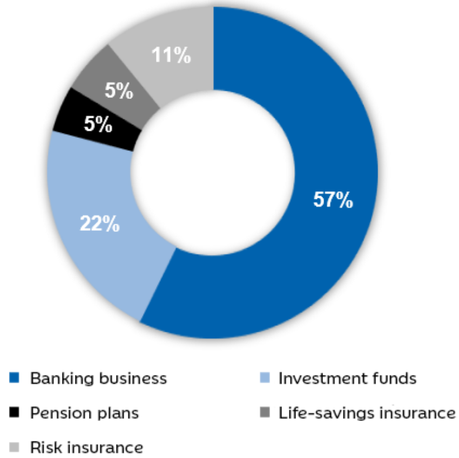
100% WHOLLY OWNED BY IBERCAJA

IBERCAJA GESTIÓN	CIU manager	Equity 18.4	Fashion share 5.8%	#6
IBERCAJA PENSIÓN	Pension plan management company	Equity 7.6	Fashion share 6.0%	#4
IBERCAJA VIDA	Life insurance broker	Technical provisions 6.8	Fashion share 3.5%	#7
IBERCAJA LEASING	Leasing & Renting	Outstanding investment 0,6	Fashion share 2.9%	#8
IBERCAJA MEDIACIÓN	Insurance intermediation	Premiums 0.3	Alliance with Caser	caser seguros

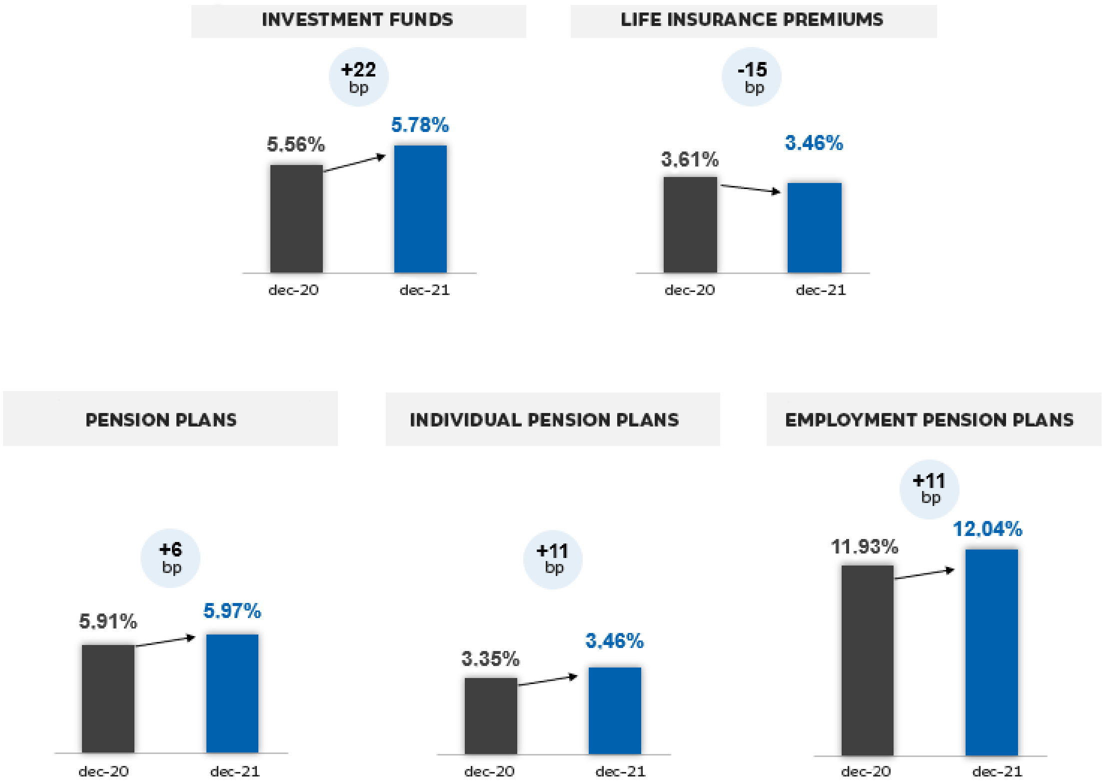
Figures expressed in billions of euros.

Contribution to recurrent revenues:

The **assets under management and insurance** account for **43% of the Group's recurrent revenues and 47% of the retail customer funds** managed by the Entity, giving rise to one of the most diversified mix of savings and income generation in the Spanish banking system.



Ibercaja achieved market share gains in the most significant segments:



Note: INVERCO, with the publication of the April investment fund statistics, standardised the criteria for exclusion from the assets of funds that invest in the manager's own funds (funds of funds). This change led to a decrease in the system's overall net worth and a readjustment of quotas, bringing Ibercaja Gestión's shareholding at the end of December 2020 to 5.56%.

Sustainability:

The Financial Group is part of Ibercaja's **"purpose and sustainability" strategic initiative**, led by the Brand, Reputation and Sustainability Division. The initiative began in 2021 and will run until 2023. The objective of the Financial Group is to identify risks and opportunities in this area, responding to the sustainability, regulatory and market challenges of its component companies. In this way, the Financial Group promotes different actions linked to governance, regulatory adaptation, risk management and the development of the sustainable products business, having achieved the following **sustainability achievements in 2021:**

Governance:

- The Financial Group forms part of Ibercaja's **Reputation and Sustainability Committee** to manage the sustainability strategy with a consolidated vision.
- **New policies** relating to sustainability have been developed and approved:
  - **Sustainability Policy**, to evidence and formalise the Financial Group's commitment to sustainable development and value creation through its activity and to establish the global action framework for the Group in matters of sustainability, containing the commitments voluntarily assumed to promote long-term sustainable, inclusive and environmentally-friendly growth, with a long-term vision[1].
  - **The Sustainability Risk Integration Policy**, which establishes the principles, processes and governance framework, governing ESG risk integration in the investment decisions.

[1] In compliance with the provisions regarding transparency in the incorporation of sustainability risks in investment management of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (SFDR).

- **Exclusions Policy**, to ensure that the investment policies are not exposed to unethical, irresponsible or unsustainable activities, and to contribute to the attainment of the UN Sustainable Development Goals (SDGs) in the framework of the ESG Risk Integration Policy.
- **Adverse Incident Policy** for identifying, analysing and managing the impacts of the investment decisions that may negatively affect sustainability factors (EU Regulation 2019/2088)[2].
- **Implication Policy**, including the general principles, criteria and procedures to foster the long-term involvement of shareholders in listed companies[3].

- In addition, the Financial Group already had an **ESG Committee** to promote the implementation of responsible investment strategies in asset management.
- As a sign of the commitment of the Financial Group and its management companies to sustainable investment, in 2021, Ibercaja Gestión adheres to the **United Nations Principles for Socially Responsible Investment (UNPRI)**, to which Ibercaja Pensión had already adhered in 2011.
- In 2021, both managers signed up for the Net Zero Asset Managers initiative to achieve CO2 neutrality for themselves and their portfolios by 2050 and joined the **Carbon Disclosure Project** engagement platform. This is an independent non-profit organisation that maintains the world's largest database of corporate climate change information and enables investors to manage their environmental impacts better.

[2] Pursuant to Art. 4.1.a and 4.2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector (SFDR).
[3] In compliance with the requirements of article 224 bis of the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, introduced by Act 5/2021, of 12 April, amending the Consolidated Text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.

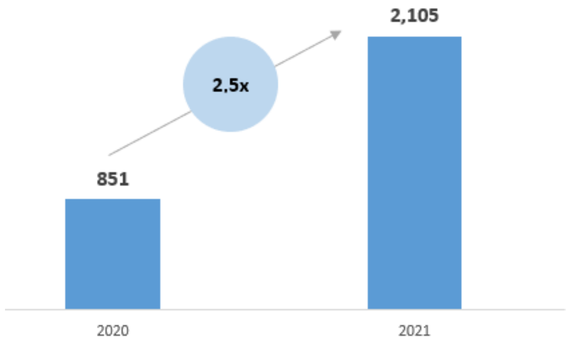
ESG risk management:

- Identification of Material Sustainability Risks **(physical and transitional)**.
- Selection of tools to provide **ESG data** for use by all companies, facilitating investment decision-making and regulatory reporting.

Business development:

- **Launch of new sustainable products:**
  - Two investment funds, one pension plan and one SICAV that meet sustainability characteristics (*).
  - Two sustainable leasing products: "Leasing Sustainable Crops" and "Leasing Photovoltaic Energies".
  - In addition, pending launch in early 2022, both a savings insurance and a discretionary management portfolio promoting sustainability have been developed.
- Ibercaja is thus already providing **sustainable investment solutions** to the tune of 2.105 billion at the end of 2021:

ESG investment trend (million euros)



(millions of euros and number)		Equity	△ Equity	Unitholders
PENSION PLANS		669	350	48,052
Sustainable Confidence	Mixed fixed income	303	214	25,544
Sustainable and Solidarity	Mixed equities	310	119	18,819
Sustainable Europe	Equities	43	4	2,563
Megatrends (*)	Equities	13	13	1,126
INVESTMENT FUNDS		1,432	900	72,942
Sustainable and Solidarity	Mixed equities	825	548	36,651
Megatrends	Equities	504	249	32,522
New Energy (*)	Equities	54	54	2,883
Sustainable Fixed Income (*)	Sustainable fixed income	49	49	886
SICAV		4	4	175
Asguard (*)		4	4	175
	Total	**2,105**	**1,254**	**121,169**

(*) New products launched in 2021.

- A business plan for sustainable products has also been designed.

Regulatory adaptation:

- Adaptation to the **Disclosure Regulation**:
    - Policy development.
    - Adaptation of pre-contractual information.
    - Disclosure of ESG obligations on websites.
- Adaptation to the Directive on **encouraging long-term** shareholder engagement
    - Since 2021, asset managers have had a global **proxy advisor** who advises them on exercising their voting rights based on ESG criteria.

Solidarity activity:

- This activity has been undertaken intensively in 2021 through Ibercaja **Sustainable and Solidarity FI and Ibercaja Sustainable and Solidarity Pension Plan**. To this end, a **Steering Committee and a Technical Committee** have been set up to steer and supervise the distribution of funds and the internal and external communication of the initiative. In 2021 it distributed **585,000 euros in three major items**:
    - **Five major projects received a total of 460,000 euros:**
        - Unicef's "Protecting the most vulnerable children from the effects of the COVID-19 pandemic in Senegal with basic supplies".
        - Cruz Roja's "Improving the employability of people in a situation or at risk of social exclusion and facilitating their integration in the workplace and active inclusion processes".
        - LG Smart Green's "Reforestation and ecosystem recovery in Alpedroches (Guadalajara) in the Alto Tajo".
        - Fundación Oxigeno's "Micro-plastics, macro-litter. Environmental education and volunteering to improve our rivers and beaches".
        - Caritas' "RE- Fashion. We recycle clothes, we incorporate people in the workplace".
- **Through their votes**, the unitholders of the Plan and Fund had the opportunity to distribute the grants with varying amounts among these projects.
        - Six projects of small organisations working in the fields of disability, illness, social exclusion and environmental protection received a total of 45,000 euros.

- Twelve Food Banks in Zaragoza, Huesca, Teruel, Guadalajara, Rioja, Burgos, Badajoz, Madrid, Barcelona, Lleida, Valencia and Seville received 80,000 euros to meet urgent needs.

Management of collective investment undertaking

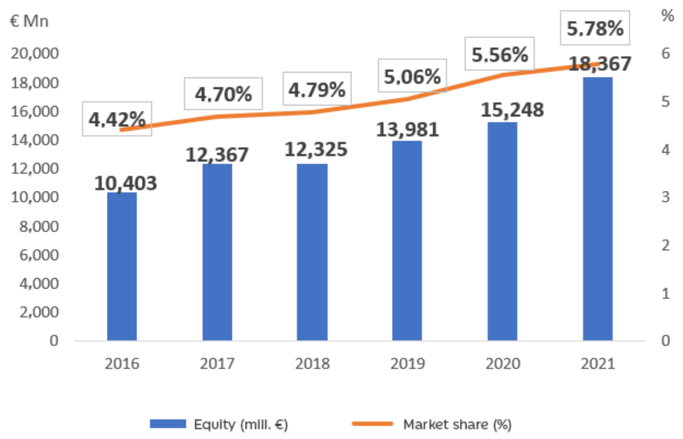
Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's collective investment undertakings (CIUs).

The **assets managed by Ibercaja Gestión**, **18,367 million euros**, were up by 20.5% vs 15.7% of the sector, achieving a new record in assets under management. Renewed investor confidence and positive developments in the financial markets contributed to this excellent performance.

- **Net contributions** totalled 2,337 million euros, more than 100% higher than in 2020, making it the fifth banking group with the best fund gathering figures in Spain during the year, 9.1% of the industry's total.
- **The weighted average return** was 5.0%; 77% of the funds managed by Ibercaja Gestión ended the year with positive returns and 100% in the range of profiled funds.

The **market share**, **5.78%** (source: INVERCO), reached a new all-time high, having increased by **22 basis points** since the previous December. In the last five years, assets under management have grown by 76.6% and, in the last ten years, the volume invested in funds by the Bank's customers has quadrupled. The Management Company consolidates its position in the **sixth Group in the sector ranking.**

Trends in assets and market share in investment funds:



Ibercaja Gestión has **63 investment funds** adapted to any market situation and to different investor profiles. In addition, it manages **13 SICAVs in Spain** with a volume of **72 million euros** and maintains a **management agreement for the Luxembourg-domiciled SICAV**, Ibercaja Global Internacional, which has assets of 45 million euros.

The **increase in the weight of absolute return funds**, which increased their volume by 113.5% in 2021, and the positive performance of **equity funds**, which grew by 30.7% in a very favourable year for the stock markets, stand out in the changes in the weight of the different families in the total assets under management.

Distribution of investment fund assets by type (source: INVERCO)

	2021		2020		2019	
	€Mn	%	€Mn	%	€Mn	%
Fixed income funds	6,611	36.0	5,595	36.6	4,841	34.6
Equity funds	3,061	16.7	2,341	15.4	2,262	16.2
Mixed funds	5,757	31.3	5,378	35.3	4,554	32.6
Global funds	46	0.3	47	0.3	135	1.0
Guaranteed funds	647	3.5	835	5.5	967	6.9
Absolute return funds	2,245	12.2	1,052	6.9	1,222	8.7
Total	**18,367**	**100.0**	**15,248**	**100.0**	**13,981**	**100.0**

The **focus on diversification**, through portfolios of profiled funds (funds of funds combining investment in bonds and equities), combined with the demand for **investment solutions governed by ESG criteria** were the **key growth drivers in the year.** The portfolios increased their assets by 42%, while the funds managed with ESG criteria multiplied by 2.7 times the 2020 volume at the end of the year. Within the range of sustainable solutions, Ibercaja Sostenible y Solidario FI has consolidated its position as one of the manager's largest funds, with more than 36,000 participants and 825 million in assets, which has enabled it to support various social and environmental projects. In 2022, the range of sustainable solutions will be further boosted with two new launches at the beginning of the year: Ibercaja Confianza Sostenible FI and Ibercaja Infraestructuras FI.

In February, two funds were launched, Ibercaja Renta Fija Empresas FI and Ibercaja Diversificación Empresas FI, designed to channel the stable surplus liquidity of companies and institutions. The objective of both is to enhance the returns, with controlled volatility, obtained in traditional liquidity management instruments. These funds were well received by this type of customer, with inflows of more than 121 million euros.

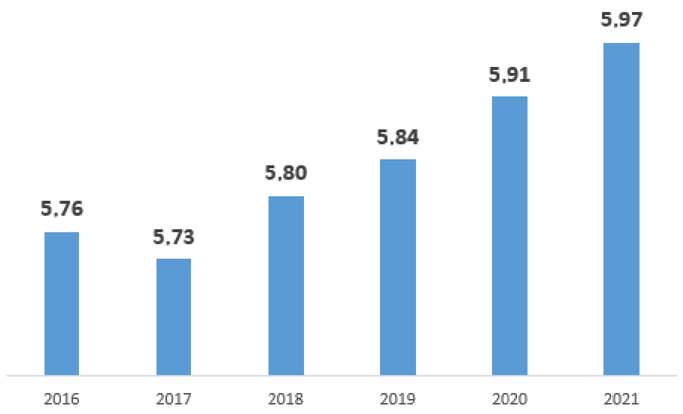
In the 2021 edition of the **Expansión-AllFunds Bank** awards, Ibercaja Gestión was recognised as "Best Asset Allocation Manager" and was a finalist in the "Best National Manager" and "Best Fixed Income Manager" categories.

Pension plan management

Ibercaja Pensión, EGFP, S.A. is the Group company engaged in managing different kinds of pension plans. The company is a signatory of the United Nations Principles for Responsible Investment and a founding member of Spainsif, the Spanish forum for Socially Responsible Investment.

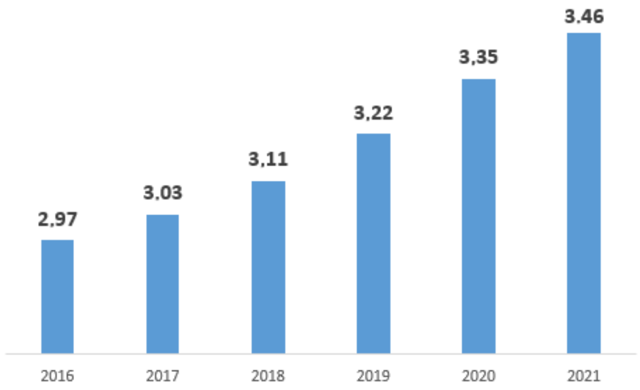
The **assets managed** at year-end, **7,640 million euros**, were 9.0% up on 2020 (sector 8.0%). The **market share** reached an all-time high of **5.97%** after adding **6 basis points during the year**, and the Management Company climbed to **fourth position** in the sector ranking (source: INVERCO).

Trend in pension plan market share:



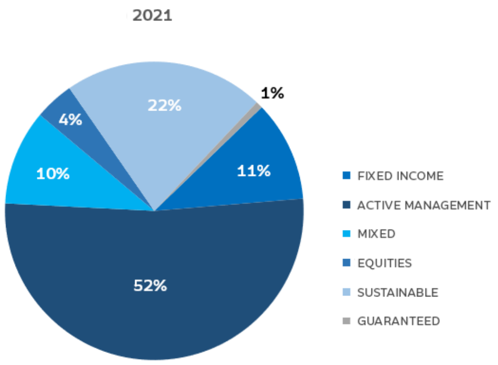
Savings managed in **individual system pension plans** increased by 12.3% to **3,090 million euros**, significantly above the variation experienced by the sector (+8.9%). Customer contributions amounted to 102 million euros in a context marked by reducing the legal limit for tax-deductible annual contributions. The **market share**, **3.46%**, advances **11 basis points** from December 2020, moving the company to **sixth in the sector ranking** (source: INVERCO). The number of customers with individual plans increased by 6,645, reaching 244,165 by the end of 2021.

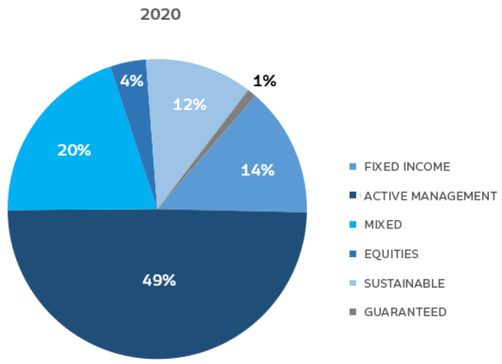
Trend in personal pension plan market share:



In the **distribution of individual pension plans by type**, the **substantial expansion of products with a sustainable profile** stands out, accounting for 22% (670 million) of total assets, compared to 12% in 2020. **The active management range consolidated with 52% of the volume** and the weight of fixed income and guaranteed plans continued to decline, with 12% of the total, down from 15% a year ago.

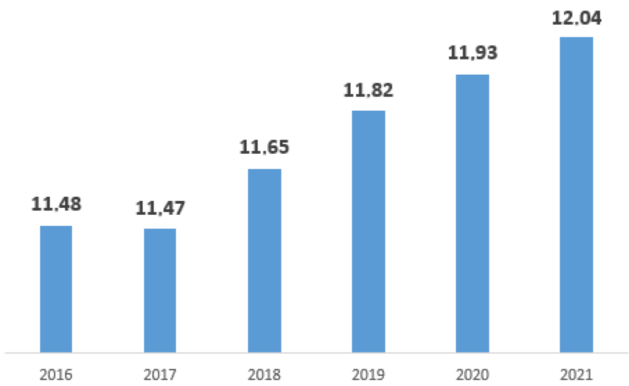
Distribution of individual pension plans by type:





Assets managed in **employment plans** amounted to **4,548 million euros**, up 6.8% on 2020 (sector -5.9%). The **market share**, **12.04%**, adds **11 basis points** and the company consolidates its position in **third place** among Spanish fund managers (source: INVERCO). This system comprises 69,091 unitholders through 15 plans. Ibercaja Pensión administers two of the ten largest employment plans in the country.

Work pension plan market share trend:



In the 2021 edition of the **Expansion All Funds Awards**, Ibercaja Pensión was a finalist in the category of best pension fund manager, the sixth consecutive time it has been nominated, having won the award on four occasions. The Sustainable and Solidarity PIP was also a finalist for the fourth consecutive year in the "Best Solidarity Fund" category.

Ibercaja Pensión

XXXIIIII FUND AWARDS 2021 EXPANSION-ALLFUNDS BANK
Finalist Best National Pension Fund Manager 2020

Ibercaja Sustainable and Solidarity Pension Plan

XXXIIIII FUND AWARDS 2021 EXPANSION-ALLFUNDS BANK
For the fourth year running:
Finalist in the Best Solidarity Fund category

Insurance business

The Group's insurance business is carried on through **two companies operating in the life and non-life lines**, providing products and specialised support to Ibercaja Banco's branch network:

- **Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U.** specialises in life insurance, with a proven track record in the bancassurance business since 1996. The Entity produces life savings and life risk insurance that it brokers through Ibercaja Mediación and distributes through Ibercaja Banco's commercial network and digital channels. The volume of technical provisions of the insurer, 6,775 million euros at the end of 2021, represents a market share of 3.46% (source: ICEA). The solvency ratio is well above the legal limit of 100%, reaching 265% in December 2021.

- **Ibercaja Mediación de Seguros S.A.U.** is engaged in general insurance brokerage. Through the Bank's branch network and digital channels, it markets risk insurance (life and non-life) and retirement savings for individuals and companies. The company's activity also extends to operations regulated by Royal Legislative Decree 1/2002, which approves the Consolidated Text of the Pension Plans and Funds Regulation Act. The Bank has a strategic alliance with Caser in the non-life insurance area.

LIFE-SAVINGS INSURANCE

Ibercaja Vida produces an extensive range of life savings products: systematic savings insurance, investment savings (life annuities, temporary annuities, capital plans and insured pension plans) and unit-linked. The amount of premiums and the number of policies are shown in the table below:

	2021	2020	2019
No. policies	446,418	489,335	531,554
Savings insurance premiums (€ million)	826	884	862

Mathematical provisions for life insurance savings, 6,643 million euros, declined 3.4%, impacted by the low-interest-rate environment. Systematic savings insurance accounts for slightly less than 40% of the total due to the diversification towards link products, given policyholders' need to make their assets profitable in the current financial context. As a result, the Unit Linked balance at the end of December 2021 will reach a volume of 1,690 million euros, almost double that of 2020. The market share in this segment was 9.95%. The portfolio of investment savings products, mainly annuities and life annuities, amounted to 2,235 million euros. As a result of the temporary closure to marketing, given the current scenario of negative interest rates and the inherent loss ratio of the product, the managed volume decreases by 7.1% in 2021.

Distribution of mathematical provisions for life insurance savings:

	2021		2020		2019	
	€Mn	%	€Mn	%	€Mn	%
Systematic savings insurance	2,531	38.1	3,425	49.8	4,243	58.3
Savings and investment	2,235	33.6	2,404	35.0	2,509	34.5
Unit Linked	1,690	25.5	850	12.3	314	4.3
Other	187	2.8	199	2.9	211	2.9
Total	**6,643**	**100.0**	**6,878**	**100.0**	**7,277**	**100.0**

RISK INSURANCE

The **risk insurance premiums** brokered by Ibercaja Mediación, **284 million euros**, grew by 3.0% compared to the previous year and policies totalled 983,032.

- **Life insurance premiums** increased by 2.6% to **78 million euros**. Ibercaja Vida, with 73 million euros of premiums brokered in individual life insurance, it is the leading insurer in the life insurance business. The rest of the premium volume of life insurance policies comes mainly from Caser. New production is up 53% year-on-year.

(€ million)	2021	2020	2019
Life insurance premiums	78	76	78
. Of which: Ibercaja Vida (*)	73	71	72

(*) In addition, Ibercaja Vida produces premiums of 3 million euros in group risk insurance linked to the pension plan for Ibercaja Banco employees.

- **Non-life insurance premiums**, **206 million euros**, increased 3.1%. The boost in activity is the result of the commercial effort and the alliance with Caser to distribute this type of insurance through the branch network. New production associated with the agreement with Caser increased 45.6%, while the backlog rose 6.6%. The most noteworthy advances were in death insurance (+19.5%), civil liability (+9.5%) and home insurance (+5.8%). The market share in non-life insurance premiums, at 0.54%, remains at similar levels compared to 2020 (source: in-house creation based on data published by ICEA).

(€ million)	2021	2020	2019
Non-life insurance premiums	206	200	198
Of which: agreement with Caser	183	172	170

Ibercaja Mediación has promoted various **actions throughout 2021 to boost the non-life insurance business:**

- "Yavoiyó", home insurance with specific coverage for second homes.
- Rent protection, insurance that protects the owner of a rented property or premises against rent default.

- Inmuebles Flexible, aimed at Communities of Owners, which includes new coverage and the improvement and extension of some of the existing ones.
- In line with Ibercaja's sustainable business strategy, Caser Auto insurance has been adapted to the needs of electric vehicles, in addition to the inclusion of the Autohelp service.

Leasing and Renting

Ibercaja Leasing y Financiación S.A. specialises in financing productive activities through leasing and renting. It provides the branch network with products for SMEs and professionals to finance their fixed-assets investments, offering renting to companies, the self-employed, and individuals.

The **outstanding risk**, **562 million euros**, remains stable compared to 2020. The **market share** amounts to **2.86%** source: Spanish Leasing and Renting Association). The **amount of new contracts** reached **247 million euros.** Of the total number of new operations, 56.21% were for financing non-industrial vehicles, 22.58% for industrial vehicles, 15.50% for machinery, 2.21% for computer equipment and the rest (3.50%) for real estate, furniture and other facilities. It must be highlighted that approximately four out of ten transactions arranged corresponded to the vehicle renting business. As a result, the fleet of leased vehicles totals 4,765 units.

The **default ratio** of Ibercaja Leasing y Financiación S.A., **1.93%**, is significantly lower than the average for financial credit institutions (6.56% at November 2021). In turn, the **coverage ratio** stood at **69%** of doubtful balances.

The Company's commitment to caring for the environment is evident in the commercial campaigns carried out during the year. The sustainable mobility offer has been boosted by offering customers the possibility of contracting 100% electric vehicles, totally ecological and with zero emissions, making a wide range available to cover different needs. The marketing of **two new sustainable products has also been launched**: the **leasing of sustainable crops**, aimed at financing investment in farms that optimise water consumption and allow higher crop yields, and the **leasing of photovoltaic energies**, which facilitates the financing of investments in energy efficiency installations initially intended for self-consumption.

Ibercaja Leasing has obtained the prize awarded by the Spanish Leasing and Renting Association for the most sustainable operation carried out in November 2021 in relation to the sustainable crops product.

5 Significant information of the Ibercaja Group: main aggregates

5.1 Highlights for the period at the Ibercaja Group

102-7, 102-10, 103-1, 103-2, 103-3

> In a complex context for business development, the Group's specialisation strategy, the strength of its hallmarks and the quality of its balance sheet have proven their worth.

> *In the first year of the "Desafío 2023" plan, Ibercaja's commercial activity has been very dynamic, achieving **notable advances in key segments** for the business strategy, such as **asset management**, **insurance distribution** and **company financing**.*

- **Retail funds**, 70,163 million euros were up 7.3% thanks to **asset management and insurance**, whose volume **grew** 12.9%, bringing its share of total managed savings to 47.1%.
- The **assets of the investment funds** managed by Ibercaja Gestión **maintained their upward trend**, totalling 18,367 million euros, with an increase of 20.5% over the year, above the 15.7% recorded by Spanish CIIs as a whole. Contributions, 2,337 million euros, were double those of a year earlier, and the market share, 5.78%, was **up 22 basis points**.
- The volume under management in **pension plans** increased by 9.0%, allowing the market share of 5.97% to add **6 basis points**. In **individual and work plans,** the share of each of them rises **by 11 basis points.**

- The **sustainable and supportive investment**, materialised in investment funds and pension plans, **multiplies its assets by 2.5 times in one year**, demonstrating the Group's commitment to sustainability.

- The **credits and loans being arranged, 5,421 million euros**, **recovered to pre-pandemic levels** and almost 60% of them are allocated to companies. Lending for house purchases has been revitalised in recent months so that new production in the fourth quarter was more than 70% higher than the average of the first three quarters, stabilising the portfolio in the latter part of the year. Also noteworthy was the strong dynamism of the volume of outstanding loans, 15.7% higher than in 2020.

- The new Corporate Banking Area has given a **significant commercial boost to the productive activities business**. **Standard loans to companies grew 6.9%,** increasing the market share by eight basis points in the year. Ibercaja, in collaboration with experienced consultancy firms, has made available to customers an advisory service to access funds from the NextGenration EU plan to take advantage of the investment opportunities that these funds represent.

- **New life and non-life premium income rose** 33% year-on-year to **66 million euros**.

*The Group reported a **net profit** of **151 million euros, 127 million more than the previous year**. Typical banking revenues grew 2.5%, thanks to the progress in the asset management business, while provisions for credit and real estate risk normalised after the extraordinary provisions made in 2020 to cover the potential economic impact of the pandemic on the loan*

- The interest margin reflects the repricing of the mortgage portfolio due to the decline in the yield curve and the lower contribution of debt securities. Fees increased 16.9% due to the excellent performance of off-balance-sheet managed savings. As a result, **overall recurrent revenues increase by 2.5% and exceed the stability target for 2021.**

- Recurrent operating expenses rose 5.4% year on year. **In the coming months, the cost base will include the effect of the Redundancy Plan** signed by the Entity with the workers' representatives in December 2020. The departures of the employees covered by the redundancy programme will take place progressively until June 2022, so it will be a catalyst for profitability in the coming year.

- Write-offs of foreclosed loans and real estate, at 114 million euros, were 119 million euros lower than in the previous December due to lower NPL entries and because an extraordinary provision of 90 million euros was set aside in 2020 to cover the potential impact on the loan portfolio of the economic effects of COVID-19. The **cost of risk** falls to **35 basis points**, which is significantly below the cost, 71 basis points, of 2020.

- The dividend distribution of 98.14 million euros, which the Board of Directors will propose to the General Meeting of Shareholders, represents a **pay-out of 65%.**

> ***The reduction of non-performing assets on the balance sheet*** *continues without the weak economic environment having translated into a decline in the credit quality of lending, which is highly hedged. The bank maintains the* ***strength of its capital ratios*** *with a* ***CET1***

- The **non-performing assets** decrease by **29.2%, compared to the change, -4.7%, in the sector** (latest information as at November), with the NPL ratio falling by 91 basis points to 2.30%. The positive gap with respect to credit institutions as a whole widened to 199 basis points. The **coverage ratio of non-performing exposure** rose by over 11.4 percentage points to **75.31%**.

- The **aggregate of problem exposure, doubtful and foreclosed assets** was reduced by 373 million euros. The **problem asset ratio, 3.97%**, has fallen by 110 basis points since December 2020. The **coverage ratio** of these assets, **68.79%**, rises by almost seven percentage points.

- The Group has a **sound funding structure** based on the deposits of retail customers, who account for **79.8%** of outside funding, so the loan-to-deposit ratio (LTD) ratio is below 100%. The **Group's liquid assets** represent **26.0% of the balance sheet** and comfortably cover all wholesale debt maturities.

- The **CET1 fully loaded ratio added 12 basis points to 12.71%**, exceeding the Group's medium-term target. The total capital ratio is 17.43%, one of the highest in the Spanish banking system. These ratios are above the PRES 2021 requirements and those that will come into force in March 2022.

Key indicators

FIGURES ROUNDED TO MILLION EUROS AND %

BALANCE SHEET	31/12/2021	31/12/2020	Change %
Total assets	58,631	58,401	0.4
Gross loans and advances to customers	31,195	31,590	(1.2)
Performing loan portfolio exc. reverse repurchase agreements	28,862	28,956	(0.3)
Total retail funds	70,163	65,411	7.3
Net equity	3,270	3,218	1.6
Retail business volume	99,025	94,367	4.9

RESULTS (thousands of euros)	31/12/2021	31/12/2020	Change %
Interest margin	492,826	533,673	(7.7)
Gross income	952,260	1,001,822	(4.9)
Profit before write-downs	341,038	283,316	20.4
Profit/(loss) attributed to the parent	150,985	23,602	539.7

EFFICIENCY AND PROFITABILITY	31/12/2021	31/12/2020	Change
Recurrent cost-to-income ratio (ordinary expenses/recurrent revenues)	64.2%	62.5%	+1.7 p.p.
ROA (profit attributable to the parent company/total average assets)	0.26%	0.04%	0.22 p.p.
RORWA (profit attributable to the parent company/APR)	0.84%	0.13%	0.71 p.p.
ROE (profit attributable to the parent company/average own funds)	5.2%	0.8%	4.4 p.p.
ROTE (profit attributable to the parent company/average tangible own funds)	5.7%	0.9%	4.8 p.p.

RISK MANAGEMENT	31/12/2021	31/12/2020	Change
Non-performing balances (loans and advances to customers)	718	1,013	(29.2) %
Non-performance rate of loans and advances to customers (%)	2.3%	3.2%	(0.9) p.p.
Ratio of distressed assets (%)	4.0%	5.1%	(1.1) p.p.
Coverage of non-performing risks	540	647	(16.5) %
Coverage of non-performing risks (%)	75.3%	63.9%	11.4 p.p.
Coverage of exposure to distressed assets (%)	68.8%	62.2%	6.6 p.p.

LIQUIDITY	31/12/2021	31/12/2020	Change
Liquid assets / Total assets (%)	26.0%	25.6%	0.4 p.p.
Loan-to-deposit ratio (LTD)	78.2%	81.1%	(2.9) p.p.
LCR ratio (%)	452.0%	468.1%	(16.1) p.p.
NSFR ratio (%)	152.2%	151.5%	0.7 p.p.

SOLVENCY	31/12/2021	31/12/2020	Change
CET1, phase-in (%)	13.41%	13.62%	(0.21) p.p.
Solvency ratio, phase-in (%)	18.12%	18.27%	(0.15) p.p.
Leverage ratio, phase-in (%)	6.01%	6.26%	(0.25) p.p.
CET1, fully loaded (%)	12.71%	12.59%	0.12 p.p.
Total capital, fully loaded (%)	17.43%	17.26%	0.17 p.p.
Leverage ratio, fully loaded (%)	5.75%	5.85%	(0.10) p.p.

ADDITIONAL INFORMATION	31/12/2021	31/12/2020	Change %
No. Group employees	4,880	5,307	(8.0)
No. of branches	914	1,031	(11.3)

5.2 Analysis of the main balance sheet figures

102-7, 103-1, 103-2, 103-3

> Retail funding was driven by asset management and life insurance, while lending to productive activities increased and asset quality indicators strengthened.

Key figures on the consolidated balance sheet:

	Figures in thousands of euros			
	31/12/2021	31/12/2020	CHANGE	CHANGE (%)
Cash and credit institutions	6,749,981	7,884,260	(1,134,279)	(14.4)
Loans and advances to customers	30,655,026	30,942,404	(287,378)	(0.9)
Securities portfolio	18,214,267	16,464,946	1,749,321	10.6
Tangible assets	1,004,091	960,967	43,124	4.5
Intangible assets	269,167	237,226	31,941	13.5
Other assets	1,738,877	1,910,987	(172,110)	(9.0)
Total assets	**58,631,409**	**58,400,790**	**230,619**	**0.4**
Deposits from credit institutions and central banks	6,616,302	6,579,022	37,280	0.6
Customer deposits	38,268,280	37,881,253	387,027	1.0
Debt securities issued	1,316,321	1,340,670	(24,349)	(1.8)
Liabilities under insurance contracts	7,121,494	7,521,867	(400,373)	(5.3)
Provisions	268,943	393,100	(124,157)	(31.6)
Other liabilities	1,769,668	1,466,458	303,210	20.7
Total liabilities	55,361,008	55,182,370	178,638	0.3
Net equity	3,270,401	3,218,420	51,981	1.6
Total equity and liabilities	**58,631,409**	**58,400,790**	**230,619**	**0.4**

Assets

The **total assets** of the consolidated balance sheet amounted to **58,631 million euros**, compared to 58,401 million euros in December 2020; the 0.4% increase was mainly due to the growth in the securities portfolio.

Loans and advances to customers recognised as financial assets at amortised cost, and financial assets not held for trading, which must be measured at fair value through profit or loss, came to **30,655 million euros**, 0.9% less than at year-end 2020. In gross terms, i.e., without value adjustments for impairment of assets and other impairments, the loan portfolio amounted to 31,195 million euros. "Healthy" lending, at 28,862 million euros, excluding non-performing assets and reverse repos, declined by 93 million euros or 0.3% year on year. The profile of the Group's portfolio is low risk, with home loans accounting for 63% of the total. Without losing this specialisation, the Bank is progressively increasing its share of corporate loans, representing 28% of the total performing lending balance.

Distribution of loans and advances to customers by purpose:

	Figures in thousands of euros			
	31/12/2021	31/12/2020	Change	Change (%)
Loans to households	19,818,759	20,382,751	(563,992)	(2.8)
Housing	18,100,029	18,614,885	(514,856)	(2.8)
Consumer loans and other	1,718,730	1,767,866	(49,136)	(2.8)
Corporate loans	8,015,693	7,497,607	518,086	6.9
Real estate development	973,401	940,570	32,831	3.5
Non-real estate productive activities	7,042,292	6,557,037	485,255	7.4
Public sector and other	1,027,984	1,075,429	(47,445)	(4.4)
Gross loans, ex impairments and reverse repos	28,862,436	28,955,787	(93,351)	(0.3)
Reverse repurchase agreements	1,615,394	1,620,857	(5,463)	(0.3)
Impaired assets	717,621	1,012,938	(295,317)	(29.2)
Gross loans and advances to customers	31,195,451	31,589,582	(394,131)	(1.2)
Impairment losses and others	(540,425)	(647,178)	106,753	(16.5)
Loans and advances to customers	30,655,026	30,942,404	(287,378)	(0.9)

The **normal loans to companies** amounted to 8,016 million, an increase of 6.9%. The market share of credit to non-financial corporations climbed eight basis points to 1.5%. The **financing of non-real estate productive activities** rose by 7.4%, due to the boost given to the corporate business, a key element in Ibercaja's strategy of diversifying its credit mix. Although of reduced importance, exposure to real estate development increased by 3.5%, in line with the reactivation of this sector in the residential sector. **Home loans** declined by 2.8%. Its main component, **home loans**, dipped by 2.8%. New production is still insufficient to compensate for natural maturities of the portfolio and higher early redemptions because of the accumulated savings pool and the level of retail deposit rates. However, there was a clear recovery in the last months of the year due to the boom in formalisations, so the portfolio in the fourth quarter remained virtually unchanged from the third quarter. In turn, **consumer credit and other financing to households,** with a limited weight in overall investment, fell by 2.8% due to a 4.4% decline in consumer credit, in an environment in which household spending is still recovering slowly.

Loans and credits being arranged totalled **5,421 million euros**, reaching pre-pandemic levels. New production to companies totalled 3,188 million euros, lower than the figure obtained in 2020 due to the base effect, since last year, it was enormously boosted by the granting of ICO credit lines partially guaranteed by the State with which companies stockpiled liquidity to mitigate the economic effects of COVID-19. The loans arranged for house purchases amounted to 1,431 million euros, similar to last year's amount. It is worth noting that they are revitalising after the sluggishness of previous months so that new production in the fourth quarter was more than 70% higher than the average granted during the first three quarters of 2021. In terms of geographic markets, Madrid and the Mediterranean Arc accounted for more than 51% of the year's new loans, while the Traditional Area accounted for 34%. In addition, the arrangement of working capital loans for companies exceeded 7,450 million, 15.7% more than in December 2020.

Asset quality indicators (non-performance rate, foreclosed assets and coverage)

	thousands of euros and %	
	31/12/2021	31/12/2020
Non-performing loans and advances to customers	717,621	1,012,938
Loans and advances to customers, gross	31,195,451	31,589,582
Non-performance rate of loans and advances to customers (%)	2.30%	3.21%
Distressed assets (non-performing loans and advances to customers + repossessions)	1,259,862	1,632,465
Exposure (loans and advances to customers + repossessed assets)	31,737,692	32,209,109
Problem asset ratio (%)	3.97%	5.07%

Non-performing loans and advances to customers	717,621	1,012,938
Coverage of non-performing risks	540,425	647,178
Coverage of non-performing risks (%)	75.31%	63.89%
Foreclosed assets (gross carrying amount)	542,241	619,527
Coverage of foreclosed assets	326,197	367,413
Coverage ratio of foreclosed assets (%)	60.16%	59.31%
Distressed assets (non-performing loans and advances to customers + repossessions)	1,259,862	1,632,465
Coverage of Problem assets	866,622	1,014,591
Coverage rate of Problem assets (%)	68.79%	62.15%
Distressed assets (non-performing loans and advances to customers + repossessions)	1,259,862	1,632,465
Equity and problem asset coverage	3,770,479	3,825,221
Texas Ratio (%)	33.41%	42.68%

The **asset quality indicators** **are evolving favourably** without the weakness of economic activity in some sectors and the maturity of most of the mortgage moratoriums being reflected in their trajectory. Impaired loans and advances to customers, at 718 million euros, declined 29.2% in the year due to the slower pace of NPL entries (down 26%) and the sale of a 51 million-euro portfolio of non-performing loans. Meanwhile, the volume of recoveries remained stable at 22% of the initial balance of non-performing loans. The contraction of impaired assets in Ibercaja has been significantly higher than that of the sector (-4.7% according to the latest statistical information from the Bank of Spain at the end of November).

The NPL ratio, 2.30%, is one of the lowest in the Spanish banking system. This ratio fell by 91 basis points compared to the end of 2020, widening the favourable spread vis-à-vis all banks to 199 basis points (130 basis points at the end of 2020). The coverage ratio of non-performing loans rose from 11.4 p.p. to 75.31%, one of the highest among comparable institutions.

The **foreclosed real estate portfolio**, recorded under the balance sheet headings investment property, inventories and non-current assets held for sale, totalled **542 million euros gross**, down 12.5% on December 2020, mainly as a result of the recovery in sales, up 52% on the previous year, following the upturn in the real estate market. Land sales amounted to 100 million, 56% of the total. The performance of inflows was also more favourable, falling by 10% year on year. The coverage of all real estate is 60.16%, with land coverage reaching 68.43%. The net value of foreclosed assets, at 216 million euros, decreased by 14.3%, representing only 0.4% of the balance sheet.

Problem assets, amounting to **1,260 million euros**, the sum of non-performing loans and advances to customers and foreclosed properties, fell 373 million euros or 22.8% in relative terms. Excluding hedges, net problem assets, at 393 million euros, declined 36.4% to 0.7% of assets. The ratio of problem assets, 3.97%, fell by 110 basis points during the year and the coverage ratio amounted to 68.79%, up almost seven percentage points in December 2020. The Texas ratio, which relates non-performing assets to equity and coverage, decreased to 33.41%, thus improving by 9.3 percentage points in the year.

The Group's refinancing and debt restructuring policy aims to help borrowers experiencing temporary financial difficulties meet their obligations and, where possible, improve risk quality by securing additional collateral. **Refinanced loans** amounted to 539 million euros, down 26.9% on year-end 2020 and accounting for only 1.7% of gross loans and advances to customers. 61.1% of refinanced loans are classified as non-performing, and their coverage is 42.7%. On 20 May 2021, Ibercaja adhered to the Code of Best Practices (CBP) to renegotiate guaranteed financing in Royal Decree-Law 5/2021, of 12 March, on extraordinary measures supporting business solvency in response to the COVID-19 pandemic. The CBP sets out the conditions under which financial institutions will provide debtors with the measures available to companies and the self-employed to renegotiate the conditions of ICO-COVID financing operations. At the end of 2021, the impact of these measures was very low, as only 6.8 million euros of deferrals were granted and there were no requests from customers in relation to the other measures envisaged in the CBP.

Regarding the loan portfolio distribution **by stage**, 5.0% of exposure is included in stage 2 (7.3% for all important Spanish institutions at the end of September), and its degree of coverage is 7.1%. This low level responds to the mortgage bias of Ibercaja's portfolio and a prudent policy of risk concession.

The **Group's portfolio of fixed-income securities, shares and participations in companies** amounts to **18,214 million euros**, of which 7,314 million euros correspond to the insurance business.

The **portfolio affected by banking activity**, 10,901 million euros, increased by 1,992 million euros in the year.

- The **ALCO portfolio** managed by the parent company increased by 2,023 million euros to 10,462 million euros due to acquisitions, mainly Spanish public debt, to restore it after the sale of securities in 2020 and to make the excess liquidity on the balance sheet profitable. This portfolio is made up of low-risk bonds, mainly Spanish government debt (63%) and Sareb bonds (16%), with an average duration, including coverage, of 5.3 years. The objective here is to soundly manage balance sheet interest rate risk, generate recurring earnings to strengthen the interest margin and help maintain comfortable levels of liquidity. According to the accounting classification, 94% of these financial assets are classified at amortised cost.
- **Equity**, 403 million euros, comprised investments in unlisted companies in strategic sectors for the Bank or intended for the territorial development of the regions in which the Bank operates, together with listed shares of domestic and foreign companies. The decrease for the year is 27 million euros.

The portfolio assigned to insurance activity, 7,314 million euros, declined by 243 million.

- **Fixed income**, 5,603 million euros, mainly Spanish public debt and that of credit institutions, decreased by 1,099 million, mainly due to the transfer from systematic savings insurance to Unit Linked. These assets are mainly classified as "Financial assets at fair value through other comprehensive income".

- **Equity**, 1.711 million euros, rose by 856 million euros, owing to Ibercaja Vida's increased investment in units in investment funds that are managed jointly with liabilities under insurance contracts (unit-linked) measured at fair value.

Details of the securities portfolio

		Figures in thousands of euros		
BY ACCOUNTING CLASSIFICATION	31/12/2021	31/12/2020	Change	Change (%)
Financial assets not held for trading mandatorily measured at fair value through profit or loss	1,666,941	852,179	814,762	95.6
Debt securities	0	28,009	(28,009)	---
Equity instruments	1,666,941	824,170	842,771	102.3
Financial assets at fair value through profit or loss	7,451	8,602	(1,151)	(13.4)
Debt securities	7,451	8,602	(1,151)	(13.4)
Financial assets at fair value through other comprehensive income	6,464,034	7,023,328	(559,294)	(8.0)
Debt securities	6,118,358	6,669,456	(551,098)	(8.3)
Equity instruments	345,676	353,872	(8,196)	(2.3)
Financial assets at amortised cost	9,974,513	8,474,312	1,500,201	17.7
Investments in joint ventures and associates	101,328	106,525	(5,197)	(4.9)
Total securities portfolio	18,214,267	16,464,946	1,749,321	10.6

		Figures in thousands of euros		
BY ACTIVITY AREA	31/12/2021	31/12/2020	Change	Change (%)
Banking business	10,900,580	8,908,586	1,991,994	22.4
Of which: fixed income - ALCO portfolio	10,462,235	8,439,326	2,022,909	24.0
Of which: fixed income - subsidiary portfolio	34,932	39,280	(4,348)	(11.1)
Of which: equities	403,413	429,980	(26,567)	(6.2)
Insurance business	7,313,687	7,556,360	(242,673)	(3.2)
Of which: fixed income	5,603,155	6,701,773	(1,098,618)	(16.4)
Of which: equity (Unit Linked)	1,710,532	854,587	855,945	100.2
Total securities portfolio	18,214,267	16,464,946	1,749,321	10.6

The **asset balance with central banks, credit institutions and cash** is **6,750 million euros**. The decrease in the year of 1,134 million euros, mainly concentrated in the heading "cash balances at central banks", is basically due to the aforementioned purchases of fixed-income securities.

Liabilities to central banks and credit institutions amounted to **6,616 million euros**, 0.6% more than in December 2020. At 5,871 million euros, funding from the ECB increased by 500 million euros, mainly due to the allotment of 559 million euros in the TLTRO III auction in March 2021. At 745 million euros, deposits from credit institutions fell by 463 million euros, mainly due to a decrease of 412 million euros in time deposits and a decrease in the volume of repurchase agreements with other institutions.

Breakdown of cash and assets at credit institutions and deposits from credit institutions and central banks

	Figures in thousands of euros			
	31/12/2021	31/12/2020	Change	Change (%)
Cash and cash balances at central banks and other demand	6,388,624	7,572,609	(1,183,985)	(15.6)
Credit institutions (financial assets at amortised cost)	361,357	311,651	49,706	15.9
Cash and credit institutions	6,749,981	7,884,260	(1,134,279)	(14.4)
Central bank deposits	5,871,128	5,371,202	499,926	9.3
Deposits from credit entities	745,174	1,207,820	(462,646)	(38.3)
Deposits from central banks and credit institutions	6,616,302	6,579,022	37,280	0.6

The **tangible assets** amount to **1,004 million euros**, an increase of 43 million euros since December, due to an increase of 18 million euros in property, plant and equipment for own use, as well as in operating leases and investment property of 16 million euros and 9 million euros, respectively. **Intangible assets**, **269 million euros**, comprise goodwill, other items generated from the acquisition of Caja3 and computer software. The development of strategic and regulatory projects explains the increase of 32 million in this heading.

The **tax assets**, **1,304 million euros**, decreased by 3.1%, due to a 3.3% decrease in deferred tax assets, because of their offset in the corporate income tax for 2021.

Equity and liabilities

Customer deposits ended the year with a balance of **38,268 million euros**, 1.0% higher than at the end of 2020. This change resulted from a 2.7% increase in retail deposits, partially offset by the maturity of 525 million euros of covered bonds and the lower repurchase agreements. The increase in retail deposits, sight savings and traditional time deposits without covered bonds or repos was significantly lower than a year earlier when it reached 10.4%. Companies have made use of the liquidity accumulated, taking advantage of the ICO guarantee lines, and household deposits have significantly moderated their pace of growth as uncertainty has been reduced and as a result of the Bank's strategy of diversifying savings towards other financial assets with higher expected returns for the customer.

The **debt securities issued**, **1,316 million euros**, decreased by 24 million euros due to the combined effect of the maturity of securitisation liabilities and the issuance of senior preferred debt, eligible for MREL requirements, for 50 million euros.

Liabilities under insurance or reinsurance contracts, **7,121 million euros**, declined 5.3% due to the negative impact of low-interest rates on the performance of life savings insurance and the strategy of the Entity to encourage the transfer to unit-linked.

The **retail funds** under management on and off the balance sheet, **70,163 million euros**, increased 7.3%. In addition to the increase mentioned above in retail deposits, asset management and insurance grew 12.9% to 33,031 million euros. This item accounted for 47.1% of the Bank's total customer funds and 80% of the year-on-year increase.

Details of total retail customer funds

	Figures in thousands of euros			
	31/12/2021	31/12/2020	Change	Change (%)
Retail deposits	37,131,170	36,165,311	965,859	2.7
Demand deposits	34,673,081	33,014,125	1,658,956	5.0
Term deposits (exc. mortgage-backed bonds)	2,458,089	3,151,186	(693,097)	(22.0)
Asset and insurance management	33,031,334	29,245,650	3,785,684	12.9
Total retail funds	**70,162,504**	**65,410,961**	**4,751,543**	**7.3**

Provisions on the liability side of the balance sheet, **269 million euros**, comprise funds for pensions and similar commitments, outstanding labour costs and other provisions. The net change of 124 million euros was mainly due to the use of balances from previous years associated with redundancy plans, interest rate floor clauses and the Group's pension commitments to its employees.

Equity totalled **3,270 million euros**, 52 million more than at year-end 2020. The 93 million-euro growth in shareholders' equity offset the 41 million-euro decrease in "Accumulated other comprehensive income".

5.3 Income statement

103-1, 103-2, 103-3

> Ibercaja achieved a net profit of 151 million euros, a considerable improvement on the figure for the previous year.

Main headings of the income statement:

	Figures in thousands of euros			Change (%)
	31/12/2021	31/12/2020	Change	
Interest margin	492,826	533,673	(40,847)	(7.7)
Net fees and commissions and exchange differences	438,543	374,987	63,556	16.9
Recurrent revenues	**931,369**	**908,660**	**22,709**	**2.5**
Gains/(losses) on financial assets and liabilities	46,662	119,165	(72,503)	(60.8)
Other operating profit/(loss)	(25,771)	(26,003)	232	(0.9)
Other operating income and expense	(40,902)	(31,790)	(9,112)	28.7
Dividends	9,542	5,208	4,334	83.2
Earnings at equity-accounted entities	5,589	579	5,010	-
Gross income	**952,260**	**1,001,822**	**(49,562)**	**(4.9)**
Operating expenses	(611,222)	(718,506)	107,284	(14.9)
Profit before write-downs	**341,038**	**283,316**	**57,722**	**20.4**
Provisions, impairment and other write-downs	(126,951)	(225,830)	98,879	(43.8)
. of which: COVID-19 write-downs	-	(90,124)	90,124	-
Other gains/(losses)	686	(4,016)	4,702	(117.1)
Profit/(loss) before tax	**214,773**	**53,470**	**161,303**	**301.7**
Taxes	(63,788)	(29,868)	(33,920)	113.6
Consolidated profit/(loss) for the year	**150,985**	**23,602**	**127,383**	**539.7**
Profit/(loss) attributable to the Parent	**150,985**	**23,602**	**127,383**	**539.7**

The **interest margin** totalled **493 million euros**, **down 7.7% year-on-year**, mainly due to the decline in revenues from lending, the lower contribution from the fixed income portfolio and the lower contribution from the Group's insurance business. Part of this impact, caused by the low-interest rates, has been offset by the lower cost of retail and wholesale funding and the favourable conditions of the financing obtained from the ECB in the TLTRO III auction. In this respect, the Bank, considering the trend in eligible credit and business projections, has accrued interest at -1%.

Revenues from lending fell 14.1%, mainly due to lower unit yields. The average rate, at 1.19%, contracted 17 basis points from 2020 as a result of the repricing of the mortgage portfolio following the decline in the 12-month Euribor, lower market interest rates on corporate financing and the high volume of ICO loans formalised with a reduced yield to which the cost of the guarantee is imputed. It should be noted that the mortgage portfolio has already fully reflected the decline in the benchmark.

The **retail saving cost** fell due to the lower balance and rate of term deposits and the charging of negative interest, in certain circumstances, on credit balances on demand accounts.

The yield on loans and advances to customers fell 17 basis points year-on-year to 1.19%, while the cost of retail savings fell one basis point to -0.02%, bringing the **customer spread** to 1.21%, 16 basis points lower than the 1.37% recorded at the end of 2020.

The **yield on the fixed income portfolio** is 34 million euros and represents 6.2% of interest income. The year-on-year decrease, 23 million, is due to the decrease in the average return (0.34% vs 0.66% in 2020) due to the rotation of securities following sales in 2020.

The **cost of wholesale issues** amounted to 33 million, 37.8% less than in 2020, due to the maturity of non-renewed mortgage covered bonds and because until July 2020 part of the subordinated wholesale debt issued in 2015 remained on the balance sheet and was refinanced last year by another lower-cost issue.

The **Group's balance sheet spread** stood at 0.85% at the end of 2021, 11 basis points lower than the previous year.

Breakdown of interest margin:

(figures rounded to millions of euros)	2021			2020			Change 21/20		
	Balance average	Perf Cost	Perf Cost (%)	Balance average	Perf Cost	Perf Cost (%)	Effect volume	Effect rate	Change net
Financial intermediaries	7,912	67	0.85	6,234	54	0.87	15	(1)	13
Loans and advances to customers	28,862	343	1.19	29,400	399	1.36	(7)	(49)	(56)
Fixed income portfolio	9,969	34	0.34	8,526	57	0.66	10	(32)	(23)
Income from insurance activity	7,519	105	1.40	7,634	122	1.60	(2)	(15)	(17)
Other assets	3,603	1	---	3,685	1	---	0	(1)	(1)
ASSETS (c)	**57,865**	**550**	**0.95**	**55,479**	**633**	**1.14**	**27**	**(110)**	**(83)**
Financial intermediaries	6,792	24	0.35	5,085	30	0.58	10	(16)	(6)
Retail deposits (b)	35,924	(7)	(0.02)	34,333	(3)	(0.01)	0	(4)	(4)
Wholesale issues	2,588	33	1.26	3,254	53	1.61	(11)	(9)	(20)
Costs of insurance activity	7,291	2	0.02	7,632	15	0.20	(1)	(13)	(14)
Other liabilities	5,270	5	---	5,175	4	---	0	1	1
LIABILITIES (d)	**57,865**	**57**	**0.10**	**55,479**	**99**	**0.18**	**4**	**(46)**	**(42)**
Customer spread (a-b)			**1.21**			**1.37**			
Balance sheet spread (c-d)			**0.85**			**0.96**			

Note: In accordance with accounting regulations, income derived from the application of negative rates is recognised according to its nature. "Financial intermediaries" on the assets side includes the negative interest on the financial intermediaries' balances on the liabilities side, the most significant of which is the income from TLTRO III. Symmetrically, "Financial intermediaries" on the liabilities side include negative interest on financial intermediaries' balances on the assets side.

Net fees and exchange differences totalled **439 million euros, 16.9% more than in 2020**. Marketing and asset management fees rose 25.5%, due to the higher volume of assets under management in off-balance-sheet products and the increase in success fees, because of the excellent performance of the markets in the year. Fees from banking activity increased 3.3%, mainly due to the 8.9% rise in collection and payment services fees, while those associated with securities trading and contingent liabilities and commitments declined.

Net fees and commissions:

	Figures in thousands of euros			
	31/12/2021	31/12/2020	Change	Change (%)
Fees for contingent liabilities and commitments	11,366	12,002	(636)	(5.3)
Collection and payment services fees	123,161	113,084	10,077	8.9
Securities services fees	49,581	38,992	10,589	27.2
. Administration, custody and trading of securities	7,954	9,241	(1,287)	(13.9)
. Asset management	41,627	29,751	11,876	39.9
Non-bank financial product marketing fees	254,860	206,590	48,270	23.4
Other fees	18,527	20,103	(1,576)	(7.8)
Fees received	**457,495**	**390,771**	**66,724**	**17.1**
Fees paid	**(19,509)**	**(16,636)**	**(2,873)**	**17.3**
Exchange differences	**557**	**852**	**(295)**	**(34.6)**
Net fees and commissions and exchange differences	**438,543**	**374,987**	**63,556**	**16.9**
Fees for marketing and asset management	288,925	230,218	58,707	25.5
Banking fees and commissions	149,618	144,769	4,849	3.3

Recurrent revenues, the aggregation of the interest margin and net fees and commissions, **were 2.5% higher at 931 million euros**. The excellent performance of fees, especially those linked to asset management, offset the decline in the interest margin, basically affected by the trend in the yield curve, which put pressure on the performance of the credit and fixed income portfolios. Recurrent revenues amounted to 243 million euros in the fourth quarter, 5.4% more than in the same quarter of 2020 and above pre-pandemic levels, thanks to the commercial dynamism focused particularly on asset management.

The **dividend income** amounted to **10 million euros**, compared to 5 million euros the previous year. The increase is explained by the Caser stake (3.5 million euros) and by the fact that in 2020 many companies suspended dividend distributions for reasons of prudence in view of the COVID-19 crisis.

Gains from lending transactions stood at **47 million euros**. This mainly includes realised capital gains of 33 million euros on the forward sale in 2020 of a national public debt securities portfolio, which became effective in the first quarter of 2021. Compared to a year earlier, the decrease is due to the fact that 115 million euros of capital gains were recognised in 2020 on the part of the cash sale of the debt mentioned above portfolio at amortised cost.

The **net of other operating income and expenses** in the income statement includes, inter alia, income and expenses from insurance and reinsurance contracts, income and expenses from non-financial activities and contributions to the Deposit Guarantee Fund (51.8 million euros), to the National Resolution Fund (13.8 million euros) and the expense of the asset benefit from the conversion of deferred tax assets into a receivable from the Spanish tax authorities (2.7 million euros). In 2021 this heading shows an **expenditure of 41 million euros, compared to 32 million euros a year earlier**. The higher expense was mainly due to the 15 million euros recorded in 2020 under "Other operating income" for signing the novation agreement amending the non-life insurance distribution contract with Caser.

The **results of entities accounted for using the equity method** amount to **6 million euros**. The improvement compared to a year earlier comes from the result of Rioja Nueva Economía, following the sale of its subsidiary Energía de Alternativas Eólicas Riojanas.

Gross income was **952 million euros**, 4.9% lower than at the end of 2020. The contraction was due to lower net trading income, as recurrent revenues rose 2.5% year on year to account for 98% of gross income.

Operating expenses, **611 million euros**, were down 14.9%. Excluding the impact of the costs arising from the ongoing Redundancy Proceedings (151 million euros endowed in 2020 and 12.8 million euros of additional cost in 2021), the **recurring expenses**, **598 million euros**, increase by 5.4%, returning to 2019 levels once the operating cost-saving measures adopted in 2020 by COVID-19 have been finalised.

Personnel expenses, excluding one-offs, increased by 31% due to the achievement of certain variable remuneration targets in 2021 and the accrual of the multi-year incentive plan (ILP). The cost savings from the redundancy programme will materialise progressively, as the redundancies of employees under the plan are being staggered until they end in June 2022. At December 2021, there have been 525 departures out of the 750 approved and the closure of 117 branches out of the 199 planned.

Other administrative expenses and write-downs increased by 9.3% due to the slowdown in projects and activities in 2020 as a result of the emergence of COVID-19 and the launch of the Strategic Plan, which has increased the cost of external services and technical reports associated with the implementation of the various initiatives envisaged therein.

Breakdown of operating expenses:

	Figures in thousands of euros			
	31/12/2021	31/12/2020	Change	Change (%)
Wages and salaries	(270,847)	(263,920)	(6,927)	,2.6
Social security contributions	(68,638)	(68,660)	22	0.0
Contribution to pension funds and insurance policies	(17,667)	(17,698)	31	(0.2)
Severance payments	(16,333)	(151,072)	134,739	(89.2)
Other staff costs	(1,698)	(1,218)	(480)	39.4
Personnel expenses	**(375,183)**	**(502,568)**	**127,385**	**(25.3)**
Buildings, installations and office equipment	(27,668)	(26,484)	(1,184)	4.5
Systems maintenance, licences, IT development and software	(21,879)	(22,239)	360	(1.6)
Communications	(12,154)	(10,864)	(1,290)	11.9
Advertising and publicity	(5,771)	(5,003)	(768)	15.4
Charges and taxes	(18,170)	(20,221)	2,051	(10.1)
Other management and administration expenses	(83,424)	(68,209)	(15,215)	22.3
Other general administrative expenses	**(169,066)**	**(153,020)**	**(16,046)**	**10.5**
Depreciation and amortisation	**(66,973)**	**(62,918)**	**(4,055)**	**6.4**
Operating expenses	**(611,222)**	**(718,506)**	**107,284**	**(14.9)**
Recurring operating expenses	**(598,380)**	**(567,465)**	**(30,915)**	**5.4**
Staff costs ex WAP costs	(362,341)	(351,527)	(10,814)	3.1
Other general admin. expenses + depreciation and	(236,039)	(215,938)	(20,101)	9.3

The **cost-to-income ratio**, defined as the quotient of recurring operating expenses and gross income, stood at **62.8%**. The **recurrent efficiency ratio**, measured as recurring expenses over recurrent revenues, is **64.2%**.

Before write-downs, the recurring income was **333 million euros,** 2.4% less than a year earlier, as the increase in recurrent revenues did not fully offset the increase in operating expenses.

Provisions and write-downs reported as losses on impairment of financial assets, non-financial assets, non-current assets held for sale and allowances for provisions, 127 million euros, reduced by 43.8% in relation to 2020.

The **provisions for loans and foreclosed real estate**, **114 million euros,** amount to 119 million less than in 2020, as a non-recurring provision of 90 million euros was set up in the previous year to cover the potential impact of the economic effects associated with COVID-19. Stripping out this extraordinary provision, the decrease was 20.1% due to lower entries in NPLs. The **Group's cost of risk**, calculated as the ratio of credit and real estate impairments to average exposure, was **35 basis points**, lower than the normal cost for 2020 as a whole of 43 basis points.

The heading **provisions** includes provisions for pensions, litigation, pending tax litigation, commitments and guarantees given and other provisions. It records a **charge of 6 million euros** basically for contingencies related to interest rate floor clauses and mortgage loan expenses, in contrast to the release of 14 million euros in 2020, due to the reversal of a provision set up in 2019 associated with the repurchase of subordinated bonds and the expiry of a contingency linked to labour costs.

Other gains and losses include the results of the sale of property, plant and equipment and business interests, as well as the payment of fees for the marketing of foreclosed properties. This heading recorded an **income of 0.7 million euros**, compared to a loss of 4 million euros in 2020. The improvement is due to the higher result from the disposal of assets as a result of the economic recovery.

The Group's **pre-tax profit** amounted to **215 million euros**. After deducting the amount paid in corporate income tax, the **net profit attributable to the parent company** is **151 million euros,** 127 million more than in 2020.

The **ROTE** (ratio of net income to average tangible equity) reached **5.7%,** compared to 0.9% in 2020.

5.4 Funding and liquidity structure

Retail deposits are the basis of the Group's outside funding.

Ibercaja has traditionally employed a **conservative liquidity policy**, as it seeks to finance the growth of its lending activity with retail customer funds. The Bank prudently manages its liquidity and ensures that its source have of financing are balanced and well-diversified, anticipating fund needs to honour its obligations as these fall due without conditioning its investment activity to the climate of wholesale financing markets.

The basic principles governing **this strategy** are: active management through an **ongoing monitoring system**, based on internal limits and indicators documented in the Liquidity Manual; establishing **measures and actions to respond to crisis scenarios (contingency plan)**, harnessing the various alternatives offered by the market to diversify investments in relation to their duration and ensure an appropriate mix of highly-liquid instruments; and maintaining a significant **guarantee asset buffer at the ECB** to cover possible tensions.

Liquidity risk is measured by taking into account the **estimated cash flows from assets and liabilities** and any **additional collateral or instruments** that may be needed so as to ensure alternative sources of liquidity. **Short, medium and long-term outlooks** are prepared to gauge financing needs and limit compliance. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown on the balance sheet and contingent liabilities and derivative products. Liquidity risk is also controlled by establishing **exposure limits**, within ranges compatible with the approved policies.

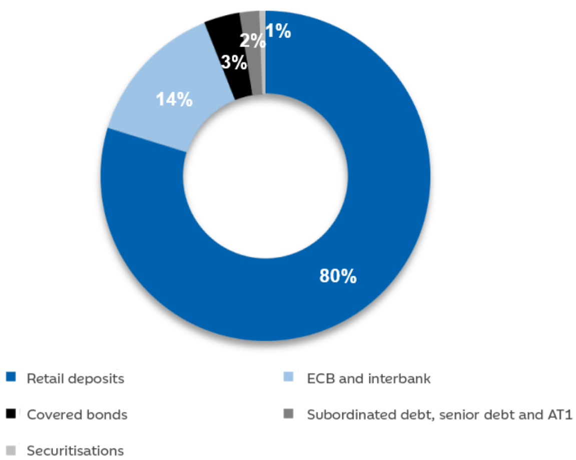
__Note 3.8.__ to the __annual accounts for 2021__ provides a more detailed explanation of the __Bank's strategy and policies for managing liquidity risk__, as well as the associated measurement and control procedures.

Retail customer deposits are the **main source of outside funding, accounting for 79.8% of the total**. The loan to deposit ratio (LTD) stands at 78.2%. It declined by 2.9 percentage points during the year, mainly due to a 2.7% increase in retail deposits.

Wholesale funding supplements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.

The **central bank deposits**, **5,871 million euros**, came entirely from TLTRO III tenders. Ibercaja has borrowed an additional 559 million euros this year to the 5,400 million at the end of 2020. As a result, its weight in total outside funding has risen from 11.6% in December 2020 to 12.6% at 31 December 2021.

Breakdown of funding structure



Deposits from credit institutions, **745 million euros**, accounted for 1.6% of borrowed funds, compared with 2.6% at the end of 2020. The decline of 463 million euros was due to a reduction of 412 million euros in term deposits and a decrease in the volume of repurchase agreements with other institutions.

Customer deposits, 82.2% of total funding (82.1% in December 2020), increased by 1.0% from 37,881 million euros at the end of the previous year to **38,268 million euros** in December 2021. The change was due to a 2.7% rise in retail deposits, partially offset by the maturity of 525 million euros of special mortgage covered bonds and lower repurchase agreements.

Debt securities issued, **1,316 million euros**, decreased 1.8% to 2.8% of borrowings, compared to 2.9% in 2020. The decrease of 24 million euros was due to the combined effect of the maturity of securitisation liabilities and the issuance of senior preferred debt, eligible for compliance with MREL requirements, for 50 million euros.

Composition of outside funding:

Figures in thousands of euros and %	31/12/2021		31/12/2020		Change	
	BALANCE	%	BALANCE	%	BALANCE	%
Central bank deposits	5,871,128	12.6	5,371,202	11.6	499,926	9.3
Deposits from credit entities	745,174	1.6	1,207,820	2.6	(462,646)	(38.3),
Customer deposits	38,268,280	822	37,881,253	82.1	387,027	1.0
. Of which: retail deposits	37,131,170	79.8	36,165,311	78.4	965,859	2.7
Debt securities issued	1,316,321	2.8	1,340,670	2.9	(24,349)	(1.8)
AT1 issue	350,000	0.8	350,000	0.8	---	---
OUTSIDE FUNDING	**46,550,903**	**100.0**	**46,150,945**	**100.0**	**399,958**	**0.9**
Retail financing	37,131,170	79.8	36,165,311	78.4	965,859	2.7
Wholesale financing	9,419,733	20.2	9,985,634	21.6	(565,901)	(5.7)

The **available liquidity**, **15.25 billion euros**, represents 26.0% of assets. Taking into account the issuance capacity of covered bonds and covered bonds, 8,776 million, the **total liquidity available** is **24,027 million euros**.

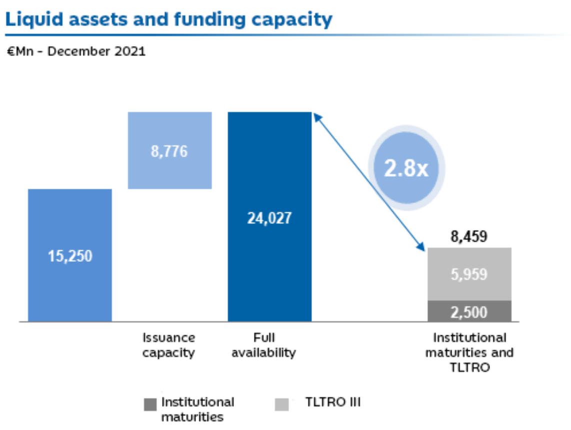
Liquidity metrics remain at very comfortable levels. The liquidity coverage ratio (LCR), which measures the level of high-quality liquid assets free of charges needed to overcome a liquidity stress scenario at 30 days, stands at **452.0%**, well clear of the 100% regulatory requirement. The **NSFR** ratio is **152.2%**. This indicator shows the proportion of funding for one year covered by stable liabilities, the aim being to ensure an even balance sheet structure that limits excessive reliance on short-term wholesale funding.

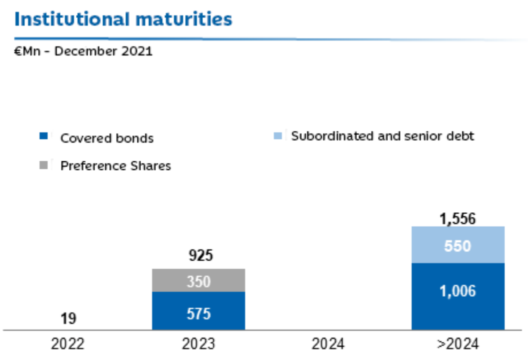
Liquidity Indicators:

Figures in thousands of euros and %	31/12/2021	31/12/2020
Cash and central banks	6,183,416	7,319,717
Available in policy	1,050,679	891,981
Eligible assets not included in the policy	7,590,280	6,421,078
Other assets not eligible for ECB	425,796	326,665
AVAILABLE LIQUIDITY	**15,250,171**	**14,959,441**
Issuance capacity for mortgage covered and public-sector covered bonds	8,776,402	8,379,866
TOTAL AVAILABLE LIQUIDITY	**24,026,573**	**23,339,307**
Available liquidity/total assets (%)	26.0%	25.6%
Loan-to-deposit ratio (%)	78.2%	81.1%
LCR (%)	452.0%	468.1%
NSFR (%)	152.2%	151.5%

The collateral policy with the ECB includes pledged assets with a discountable value of 6,938 million euros, of which Ibercaja has drawn down 5,959 million, and therefore maintains an **available balance** de **1,051 million euros**, which the Entity can access to meet its liquidity needs.

The **maturities of wholesale market issuances** present a staggered redemption schedule through to 2027. The total liquidity available, 24,027 million euros, covers 2.8 times the debt maturities and the amount taken in the TLTROs III auction.





Expected liquidity trends and fluctuations:

Business development projections suggest that the Group will have adequate levels of liquidity in the short and medium term, in line with both internal management and regulatory limits. The Bank has a high weight of retail funding, which is highly stable, and wholesale issues are of little relevance and staggered maturity. However, in the event of a hypothetical increase in liquidity tensions in the economy or a contraction in the credit market affecting liquidity and the deposit base, the Group, in addition to its current comfortable liquidity position, has various sources of funding (issuance of senior debt and covered bonds, as well as recourse to ECB funding through pledging of fixed-income securities, own issues and securitisation of assets), as well as recourse to ECB financing through the pledging of fixed income, own issues and asset securitisation) and, if necessary, would implement the specific Contingency Plan it has established for crisis situations.

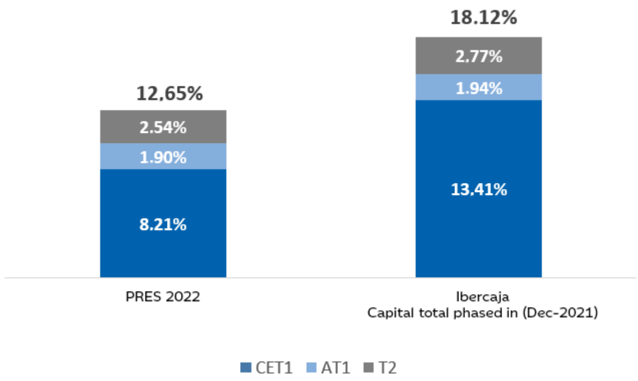
5.5 Capital management

> Solid solvency ratios well above regulatory requirements and exceeding medium-term targets.

The **Group's capital management** is designed to ensure **that regulatory requirements are fulfilled at all times and to maintain an adequate relationship between the risk profile and own funds**. Capital adequacy is self-assessed by the Bank on a regular basis through processes to identify, measure and aggregate risks in order to determine the capital needed to cover them. Above and beyond minimum regulatory capital requirements, the Group sets itself a capital target that exceeds actual needs and it forecasts capital sources and consumption on the basis of business performance and expected results in the midterm.

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, Ibercaja Banco will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following the European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11 of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity.

In February 2022, Ibercaja has received the decision regarding the new minimum prudential capital requirements from the European Central Bank once the results of the Supervisory Review and Evaluation Process (SREP) are known.



This decision means that Ibercaja Banco must maintain, **from 1 March 2022, a Common Equity Tier 1 phased-in (CET1) ratio of 8.21% and a Total Capital phased-in ratio of 12.65%.** This total capital requirement includes the minimum Pillar 1 requirement (8%, of which CET1 4.5%), the Pillar 2 requirement (2.15%, of which at least 1.21% must be met with CET1) and the capital conservation buffer (2.5%).

The Ibercaja Group's total capital at 31 December 2021 amounts to 3,270 million euros and represents a **total capital ratio** of **18.12%**. The **phased-in CET1 ratio**, which measures the relationship between Tier 1 capital and risk-weighted assets, was **13.41%.** Based on the PRES in force from 2022, these capital levels imply an excess of CET1 and total Capital of 5.47 and 5.20 percentage points, respectively. The **ratio pay-out, 65%**, is one of the highest in the Spanish banking system.

Solvency performance and key indices

(Figures rounded to million euros and %)	Phased in		Fully loaded	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Tier 1 capital	2,770	2,835	2,640	2,640
Common Equity Tier 1	2,420	2,485	2,290	2,290
Additional Tier 1 capital	350	350	350	350
Tier 2 capital	500	500	500	500
Total Capital	3,270	3,335	3,140	3,140
Risk-weighted assets	18,052	18,248	18,014	18,191
RWA density (RWAs/total assets)	30.79%	31.25%	---	---
Tier I (%)	15.35%	15.53%	14.65%	14.51%
CET1 (%)	13.41%	13.62%	12.71%	12.59%
AT1 (%)	1.94%	1.92%	1.94%	1.92%
Tier 2 (%)	2.77%	2.74%	2.78%	2.75%
Total capital ratio (%)	18.12%	18.27%	17.43%	17.26%
Leverage ratio (%)	6.01%	6.26%	5.75%	5.85%
MREL ratio based on RWA (%)	18.39%	18.27%		
MREL ratio based on LRE (%)	7.21%	7.36%		

In terms of fully loaded, the **total capital ratio** increased by 17 basis points to **17.43%**, one of the highest in the sector, while CET1 rose to **12.71%**, both ratios exceeding the Bank's medium-term target. The **increase in the year in CET1 was 12 basis points**, due to the decrease of 1% in risk-weighted assets, mainly due to the contraction of non-performing loans.

The **leverage ratio** shows the ratio of a credit institution's capital to assets, irrespective of the degree of riskiness of those assets. The 3% leverage ratio requirement, set by the EU Banking Reforms that came into force on 27 June 2019, has become mandatory on 28 June 2021.

In September 2020, in the context of the COVID-19 crisis, the ECB allowed credit institutions to temporarily exclude certain exposures to central banks from the denominators of their leverage ratios, an option taken up by Ibercaja. In June 2021, the ECB extended this measure until the end of March 2022 so that, as at 1 April 2022, exposures to central banks will again have to be included in the leverage ratio.

At the end of 2021, the **fully-loaded leverage ratio of the Ibercaja Group** far exceeds the minimum requirement, reaching 5.75%.

The new Bank Recovery and Resolution Directive (BRRD2) sets 1 January 2024 as the date for compliance with the **MREL requirements** and sets an intermediate requirement to be met by 1 January 2022. Both are to be expressed as a percentage of risk-weighted assets and leverage ratio exposure.

According to the Bank of Spain's notification of the latest decision of the Single Resolution Board, the Group must have **as at 1 January 2024,** a percentage of own funds and eligible liabilities of **18.59% of risk-weighted assets (21.09% including the combined requirement of capital buffers)**. The requirement **in terms of leverage ratio was 5.21%**. The intermediate requirement at 1 January 2022 is 15.38% with respect to risk-weighted assets (17.88% including the combined capital buffer requirement) and 5.21% in terms of the leverage ratio. The Ibercaja Group's MREL ratio at December 2021 amounts to **18.39% of risk-weighted assets and 7.21% of leverage ratio exposure, levels above those required at 1 January 2022**. The requirements established for 1 January 2024 are aligned with the Bank's financing and capital plan.

According to the definition of Distributable Items in the CRR, the balance of Distributable Items, at the individual level of Ibercaja Banco as at 31 December 2021, amounts to **380 million euros.**

6 Commitment to sustainability: management progress. Non-Financial Information Statement (NFS)

6.1 Sustainability strategy

102-12, 102-15, 102-16, 102-19, 102-20, 102-21, 102-26, 102-28, 102-30, 102-31, 102-32, 102-43, 102-44, 103-1, 103-2, 103-3, 305-3, 201-2

> Ibercaja is committed to ensuring that its business objectives promote sustainable development, integrating environmental, social and good governance aspects into its strategy and business decision-making.

Events such as the **Paris Agreement of 2015** on climate change, the pandemic we are experiencing and the ensuing economic crisis have marked a turning point in our societies, which are moving decisively towards the **new socio-economic paradigm of sustainability**. This is a challenge that banks, in particular, key players in the economy, must take up. We play a leading role in the change towards a sustainable world and our decisions are based on its impact on the climate, the social changes that are taking place, and the governance of companies and institutions. At Ibercaja, we not only move towards sustainability, we actively promote it.

> **CHALLENGE**
>
> *The challenge that Ibercaja has taken on is to ensure that the **business objectives promote sustainable development, preserving natural resources and promoting a more just and inclusive society.***

Since the start, Ibercaja has been an entity with a clear **social commitment** to the development of its activity, focused on supporting the country, the business fabric and the most vulnerable groups. Along these lines, it continues moving forward to respond to the growing sustainability-related needs.

CORPORATE PURPOSE

"Help people build their life story because it will be our story"

In carrying out its financial activity, Ibercaja is very mindful of its **Corporate Purpose**: *"Helping people to build the story of their lives"*, and is aware that its actions must promote a balance between economic growth, social cohesion and the preservation of the environment. Ibercaja is a signatory to the ten principles of the Global Compact, is firmly committed to the Sustainable Development Goals of the 2030 Agenda, and is a signatory to the **United Nations Principles for Responsible Banking** to advance in the configuration of a sustainable banking system.

Sustainability Policy

The Ibercaja Group's **commitment** to sustainable growth was endorsed with the approval in December 2020 by the Board of Directors of the **Sustainability Policy**, a document that sets out this commitment and establishes the **global action framework** for sustainability, containing the commitments voluntarily undertaken by Ibercaja with its stakeholders to promote sustainable, inclusive and environmentally-friendly growth, with a long-term vision.

Ibercaja's sustainability strategy is based on five cornerstones:

ESG RISKS: *identification and management for its gradual integration into the Entity's global risk analysis.*

SUSTAINABLE BUSINESS: *analysing needs and identifying business development opportunities that accompany customers in the transition to a sustainable economy, including climate change.*

PEOPLE: *The company is committed to the integral development of its employees, providing them with the necessary training for the new context and promoting the reconciliation of work, personal and family life.*

TRANSPARENCY *for all its stakeholders, promoting communication of the business's financial and non-financial aspects.*

PROTECTION OF THE ENVIRONMENT *and its resources, mitigating climate change and favouring the development of a more inclusive and egalitarian society.*

Principles of Sustainability

Sustainable development is based on certain ***principles of action*** *that cover any type of activity or decision to be addressed:*

Maximum respect for and promotion of ***ethics and good governance.***

Promotion of the ***Sustainable Development Goals of the 2030 Agenda****, promoting the goals they pursue through its business activity.*

Defence of human rights *in line with the UN Global Compact.*

Promotion of the ***personal and professional development*** *of employees.*

Prudent and global management of all ***financial and non-financial risks****.*

Defence of ***transparency****, promoting clear, complete and truthful communication.*

Contribution to ***social integration****.*

Defence of the environment*, contributing to the decarbonisation of the economy and promoting sustainable activities aligned with the objectives of the Paris Agreement and the European Green Pact.*

Ibercaja has a governance structure that allows it to manage sustainability adequately.

Additionally, the following **Committees and Working Groups** have been set up:

- **The Sustainability Communication Working Group**, with a cross-cutting function, aims to define messages and plan contents and channels to achieve a greater scope and effectiveness of said communication.
- **Family Responsible Company Committee**, responsible for implementing the FRC plan to ensure a healthy balance between the personal, family and working lives of employees. Ibercaja has earned the FRC (Family Responsible Company) badge, which certifies its proactive commitment to ensuring a suitable work-life balance.
- **Environment Team**, comprising volunteer employees from various areas and departments, who are asked to come up with actions for raising awareness and driving best environmental practices across the Group.

2021 - 2023 Strategic Plan

desafío 2023

Given the relevance that sustainability has for the Entity, within the new Strategic Plan defined for 2021-23, the **Purpose and Sustainability Initiative** has been established, **an enabling transversal line of work**, with the **Steering Committee** as a sponsor, to integrate Corporate Purpose into our culture and sustainability into the organisation's strategy. For the latter objective, cross-cutting and multidisciplinary teams are working on the following lines of action:

1. ESG Risk Management

To identify, integrate, manage and control ESG risks, advancing prudent risk management in line with supervisory expectations and commitments.

An **Action Plan for climate and environmental risk management** was prepared in 2021, which responds to the ECB's expectations and has been assessed as adequate by the supervisor, both in terms of content and feasibility. As a highlight, the policies and manuals for managing credit, market, liquidity and operational risks have begun to include aspects related to environmental climate risks. Regarding **Credit Risk**, work has been done to align the approval processes with the requirements of the new EBA Guidance on Loan Origination and Monitoring. Progress has also been made in the development of a **mapping of climate and environmental risks**, which will allow for a better understanding of these risks and their transmission channels to prudential risks. More detailed information on these aspects is included in chapters 6.12. and 7 of this consolidated directors' report.

2. Sustainable Business Strategy

To align commercial strategy with the Principles of Responsible Banking, responding to the needs of our customers and the objectives of society. In this way, we accompany our customers in the transition to a sustainable future and a low-carbon economy.

This year, an **impact analysis** was carried out to detect the main risks and opportunities related to climate change, and the framework of the **GSA business strategy** to be undertaken in the coming years was designed to respond to the main expectations and needs of our customers in terms of sustainability. Progress has also been made in the **communication and awareness of our customers** in sustainability to accompany them in the transition to a decarbonised economy.

Also, in 2021, the **offering of ESG products** has been expanded, both in investment and financing. In financing products, the focus has been on supporting energy efficiency improvements and access to Next Generation grants. In addition, to accompany our clients on this path to sustainability, various agreements have been signed **(Extremadura Avante Agreement and IDEA Agreement)** focusing on the energy efficiency of buildings. A **collaboration agreement, ACIERTA ASISTENCIA**, has also been signed for advice, management and energy efficiency works.

More complete information on the sustainable business strategy can be found in chapter 6.3. of this report.

3. Communication and Sustainable Impact

Creating a framework of permanent and continuous communication over time with our stakeholders reinforces the Ibercaja Group's commitment to sustainability and transparency.

In 2021, holding the **1st Ibercaja Planet Week**, an initiative carried out from 18 to 24 October, coinciding with the celebration of the **International Day for Combating Climate Change,** was a highlight. The aim has been to accompany **customers, employees and society** on the road to sustainability. Under the slogan ***Protecting the environment and fighting climate change***, various business conferences, round tables, volunteer actions, publications in the sustainability blog, competitions, eco-advice, etc., were organised nationwide, achieving wide dissemination and repercussions among customers, employees and society.

A **proactive sustainability communication** has been maintained during the year, with 26 press releases, nine communication reports in the written media, 15 collaborations with media experts and the organisation of several sustainability events. In addition, we actively participated in celebrating the 2nd anniversary of the signing of the Principles of Responsible Banking.

4. Our Footprint-Synergy with foundation shareholders

To develop and promote lines of collaboration with the shareholder Foundations, which respond to the main social and environmental needs of our territories of action, making the commitment of the entire Ibercaja Group more visible and achieving a greater impact on society and the environment.

Of particular note is the project **"Vamos juntos hacia la sostenibilidad"** (Let's move towards sustainability together), in collaboration with the Ibercaja Foundation, aimed at the Bank's customers, to accompany them on the necessary path towards the integration of ESG aspects in their business and help them, with training and support, to align their activity with the Sustainable Development Goals. A **specific line of sustainability training** has also been prepared for both companies and individuals. In addition, a new line of work has been developed to implement **environmental actions**, with the firm commitment to contribute to the mitigation of climate change.

The sustainability project is completed with a **Professional Development Plan** that includes a specific line of **training in sustainability** to accompany and train our professionals in the new skills necessary for them to help our customers along this path.

Supervisory expectations of the European Central Bank: Climate and Environmental Hazards Guide

In November 2020, the European Central Bank (ECB) published its ***"Guidance on climate-related and environmental risks"***, containing 13 supervisory expectations developed in 4 blocks on the management and communication of these risks. The aim of this document is to **raise the financial sector's awareness and preparedness** so that **these risks are considered in governance frameworks, corporate strategy and transparent communication**, thereby improving its climate and environmental reporting.

The four blocks identified are:

BUSINESS MODEL AND STRATEGY	RISK GOVERNANCE AND APPETITE	RISK MANAGEMENT	DIVULGATION
Business environment	Governing bodies	Risk management framework	Disclosure Policies and Procedures
Business strategy	Risk appetite framework	Credit risk	
	Business structure	Operational risk	
	Information	Market risk	
		Scenario analysis and stress test	
		Liquidity risk	

ACT NOW

*We must act now to overcome the challenges of climate change. We are confident that **together we will build a better future**.*

This year, Ibercaja has informed the ECB **of the steps** taken to integrate climate risks, as well as its **action plan** to respond to supervisory expectations regarding the management and communication of climate and environmental risks. This plan has been approved by the Board of Directors, the Management Committee and the Sustainability Committee of Ibercaja and has been assessed by the supervisor as being both **adequate** in terms of content and feasibility. Implementation has started in 2021 and will continue throughout the strategic cycle.

Ibercaja's commitments to sustainability

Net Zero Banking Alliance (NZBA)

In April 2021, Ibercaja signed, as a **founding member of the Net Zero Banking Alliance (NZBA)**, an initiative of the United Nations that promotes the commitment of the banking sector worldwide to achieve carbon neutrality in respect of CO2 emissions by 2050. Meanwhile, Ibercaja Gestión and Ibercaja Pensión signed up to the **Net Zero Asset Managers** initiative in 2021, with the commitment to achieve neutrality of their own and their portfolios' CO2 emissions by 2050 at the latest.

In 2021, all of our direct emissions will have been offset, thus achieving **neutrality of Scope 1 and 2 emissions** for the first time.

This year we began to analyse the carbon footprint of the loan portfolio in order to make progress in its measurement for the establishment of decarbonisation objectives and action plans.

Principles of Responsible Banking

Ibercaja has been a signatory since 2019 of the **United Nations Principles for Responsible Banking**, as a framework for action for a financial system that acts as a lever for sustainable development.

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

THE PRINCIPLES TO WHICH WE ARE COMMITTED ARE:

1. **Alignment** of our commercial strategy with SDGs
2. **Impact**: increase our positive and reduce our negative impacts; manage ESG risks

3. **Customers**: responsible action and promote sustainable practices and activities

4. **Stakeholders**: active listening, participation and collaboration with stakeholders to achieve ESG objectives

5. **Corporate governance and goal setting**: effective corporate governance and responsible banking culture; ambitious targets for our impacts

6. **Transparency and Accountability**: review our implementation of the Principles and be transparent in reporting on our positive and negative impacts and our contribution to society.

Chapter 6.11 *explains how we have made progress in implementing these Principles during 2021.*

UNEP-FI

The Bank also forms part of the UNEP-FI **United Nations Environment Programme Finance Initiative**, which seeks to mobilise private sector financing for sustainable development by fostering a financial sector that positively impacts people and the planet.

TCFD

In 2019 Ibercaja adhered to the recommendations of the **Task Force on Climate-Related Financial Disclosures (TCFD)**, as a guide for the development of climate-related disclosures, so that the climate-related financial information published is consistent, reliable, comparable and clear and allows investors to take into account climate-related risks and help adaptation to climate change. Thus, Ibercaja includes detailed information on these matters in section 6.12. of this Management

Other sustainability commitments

> *Ibercaja has adhered to, among others, the following initiatives that reflect its commitment to sustainability:*

- Since 2005, Ibercaja has prepared its Annual Report in line with the GRI (**Global Reporting Initiative**) standards, providing accurate information on financial and non-financial aspects.
- Ibercaja Banco has been a signatory of the **United Nations Global Compact** since 2006, confirming that the activity carried out is performed in accordance with the principles established by this initiative, with the Bank reporting annually on its involvement.
- It participates in the **Sectoral Sustainable Finance Group and in the Sustainability Observatory**, coordinated by CECABank, in which legislative progress and supervisory expectations in sustainability are analysed to identify the applicable requirements and provide a response through action plans.
- It aligns with the **Sustainable Development Goals** of the 2030 Agenda, also supporting their internal and external distribution.
- Ibercaja is a signatory of the **Alliance #CEOPorLaDiversidad**, led by Fundación Adecco and Fundación CEOE, whose mission is to unite companies around a common and innovative vision of diversity, which accelerates the development of strategies that contribute to business excellence, the competitiveness of talent and the reduction of inequality and exclusion in Spanish society.

- **Collective Commitment to Climate Action**: In December 2019, Ibercaja signed the Spanish financial sector's climate commitment within the framework of COP25, promoted by the AEB, CECA and ICO. The agreement specifies the collective commitment of the main Spanish banks to measure the carbon footprint of their balance sheets and reduce the climate impact of their financial activity.

- Ibercaja holds the **RSA and RSA+ seals** awarded by the Government of Aragon since its creation in 2017, revalidated each year, which recognise those entities in the Autonomous Community committed to corporate social responsibility.

- In 2019, the Entity obtained the **FRC certificate** as a **Family Responsible Company**, awarded by Fundación Más Familia. This certification recognises companies committed to the well-being of their employees and promotes the active management of work-life balance and equality.

- As a sign of the commitment of the Financial Group and its managers to sustainable investment, in 2021, **Ibercaja Gestión has adhered to the United Nations Principles for Socially Responsible Investment (UNPRI)**, to which **Ibercaja Pensión had already adhered in 2011**, with a Socially Responsible Investment Policy published on its website (www.ibercaja.es).

- In addition, both fund managers have joined the **Carbon Disclosure Project**, an engagement platform and non-profit organisation that administers a system for companies to disclose environmental information so that investors can better manage their environmental impacts.

6.2 Our contribution to Sustainable Development Goals

Ibercaja promotes the objectives of sustainable development, based on the conviction of achieving the greatest possible contribution to sustainable development for people and the planet.

In 2015, all United Nations Member States adopted the **Agenda 2030 for Sustainable Development**. It represents the international commitment to address the social, economic and environmental challenges we face, putting people, the planet, prosperity and peace at the centre, under the motto of "leaving no one behind". To this end, the **17 Sustainable Development Goals (SDGs)** were established.

In order to achieve these objectives, the involvement of everyone is necessary: society and the public and private sectors. Business has a very important role to play in achieving this **new development model**.

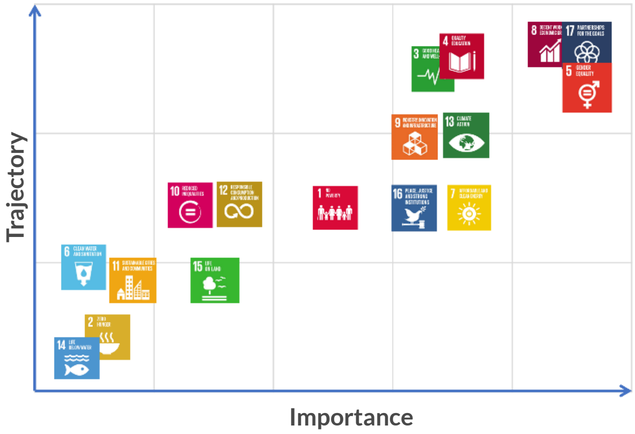
BUSINESS STRATEGY OF COMPANIES

The business strategy of companies must take into account ***social, environmental and good governance aspects****, to achieve* ***"sustainable development for all that meets the needs of the present, without compromising the requirements of future generations".***

In this line, **financial institutions** have to play a very important role, among other areas, in the mobilisation of the capital flows needed to finance sustainable development.

At Ibercaja, the SDGs serve as a guide for progress in sustainability and for the development of specific actions, focusing especially on those where our contribution can be greater. In order to achieve maximum effectiveness, efforts are aligned with those Objectives more directly linked to financial activity and the activities of the Shareholder Foundations.

In 2018, an SDG materiality analysis was carried out to identify the SDGs that Ibercaja has the greatest capacity to influence, broaden their impact, and launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. The result was a **graph that relates the importance of the Goals and makes visible those SDGs that are most relevant for Ibercaja**, where the contribution can be more significant.



Ibercaja prioritises the following objectives

Among the main projects carried out in Ibercaja throughout 2021 that have contributed the most to achieving these SDGs are the following:

efr certification as a family responsible company.

More than **100 measures for work-life balance and social benefits** for the people who make up the Entity.

Promotion and awareness of **healthy living habits**, both internally and externally.

Sports sponsorship and the organisation of popular and specialised sporting trials, which promote the most extensive **participation** possible.

Strengthening the participation of employees therein, reinforcing the values of effort and teamwork, along with the benefits for **health**.

Creation of the internal communication channel **Ibercaja with you**, from which healthy habits and information in this area are promoted.

Pandemic contingency plan, in order to protect the health of customers and employees

In-house training for the largest number of professionals in financial and sustainability matters, actively contributing to the development of internal talent. **This training offer includes a specific course on the SDGs and the 2030 Agenda**, in partnership with the Global Compact.

Organisation of talks, conferences and seminars and **educational activities** for companies and society in general.

"Sustainable Tuesdays", a series of online talks aimed at employees to raise awareness and promote sustainable behaviour towards people and the planet.

Good Habitz Platform, a training proposal with multiple possibilities and online resources to enhance the talent and well-being of employees.

"Educa Initiative", developed by the Ibercaja Foundation, focused on parents and educators, placing at their disposal proposals that contribute to completing the education of youngsters and actively promoting their development.

Linking the **principle of equality** to all people management policies

Promotion of the continuous development of skills and abilities, managing talent, which does not understand gender.

Plan Leader, a programme that promotes female leadership at the Entity, eliminating barriers to achieving gender equality.

Work-life balance measures allow all employees to balance their personal, family, and work life.

Ibercaja's Sustainability Policy.

Promoting the inspiring **leadership model**, which encourages communication and participation, creating an appealing environment to attract and retain talent.

Partnership agreements with Special Employment Centres and entities that promote **the inclusion in the labour market** of people with disabilities or at risk of exclusion.

Internship programme for university students with the Human Age Institute Foundation focused on **disabled students**.

Boosting growth in their territories of action, participating in the main projects and developing programmes to promote **entrepreneurs**.

Ecosystem + Companies: meeting point and inspiration for entrepreneurs and companies, in which to learn and share the latest trends.

Technological transformation, the main lever for change in business models.

Project **Digital Challenge**, which provides all Ibercaja employees with mobile work equipment, improving their working conditions and the quality of service to customers.

Ibercaja Mobile Banking, the main digital pledge in the area of individual customers.

Ibercaja Pay: mobile payment. Ibercaja customers can now register their cards with the main payment platforms.

Adaptations at ATMs and websites to improve **universal accessibility** to financial services.

Correos Cash Service, to improve the accessibility of cash for our customers in rural areas.

Cash Back Service to enable our customers to withdraw cash in shops.

Ibercaja's environmental policy, updated in 2021, implemented at the organisation to minimise the negative impacts of our activity on the environment.

Environmental Management System implemented and certified pursuant to ISO Standard 14001-2015.

Internal and external environmental awareness-raising campaigns.

Planet Week, Ibercaja's awareness-raising and positioning initiative to accompany its employees, customers and society on the path towards a more sustainable economy.

Internal **environmental suggestions mailbox** to channel the concerns of our people.

Development of **investment and financing products** with ESG criteria.

Impulso Solidario Initiative, which encourages employees of Ibercaja Banco, Financial Group and Foundation to participate in projects of non-profit organisations that improve the environment and the lives of the most disadvantaged groups.

Active collaboration through agreements with the main economic and social players of the territories in which it operates.

Alliances that favour significant progress in **sustainability** and socially responsible investment.

The **main initiatives** of which Ibercaja forms part are:

"Let's move towards sustainability together"

In line with our corporate purpose and to contribute to the necessary transition towards a more sustainable economy and position ourselves as drivers of change, **Ibercaja Banco and Fundación Ibercaja** intend to accompany **other companies in integrating sustainability into their strategy** by making different resources available to them.

To this end, we have designed a support plan aimed at our **corporate customers, who are sensitive to sustainability and social and environmental issues,** creating a **range of sustainable financial products** adapted to their financing and investment needs, as well as offering them **advice on how to access the Next Gen Funds.** And the Ibercaja Foundation has launched the **"Let's move towards sustainability together"** initiative.

It is a **free, nationwide project that will enable companies to contribute to the achievement of the SDGs through awareness-raising, training and the opportunity to collaborate in different Fundación Ibercaja projects**, thus joining forces and multiplying the scope and impact of these actions.

6.3 Commitment to customers

102-6, 102-7, 102-43, 102-44, 103-1, 103-2, 103-3, 201-2, 305-3

> Customers are the heart of the Entity's strategy,
> with service quality and advice being its hallmarks.

Hence, Ibercaja's Sustainability Policy includes the following **commitments** assumed by the Bank **with its customers**:

- Work on **getting to know each customer in depth**, to always offer them the **products, services** and information they need**, adapted to their expectations and requirements.**
- Align the business strategy with the **United Nations Principles for Responsible Banking:**
  - Identifying **impacts and needs** derived from sustainable development.
  - **Adapting the offer** to respond to these new needs, which promote sustainable business models and practices.
  - **Sensitising** our customers in the necessary transition towards a decarbonised economy, also **identifying** their **sustainability preferences**.
- Helping our customers to optimise the management of their finances, in a simple way, with the best **advice, tools and information**, thereby promoting their financial education.
- Paying particular attention to **transparency in the communication and marketing of products**, providing the necessary information for the customer to be able to make informed advised decisions, avoiding information manipulation and protecting their integrity and honour.
- Always protecting the **confidentiality** of customer data, maintaining the highest security standards.
- Establishing efficient **dialogue channels** that allow us to listen to our customers, as a basis for long-term mutual commitment, offering the **highest quality of service**.

- Providing maximum diligence to **prevent and avoid the financing of illegal practices**, complying with the Regulations for the Prevention of Money Laundering and Terrorist Financing.

Impact analysis

In order to achieve sustainable development for all to promote a fairer, more inclusive and environmentally friendly society, it is essential to take into account social, environmental and good governance aspects within the business. Since its origins, Ibercaja has always been an institution with a **clear social calling**, **contributing to the development of the territories** in which it operates and placing **people at the centre** of its decisions, which is the hallmark of its way of banking.

Since their approval in 2015, Ibercaja has been closely watching the **Sustainable Development Goals**. Therefore, the main contributions that the Bank can make to the goals were identified, taking into account all 169 targets. **Ibercaja has set social and environmental objectives** that are part of the FRC work-life balance plan, its Environmental Management System, as well as the new Desafío 2023 Strategic Plan, within the Purpose and Sustainability initiative; **objectives that will help us boost our positive impacts and reduce our negative ones**.

To respond to the commitment to align commercial strategy with the Principles of Responsible Banking, in 2020, Ibercaja initiated an **analysis of the impacts that climate risks** could have in Spain.

The aim of this study is to analyse the main impacts of climate change, especially in the areas where Ibercaja carries out its activities, in order to **identify the main risks and opportunities** and establish objectives in those areas in which the Institution can make a greater contribution to sustainable development, accompanying its customers.

Now Ibercaja has placed special emphasis on **climatic and environmental factors**, due to the **urgency of the start of actions in this regard, in accordance with supervisory expectations, and due to the greater regulatory development in this regard.**

Two types of risks associated with climate change are defined:

- **Physical risks**, which arise from the direct effects of climate change, such as increases in the frequency and intensity of extreme weather events and changes in the balance of ecosystems. These risks can manifest themselves acutely (in the form of specific events such as floods or storms) or chronically (changes in weather patterns).
- **Transition risks**, linked to the transformation to a decarbonised economy, stem from regulatory changes (political and legal risks, such as strict limits on carbon and other greenhouse gas emissions) and technological changes (e.g. all-electric transport systems) required to achieve the decarbonisation goal, as well as market and reputational risks.

> ***A qualitative analysis of sustainability factors has been carried out, focusing on climate-related risks and paying special attention to the impact on those risks considered to have the greatest impact on the Bank's area of operation and in***

Fifty-nine per cent of recurrent revenues is in the form of net interest income. This income originates from loans and advances to customers, which account for 53% of our assets. Retail lending is the most important component of the Bank's lending business. The mortgage portfolio is particularly notable within this segment, as it accounts for more than 32% of the loan portfolio. For this reason, **an analysis of the climate risks of real estate collateral** has been undertaken using reports provided by Sociedad de Tasación.

In the assessment of **transition risk**, the results reveal that the energy ratings of the properties in Ibercaja's portfolio are in line with the national housing stock in Spain (according to the Observatory 2030 Guide - CSCAE, Higher Council of Architects' Associations of Spain), with a higher percentage of homes rated as sustainable (categories A and B) standing out in Ibercaja's portfolio.

From this analysis, we derive considerations for the ESG business strategy, which encourages investment in sustainable housing and the financing of energy efficiency improvements that can be undertaken in our customers' homes.

> ***Encouraging energy efficiency improvements in our housing financing portfolio, as well as a business opportunity, will help reduce the carbon footprint of our business and contribute to the transition to a more sustainable economy.***

The second segment with the largest volume is the financing of **productive activity (corporate segment)**, accounting for more than 12% of the loan portfolio volume. For this reason, an analysis of Ibercaja's portfolio has been carried out using a tool designed by ECODES (Ecology and Development Foundation), a national benchmark in sustainability and climate change, in collaboration with the Statistics Service of the Autonomous University of Barcelona, which estimates the predisposition to climate vulnerability and physical and transition risks of the Entity's portfolio, as a segmentation mechanism for the analysis of the portfolio.

In this sense, the possible effects of physical risks have been analysed theoretically by sector of activity in Spain. Ibercaja's portfolio has been analysed below; in the analysis of the **production activities segment**, both the volume of exposure that each sector represents with respect to the total portfolio and its predisposition to climate vulnerability and exposure to physical and transition risks have been considered, in order to determine which sectors are most relevant for Ibercaja, for further analysis.

In those industries flagged as most vulnerable to climate risks, the main risks relate to their CO2 emissions intensity. Given their significant weight in the Bank's portfolio, the manufacturing industry and the agriculture, livestock, forestry and fishing sectors are particularly notable in this regard. Other industries that are also predisposed to climate vulnerability are less material as they account for a smaller share of the portfolio, such as the power supply, water supply, transport and storage sectors, etc.

Companies in the manufacturing industry may have a greater need for financing to move towards a low-carbon production model. In contrast, other financing needs may arise in the agriculture sector to adapt to the effects of the physical risks of climate change. In short, both sectors may require significant CAPEX investments to undertake these transformations and adaptations. To address these financing needs, specific products have been designed, and further progress will be made in 2022 in developing new solutions to help the company on its path to sustainability.

> ***Promoting the improvement of the company's energy efficiency, as well as a business opportunity, is the way to its adaptation to decarbonisation, thus contributing to its productive transformation and the reduction of the carbon footprint of our activity.***

Thus, energy efficiency in buildings, sustainable mobility and efficiency in production processes are the axes that will guide our activity.

We will add value by accompanying the company in the process of identifying opportunities, applying for public aid and aligning with sustainable development.

To best manage the risks and opportunities derived from climate change, Ibercaja is working on a project related to including **ESG factors in the different phases of risk management**. In terms of **credit risk**, this project is based on aligning its admission and monitoring processes with some of the sections of the **new EBA Guidance on Loan Origination and Monitoring**, defining the internal governance mechanisms and procedures of financial institutions in relation to credit operations and credit concessions.

Commercial offer

To promote sustainability among our customers, we have launched our **communication plan** with a newsletter that addresses home energy efficiency, and we have created content to feed a new website offering a whole host of helpful energy efficiency tips.

In most cases, improving efficiency requires investment. To enable easier access to energy efficiency improvements, specific financing products have been developed that offer more attractive prices and repayment periods (including interest-only periods), among other attractive terms and conditions.

This year we added **new financing products** aimed at financing the energy efficiency of private properties, homeowners' associations and productive activities, in addition to the Vamos Coche loan, which was our first product to offer a price advantage if the purpose is a new or second-hand vehicle with "eco" or "zero" certification.

- Vamos Coche (Let's Go Car)
- Vivienda +Sostenible (More Sustainable Housing)
- Edificio + Sostenible (More Sustainable Building)
- Inversión +Sostenible (More Sustainable Investment)
- Photovoltaic Energy Leasing
- Sustainable Crops Leasing

Also, thinking about companies and the necessary support that Ibercaja must provide them, a line of products and services has been designed, from Business Banking, related to the ***Next Generation Funds***, to help them in the necessary transition towards a more sustainable economy. In addition, the project Vamos Juntos hacia la Sostenibilidad (Let's move towards sustainability together) has been launched in collaboration with the Ibercaja Foundation.

These products are over and above others that have already been in place for several years, which are intended to **support youths** with their first major expenses and, in particular, support their investment in education.

- University Tuition Loan
- Erasmus grant advance loan
- Youth Loan 2000

In addition, we have developed **specific products to collaborate with the Community of Extremadura to promote energy efficiency in buildings**, being selected as a collaborating entity of the **Avante Extremadura** project.

Since last March, **Ibercaja has been a collaborating entity of the IDAE (Institute for Energy Diversification and Saving)**, **participating in disseminating its programmes among customers and offering special financing operations in the efficiency programmes promoted** by this Institute.

To facilitate the improvement of the energy efficiency of properties, Ibercaja has begun to offer its customers an **advice service, subsidy management, work execution and, of course, financing, in collaboration with Acierta Asistencia**, a company of the CASER Group. This service offers an assessment of the energy efficiency of the building and the customer can ultimately choose to make it a "turnkey" service, thus affording them the best possible solution for their property with the help of specialised professionals. Initially, the commercial action has begun by offering the service to homeowners' associations in the city of Madrid, to extend the service to other homeowners' associations and individuals throughout Spain.

With the aim of involving the customer in the **circular economy and responsible consumption**, Ibercaja has incorporated a new section in **Ibercaja Connect's Consíguelo shop**, which includes reconditioned products. It also aims to **make high-quality technology products more accessible to all customers** through competitive pricing and free financing.

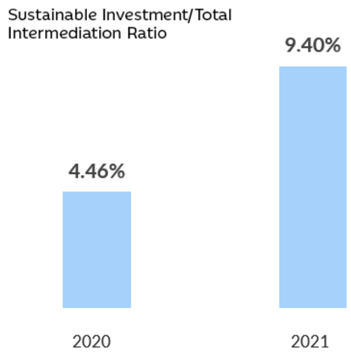
When it comes to sustainable consumption, Ibercaja Renting incorporates a **new Sustainable Renting section**, where customers can find an extensive range of electric vehicles, including two new models from the TESLA brand, a global leader in this sector.

To facilitate the understanding of the impact of **sustainable investment**, specific content has been published on our **vamos con tu futuro website**.

In 2021, the marketing of **two new ESG investment funds**, **Ibercaja Renta Fija Sostenible and Ibercaja New Energy**, has begun, one completing the more conservative range and the other providing a fund with a specific objective of reducing greenhouse gas emissions.

In addition, the **SICAV Asguard**, the first SICAV in Spain with an ESG rating, **was established in 2021.**

To complete the ESG range in finalist savings, the **PIP Megatrends** has been launched, which completes a range of four pension plans that allows us to maintain a leading position in ESG commercial offerings.



These developments have resulted in investment in ESG products exceeding 2 billion euros, increasing the sustainable investment ratio from 4.46% in 2020 to 9.40% at the end of December.

Regulatory framework for sustainable finance

In order to facilitate private savings flows towards sustainable investments, it is necessary to unify criteria to define what these investments look like, increase transparency and regulate the information investors receive in order to be able to make an informed decision. To this end, the **Sustainable Finance Disclosure Regulation (SDFR)**, which entered into force on 10 March, was defined as part of the EU Sustainable Finance Action Plan.

This Regulation is complemented by the **EU Taxonomy Regulation**, which defines the criteria for determining whether certain investments can be considered environmentally sustainable.

In 2021, Ibercaja undertook the necessary developments to comply with the requirements of these regulations. Specifically:

- Publication of the **Policy for the Integration of Sustainability Factors in Investment Decisions** of the Entity.
- Statement of major **adverse impacts** on sustainability.
- Adaptation of the **pre-contractual information** for products affected by Regulation 2088 (investment funds, pension plans, savings insurance and delegated portfolio management).

Universal Accessibility

At the end of 2019, the **Service for Deaf People** was launched to support access to financial products for people with hearing disabilities. It is available to all the Entity's customers and is provided in person at the Main Office in Zaragoza.

In 2020, considering those with visual impairment, **new ATMs included a high contrast screen** to enable information to be more easily viewed.

In addition, a new mobile banking functionality, **VoiceOver**, was implemented, allowing **people with visual impairments** to "hear" the fields and data presented on the screen and the interaction they are performing.

Also, in 2020 Ibercaja launched the mobile banking App Initiation Mode: it is a service that enables customers who have never used online banking to familiarise themselves with a straightforward easily. Users of this new tool will benefit from the professional advisory services of experts, which will help them resolve any queries. Aimed especially at older people, this project was developed on the basis of an initiative of Impulso Innovador (which promotes innovation through proposals from the Bank's employees) and had the collaboration of COAPEMA (Aragonese Council for the Elderly).

Moreover, since 2020, the **My Manager** functionality is also available in the new digital banking. This is a digital channel for a direct relationship between a customer and their manager from any location, allowing them to establish a conversation, send messages, share documents and manage appointments.

In 2021, **to reinforce the possibilities that can be offered to customers in rural areas or small towns** who are being most disadvantaged by the closures of bank branches of all financial institutions, increasing the existing options in the provision of the cash service for our customers, the **Correos-Cash** initiative has been deployed, which makes it possible to "withdraw and deposit money" at a Correos branch, including having the money sent to the customer's home address. It will be carried out through the Ibercaja app. Cash can be sent at a Correos branch or at an Ibercaja branch. Cash can be paid in at any of the branches of the Post Office set up for this purpose. This is in addition to the cash service in shops, **Cash Back**, which allows you to make a withdrawal with your Ibercaja card at an Ibercaja POS once you have made a purchase at the shop.

Customer services

To facilitate communication with its customers, Ibercaja has a **Customer Care Service (CCS)** so that customers and users of its services can send in their complaints, claims, suggestions and proposals for improvement. A total of 23,995 applications have been submitted in 2021. Details of the figure and the variation with respect to 2019 and 2020 are included below:

Requests dealt with by the CCS

TYPES	2019	2020	2021	CHANGE 20/19	CHANGE 21/20
Interest rate floor clauses	596	622	944	4.3%	51.70%
Arrangement fees	3,738	6,340	11,561	41%	82.35%
Claims and complaints	7,139	9,233	11,435	29.3%	23.84%
Suggestions	36	42	55	16.6%	30.95%
Total (*)	**11,509**	**16,237**	**23,995**	**41%**	**47.77%**

(*) Total 2019 figures do not coincide that those contributed in the 2019 Directors' Report, since the Personal Data Protection rights are no longer dealt with by this Service and have not been included.

The high number of claims requesting the nullity of clauses and compensation for mortgage loan arrangement costs, which is the type of claim with the highest volume in practically the entire Spanish financial system, is due to the confirmation of the jurisprudential criterion by the Court of Justice of the European Union (16 July 2020) and the Supreme Court 457/2020 (24 July 2020) of the division of notary fees in half between the customer and the entity and the full attribution to the lender of appraisal, registration and agency fees. The Court of Justice of the European Union has yet to decide on the "dies a quo", which is the date on which the five-year limitation period for claims begins to run. However, with the criteria established by the Legal Department in 2020, a new procedure was drawn up for the payment of mortgage constitution expenses in those consumer claims that Ibercaja considers not time-barred to prevent these claims from becoming lawsuits, whether the claim was filed through a lawyer or directly by the customer, in order to achieve savings in legal costs for the Entity in those cases in which it is unequivocally known that if the matter goes to court, the decision will be unfavourable to the Entity. This procedure has been modified throughout the year 2021, incorporating the payment of these expenses also in novations and subrogations, cases that it had first been decided to exclude.

As for the so-called "interest rate floor clauses", the trend reflects the work done by the Entity in recent years in resolving this type of claim, having included this year the return of the floor in novated loans from the activation of the clause to the date of the novation.

The **average time to resolve complaints and claims** is around 27 days, which is within current regulations. By 31 December 2021, 97.3% of all incidents received had been handled (82.2% in 2020).

GUIDE TO SERVICES

In 2021 Ibercaja has adapted to the new Guide on customer services and the latest Bank of Spain Circular.

The most important new developments this year are the work to adapt Ibercaja Banco's CCS to the new Guide on the criteria for the organisation and operation of customer services published by the Bank of Spain last July and the preparatory work for the implementation of the new model confidential statements on the register of complaints contained in Bank of Spain Circular 4/2021 of 25 November, to supervised institutions, on models of confidential statements on market conduct, transparency and customer protection, and on the register of complaints, which will require the first confidential statements to be sent in March 2023, reporting data for the second half of 2022.

6.4 Commitment to our employees

102-7, 102-8, 102-10, 102-12, 102-35 102-36, 102-43, 102-44, 103-1, 103-2, 103-3, 401-2, 401-3

> The dedication and professionalism of the people who work at Ibercaja and their involvement and commitment to the project make them the main ambassadors of the brand.

The Ibercaja Group has a **staff** of **4,880 people**, of whom 4,587 work at the Bank, the parent company. **96%** of the Ibercaja Banco workforce have permanent contracts, the average length of service stands at 21 years, and the average age is 47. The collective agreement fully covers the employees of Ibercaja Banco.

4,587 people
IBERCAJA BANCO TEAM

Ibercaja Banco has a **human team** of **4,587 professionals** (data as a December 2021), 96.27% of whim have an indefinite contract.

96% PERMANENT EMPLOYEES

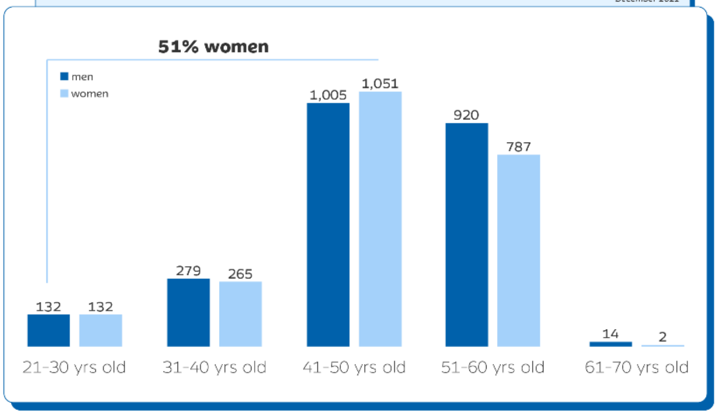
Of these, 772 perform their work in central services, which means that 83% of the total workforce works in the branch network.

83% OF EMPLOYEES IN BRANCH NETWORK

Women currently account for **49%** of the workforce, having increased significantly in recent years (37% in 2005, 44% in 2014, 45% in 2015, 46% in 2016) and remaining stable in the last three years (48% in 2018 and 2019). In the under-50 age bracket, **51%** of employees were female; this means that the percentage of women in the Bank's average age is one point higher than that of men.

	51% MEN	**49% WOMEN**	TOTAL
People	2,350	2,237	**4,587**
Average age	47 years old	46 years old	**47 years old**
Average lenght of service	21 years old	21 years old	**21 years old**

December 2021



We are Ibercaja...

2021 is the second year in which we have had to reconcile the management of the health crisis triggered by COVID-19 with the Bank's strategic roadmap, which has seen the launch of the Desafío 2023 Plan.

In 2021, we began to rewrite the future, in which **Health Care**, **Communication** and **Resilience**, have been essential pillars in the management of people in a new context full of uncertainties but also opportunities.

The People Department faces the challenge of **becoming an attractive organisation for Talent**: reinforcing the behaviours that define our culture; developing a differential value proposal so that the people in the organisation live and feel the best experience and are the main promoters of the Ibercaja brand, in short, making our corporate purpose a reality, now more than ever:

OUR PURPOSE

"Help people build their life story because it will be our story"

2021. Start of the strategic cycle

THE ROADMAP FOR 2023

"To become an attractive organisation for talent"

Within the framework of the new Desafío 2023 Strategic Plan, and in Ibercaja's conviction that people are the key to achieving success through their Talent, professionalism and commitment, in 2021, the People Department began a strategic reflection on its contribution to the lines of the new **Plan Desafío 2023**, defining a new **Map of Strategic Initiatives**, which includes the renewal of the Department itself.

Report of the People Area Management – 2021

The Model is defined through 5 strategic lines, materialised in specific objectives:

Specific objectives	
Talent Development and Recruitment	• Identify profiles capable of taking on greater responsibilities and coordinating projects, evolving professional careers, and making them more transversal. • Identify talent shortages and fill them with external recruitment • Define recognition policies linked to value added.
Education and training programmes	• Increase our capabilities aligned to strategic objectives: advisory programmes, sales, profitability-risk, business, new technical skills, leadership, new ways of working...
Incentivising	• To become a more attractive company for talent, applying recognition policies linked to the value contributed.
Culture of Service and Collaboration	• Activate the corporate culture and purposes, through action plans that integrate the behaviours defined in the relationship model in our day-to-day life (processes), implementing initiatives that promote innovation, participation, FRC culture, well-being, sustainability... • To become a flatter organisation that encourages participation and innovation.
Systems and Data	• Advancing data management to enable information-based decision making. • To become the central node for the aggregation and distribution of individual and collective information for the personalised and comprehensive management of each employee.

12 KEY MILESTONES IN 2021

1

Being excellent even in difficult times

In this particular year, Ibercaja wanted to award the **Commitment Award to the entire workforce** and, in particular, to recognize the work of all those who have been on the front line. In this edition, the outstanding work of **633** male and female employees has also been recognised.

2

Agreement on the implementation of the ERE

On December 20, 2020, the Agreement was reached for the application of an ERE in Ibercaja in 2021 and 2022. With this process, Ibercaja satisfactorily meets the objectives of the negotiation: **Voluntary**, **Structural Optimization** and **Efficiency Improvement**.

3

2nd inFemenine Week (LeaderA Plan)

The **LiderA Plan** seeks to continue advancing in the new inspiring leadership model, focusing on women's access to managerial positions, through the improvement of their aspirations, the support of mentors, measurement and objectification.

4

Call for internal competitions

In 2021, a total of 18 places are announced (9 for access to Level VIII and 9 for access to Level X), in accordance with the provisions of C°C°. Testing date: during the month of May 2022.

5

Salary gap study

In 2021 we have carried out a study of the Salary Gap at Ibercaja, observing that the salary difference at Ibercaja stands at **12.1%**, in line with the sectoral context, motivated by the bank's historical gender evolution.

6

Impulso Solidario Awards

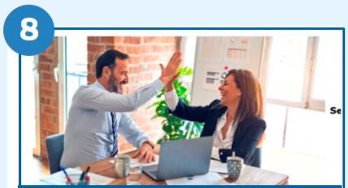
After three editions, the Bank launched an **extraordinary call** in order to alleviate the effects of the health, economic and social crisis caused by Covid-19. In 5 years this project has achieved the involvement of **70% of the workforce.**

7

Business indicators in data analytics

In 2020, business data has been integrated and various data sources analyzed, with the aim of answering business questions related to human capital and acting accordingly to obtain a real improvement in its activities and results.

8



Preparing for digital design

Discovery workshops, Ingorfafías, videos or little tricks to optimize the use of tools, are part of the material available in Paraninfo for the management of technological change in Ibercaja.

9

Ready for the digital challenge? 1st Master's Degree in Financial and Wealth Advice and Digital Banking

With the aim of strengthening the financial training of different STEM profiles recently incorporated into the Bank, in 2021 the 1st edition of this Master will be launched, which has 150 hours of internships in offices complementary to the theoretical training received in the Virtual Classroom.

10

We lay the foundations of the culture project

Understand the current experience of Ibercaja employees, to build a **relationship model** with great impact and results, creating an evolutionary model based on data that ensures the improvement of the employee experience and that this has repercussions on the customer experience .

11

I Planet Week

From October 18 to 24, different activities were carried out to give visibility to our strategic position in terms of Sustainability and make our corporate Purpose a reality, accompanying and helping on the path towards a more sustainable world.

12

This Christmas, we are more Ibercaja than ever before

Under the slogan "*This Christmas We are more Ibercaja than ever before*", this year we are holding a very special campaign with the aim of bringing our stakeholders closer to the values that represent the Ibercaja brand.

1. Being excellent even in difficult times

> ***In 2020 we faced a challenging year for everything and everyone. But despite this, at Ibercaja we have been up to the task of supporting our customers from the outset as an essential service.***

In a context of unprecedented crisis, we have once again demonstrated that Ibercaja's differential value is its people, professionals who demonstrate every day that values such as commitment, self-improvement and teamwork are the key to success and have been recognised as such

For this reason, this year, the **COMMITMENT 2020 AWARD** was awarded to all the Bank's professionals, and in particular, the work of all the colleagues who have been on the "front line" in the branch network was explicitly recognised.

EXCELLENT TEAMS Awards

117 Branches
80 Managers
633 Recognitions

Therefore, exceptionally in 2021, a greater number of branches and management figures have been recognised, with a total of **633 awards**.

The current health situation once again conditioned the presentation of these awards, but all the winners received a **piece designed** exclusively for this edition, as well as the personal recognition of our CEO.



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2. Agreement on the implementation of the ERE

On 20 December 2020, the Agreement was reached for the Application of a Redundancy Proceedings at Ibercaja.

With this process, Ibercaja satisfactorily fulfils the negotiation objectives:

- **Voluntariness**, as a priority criterion for involvement.
- **Optimisation of the structure**, adapting it to the current market.
- Improved levels of **efficiency**, competitiveness, productivity and profitability.

AGREEMENT TO APPLY FURLOUGH SCHEME

- **750** max. no. of affected workers
- **30,06,2022**, plan deadline
- **199** maximum number of offices affected by closure

Main Redundancy Indicators:		
Total voluntary accessions	811	
Separations 2021	525	70%
Pending separations 2022	225	30%

Dismissals due to redundancies

AGE RANGES	GENDER MEN	WOMEN	TOTAL
31 - 40 YEARS OLD	1	2	3
41 - 50 YEARS OLD	5	8	13
51 - 60 YEARS OLD	338	169	507
61 - 70 YEARS OLD	1	1	2
TOTAL	**345**	**180**	**525**

Dismissals due to redundancies

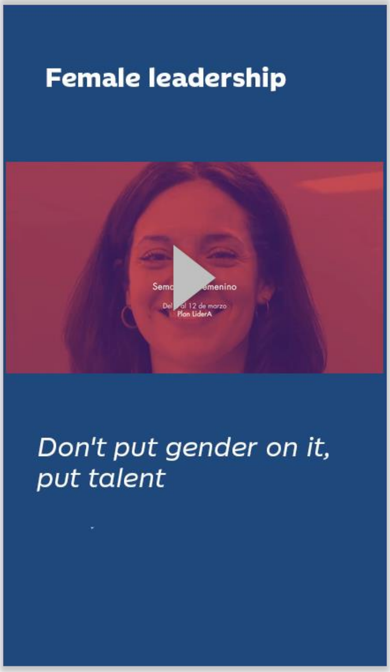
JOB CATEGORY	GENDER MEN	WOMEN	TOTAL
EXECUTIVES	54	20	74
MIDDLE MANAGERS	57	16	73
TECHNICIANS	42	45	87
CLERICAL STAFF	192	99	291
TOTAL	**345**	**180**	**525**

Dismissals due to redundancies

AREAS	GENDER MEN	WOMEN	TOTAL
TERR. DIV. ARAGÓN	152	48	200
TERR. DIV. MEDITERRANEAN SEABOARD	28	12	40
TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN	20	19	39
TERR. DIV. MADRID AND NORTH-WEST SPAIN	42	29	71
TERR. DIV. RIOJA, BURGOS AND GUADALAJARA	55	44	99
CENTRAL UNITS	46	28	74
CORPORATE BANKING DEPARTMENT	2		2
TOTAL	**345**	**180**	**525**

3. 2nd inFemenine Week (LeaderA Plan)

From 8 to 12 March 2021, the 2nd Ibercaja inFemenine week kicked off.



An initiative framed within the **FRC Plan** to raise awareness among employees, customers and society of the importance of building diverse and egalitarian teams.

At Ibercaja, women currently represent 49% of the workforce (51% in age brackets under 50), and the proportion of women in management positions is 31%.

The LeaderA Plan seeks to further advance our Inspirational Leadership Model by focusing on women's access to leadership positions through raising aspirations, flexibility, ambassadorial support, measurement and objectification to ensure progress.

To achieve this, it is necessary to promote initiatives that raise awareness among women and men of the importance of diversity in all areas of the organisation, breaking down barriers and overcoming stereotypes.

Throughout the week, inspiring voices, ambassadors of our LeaderA Plan, reminded us of the skills that women bring to our Leadership model. These included: Tenacity, Initiative, Self-improvement, Innovation, Courage and Excellence

Female leadership

49% female presence

51% in age brackets below 50 years of age

Applications for vacancies for women in managerial positions

27% to 32%

Concessions of vacancies to managerial positions

28% to 35%

51% of the promotions given to WOMEN

TOP LEADERS

25% to 28%

+36% of women in managerial positions in 50% of territorial divisions

Main activities of the week

SPECIFIC SITE. We inaugurate the week by launching a specific website to gather all the information related to the FRC Model and the activities developed during the "2nd inFemenine Week".

LeaderA AMBASSADORS. Our LeaderA Plan ambassadors conveyed the skills that women bring to Ibercaja's inspirational leadership model: tenacity, initiative, self-improvement, courage and excellence.

SHOWCASE YOUR TALENT CYCLE. The cycle of Webinars was presented in the context of the inFemenine week to empower people's talent through self-knowledge and the improvement of personal branding. More than 300 people took part in the different workshops: "My Ideal Self", "Positive Influence Model", "Discover the essence of your personal brand".

The "RAISE YOUR VOICE" SURVEY, where more than 450 people participated, allowed us to share reflections on Diversity and Women's Leadership. These same questions were transferred to Social Media, obtaining valuable information about the users' opinions.

FACE TO FACE WITH... Led by journalist Pilar Estopiñá, we talked to two female directors of the Entity with different backgrounds who shared their experience and vision of female leadership at different times in their lives.

SOCIAL MEDIA. Social Media allowed us to amplify the online dissemination of the 2nd inFemenine Week, supporting the effort made to organise a programme of activities without physical presence, reaching more than **11,000 users** and nearly **2,500 interactions**.

#SemanaenFemenino

#CEOPorLaDiversidad ALLIANCE promoted by Fundación Adecco and Fundación CEOE, which Ibercaja joined in 2019.

This initiative aims to unite CEOs from different companies around a common and innovative vision of diversity, equity and inclusion to act as ambassadors helping to accelerate the development of strategies that contribute to business sustainability, talent competitiveness and the reduction of inequality.

With this management commitment, we continue to promote the FRC culture, thus reinforcing the inclusive model in which the organisation works to achieve effective equality.

4. Call for internal competitions

On 27 August, the Entity's Board of Directors approved the holding of internal competitions for access to Level VIII and Level X by training.

Pursuant to Art. 27 of the Collective Bargaining Agreement for Savings Banks and Savings Institutions in force, the conditions relating to the call for applications are as follows:

- Total number of places: **18** (9 for access to Level VIII and 9 for access to Level X)
- Date of testing: During the month of **May 2022**

The syllabus selected for the entrance exams will include, among others, contents that are part of the compulsory-regulatory training that the staff must currently take to carry out their duties:

- MiFID II Regulations and Products (30 hours)
- Prevention of Money Laundering and Terrorist Financing (9 hours)
- GDPR (1 hour)
- IDD Regulations and Insurance Products (25 hours)
- Law on Real Estate Credit Contracts (10 hours)
- Sustainability (30 hours)
- Enterprise Risk and Product Management (30 hours)

The **Guide to the Opponent**, where information related to this process can be consulted, has been produced: syllabus, didactic resources, consultation channel, tutorials...

5. Salary gap study

In recent years, we have made positive progress in gender equality, increasing women's participation and reducing the gender pay gap.

The gender pay gap measures the difference between the pay received by men and women.

In 2021 we conducted a Pay Gap study at Ibercaja, with the following conclusions:

Wage Gap Study

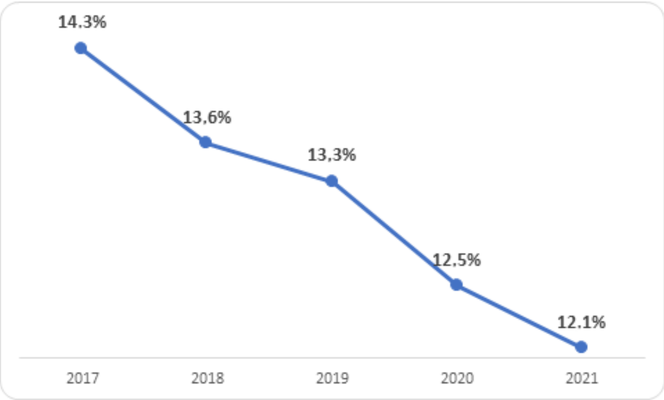
↓

The wage gap at Ibercaja is in line with the sectoral context, mainly due to the Bank's historical gender composition.

- *Among the workforce under 40 years of age, there is an equal number of men and women. If we take the workforce under 50 years of age as a reference, we find that there is a majority of women compared to men (51%).*
- *The average age of men and women is very similar, at around 48 years old. The average length of service is 22 and 21 years (men and women, respectively).*
- *There is a numerical superiority of men over women from levels I to V, from levels VI-XI we find a majority of women over men, and from levels XII - XIV there is parity between both sexes.*

As a result of the collective redundancies carried out in the Entity, the largest number of departures corresponded to older employees, and consequently, those with more seniority.

This has contributed to the fact that the **salary gap** between women and men **has narrowed** over the years, evolving as follows:



6. Impulse Solidario Awards

> ***"imPULSO SOLIDARIO" is a participation initiative aimed at the Bank's employees within the framework of our corporate purpose "Helping People to build the story of their lives, because it will be our story".***

The initiative aims to turn the organisation's professionals into ambassadors of the social causes that move them. The employees are the ones who propose non-profit social projects and through a vote, the whole organisation is involved in the final decision.

After three editions, the Bank launched an **extraordinary call for applications** in order to alleviate the effects of the health, economic and social crisis caused by Covid-19.

The winning associations have been selected by Ibercaja's staff, among the 24 projects also proposed by its employees, aimed at helping the most vulnerable people and groups in this crisis.

The three projects that received the most votes were:

- *Significant loss of income for the research "Duchenne Muscular Dystrophy".*
- *"Covid is not the end of Leukaemia".*
- *"I understand you now"*

On this occasion, the award ceremony for this special edition of "Covid-19" was held virtually and was attended by representatives of the Entity's Management Team.

5th ImPULSO Solidario Awards

In addition, the 5th imPULSO SOLIDARIO Awards Gala took place on 17 December. The staff selected the eight winning entities from among the **32 projects proposed** by the employees. Specifically, 3,296 votes were registered, once again ratifying the social commitment of the Bank's employees, the Foundation and the Financial Group.

The organisations with the most votes in each category (Disability, Illness, Integration and Environment) receive a contribution of 10,000 euros and, in the case of the second most voted organisations, 5,000 euros, which is a boost to continue undertaking their work.

AWARD

This initiative received the award for Best Internal Communication Practice in the field of CSR and Responsible Management in 2020 from the Internal Communication Observatory.

In the five years that imPULSO SOLIDARIO has been held, **296 projects** have been given visibility, which have been presented by **387 employees who are "ambassadors"** of the solidarity associations and institutions and have achieved the involvement of **70% of the staff** through their votes. A total of **€225,000** was awarded to undertake **28 social projects**.

Participation

387 imPULSO Solidario ambassadors in 5 years.

70% of the workforce involved with their votes

250 professionals involved in volunteering actions

+ 300 children of employees involved in the "Dibuja Ibercaja en tu Navidad" Christmas drawing competition

+ More than **450** participants in the "Raise your voice" initiative shared their reflections on diversity, leadership and shares responsibility among both parents

7. Business indicators in data analytics

In 2019, a specialised team was set up within the People Area, whose mission is to provide the area with a methodology and an integrated data analysis process, which will impact the quality of the decisions made about the people.

This function is crucial to be able to carry out **personalised segmented proposals**.

In 2021, the project evolved by integrating business data and analysing various data sources to answer business questions related to human capital and act accordingly to improve its activities and results.

The methodology implemented for the analysis and governance of information has consisted of the creation of an ERM (employee record management) that brings together and integrates all the information processed and analysed in the People Area, regardless of the source from which it comes (mainly own applications for people management, payroll, training, etc.) in a single database. This guarantees information integration with the established recurrence, ensuring the quality and traceability of the information managed and processed.

8. Preparing for digital design

In 2021, the Bank's Digitalisation Project was given a new boost with the distribution of new laptops for all staff, incorporating the updated Windows 10 system and access to Office 365 collaborative

This change represents the definitive consolidation of **mobile working,** which now accounts for more than 95% of the Bank's staff, with mobile working equipment and collaborative tools in all positions, thus allowing for greater versatility and autonomy.

More than ***95% of our workforce*** *will be mobile by 2021.*

The People Area has accompanied this digital transformation process, providing the necessary training resources so that the Bank's professionals can adapt to the change in technology from day one and continue to provide the same level of service to our customers from the start of the process.

The team of Talent Transmitters has accompanied the technological deployment, becoming digital ambassadors of the project.

Discovery Workshops, infographics, videos or little tricks to optimise the use of the tools are part of the material available on the Paraninfo Training Platform to adopt change.

9. Ready for the digital challenge? 1st Master's Degree in Financial and Wealth Advice and Digital Banking

In recent years, the Bank has incorporated various profiles with an academic background in STEM fields (science, technology, engineering and mathematics) with a high degree of technical specialisation that is more distant from the financial business.

To train these new profiles in financial matters, in 2021, we are launching the **1st edition of the Master's Degree in Financial, Wealth and Digital Banking Advice**, recognised as a degree by the University of Nebrija.

In this first edition, 19 colleagues from different technical areas such as Model Validation, Systems Auditing or Development of Technological Services, among others, have participated.

The Master's Degree has a blended methodology (face-to-face in a virtual classroom and online courses) and 150 hours of internships in branches, which allows participants to complement the theoretical training by actively participating in the day-to-day banking business in branches.

The colleagues in the branches are mentoring and actively collaborating in this innovative programme, which will undoubtedly help them grow professionally.

10. We lay the foundations of the culture project

In 2021 we laid the foundations for this strategic project for the Bank, with the **following objective**:

> *To understand the current experience of Ibercaja's employees in order to build a **relationship model** with great impact on Business and Results, adapting to the specific needs of each group, creating an evolving experience model based on data that ensures the improvement of the employees' experience so that it has an impact on the customers' experience.*

BUILD
Identifying the Basis of Culture
2021

ACTIVATE
Our culture/purpose in action for
2022-23

FEEL
Monitoring strong and sustainable
culture 2021-23

Project phases

1	2	3	4
DIAGNOSIS OF THE CURRENT EX	**RELATIONSHIP MODEL**	**DESIRED EXPERIENCE**	**MEASUREMENT MODEL**
What is it like to be an employee and what do they experience?	How do we want to be in the eyes of our employees?	How do we make the desired experience real?	How to ensure results?
GAME ANALYSIS-THE EX RIGHT NOW	BENCHMARKING OF GOOD EX PRACTICES	DEFINITION OF THE TRANSFORMATION PLAN (ROADMAP FOR THE DESIRED EX)	DEFINITION OF THE MEASUREMENT SYSTEM
DEFINITION OF THE JOURNEY AND MEASUREMENT OF THE EX RIGHT NOW	VALUE PROPOSITION, RELATIONSHIP MODEL AND COMMITMENTS	IDENTIFICATION OF NECESSARY CHANGES	LAUNCHING OF THE EX-PULSES
MONITORING AND DIAGNOSIS OF THE EX AT IBERCAJA	DEFINITION OF THE DESIRED EXPERIENCE AND IDENTIFICATION OF GAPS	COMMUNICATION OF THE PLAN AND INVOLVEMENT OF THE TEAM	ANALYSIS OF THE EVOLUTION OF THE EX AND SCORECARD
IMPACT OF THE EX ON RESULTS AND CX QUICK WINS: RAPID CHANGES WITH IMPACT	COMMUNICATION OF THE RELATIONSHIP MODEL	DEFINITION OF THE CONTINUOUS IMPROVEMENT	PROP. IMPROVEMENTS AND UPDATES OF THE MODEL

11. I Planet Week

> ***At Ibercaja, we are committed to sustainability, with the dual objective of positioning ourselves as a benchmark institution in this field and responding to the needs of society and the environment.***

This is a commitment of the entire Ibercaja Group: Bank, Foundation and Financial Group.

The **CHALLENGE** we have set is that our business objectives should drive sustainable development, preserve natural resources, and promote a fairer and more inclusive society.

To give visibility to this positioning and to make our corporate Purpose a reality, accompanying and helping our stakeholders on the path towards a more sustainable world, from 18 to 24 October, we organised the 1st Planet Week at Ibercaja, coinciding with the celebration of the International Day for

From the People Area, we collaborated in the organisation and dissemination of the activities that took place throughout the week. A complete panel of activities **focused on employees**, customers (both individuals and companies), suppliers and society in general: conferences, round tables, testimonials from relevant people in Ibercaja's sustainability project, volunteer actions, post, eco-advice from sons and daughters of Bank professionals, competitions and much more... were the content of the 1st Ibercaja Planet Week.

12. This Christmas, **we are** more Ibercaja than ever before

> ***To bring our stakeholders closer to the values represented by the Ibercaja brand, in 2021, we are celebrating our most supportive Christmas.***

Under the slogan **"This Christmas WE ARE more Ibercaja than ever"** the Bank's professionals have joined a very special campaign, in which they have been able to participate, together with their families, in the different initiatives proposed with the **following objectives**:

- **Promoting a sense of belonging** and bringing the families of the Ibercaja Group and its Foundation closer to the values of the Ibercaja brand.
- **Fostering knowledge of the Entity** and its internal culture, positively impacting the commitment of professionals to the Entity.
- **Generate a better employee experience** so that employees remain linked and committed to the Ibercaja brand.
- **Encourage the active participation** of the Bank's professionals and their families.
- **Realising our corporate purpose: *"Help people build their life story because it will be our story"***

Internal Christmas campaign initiatives 2021	
Draw Ibercaja in your Christmas	Through their drawings, the youngest members of the Ibercaja family conveyed their particular vision of Christmas, relating it to the values that identify the Ibercaja culture. In this edition, 311 sons and daughters of male and female employees took part, representing how we are and the traits that represent our values in their drawings.
Unicef Blue Gift	Our sons and daughters have also been the protagonists of this solidarity initiative, as thanks to their participation in the Drawing Competition, they have been able to choose a very special gift that we send in their name to other children in those parts of the world where they need it most. Ibercaja joins this Unicef initiative by distributing a total of 144 Survival Kits, 103 Vaccination Kits and 64 Education Kits, so that hundreds of children around the world can study, get vaccinated or have access to processing

A Smile for Christmas	This Christmas, among the solidarity initiatives, we are joining the International Cooperation to ensure that children and young people in vulnerable situations can have a toy for Christmas. In this campaign, we delivered 446 gifts through this initiative carried out in collaboration with Cooperación Internacional.
ImPULSO Solidario Gala	€60,000 delivered to the eight most voted projects out of the 32 projects submitted by employees in this 5th edition.
The Three Wise Men	170 colleagues acted as messengers and were in charge of finding the toy that the most vulnerable children had asked for in their letter to the Three Wise Men.
Large Toy Donation	156 toys purchased at the UNICEF shop donated to the Hermandad de El Refugio for children from vulnerable families in their day care centre.
Solidarity Scarves	Solidarity initiative to give homeless people a present this Christmas. The initiative is not only based on a scarf being purchased to protect them from the cold, but also has a more emotional aspect, as together with the scarf they receive a message from Ibercaja employees that provides them with much-needed human warmth. In this campaign, 75 scarves have been given to the Hermandad El Refugio
Crowdfunding Portal	Our colleagues have contributed to multiplying outreach and creating opportunities for all people, contributing to a more sustainable future: Aid to La Palma, Supporting groups at risk of exclusion, SmartGreen and many more.

Other lines of action

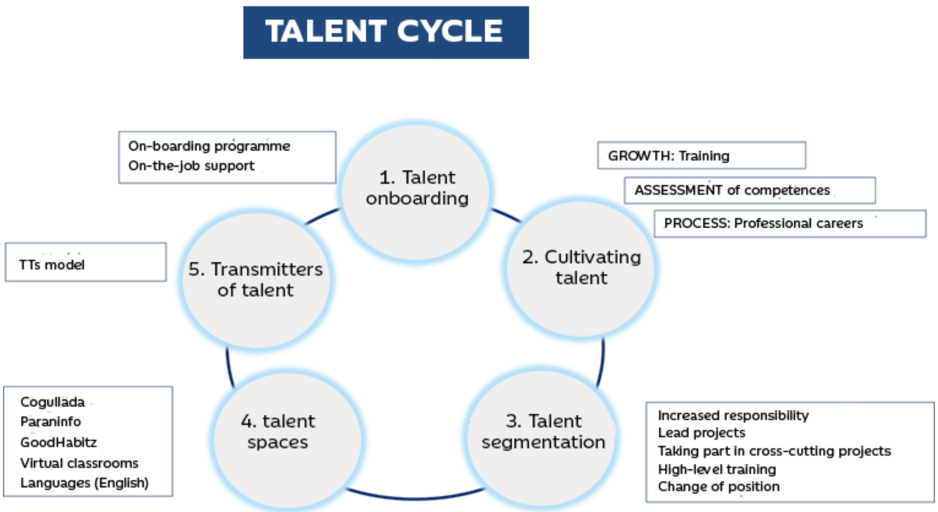
Cultivating talent

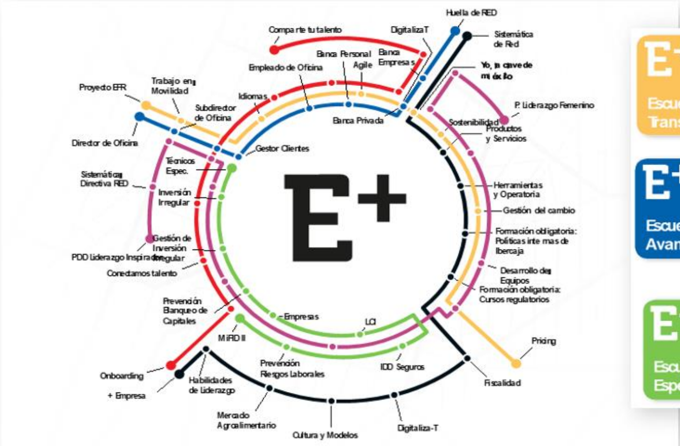
103-1, 103-2, 103-3, 404-1, 404-2

This involves obtaining the maximum return on the talent existing at Ibercaja, providing a personalised management that favours professional growth to obtain better results and a greater commitment to the Company in response to the dynamism required to carry on the Bank's activities in line with the expectations and requirements of the surroundings.

> **STRATEGIC OBJECTIVES**
>
> *Ibercaja considers the **professional and personal development** of employees as a **strategic objective** within the framework of People Management.*

Also, through the **Career Development Plan**, we promote the continuous development of the abilities and skills of our employees, identifying and responding to the current and future training needs of the Bank's different Groups. We align the training programmes and needs with the Bank's strategy, actively participating in transmitting our culture, values, knowledge and experience.





The Entity encourages **talent development** through training programs and internal promotion for the highest number of employees possible. In **2021, 684 people** received professional promotions by applying the criteria defined in each professional career plan, length of service, unrestricted designations, and office classifications. There are professional career plans for all central service departments and for the strategic company and personal and private banking segments. The total number of professionals pertaining to these promotion plans was **1,211**.

The training programmes aim to promote **professional development** by responding to the needs that arise in a highly dynamic environment such as banking. Among the main training programmes undertaken are those related to tools and operations, products and services, standards/regulation, taxation, development of attitude and personal motivation, digital environment and new trends.

The number of hours of classroom training totalled **35,173**, and those given through distance channels amounted to **259,933** by job category and gender are distributed as follows:

Hours of training by gender and job category

2021 JOB CATEGORY	MEN	WOMEN	TOTAL
EXECUTIVES	37,207	17,525	54,732
MIDDLE MANAGERS	37,453	33,126	70,579
TECHNICIANS	45,345	54,535	99,880
CLERICAL STAFF	30,665	39,250	69,915
TOTAL	**150,670**	**144,436**	**295,106**

Hours of training by gender and job category

2021 JOB CATEGORY	MEN	WOMEN	TOTAL
EXECUTIVES	53,620	23,575	77,194
MIDDLE MANAGERS	51,014	46,249	97,264
TECHNICIANS	58,375	65,789	124,164
CLERICAL STAFF	45,006	53,092	98,099
TOTAL	**208,015**	**188,705**	**396,720**

Hours of training by gender and job category

2021 JOB CATEGORY	MEN	WOMEN	TOTAL
EXECUTIVES	48,815	22,310	71,124
MIDDLE MANAGERS	41,210	37,019	78,229
TECHNICIANS	44,906	53,959	98,865
CLERICAL STAFF	39,772	46,903	86,674
TOTAL	**174,703**	**160,189**	**334,892**

The average number of training hours per employee in 2021 is 64.3 hours (compared to 78 hours in 2020).

Employee Communication and Experience

The Bank has open and transparent communication with people, providing information on actions led from the People area, disclosing general interest topics among the workforce, providing and promoting channels and means of guaranteeing adequate notification to employees and encouraging their participation.

The main internal communication resources include:

Downstream communication channels	
Daily Information	Corporate Intranet where daily communications of an informative nature or for the development of the activity of all the units that make up the Bank are published (Tenders, Appointments, Labour Agreements, Legislative Novelties, Commercial Campaigns and New Processes).
Regulations	This internal space contains the set of instructions, rules, references and indications of a commercial, operational or functional nature, which must be complied with, and which constitute the sole and common reference of Ibercaja's Regulations.
Employee Portal	An environment where staff can consult their personal, family, personal, work and financial data, etc., where certain internal processes related to the area of people are managed. It also includes institutional news, access to pages of interest, trade union communiqués, among others.
Ibercaja Chronicle	An internal institutional magazine published every four months and with the participation of all areas of the Bank to inform the staff of Ibercaja's milestones and progress give special prominence to Ibercaja's employees as the driving force behind
"Tu compensación" Portal	Accessible from the Employee Portal, through this platform, the staff can find all the necessary information for contracting and renewing the Flexible Remuneration Plans (FlexiPlan). Salary information and the benefits of being part of the Ibercaja family are also available.
All this is for you	A digital and interactive publication with a modern, friendly and familiar image shows the advantages and benefits that Ibercaja staff can enjoy.
Internal newsletters	One of the tools used for the communication of Endomarketing Campaigns and which facilitates direct and personalised communication with the staff, depending on the campaign carried out.

Upstream communication channels

"ImPULSO" Platform	Participation platform based on a system of challenges that aims to involve the entire workforce in the search for ideas and solutions to the challenges that are proposed periodically. There are two types of challenges: Solidarity and Innovation.
People Area Delegates	Figures close to the territory through which the Bank's professionals can channel their queries, concerns, suggestions, complaints, etc. Periodically, these figures carry out personal interviews in the different work centres.
Employee Experience surveys	A bottom-up communication channel that allows us to find out how the Bank's employees experience and feel about their relationship with Ibercaja at key moments in their personal and professional lives.
Pulse Surveys	Designed to take the "pulse" more frequently than EX's global surveys, monitoring the impact of initiatives put in place, measuring fluctuations to be able to intervene more immediately.
"FRC" internal channel	Through the mailbox efr@ibercaja.es, the Bank's professionals can send their proposals or suggestions for improvement and/or complaints or claims regarding FRC.
"FRC" External Channel	As a Family-Responsible Company, Ibercaja's professionals also have a confidential communication channel with Fundación Más Familia regarding the FRC Model. www.masfamilia.org

Horizontal communication channels

Focus Group	Widely used as a method for qualitative research and idea generation in various strategic projects for the Bank.
Ibercaja Contigo app	A 100% digital, blog-like tool that uses simple language to maintain close and empathetic contact with the Bank's employees. This includes: Tips with the best Health tips, Access to Webinars, Streaming to participate in different scheduled events, Chat.
Internal events	Events specifically designed for internal audiences to encourage networking among colleagues: recognition of excellent teams, a tribute to people who have been with the company for 25 years, meetings of leaders or transmitters of talent, among others.
Executive breakfasts	Informal discussions between Bank managers and professionals on the various issues they encounter in their day-to-day work. These events provide attendees with a greater link and commitment to the Entity.

Webinars	Another way to share information, conduct workshops or develop time-based dynamics in which the user can ask for the floor, ask questions and interact through chat.
Ibercaja CoffeWork	A multifunctional area and multi-purpose space designed to encourage networking, meet informally, generate ideas, and have a coffee or a piece of fruit.

In 2018, the ENPS (Employee Net Promotor Score) index was devised for the first time. It is a parallel indicator to the NPS used in Customer Experience, which tells us about the degree of commitment of employees to the Ibercaja brand, responding to the question "Would you recommend Ibercaja as a place to work? and obtaining an excellent score of**25.9**.

EMPLOYEE EXPERIENCE

*Ibercaja thus reinforces the **Employee Experience**, as **a basis for the People Management Model***

Furthermore, the traditional Employment Environment survey has evolved towards a perception study, which we call **Employee Experience Measurement**, in order to identify that which most satisfies employees in their day-to-day procedures, together with the aspects that may slow down their professional and personal growth, to adapt the improvement drives at all times.

Ibercaja actively promotes equal opportunities, rejecting any form of discrimination, and it is committed to the work-life balance of the professionals that work at the Entity.

efr certificado en conciliación 1000-1 ES - 212 / 2019 / AENOR

In this context of ongoing listening, in 2020, a joint reflection was made of all that lived in recent months, which enabled us to have valuable information on the concerns and worries of the workforce and improvement suggestions to be able to plan new actions that contribute to facilitate the on-going performance of our daily work in the current coordinates.

We are efr

Over 100 family-friendly business measures to provide a healthy work-life balance

226 persons benefiting from conciliation measures in 2021

Over 11,000 views of #Semana enFemenino on social media

Over 400 participants in the "Exhibe tu Talento" cycle to improve their personal brand

Professional Development

Over 295,000 hours of training in 2021, for an average of 63 hours per employee

684 people promoted in 2021

Over 1,200 employees pursuing career plans

Diversity, equality and work-life balance

103-1, 103-2, 103-3

Ibercaja has **over 100 work-life balance and equality measures for its employees** (which exceed that included in the applicable legislation in force) in the categories stipulated in the frc 1000-1, and it has implemented the **frc Plan** for the first certification cycle (2019-2021). Alongside this, Ibercaja updates the **Equality Plan**, which promotes equal opportunities between the genders and a work-life balance to contribute to the welfare of our employees and their families.

The positioning of women in posts of responsibility is continually gaining ground. In 2021 around 40% of Bank Manager positions, 53% of Assistant Manager positions and 64% of Personal Banking Manager positions have been awarded to women. Women obtained 51% of promotions in 2021.

Also, Ibercaja's employees can opt for work-life balance measures such as leave, a reduced working day and an extended leave of absence, some of which extend or improve those set out in the prevailing legislation and the collective bargaining agreements. During the year, 226 people availed themselves of these measures (192 reductions in working hours, 27 extended leave of absence periods for childcare motives and seven extended leave of absence periods to care for family members).

In 2021, 94 people were entitled to parental leave (57 men and 37 women), all of whom took parental leave. All 94 returned to work after the end of parental leave.

In relation to the **integration of people with disabilities**, Ibercaja, in addition to complying with the General Disability Law, promotes the participation of disabled people through agreements with social entities and awareness-raising through training and volunteer actions. Currently, 49 people with varying capacities work at the Bank, thereby achieving one of the main objectives of our frc management model.

> *We perform personalised people management through our Representatives Network in the different territories. Our objective is **to know each person**, manage their needs individually, identify their level of commitment and oversee the development*

The Bank has protocols in place for dealing with any type of discrimination, including cases of sexual harassment and harassment for reasons of gender.

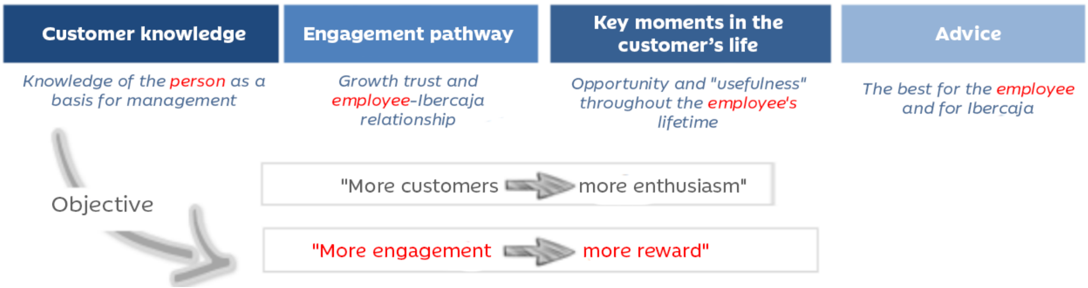
Leadership and Commitment Management

Since 2017, at Ibercaja, we continue to have a network of seven representatives that provide coverage to all Territorial Divisions, as well as the Representative that works at Central Services.

We seek to ensure that the **employee feels listened to and accompanied** in key moments of their professional life: the inclusion in the post, an appointment, a transfer, the evaluation of skills or the resolution of a personal problem.

Hence, the representatives have a series of tools that help to implement this project: management protocols for accompaniment at key moments; employee records as management support and a new evaluation method concerning the employee's professional expectations.

Our **relationship model with the employee** replicates the **Commercial Management Model with customers**.



Remuneration policy

103-1, 103-2, 103-3, 202-1

Staff **salaries** comprise fixed remuneration provided for in the Collective Bargaining Agreement for each Professional Level and for the variable remuneration received by the staff assigned to the Branch Network associated with the attainment of objectives. In addition, other amounts are paid as supplements for certain groups with specific functions and responsibilities.

The **fringe benefits** provided by Ibercaja to its employees supplement legally stipulated coverage beyond the limits and benefits established in collective bargaining agreements. They include, among others, study grants, pension plans, grants for nurseries and children's education.

Employees have a digital and interactive environment that shows the advantages and benefits they can enjoy by being part of the Ibercaja family with a modern, close at hand and familiar image.

All benefits apply to all employees regardless of their type of contract, except the special financing conditions, which are conditional on being permanent and having passed the probationary period.

In line with the rest of Ibercaja's Human Resources policies, the Remuneration Policy is based on the principle of equality between men and women, with no type of wage differentiation between genders.

The following are details of the **average remuneration received** by the employees of Ibercaja at 31 December **2021**. These remunerations are made up of fixed remuneration, salary complements and variable remuneration received in 2021.

Average total remuneration by gender (amounts in euro):

GENDER	FIXED + BONUS 2021	INCR. RESP. 2020	FIXED + BONUS 2020
M	52,840	-1.18%	53,468
F	46,463	-0.65%	46,767
Total	**49,730**	**-1.13%**	**50,300**

Average total remuneration by gender (amounts in euro):

GENDER	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
M	53,468	1.93%	52,456
F	46,767	2.84%	45,475
Total	**50,300**	**2.37%**	**49,133**

Average total remuneration by age (amounts in euro):

AGE RANGES	FIXED + BONUS 2021	INCR. RESP. 2020	FIXED + BONUS 2020
21 - 30 YEARS OLD	23,787	-5.33%	25,127
31 - 40 YEARS OLD	42,877	0.43%	42,694
41 - 50 YEARS OLD	49,340	-0.42%	49,548
51 - 60 YEARS OLD	56,011	-0.42%	56,250
61 - 70 YEARS OLD	90,852	-4.19%	94,829
Total	**49,730**	**2.37%**	**50,300**

Average total remuneration by age (amounts in euro):

AGE RANGES	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
21 - 30 YEARS OLD	25,127	5.95%	23,717
31 - 40 YEARS OLD	42,694	1.79%	41,942
41 - 50 YEARS OLD	49,548	0.34%	49,379
51 - 60 YEARS OLD	56,250	1.24%	55,563
61 - 70 YEARS OLD	94,829	1.99%	92,983
Total	**50,300**	**2.37%**	**49,133**

Average total remuneration by job category (in euros):

AGE RANGES	FIXED + BONUS 2021	INCR. RESP. 2020	FIXED + BONUS 2020
1-EXECUTIVES	65,317	0.63%	64,908
2 - MIDDLE MANAGERS	53,415	0.14%	53,340
3 - TECHNICIANS	46,430	-1.12%	46,957
4 - CLERICAL STAFF	40,483	-5.01%	42,619
Total	**49,730**	**-1.13%**	**50,300**

Average total remuneration by job category (in euros):

AGE RANGES	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
1-EXECUTIVES	64,908	2.53%	63,306
2 - MIDDLE MANAGERS	53,340	3.17%	51,703
3 - TECHNICIANS	46,957	2.30%	45,899
4 - CLERICAL STAFF	42,619	2.40%	41,589
Total	**50,300**	**2.37%**	**49,133**

Average total remuneration of executives by gender (amounts in euro):

AGE RANGES	FIXED + BONUS 2021	INCR. RESP. 2020	FIXED + BONUS 2020
M	67,441	0.80%	66,904
F	60,653	0.62%	60,280
Total	**65,317**	**0.63%**	**64,908**

Average total remuneration of executives by gender (amounts in euro):

AGE RANGES	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
M	66,904	2.44%	65,314
F	60,280	2.81%	58,634
Total	**64,908**	**2.53%**	**63,306**

In relation to the **salary gap**, if the base salary of the collective agreement is taken as a reference and the additional remuneration for length of service, social benefits or other benefits is excepted, the male/female wage ratio in Ibercaja is 1.

The range of the relationships between the standard initial salary and the minimum local salary in places where significant transactions are performed is 119% for men and women.

Analysing this information weighted by job grouping (executives, middle management, technical and clerical), a salary gap of 7.10% was determined in 2021.

The wage difference shown by the results is in line with the sector, mainly generated by the historical gender composition of the company, which translates into a higher average length of service for men compared to women. The evidence for this is the **reduction of the gap** with **respect to 2020 by 3.72%, from 12.5% to 12.1%.**

This calculation takes into account fixed remuneration, wage complements and variable remuneration received in 2020.

This trend is partly due to the measures implemented to reduce it:

- **Increase in the representation of women** in management positions.
- **51%** of promotions in 2020 corresponded to **women**.

Aspects relating to the remuneration of senior management

The Bank's Management Committee members, made up of 11 people (8 men and 3 women) as of 31 December 2021, are considered senior management. Information on senior management remuneration includes both fixed and variable remuneration and long-term pension systems. The average remuneration is 203 thousand euros (average remuneration of executives of 211 thousand euros and 184 thousand euros in the case of executives, which is mainly affected by the length of service of the officials in the Bank).

Social Dialogue

103-1, 103-2, 103-3

Labour relations are based on **open and transparent dialogue with employee representatives**. The Entity's union representation comprises 226 employees linked to five union sections.

These relationships attempt to foster mutual commitment, in order to advance in the improvement of the employment conditions for the professionals that work at Ibercaja.

Agreements reached in 2021:

- Agreement on Prevention of Occupational Risks

100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees. Ibercaja's activity is carried out entirely in Spain and its workforce is made up of people of different nationalities. All of them have full-time contracts.

89% of employees have an intensive **timetable** (except Thursdays in winter). The Collective Agreement for 2019-2023 establishes an annual working time of 1,680 hours of effective work. Abiding by this timetable, and without prejudice to its being irregularly distributed, in accordance with current legislation and applicable industry regulations, working hours are as follows:

- From 1 May to 30 September, the schedule is from Monday to Friday: from 8 to 15 hours.
- From 1 October to 30 April, the schedule is, on Monday, Tuesday, Wednesday and Friday: from 8 to 15 hours. Thursdays: 8:00 to 14:00 hours and from 16:00 to 19:00 hours.

In Ibercaja, 490 employees are subject to special timetables, requested voluntarily. 83% of them have requested to work 3 afternoons, 3% 2 afternoons and 14% one afternoon.

Occupational health and safety.

103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10

Ibercaja is committed to the **safety and protection of its employees** to ensure their **well-being and occupational health**, by minimising risks and assigning the necessary resources to implement preventive actions.

Also, Ibercaja's strategic objectives include the promotion of healthy lifestyles, promoting different initiatives in this regard:

- Performance of medical check-ups.

- Promotion of sports activities through the Cultural Group, active participation in races and marathons throughout Spain in a group manner and the organisation of workshops that promote well-being (Healthy Space and Show Cooking at CoffeeWork).
- Specific section in the Ibercaja with you app (#ContigoNosCuidamos y #ContigoEntrenando), in which healthcare recommendations are included, such as how to prevent colds, habits for a healthy heart or information on the importance of a healthy diet.

How is this policy applied at Ibercaja?
Having our own prevention service to provide specialised technical support across the entire organisation in terms of occupational risk prevention, occupational medicine and ergonomics, promoting health surveillance through regular medical check-ups, vaccination and information campaigns.
By setting up an **Occupational Health and Safety Committee**, whose main function, in addition to verifying compliance with the regulations, is the regular and periodic consultation with the Bank on matters of risk prevention.
The participation of employees in this specific matter is carried out through the **"Prevention Officers"**. The number of those appointed by and among the workers' representatives is 13.
Through the preparation and application of the **Occupational Risk Prevention Plan** and the corresponding risk assessments and reassessments.
Training and informing employees about the risks of their activity, through prevention courses and dissemination campaigns through different channels.

The Bank has its **own prevention service**, as it is a company with more than 500 workers. The in-house prevention service is a specific organisational unit covering two of the four prevention disciplines ("Health Surveillance" and "Ergonomics and Applied Psychosociology") provided for in Article 34 of the regulations. The preventive specialities of "Occupational Safety" and "Industrial Hygiene" are contracted with an external prevention service: MORE PREVENTION.

The Bank has implemented an **occupational risk prevention plan** to integrate preventive activity into management.

The Bank has a **Health and Safety Committee** made up of 10 members: Five of them are the Prevention Delegates and the other five are representatives of Ibercaja. Ibercaja's Health and Safety Committee has its own internal regulations that govern its functioning.

Given the activity carried out, no specific risk or illness for employees is identified.

In 2021 there were 32 **occupational accidents** (12 men and 20 women), 14% less than in the previous year (pandemic year, less travelling), and the total number of hours of absenteeism was 359,410 (470,193 in 2020). As is the case every year, the hours of absenteeism include common illness, occupational accidents and maternity and paternity leave. This year again, COVID hours were also included, amounting to 12,012 hours, which was the main reason for the decrease in absenteeism compared to the previous year.

2021	TOTAL	MEN	WOMEN
FREQUENCY INDEX	1.1764	0.8228	1.5593
SEVERITY INDEX	0.1454	0.0961	0.1989

	2020	2019
FREQUENCY INDEX (*)	1.3294	1.2273
SEVERITY INDEX (**)	0.1191	0.1284

Recalculation of the severity index in 2019

(*) FI= Number of occupational accidents with sick leave (ex in itinere) *10^6
Total number of hours actually worked

(**) SI= Number of days not worked due to an accident at work, with leave *10^3
Total number of hours actually worked

Also, the new Agreement enacts the right to digital disconnection in the workplace for the first time. This regulation contributes to workers' health by reducing, among others, technological fatigue or stress, thereby improving their working environment and work quality.

Management of the health crisis caused by COVID-19

As a result of the pandemic caused by COVID-19, since 2020, the People Area has **managed to ensure the health and well-being of people**, without forgetting to **guarantee the viability of the business project.**

The **main actions** performed by the People Area Department as a response to this crisis are grouped into **three main blocks**:

Health and Safety

With the objective always set on the **health protection of** both our employees and of our customers, the Bank's Prevention Service has managed the health crisis from **four areas**:

a. Prevention

b. Early detection.

c. Reduced assignment.

d. Ongoing monitoring.

*Ibercaja has been an **example of preventive management** thanks to the team created ad hoc and collaborative work to control the crisis.*

Based on these objectives, the following measures have been adopted:

- **Protocols have been implemented** for all health and information management processes.
- Reinforcement of the **Medical Service**, to attend to and follow the development of the affected colleagues on an individual basis.
- Management of the **supply of preventive protection equipment** and temperature monitoring in the Central Building.
- Creation and management of a **database** to centralise all information related to the health crisis.
- **Customer care line COVID-19 enquiries** in which Bank employees will be attended to directly by the medical team 24 hours/7 days a week.
- **Flu vaccinations** for all employees that request them.

New working schemes

In 2021, the Entity continued to implement measures that have enabled us to continue our professional activity while implementing **new working environments**, which have allowed us to shorten distances, conduct meetings efficiently or cooperate in a cross-cutting manner on different projects.

*The COVID-19 pandemic has also been a catalyst for **new ways of working**, accelerating our transformation process.*

Measures adopted:

- Deployment of **Telework** in the most critical phases of the crisis
- **Flexible working hours**, both entry and departure.
- Implementation of resources and **new mobility tools** (Teams, Office 365, etc.). All posts have collaborative tools.
- Appointment of new figures as **Digital Personal Banking Managers**, providing personalised advice to customers operating remotely.
- Conducting **online examinations** for certification.
- Production of **virtual galas** for the celebration of internal events.

Communication and accompaniment

Moments in which it was crucial to generate **new internal communication routes** that keep us permanently connected with our colleagues, accompanying them in their day-to-day matters at home and at the office.

Internal communication *has played a* ***key role*** *in the COVID-19 crisis.*

Operating Communication:

- COVID-19 space in regulations for the daily publication of measures related to the pandemic.

Emotional Communication:

- **Letters from the CEO** to each employee, explaining the Bank's situation, the measures being taken, messages of encouragement and recognition of the important work of Ibercaja's professionals as an essential service to society.
- **Ibercaja Contigo (Ibercaja with you)**. Blog designed to maintain close, empathic and useful contact with colleagues. Articles of interest, Prevention recommendations, Tips to work from home, Solidarity initiatives, Health and well-being tips, Didactic resources, Weekly training, Provision of content to this new channel.

6.5 Commitment to the environment

102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31, 102-43, 102-44, 103-1, 103-2, 103-3, 201-2, 301-1, 301-2, 302-1, 302-4, 303-1, 303-5, 305-1, 305-2, 305-5

> Ibercaja is firmly committed to protecting the environment and combating climate change, taking into account its environmental impact and promoting, through its activities, the transformation towards a more sustainable economy.

6.5.1 Through the banking and financial activity

To this end, the Entity uses the objectives of the Paris Agreement on Climate Change as a reference and moves forward in implementing the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). This information is set out in detail in **section 6.12. of this chapter of the Directors' Report.**

The Sustainability Policy, approved by Ibercaja's Board of Directors in December 2020, includes the **Bank's environmental commitments:**

Through its financial activity, Ibercaja undertakes to:

- **Analyse the impact of climate change,** detecting **needs** that the transition to a decarbonised economy may present to **respond with business solutions** that support environmental sustainability.
- **Analyse climatic and environmental risks,** their impact on customers and their financial activity, for their gradual integration in compliance with the regulatory requirements.

- **Transparently communicate** the advances in environmental sustainability, **raising awareness internally and externally** to promote a sense of environmental responsibility.
- Assume and endorse the primary **national and international commitments** that help to protect the environment and fight against climate change, working on their implementation.

6.5.2 Through internal environmental management

Our commitment to the environment is also materialised in the management of the direct impacts of our activity, and is developed through the following axes:

In its environmental management, Ibercaja applies the **principle of precaution** to guide its actions to prevent or avoid damage to the environment.

Environmental policy	*This policy is based on the* ***observance of regulations*** *of a general nature,* ***preventing pollution and contamination*** *in its own processes,* ***ensuring appropriate waste management****,* ***raising employee awareness*** *of the responsible use of natural resources and* ***disseminating good practices*** *among customers and suppliers to raise their awareness. This policy was updated in 2021 to align with the principles of action that govern the Sustainability Policy and extend its*
Environment Committee	*At the executive level, this body is tasked with* ***ensuring its compliance****, supervising the efficiency and effectiveness of the Bank's environmental management system and* ***promoting awareness initiatives and environmental protection****. It is the body that reviews and approves updates to the Environmental Policy.*
Environmental Management System	*Supervised by the Environmental Committee, it has a Coordinator and a specific budget for its correct performance, enabling the implementation of environmental initiatives proposed by the Environmental Team, formed by volunteers from different units, which propose, foster and promote initiatives in the environmental protection area.*

To do so, Ibercaja assumes the following commitments:

- Measure and publish its carbon footprint, establishing a reduction plan to achieve **emission neutrality.**
- Comply with the **applicable legal environmental requirements** and those other voluntarily assumed rules, adopting the necessary measures.
- Apply the **principle of pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- **Encourage** the **responsible control and consumption of resources**, and **the proper management of waste**, minimising its generation to the extent possible, favouring the circular economy throughout the value chain.
- Ensure **continuous improvement** in the system and environmental performance by establishing **environmental objectives.**
- **To raise awareness** among the **people** who make up Ibercaja, fostering a sense of environmental responsibility in their actions, disseminating good practices and involvement and participation.
- **To disseminate its Environmental Policy** and all relevant information on the actions and initiatives carried out in environmental matters among stakeholders.

The Environmental Management System (EMS) has been in place at the Bank since 2007, and it is externally certified by AENOR, which verifies compliance by the head office building with the requirements of the ISO 14001:2015 standard. As a requirement of this Standard, **the risks and opportunities** arising from the system are identified, as well as the actions to be taken for each risk. The risks include the impact of climate change on financial activity. Opportunities include those arising from the transition to a more sustainable economy: SRI drive, green finance, environmental solidarity initiatives, etc.

In 2021 AENOR conducted the **Monitoring audit** on the Bank's Environmental Management System, in which it verified the implementation of the System with respect to the specific requirements in the UNE-EN ISO 14001:2015 reference standard. The strong points are **highlighted as follows**:

- State of **order and clean** facilities.
- **Horizontal, vertical, ascending and descending** communication channels.
- **Thorough analysis** of the determination of the context of the organisation, and the interested parties and their requirements.
- The **availability, aptitude and technical preparation of all the personnel involved** in the system, implication and knowledge regarding the Bank's environmental efficiency theme and culture.
- **Internal and external environmental initiatives**, and the participation of the Bank through **inclusion** and awareness-raising through symposiums for the interested parties.
- Integration of the Environmental Management System **in the business units** and the inclusion of environmental criteria in the design of the organisation's financial products.
- **Reduction of the carbon footprint.**

- **Evaluation of EMS suppliers** with a high degree of environmental criteria.
- **Environmental actions** implemented: **100% recycled plastic** in the use of bottles, increased **percentage of sustainable products** in the consumption of office equipment, **improved recycling** in branches.

Main lines of action in 2021:

Resource management:

OPTIMISATION

The Bank has implemented initiatives aimed at ***optimising*** *the* ***consumption of resources***

One of the Bank's **objectives** is the **efficient consumption of resources** and it implements initiatives aimed at their optimisation, especially of those of importance for Ibercaja: water, energy and paper. It also places special emphasis on raising awareness regarding their correct use.

TOTAL CONSUMPTION	2019	2020	2021
Water consumption (m3)	41,451	37,028	38,934
Energy consumption (Gj)**	138,107.1	129,780.7	128,138.24
Paper consumption in Tm *	369.4	333.3	347.3

* 96% of DIN A4 paper is recycled

**The electricity consumption of the Branch Network for 2019 and 2020 has been calculated based on the electricity invoices of the different companies for the period from 1 December of the previous year to 30 November of the current year. This is because real calendar year data are not available until March of the following year. Endesa's actual bills are not available for 2021. The electricity consumption estimated for this year corresponds to the majority billing period from October 2020 to September 2021. In 2022 the information will be homogenised with previous years.

In 2021, as in previous years, in all the reforms, works and maintenance actions carried out at branches, when the facility allows it and it is necessary, the criterion of **replacing the existing lighting with LED systems** and of improving air conditioning systems with more efficient equipment, was maintained. All our measures or procedures take into account the Bank's **environmental management principles**.

In the case of paper, Ibercaja promotes actions to improve the management of paper use, managing to maintain a trend of reducing its consumption, which in 2021 was 5% compared to 2020 and 15% compared to 2019.

Circular economy and waste management

The correct segregation of waste and its selective collection is a constant commitment of the Bank, ensuring the correct destination of each type to reduce its environmental impact. The Waste Coordinator is in charge of their integral management.

Awareness-raising campaigns and training help promote the best environmental practices again awareness to minimise waste generation. In this regard, in 2021, efforts have been focused on the **continuous improvement of waste management**, highlighting the internal and external environmental awareness and information actions, aligned with important global events related to recycling and environmental education, as well as the specific training aimed at technical staff to raise awareness and training in waste prevention and management, efficient use of resources and circular economy, carried out in January 2021.

In this line, the focus has been on extending good environmental practices to the branch network. Specifically, to improve **recycling in branches**, a process has begun to implement the segregation and selective collection of the most common waste in the branches that have office areas, with specific containers for each type of waste (paper/cardboard, plastics and waste), which will continue in the coming year. Information actions accompany these actions to raise awareness and sensitise employees.

Moreover, in its firm commitment to the circular economy and environmental protection, Ibercaja has launched its **new VISA ONE and VISA CASH** cards, which are made from 95% recycled PVC.

Emissions

Ibercaja has been calculating its carbon footprint since 2016, including both Scope 1 and Scope 2 emissions and also partially indirect Scope 3 emissions, especially those generated by employees as they travel to and from work and those generated by in-house couriers while on their rounds.

COMMITMENT

The Bank's commitment to the environment is embodied in its Carbon Neutral Objective.

To extend **the measurement of Scope 3 emissions**, in 2021, the Bank conducted a preliminary analysis of the carbon footprint of emissions financed from the productive activities portfolio and the mortgage portfolio, to establish a baseline for carrying out a comprehensive analysis in 2022, based on the PCAF[4] methodology, following sectoral best practices.

To help mitigate climate change, Ibercaja Banco has a CO_2 emissions reduction plan and has set itself the target of achieving a 100% reduction of its carbon footprint (Scopes 1, 2 and partially 3) by 2030. The Plan's **base year** is the first year in which the indicator was calculated (2016), and it envisions a series of measures that will contribute globally to achieving the target.

As a final step, the organisation may consider an offsetting approach for those emissions that it has not managed to reduce in the target period.

For the calculation of CO2 emissions for Scopes 1 and 2, the emission factors used are those provided by the Spanish Ministry for the Ecological Transition and Demographic Challenge (MITECO), based on official sources. The calculation methodology of the Greenhouse Gas Protocol (GH Protocol) is used to obtain Scope 3 CO2 emissions.

[4] PCAF (Partnership for Carbon Accounting Financials) is a global carbon footprint accounting standard to measure and disclose the financed and facilitated Scope 3 emissions of financial institutions. For more information on PCAF, see: https://carbonaccountingfinancials.com/

The key indicator when monitoring the Plan is the percentage of emissions reduction achieved. Thus, total emissions (Scopes 1 and 2) amounted to 873.97 Tn CO_2 in 2021, down 32% on 2020 and 94% on the base year (2016). This reduction is mainly due to the fact that all of the electricity consumed by the Bank is 100% green energy, with a guarantee of origin.

Meanwhile, to reduce the emissions associated with the fuel consumption of the vehicles that form part of the Ibercaja Network (a total of 20 vehicles), the entire fleet of vehicles has been gradually replaced to include more sustainable vehicles bearing ECO and ZERO badges.

Also, in 2021, the Bank was awarded **the "Calculo-Reduzco"** for 2020 from the Climate Change Office of the Spanish Ministry for the Ecological Transition and Demographic Challenge (MITECO), having previously registered its carbon footprint in the Carbon Footprint, Offsetting and Absorption Project Register.

In tandem, the Bank achieved **carbon neutrality in 2020** (Scopes 1 and 2) by offsetting the direct emissions (Scope 1) that could not be reduced through the **CeroCO2** project of ECODES titled **"Conservation of the Amazons at Madre de Dios, Peru"**.

The Carbon Footprint Report, posted on the Bank's corporate website, describes the progress made towards the actions envisioned in the Emissions Reduction Plan, as well as data collection, methodology, calculation criteria and the trend in emissions taking the base year, 2016, as the yardstick.

As a further show of its commitment to sustainability, Ibercaja adhered to the **Net Zero Banking Alliance** (NZBA) in 2021, as one of the founding members, thus undertaking to become carbon neutral in relation to its loan book and investment portfolio by 2050 or earlier and aligning its targets with those of the Paris Agreement.

Awareness-raising and communication

To achieve our environmental objective and commitment, awareness-raising and communication with our employees, customers and society are **key aspects**, thus enabling us to generate a greater impact.

Annually, **environmental actions and content are planned throughout the year**, also aligned with global awareness initiatives and special days of the year devoted to environmental preservation and the fight against climate change. Dissemination is carried out through a range of Bank channels, both internal and external (Daily Information, Ibercaja Contigo App, social networks, etc.).

Highlights during the period included the staging of **Planet Week**, which ran from 18 to 24 October to coincide with **International Day against Climate Change**. The aim was to support **customers, employees and society** in achieving their commitment to sustainability. This project embodies the commitment of the entire Ibercaja Group: **Bank, Foundation and Financial Group**. Under the motto **Protecting the environment and fighting against climate change,** numerous **business events, round tables, volunteering actions**, blog posts on sustainability, competitions, eco-tips and other initiatives were organised across Spain and were widely covered in the press and media.

Various **Environmental Volunteering** actions were also carried out during 2021, open to Ibercaja employees and customers and society at large.

Sustainable Tuesdays were held from January through to June; an initiative aimed at Ibercaja Group employees and their families, and involving chats with experts on issues such as the circular economy or the Sustainable Development Goals.

Also, during the year, albeit differently due to the health crisis, Ibercaja joined the **Earth Hour** initiative at the Zaragoza central building, the Reyes Católicos building in Burgos and the Badajoz Siglo XXI building in Badajoz.

Also, the **corporate website (https://www.ibercaja.com)** includes Ibercaja's sustainability and environmental commitment in a specific section. Meanwhile, the **commercial website (https://www.ibercaja.es)** now features a blog devoted to sustainability to support and accompany our customers on the necessary path towards decarbonisation.

As part of its commitment to raising awareness and implementing the SDGs, Fundación Ibercaja unveiled its new competition, **"R7 por el planeta"**, which calls on primary, secondary and higher education students from all over Spain to create a project related to the environment.

For the first time in 2021, Fundación Ibercaja joined the **Bosque de los Zaragozanos**, an initiative organised by Zaragoza City Council, with nearly 40 collaborating entities, which seeks to plant 700,000 trees and bushes in and around Zaragoza over the coming years.

Environment Team

The Environmental Management System has an **Environment Team** comprising volunteers from various departments and areas of the Bank, all tasked with proposing, championing and taking action in the realm of environmental protection.

> **COMMITMENT**
>
> *The **Environment Team** proposes, champions and implements **environmental protection** actions.*

To reduce and optimise the use of plastic at Ibercaja, the **PLASTIC-FREE TEAM** was set up in 2019 to promote, on a voluntary basis, initiatives that encourage the use of recycled and recyclable plastic materials (card sleeves, etc.). The water bottles at the Bank's headquarters were also replaced with rPet bottles (100% recycled and recyclable), thereby transferring our environmental commitments along the value chain. Based on circularity principles, these good practices are part of Ibercaja's environmental objectives to reduce its environmental impact and champion the circular economy by promoting actions to give plastic a second life.

Training

Training is a key element at Ibercaja as we seek to convey our commitment to the environment to everyone at the Bank and give them the necessary tools to carry out their work and make ESG concerns part of their professional decision-making.

In 2021, a sustainability line was included in the **Professional Development Plan,** and the following **training activities** related to sustainability and the environment were carried out:

- **Sustainable finance**: various training sessions were carried out in different areas (risks, investment, products, reporting, etc.) within the working groups in the CECA area.
- Course on sustainability focused on **environmental protection**, available to all Bank employees through an internal platform.

Various training sessions on sustainability were also held during the year for those employees most directly involved in the management of ESG aspects. **Training was delivered to all employees** on the most relevant aspects of integrating sustainability into Ibercaja's strategy and business.

A course on the **Global Compact** was also made available to all Ibercaja employees through the Bank's platform on **the SDGs and the 2030 Agenda**.

In addition, specific training was provided for **waste managers**, including refresher training to enable them to perform their work properly.

Environmental alliances

Ibercaja, within the framework of the promotion of SDG 17 (alliances), promotes cooperation between entities and its participation in environmental initiatives and the fight against climate change.

> **COOPERATION**
>
> *Ibercaja promotes* ***cooperation among entities and*** *its participation in environmental initiatives*

In April 2021, Ibercaja became a **founding member of the Net Zero Banking Alliance (NZBA)**, an initiative of the United Nations that promotes the commitment of the banking sector worldwide to achieve carbon neutrality in respect of CO_2 emissions by 2050. Meanwhile, Ibercaja Gestión and Ibercaja Pensión signed up to the **Net Zero Asset Managers** initiative in 2021, with the commitment to achieve neutrality of their own and their portfolios' CO_2 emissions by 2050 at the latest.

This is part of **COEPLAN** (Coalition of Companies for the Planet), a Spanish initiative to promote more innovative and sustainable companies.

Ibercaja is also involved in the **Sustainable Finance Sector Working Group** to analyse and adapt to legislative proposals promoted by the European Commission in its Action Plan on Financing Sustainable Growth.

Ibercaja is part of the **#ComunidadPorElClima** initiative, to raise awareness and disseminate good environmental practices to make the planet a more sustainable place to live.

As part of the COP25, in 2019, the Bank signed the **“Collective Commitment to Climate Action”** of the Spanish financial sector, promoted by the United Nations Environment Programme Finance Initiative, and joined the commitment to measure and reduce the carbon footprint.

Smart Green. In 2020, the Ibercaja Foundation joined the Smart Green Movement, an initiative led by LG España in collaboration with the CO2 Revolution, whose objective is to plant millions of trees throughout the country. Hence the Ibercaja Foundation joined the movement that brings together major firms, citizens and institutions to combat climate change, absorbing the CO2 surplus into the atmosphere through the reforestation of trees.

6.6. Commitment to shareholders and investors

102-43, 102-44

> In our relationship with current and potential shareholders and investors, it is crucial to carry out meaningful action and provide adequate information to assess such action.

Commitments to shareholders and investors:

- **EQUALITY.** Guarantee equality between shareholders and investors regarding access to significant information on the Bank, avoiding asymmetry and ensuring maximum transparency to obtain complete, clear and true information at all times.
- **ADEQUATE DIALOGUE.** Establish adequate dialogue channels that allow them to be attended to with agility and quality in a personalised manner.
- **CONFIDENTIALITY.** In the terms envisaged, protect the confidentiality of the data that shareholders and investors may contribute.

> *The Bank continues to pledge for* ***transparency***

Stock market flotation

In 2021, the Bank made intensive **preparations** to ensure the successful completion of its **IPO**. A large part of the documentation needed to complete the process was completed. Numerous contacts were signed with investors and analysts to showcase Ibercaja's position, its strengths, and how it is tackling the challenges present within the industry. It also continued to bring its corporate governance structure in line with that expected of a listed company.

On 20 January 2022, Ibercaja announced, through a mandatory disclosure delivered to the Spanish National Securities Market Commission (CNMV), its intention to be listed on the Spanish stock exchanges by means of a secondary share offering by the Bank's majority shareholder, the Ibercaja Banking Foundation. However, because the prevailing geopolitical tensions at that time were causing high levels of volatility within the international capital markets, the Board of Directors decided on 31 January 2022 that it would be best to wait for the markets to return to relative normality before continuing with the transaction. It, therefore, continued to prepare for the IPO by drawing up the annual accounts for the year ended 31 December 2021.

The most significant milestones for investors during 2021 were:

Big improvement in asset quality ratios, well above the average for the Spanish financial sector. Ibercaja had one of the lowest NPL ratios among its peers at the end of 2021 while at the same time having one of the highest coverage ratios.

Clear improvement in the income statement, thanks to an increase in recurring revenues and especially the sharp reduction in provisions, following the efforts made in 2020. Thus, Ibercaja increased the net profit obtained in 2020 sixfold and reached a ROTE of 5.7%.

Ibercaja continued to maintain throughout 2021 one of the **highest capital ratios of the total system** and one of the highest levels of surplus capital versus ECB requirements.

This improvement in the Bank's fundamentals has led to an **improvement in the Bank's credit ratings** following a 2020, in which the rating agencies had placed under review a large part of the credit ratings of European financial institutions due to the potential impact of the pandemic.

As a result of the continuous improvement in asset quality ratios, **improved profitability and high capital adequacy ratios**, the Bank will distribute 65% of its 2021 net profits in the form of a dividend to its shareholders.

6.7 Commitment to suppliers

102-9, 102-10, 102-43, 102-44, 103-1, 103-2, 103-3

> Ibercaja has a Supplier Code of Conduct, in which it conveys its principles of responsible management, where interaction and dialogue are key aspects in ensuring a stable and enriching relationship with suppliers, based on ethics, transparency and compliance with the commitments agreed upon.

Ibercaja, in its **relations with suppliers**, insists on a **level of commitment** in line with the socially responsible practices **that comply with the Bank's Code of Ethics.**

Ibercaja has embraced the following commitments with its suppliers:

- Guaranteeing **transparency when dealing with suppliers** and impartiality and objectivity of the Bank's employees who take part in the supplier selection processes.
- Overseeing economic relationships that respect both parties' interests makes it possible to obtain the maximum quality and commitment in the products and services provided.
- Encouraging its suppliers to follow sustainable practices and guaranteeing the application of the principles of the Global Compact, complying with Ibercaja's **Code of Conduct for Suppliers**, which includes the responsible commitments that they should embrace: maximum degree of ethics in their actions, respect for human rights and labour standards, protection of the environment, fight against corruption and confidentiality and security of information.

Hence, to guarantee compliance with these socially responsible practices and favour the application of the principles of the Global Compact, Ibercaja has a **Code of Conduct of Suppliers**, which was updated in 2020.

In Ibercaja's commercial contracts with its suppliers, the latter are obliged to assume the principles of the United Nations Global Compact on Human Rights, Labour Rights, Environmental Protection and Anti-Corruption, committing themselves to Ibercaja's organisation to adopt the measures that are conducive to compliance with these principles, and to encourage third parties with whom they enter into contract to comply with them.

Likewise, suppliers are obliged to comply with and enforce, within their sphere of influence, the regulations in force at any given time regarding environmental protection, in particular waste management, establishing and maintaining a **business policy of sustainable development**, doing their best to make progress in improving their environmental practices.

In November 2019, a **new supplier management tool** was launched with a more evolved and complete website, thus enabling the **improvement and systematisation of supplier risk approval and management processes** and facilitating the Bank's relations and active listening with suppliers. Within the documentation requirements, the new portal includes **social and environmental standards** (ISO 14001, OHSAS 18001, ISO 26001) and matters relating to corporate social responsibility.

When it comes to the transparency of non-financial information, suppliers are consulted about whether they release annual information in this regard, whether they follow any international reporting standards (e.g. GRI) and whether an independent external expert verifies such information.

In 2021, **the supplier risk assessment underwent** further improvements to reinforce and enhance the existing approval process. **The most relevant suppliers were assessed**, numbering 188 (168 in 2020 and 160 in 2019) and accounting for 87% **of the total volume** (85% in 2020 and 86% in 2019) of total procurement processes. Of these, 135 (123 in 2020 and 111 in 2019) were renewed, and 52 (41 in 2020 and 48 in 2019) were approved for the first time.

Almost all positively evaluated suppliers are Spanish, and their contracts are signed pursuant to Spanish legislation. Both the evaluation of suppliers and the management of contracts are part of the purchasing procedures, comply with standardised criteria and objectives and include control mechanisms to ensure compliance with the principles set out above and the commitments made.

Administrative management of these processes is conducted electronically, expediting the arrangements for payment of invoices and reducing paper consumption.

SUPPLIERS PORTAL

*The Suppliers Portal improves **relations and ensures active listening** between the Bank and its suppliers.*

Additional features and functionalities were added to the Suppliers Portal in 2021, including the electronic signature of contracts, the consolidation of approval processes and supplier risk management, thus facilitating the Bank's relations and ensuring active listening with this stakeholder group.

Within the framework of the Entity's Environmental Management System, the supervision of suppliers assigned to it is carried out from the environmental point of view, in the corresponding external audits (AENOR) for the follow-up and/or renewal of ISO 14001, which the organisation has had since 2007.

6.8 Contribution to society

102-43, 102-44, 103-1, 103-2, 103-3, 413-1

> Our bank has always displayed a clear commitment to society. The challenge we now embrace is for our business objectives to drive sustainable development as we seek to preserve natural resources and promote a fairer and more inclusive society

The **sustainability policy** enshrines our commitments to society:

- Contributing to the **sustainable development of the territory**.
- Being sensitive to **social and environmental demands** through our financial activities.
- Promoting **financial literacy**.
- Assuming commitments in the realm of **sustainable development**.
- Raising awareness and disseminating good practices that help in the transition towards a **sustainable economy**.
- Promoting **corporate volunteering**.
- Ensuring the utmost **tax responsibility**.

This commitment to society is present in all of the Ibercaja Group's actions and is put into practice through its **financial activity** and with the involvement of its **shareholder foundations,** who, through their activity, work continuously to improve the lives of the people who need it most, to care for and protect the environment and to promote quality education and culture.

In 2021, our main lines of social action were as follows:

6.8.1 Social action

Social projects

Programmes that improve the employability of people that generate real opportunities for social and labour insertion, or that cover the basic needs of vulnerable segments or those at risk of exclusion are eligible for the **Ibercaja Call for Social Projects**, which in its sixteenth edition attracted a total of 431 projects, of which **282 initiatives** from all over Spain were ultimately selected, benefiting **154,766** people.

This call for proposals by the Foundation has been broadened through collaboration with the Bank's three other shareholder foundations: CAI Foundation in Aragon, CB Foundation in Extremadura and Cajacírculo Foundation in Castile and León.

In addition to providing direct aid to social projects, Fundación Ibercaja collaborates with third sector entities in programmes and activities that provide a specific response to the needs of certain groups such as families with limited resources, and the elderly, young people outside the education system or people with disabilities.

Here are some of the main social programmes with which Fundación Ibercaja maintained its commitment in 2021: TOPI School of Hotel Management of Fundación Picarral, Sumando Empleo of Cáritas Autonómica de Aragón, Prevention Plan of Fundación Centro Solidaridad-Proyecto Hombre, Placement Agency of Fundación DFA, and Global Torrevirreina Project with Fundación Federico Ozanam.

International Cooperation

In 2021, Fundación Ibercaja launched a new call for grants for international cooperation projects aimed at NGOs working in the fields of education, employability, health and access to drinking water and sanitation; basic pillars of action targeting individuals and communities in the most underprivileged areas of the world.

Plataforma @JuntosHacemosMás

In 2021, Fundación Ibercaja launched the new digital platform **#JuntosHacemosMás (TogetherWeDoMore)** to promote corporate social responsibility and sustainable values for the betterment of society. It allows businesses and individuals alike to collaborate on 15 **projects aligned with the 2030 Agenda and the Sustainable Development Goals**, nine of which are social action projects and six of which are aimed at education, the environment and culture.

ImPULSO Solidario

Impulso Solidario is an initiative that allows one to experience first-hand **the social commitment of Ibercaja and its Foundation.** This project aims to promote active and participatory social responsibility, in which all of us at the Bank, the Financial Group and Fundación Ibercaja can propose and vote on the social and environmental projects we wish to support, thus making us their best ambassadors. It is essentially an open call to all of us at Ibercaja who want to support worthy causes so that we can present those social projects we feel particularly concerned about and explain what they involve and why we consider it important to support them. The entire organisation is involved in the final decision by casting our votes.

The 5th edition was held during the year, in which eight winning projects were selected, two from each of the following categories: Disability, Disease, Integration and Environment.

Labour integration and diversity

Ibercaja supports the labour integration of people with disabilities to **achieve a more equal and inclusive society**. The Bank has 49 employees with some form of recognised disability. In 2021, it allocated more than 943,000 euros to hiring people with disabilities from Special Employment Centres, either for the supply of material or services, such as the CEE Fundación Juan XXIII. Donations were also made during the year to foundations that seek to **integrate people with disabilities into the labour market.**

6.8.2 Partnerships

In 2021, Ibercaja continued its intense activity of transmitting and disseminating economic, business and financial knowledge to families and companies throughout the country, with special emphasis on its traditional areas of action, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies.

In addition, **to improve accessibility to information, training and solutions offered** through these initiatives, the Bank strengthened its digital assets in this area, providing them with more content, as is the case, for example, of the **Ecosystem+ Company** platform.

Alignment of Fundación Ibercaja with the UN SDGs

Since joining the Global Compact in 2018, Fundación Ibercaja has geared its model to respond to society's challenges. The Foundation has incorporated the 2030 Agenda into its strategy, thus acquiring a double commitment. Internally, **the Foundation has aligned all its activities and programmes with the SDGs** and their corresponding targets. And externally, it has become an **agent for implementing the 2030 Agenda within society** by disseminating the SDGs and carrying out action to put them into practice.

Fundación Ibercaja has promoted activities and programmes that directly affect 15 of the 17 Sustainable Development Goals, prioritising those in which it can contribute greater value and which are aligned with its mission over the past 145 years: creating opportunities for the whole of society. Notably: SDG 3: Health and well-being; SDG 4: Quality education; SDG 8: Decent work and economic growth; SDG 10: Equal opportunities; and SDG 17: Partnerships for the goals.

6.8.3 Recognitions

In 2021, Ibercaja obtained, for the fourth year running, the **RSA + Seal in Aragón**, awarded by the Aragon Social Responsibility Board and coordinated by the Aragon Government, through the Aragon Institute for Development (IAF), in recognition of its social commitment.

To obtain this seal, Ibercaja succeeded in the following four areas, thus earning it the recognition of the Aragon Government:

- **Reconciliation of personal, family and working life**, in line with the guidelines promoted by the Equality and Family Division
- **Promoting equality** in all manner of organisations, prioritising equal opportunities and the principle of non-discrimination
- **Volunteering and social action**, fostering cooperation and stable relations between businesses and not-for-profit organisations and encouraging the use of the Cooperation Window
- Involvement of the organisations in the **promotion of culture** in Aragón by improving their relationships with the community

All the commitments derived from our responsible management of the Bank are translated into specific actions aimed at our stakeholders in order to meet their needs and expectations while favouring active listening.

6.8.4 Sponsorships

Ibercaja promotes, through its sponsorships, sports, activities for young people, culture and companies, as the best vehicle for conveying our values. In 2021, it continued to strengthen the social side of these sponsorships, endeavouring to raise awareness among the population and demonstrating that we are committed to sustainability and healthy habits.

We pursue our sponsorship strategy both internally and externally:

Internal action

We encourage employees to practise sports and healthy habits with these internal initiatives. More and more employees have been embracing this healthy lifestyle.

In 2021, due to the pandemic restrictions, we were unable to carry out our usual initiatives with employees. However, we were able to take part in the Carrera de las Empresas race organised by ESIC (Zaragoza edition), in which more than 100 employees took part, earning us a prize for being the second most involved company.

In the cultural realm, employees from the entire network were able to enjoy the new exhibitions at the Espacio Ibercaja Delicias and the new Velazquez Tech El Museo.

External action

In relation to **external action**, the aim is to improve the notoriety and rate of return that each event can deliver for the Bank, based on the following pursuits:

SPORT

The pandemic has forced many of our sporting events to be re-scheduled. Despite the new circumstances, efforts were made to continue taking part in these events. We renewed the permanent stock of materials to avoid disposable plastic by relying on more sustainable and durable materials. An example of this is the bags and banners used at sporting events, which are no longer plastic but fabric and reusable.

Key events:

- **10K Valencia Ibercaja**: despite the date change and safety restrictions, this event lost none of its spectacle. A total of 7,000 runners took part in the race, with a considerable contingent from Ibercaja. The proceeds from the charity bib were

- **Ibercaja City of Zaragoza trophies**: we renewed the sponsorship agreement for a programme, managed by Zaragoza Deporte Municipal, involving different sports disciplines. With this programme, we grant visibility to all kinds of sports, including those that are more marginal or have fewer opportunities to attract funds for their activities.

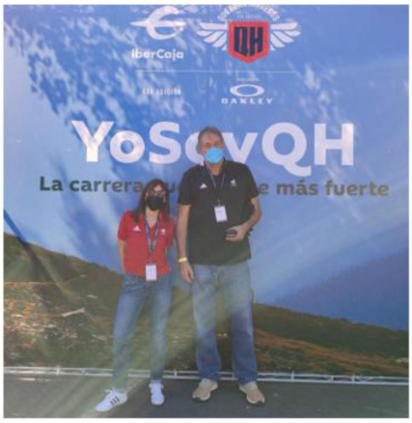
- **Madrid marathon, half marathon and 10K**: Following its 2020 hiatus, the Madrid event took place in September with a great response from the public amidst strict security and health measures. We also attended the runner's fair at IFEMA, EXPODEPOR, to install a large banner with the current MAdrileÑOS campaign, which had a great impact and was used as an improvised photocall by those attending the fair.

Expodepor

Salida del Maratón 2021

- **Quebrantahuesos**: This was the first major cyclotourism event to take place following the 2020 hiatus. Although the change of date and the inclement weather meant that the turnout was much lower than in pre-pandemic times, it did not prevent the event from being equally spectacular and widely followed by the public. The live broadcast of the race gave us considerable brand awareness. Unlike other years, we did not install a hospitality stand at the EXPO area (restricted on this occasion to participants only). Instead, we installed a large photocall at the entrance that proved to a very popular among visitors, many of whom took a selfie or photo there.

Corte de cinta Quebrantahuesos 2021



Photocall Ibercaja en QH21

- **Sponsorships of sporting entities**: Ibercaja, aware of the difficulties that many sports organisations and entities are enduring due to COVID-19, has made a clear commitment to stand by their side to help them overcome the situation and strengthen mutual trust. Therefore, we renewed our commitments with numerous sports federations, clubs, and associations during the year and continued to focus on lower categories and schools. Hence, we help to continue promoting sports among youngsters, ensuring that they acquire healthy habits from a very young age and taking advantage of the digital environment.
- **Sponsorship of Sports Games for Schoolchildren (Aragón Government)**: we remain firmly committed to school sport through our agreement with the Directorate General for Sport, which we renewed in 2021 for a further two years.

YOUNG PEOPLE

We continue to honour Ibercaja's historical commitment to the **European Youth Card** by sponsoring the Aragón and Extremadura programmes

CULTURE

Ibercaja collaborates in disseminating culture through involvement in events and its ticketing service, consolidating itself as the leading company in ticket sales in Aragón.

The numerous cancellations of events during the year forced the music and entertainment industry to reinvent itself in response to COVID-19 regulations. Accordingly, Ibercaja has wanted to be at the side of promoters, sites, artists and spectators to help them continue their task. The main lines of action were:

- **Sponsorship of Espacio Ibercaja Delicias**: a new venue in Madrid hosting numerous forms of family entertainment. Thanks to this agreement, Ibercaja has made itself a reference in the leisure industry and has obtained special promotions and discounts for customers and employees for the events held at the venue.

- **Velazquez Tech el Museo**: Ibercaja is sponsoring an innovative technological exhibition on the Meninas in a new space created in Madrid. Thanks to the agreement, various groups related to Ibercaja, in addition to employees, have benefited from tickets or discounts to enjoy this experience.

6.8.5 Volunteering

The Ibercaja Group promotes corporate **volunteering** among its active and retired employees through participation in solidarity activities that contribute to the development of people while helping to protect the environment. It is a programme that seeks to motivate employees to contribute to equal opportunities in society, improve the quality of life of people, preserve the natural environment or promote social cohesion and development through its own initiatives or in collaboration with other institutions and entities.

> **VOLUNTEERING AT IBERCAJA**
>
> *Volunteering is characterised by the fact that it always adapts to each moment, responding to emerging needs and then moving elsewhere when these are covered.*

Ibercaja Volunteering has also responded to this need to adapt generated by the pandemic. After suspending the face-to-face activities envisaged, activities were sought that responded to two assumptions: **guaranteeing the safety of volunteers** and users and **responding to the needs of the pandemic**. Gradually, physical presence has been recovered when the situation has allowed it, as was the case with Company Solidarity Day, organised in collaboration with Cooperación Internacional, or with the Great Food Collection, an initiative promoted by the Spanish Federation of Food Banks.

The programme to support young people and improve their job prospects continued throughout 2021 alongside Fundación Princesa de Girona. This initiative was launched in late 2020 and is an opportunity for volunteers to mentor young people by drawing on their experience, knowledge and talent.

Various volunteering and awareness-raising actions were also carried out in 2021 alongside Fundación Oxígeno to help protect the environment. Workshops held in more than 10 Spanish cities, involving not only Ibercaja employees and their families but also anyone else interested in the activity. During the workshops, numerous activities took place: collecting rubbish and plastic waste in public spaces, creating and placement of nesting boxes, and interpreting the natural environment.

6.8.6 Financial literacy and other educational programmes

The **Financial Literacy** Programme entered its eighth edition in 2021, having become an ideal complement to augment the financial culture of the public, with basic finance workshops and days for schoolchildren and activities for the general public. Managed by Fundación Ibercaja, the programme has, since 2013, fulfilled Ibercaja Banco's commitment to the **National Financial Literacy Plan**, led by the Bank of Spain and the Spanish National Securities Market Commission (CNMV), to promote basic financial literacy among all citizens.

> **OBJECTIVE**
>
> *The aim is to promote **basic financial literacy** for all citizens*.

Ibercaja's Financial Literacy Programme aims to bring financial culture closer to the whole of society by adapting content and format to each target audience.

Every year, the first week of October is **Financial Literacy Week**, which in 2021 focused on **sustainable finance**. Ibercaja has been working on this for some time as a financial institution, and the Ibercaja Foundation plays a central role in raising awareness of the possibilities that sustainability can offer businesses.

Other highlight educational programmes in the year included:

Educate for the Future

"Educate for the future" is Fundación Ibercaja's programme for educational innovation. Aimed at the entire educational community, especially **teachers and families**, it seeks to respond to changing needs in the world of education through the work of nationally and internationally recognised professionals. This year it celebrated its tenth anniversary. This edition was clearly affected by the COVID-19 pandemic and was planned from the outset as a remote event to ensure compliance with the health protocols in place while also reaching out to as many beneficiaries as possible. All the activities were free of charge and were streamed on Fundación Ibercaja's YouTube channel. A total of 30 speakers took part in this edition, which has received more than 9,000 views.

Schools 2030 – Rescuers of the Planet

Fundación Ibercaja launched this new project in 2021 in collaboration with Santillana as part of its commitment to **implement the Sustainable Development Goals**. The initiative is aimed at secondary school students to work on the SDGs and the 2030 Agenda in a cross-cutting manner and in different areas. The chosen methodology is service-learning, in which students acquire knowledge through experiences linked to work carried out for the community.

Another outstanding educational programme was **Aprendiendo a Emprender**, to help 5th and 6th-grade primary school children understand how the entrepreneurial world works from school by fostering their entrepreneurial spirit, autonomy and personal initiative. **Didactic programmes** were also carried out to complement the curricular content in an entertaining way as a further resource for teachers.

6.8.7 Sustainable mobility: Mobility City

Mobility City is a strategic initiative of the Ibercaja Foundation, backed by the Aragón Regional Government, which aims to place Zaragoza and Aragón at the forefront of the new mobility and the transformation of associated sectors and industries with the collaboration of institutions and companies that are a benchmark for our economy.

OBJECTIVE

*We aspire to **place Zaragoza and Aragón** at the **forefront of new mobility** and the transformation of the industries and associated sectors.*

In 2021, Mobility City continued to extend its portfolio of partners and members involved in the project. During the year, several **collaboration agreements** were signed with the Spanish Spinal Cord Injury Study Association (AESLEME), Fundación ONCE, ALIA Asociación Logística Innovadora de Aragón, Fundación EDUCATRAFIC, Centro Español de Logística and Asociación de Colegios Profesionales de Aragón, in addition to the more than 50 members already involved in the initiative.

The purpose of all these memberships is the **joint development of projects and initiatives linked to innovation, entrepreneurship, and society's dissemination and awareness in response to the challenge of new sustainable and connected mobility.**

The **Mobility City Academic Chair**, created in late 2018 by Fundación Ibercaja and Saragossa University, focused its activity during the year on the realm of **mobile and wireless communication**, related to the concept of the connected vehicle, sustainable urban mobility and intelligent transport systems, together with mobility and modelling of the social behaviour of the leading players involved.

Fundación Ibercaja also continued its collaboration with the **“Mobility Experience” Academic Chair**, in collaboration with Universidad de San Jorge, to carry out teaching, research, knowledge generation, diffusion and the transfer of technology in relation to sustainability mobility.

Various were held in 2021, including **Mobility and Automotion Night**, alongside Faconauto, Sernauto and Anfac, where the first **"Impulso Awards for Innovation in Sustainable Mobility"** were presented.

Sustainable Mobility Observatory. Forum to analyse the report’s findings into the challenges and trends of the mobility sector in Spain, based on the opinions of the main business leaders and managers in the automotive, energy, telecommunications, leasing, insurance and infrastructure industries.

VI Meeting of Cities. The Directorate General of Traffic (DGT), the Spanish Federation of Municipalities and Provinces (FEMP) and Zaragoza City Council organised the 6th Meeting of Cities for Road Safety and Sustainable Mobility, in collaboration with Fundación Ibercaja. Under the slogan "Cities 2030", the forum explored mobility and urban road safety to disseminate, promote, and encourage good practices and experiences in road safety and sustainable mobility.

6.8.8 Development of territories and digitalisation

Business shareholdings

Ibercaja holds **business holdings** in various sectors: **tourism, real estate, media, infrastructure, renewable energy, services and other.** Investment in investees aims to support the production fabric, preferably SMEs, in projects that contribute to creating wealth and jobs in areas in which the Bank operates. Hence, the economic benefit that may be provided to the Bank is added to the social advantages. Ibercaja encourages investments in sustainable projects with environmental value and in those companies with high levels of corporate social responsibility.

Network of centres

Fundación Ibercaja is open to the public through its different cultural centres, which are a sounding board for their proposals and a visible face for the people who make it possible to carry out social projects everywhere the entity is present. In addition to structuring the territory, these spaces are a boost for the cultural activity of cities and regions.

The Ibercaja Foundation centres constitute an open window to public participation where coexistence is encouraged, new social relations are woven, and **art, science and culture are made available to all**. At the same time, local entities and any person with concerns find in them perfectly equipped facilities in which to develop their own activities, such as cycles, courses, workshops or exhibitions, with the help and collaboration of an expert team of professionals.

Digital services

Ibercaja Orienta

Ibercaja Orienta is a digital service for vocational and academic guidance so that young people, parents and educators have all the information they need to make the right choice. In 2021, the series of videoconference titled "Deciding the future. Information, the key to decision-making" discussed topics such as the new university degrees, vocational training pathways, and the labour market and training options.

Ibercaja Aula en Red

The Aula en Red programme offers digital activities, didactic resources, programmes, and applications to enhance the work of teachers and students in the classroom. Three **mobility programmes** were carried out throughout 2021: "Ponle freno", "Sustainable urban mobility", and "Accidents can be avoided"

Ibercaja Digital Challenge

The Ibercaja Digital Challenge Programme commenced at the end of 2017 to reduce the digital divide between generations and extend technological literacy to all layers of society. The programme includes courses and workshops that meet the training needs of different age groups and other social actors in subjects as diverse as the use of the computer and new digital tools, the creation of video games and applications, the use of social networks to improve business results or technology as an educational tool.

YouTube channel of Fundación Ibercaja

Throughout the year, Fundación Ibercaja's YouTube channel established itself as a valuable platform within the organisation for offering digital conferences, workshops and talks. In early 2021, the pandemic meant that all events were broadcast solely via this channel. Right now, the channel allows multiple activities to be carried out in a hybrid format, both in person and online. Throughout 2021, the channel offered 155 new videos and attracted more than 370,000 views.

6.8.9 Employment and companies

Ibercaja Campus

The Ibercaja Campus, located in the Cogullada Monastery, is a place for meeting, networking, talent and adding value for the businesses and professionals located along the Ebro Valley, who are the end beneficiaries of the very best programmes in lifelong learning and development. The main aim is to **promote the economic and social development of our territory** by driving cultural change towards a more sustainable breed of company throughout the value chain, **aligning the various courses and training to the SDGs of the 2030 Agenda.** The campus carries out all of its work through collaborative management by means of alliances with institutions, entities, companies and professionals, to offer training programmes and services that generate improved economic and social results.

Entrepreneurship

It was a year of change with respect to the entrepreneurship model. The Emplea-t programme was transformed into **Ibercaja Emprende**, as part of the collaboration between Ibercaja Banco and Fundación Ibercaja, forming part of Ecosistema más empresa. The main difference has been the shift from a local programme to a nationwide programme that focuses on acceleration and the relationship between company and start-up. It has two main programmes: **"Entrepreneurial immersion"**, in which 60 people took part, to help entrepreneurs take their first steps and enable the acquisition of resources and knowledge, and **"Dare to jump"**, which focuses on ideas related to the company of 2025 and its commitment to innovation, digitalisation, cultural transformation, sustainability, diversity and entrepreneurship.

For the first time in 2021, various entrepreneurial activities were carried out. The Group continued to collaborate with the city council through Fundación Zaragoza Ciudad del Conocimiento and with the government through Fundación Aragón Emprende. In both cases, the aim was to work together to position Zaragoza and Aragon as benchmarks in entrepreneurship.

Ecosistema más Empresa

This initiative between Ibercaja and Fundación Ibercaja seeks to **promote innovation within companies**. It is a point of meeting and interaction between entrepreneurs, professionals and managers from both start-ups and large companies whose aim is to create a more innovative and active business environment based on the premise that knowledge sharing and collaboration help companies go further.

6.8.10 Culture

The objective of Ibercaja and Fundación Ibercaja is to promote culture across all territories.

The main cultural projects carried out in 2021 were as follows:

Goya Museum and commemoration of the 275th anniversary of Goya's birth

The Goya Museum is helping to showcase Goya's genius throughout Aragon, Spain and indeed the world. The **275th anniversary of the birth of Francisco de Goya was commemorated in a unique way in 2021 in the form of concerts, exhibitions and a series of conferences in which his person and his work were the common theme.**

Temporary exhibitions

"Picasso. Diario Intimo". This exhibition, organised for the first time in two venues —the Goya Museum and Patio de la Infanta— displayed more than 130 works by the painter, including the complete Vollard Suite, exhibited for the first time in Aragon. This exhibition also delved into how Goya influenced Picasso's work, both of them geniuses who cultivated all artistic genres and were the two best engravers in the history of art. Nearly 18,000 people visited the exhibition at its two venues between 6 October and 31 December.

"La estela de Corrado Giaquinto, de González Velazquez y Bayeu a Goya". This exhibition offered an insight into a few decades of the 18th century that explain the great mystery of Goya and show the influence of Corrado Giaquinto on the finest Spanish artists of the era. The exhibition attracted 15,506 visitors and ran from 24 June to 26 September at the Goya Museum.

"Semejanzas. Pepe Cerdá". This exhibition showcased two of the main themes the Aragonese artist has worked on in recent years: landscape and portraiture, focusing on health workers during the pandemic. 12,629 people visited the exhibition between 18 February and 17 June.

Friends of the Museum Network

The **Friends of the Museum** programme continues to add members to this select club of people committed to the culture and art of Aragon through the region's leading museum, the Goya Museum. Members enjoy benefits, discounts and advantages and take pride in contributing to the preservation and dissemination of the museum and its collection.

Transfer/incorporation of works

The **Goya Museum's exhibition catalogue** has been further enhanced with 19 works that are now part of its permanent collection. Some of them are the first known work signed by Francisco de Goya, "Virgen del Pilar con Santiago y uno de los convertidos zaragozanos", "San Cristóbal" or "Dios Padre y el Espíritu Santo", also by the Aragonese genius; "El dios Vulcano", by Francisco Bayeu; "Aparición de la Virgen a San Felipe Neri", by Corrado Giaquinto; "La oración en el Huerto", by Antonio González Velázquez; "Santa María Magdalena", by Francisco Preciado de la Vega; "Retrato de la marquesa de Luján", by Pedro Kuntz y Valentini; "Fiesta de disfraces", by Emilio Sala and "Odalisca", by Francisco Pradilla, among others.

Ibercaja Patio de la Infanta

The exhibition and congress centre of Fundación Ibercaja, Ibercaja Patio de la Infanta, is a **space open to citizens, organisations and companies** interested in culture and knowledge. Inside is the courtyard that gives its name to the space, a jewel of the Zaragoza Renaissance recovered by Ibercaja for Zaragoza in 1980.

Permanent exhibition titled "Tapices para el Patio de la Infanta"

The exhibition, which opened on 10 December 2020, displays a carefully curated selection of mythological and religious tapestries from the Fundación Ibercaja collection. The quality and colour of the cloths on display, and the variety of themes, immerse visitors into the splendour of centuries past.

Cycles of conferences

Various cycles of conferences were held in 2021, including **"Book Tuesdays"**, in which more than 20,000 people took part in both online and face-to-face formats. This cycle brings the general public closer to the new literature being penned by the most prestigious authors in Spain. These meetings also encourage reading, reflection, and critical thinking in close dialogue with journalists.

"Aragón en la historia de España". Organised in partnership with the Royal Academy of History and the Fernando el Católico Institution, this cycle —organised for the first time by Fundación Ibercaja though definitely set to continue— allows participants to discover and reflect on the roots of Aragon and its rich cultural and historical heritage.

"Félix de Azara, el aragonés que se adelantó a Darwin" This cycle, held on the occasion of the 200th anniversary of the death of this multi-talented man from Alto Aragon, featured leading experts to talk about the genius of this military man, engineer, explorer, cartographer, anthropologist and outstanding naturalist of the Enlightenment.

Other notable cycles included: **"Un Aragón de Novela"**, **"Picasso: Historia, vida y obra"** and **"Retos para el futuro"**.

6.8.11 Tax information

201-4, 103-1, 103-2, 103-3, 207-1, 207-2, 207-3, 207-4

The Ibercaja Group reported a **pre-tax profit of 214,773 thousand euros in the period (53,470 thousand euros in 2020 and 128,637 thousand euros in 2019).** Income tax amounted to 63,789 thousand euros (29,868 thousand euros in 2020 and 44,648 thousand euros in 2019)

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form **a Corporate Income Tax Consolidated Group** (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included, and therefore, corporate income tax is assessed on a consolidated basis.

As a result of the securities exchange, in July 2013, Ibercaja Banco acquired control over Banco Grupo Cajatres from the tax period starting 1 January 2014; Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11), which includes all qualifying group companies which have voluntarily agreed to join.

The Group and its companies are subject to inspection by the tax authorities for corporate income tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2017 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the corporation tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value-added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Meanwhile, in relation to the corporate income tax of the tax consolidation group of Banco Grupo Cajatres (a company absorbed by Ibercaja Banco in 2013) and of several of its companies, in July 2020, notification was received of the start of inspection proceedings in respect of supplementary tax returns and requests for rectification filed for the years 2011 to 2013; proceedings which remain in progress.

Due to possible different interpretations of the applicable tax regulations, certain tax contingencies may not be quantified objectively. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities, they will not significantly affect the financial position and the results obtained by the Group.

In 2021, the Bank's Board of Directors approved, at a meeting held on 29 April, the Ibercaja Group's Corporate **Tax Policy**, which sets out the fundamental principles and guidelines that will govern Ibercaja's tax strategy in accordance with applicable regulations and best tax practices. The policy clearly states that promoting a suitable compliance culture is one of the Bank's core values. Consequently, all tax-related actions must comply fully with applicable laws and regulations.

When it comes to tax governance, it states that the **Audit and Compliance Committee** is responsible for ensuring due compliance with the policy, reporting to the Board of Directors, and that the Regulatory Compliance Department will be responsible for periodically monitoring compliance with all applicable procedures in this regard.

Under the terms of the Tax Policy, the Bank's tax compliance risk profile is low.

Thus, the **Annual Operating Plan of the Regulatory Compliance Department** states that the department's remit includes the definition and supervision of the internal control framework in the realm of tax compliance, as well as the review of the existence of procedures and the identification of control milestones for compliance with applicable tax legislation, in collaboration with Tax Advisory. It likewise establishes that the conclusions of the reviews carried out, as well as any proposals for improvement that may be issued, shall be included in the periodic reports that the Regulatory Compliance Department submits to the Global Risk Committee and to the Audit and Compliance Committee.

In fulfilling these duties, the Regulatory Compliance Department, in collaboration with Tax Advisory, has drawn up a **risk map** of potential non-compliance with tax obligations, taking into account the nature and activities of the Bank. This map has been the basis for establishing a tax risk matrix while at the same time prescribing the priority areas for supervision and control.

Also, in 2021, we **sought to disseminate and raise awareness of new tax developments and culture** through a multitude of talks and webinars, in collaboration with professional firms, trade associations (notaries, pharmacists, dentists, surveyors, etc.) or business organisations such as the CEOE Guadalajara, on different subjects such as employment plans, family-owned businesses, year-end tax recommendations or protected assets for people with disabilities, many which have been posted on social networks along with other useful articles on taxation.

In 2021, Ibercaja again joined the **"Empresa Solidaria"** initiative, thus allocating 0.7% of its corporate income tax to social pursuits. These funds help finance government programmes to move towards a more egalitarian, inclusive and just society and support the achievement of the Sustainable Development Goals of the United Nations 2030 Agenda.

Ibercaja Banco and the Group companies did not receive any public subsidies or aid during the year.

6.9 Human Rights

102-16, 102-17, 103-1, 103-2, 103-3

Ibercaja is firmly committed to respecting human rights, and its sustainability policy expressly states this. This principle extends to the entire Ibercaja Group and its team.

For Ibercaja, doing business responsibly while respecting and promoting human rights is an essential aspect of its business and principles. Our activities are carried out at all times in strict accordance with prevailing legislation and in compliance with international standards. The Bank is always mindful of the UN Universal Declaration of Human Rights and has been a **member of the United Nations Global Compact** since 2006, so that its activities are carried out in accordance with the principles set out in this initiative, which promote and defend respect for human rights by companies.

One of the guiding principles of the **Ibercaja Sustainability Policy** approved in 2020 by the Board of Directors is the defence of human rights, which covers the entire Ibercaja Group and all of its members. This is also reflected in the Bank's **Code of Ethics**, as a key element that reinforces the corporate culture and ethical approach when managing the Bank and its subsidiaries.

The Bank has set up a ***reporting channel (ethics channel)*** *to report any Code breach. The corporate website www.ibercaja.com also includes a* ***CSR email address*** *(rsc@ibercaja.es) available to anyone who wishes to contact the Bank.*

In 2019 Ibercaja signed up to the **Principles for Responsible Banking**. Under the auspices of the United Nations, these principles aim to provide a framework for sustainable finance and to support the financial sector in demonstrating its contribution to society. The implementation guides expressly mention the desirability of making the **Guiding Principles on Business and Human Rights** part of responsible Banking Principles.

Ibercaja also promotes respect for human rights, **in line with the SDGs of the 2030 Agenda**, conveying this commitment to the people, companies and institutions with which it relates, incorporating the defence of these rights in investment and project financing decisions, and in its relations with customers and suppliers. In the specific case of suppliers, the Bank has a **Supplier Code of Conduct** that sets out the values that are encouraged for responsible procurement, many of which are related to human rights. This Supplier Code of Conduct must be ratified by any supplier looking to work with the Bank, thus embracing the commitments that the Bank upholds.

In 2021, the Bank was not involved in any incidents involving human rights abuses.

6.10 Anti-corruption and bribery

102-16, 103-1, 103-2, 103-3

6.10.1 Measures to combat corruption and bribery

> *Ibercaja promotes a culture based on the principle of "Zero Tolerance" of illegal acts, encouraging ethical and responsible behaviour among everyone from within the organisation.*

The Bank has a **criminal risk prevention system** in place, which seeks to minimise the risk of any organisation member engaging in potentially unlawful activities. The system has express policies and procedures in place to avoid corruption and bribery within the businesses, which are understood to be the offer, promise, request or acceptance of an unjustified benefit or advantage of any nature as compensation for unduly favouring others in commercial relationships.

To establish the crime prevention system within the Bank:

i) All activities carried out by the Bank that carry a criminal risk (including corruption and bribery) have been identified;

ii) The Bank's most relevant **policies, manuals and controls** have been reviewed and identified;

iii) **Suitable adjustments** have been made to manuals, procedures and controls to promote the effective prevention of criminal risks, as well as the proper custody of the evidence supporting the controls;

iv) A **specific committee** ("Control Body") has been set up and tasked with the implementation, monitoring and updating of the Bank's criminal risk prevention model. The Audit and Compliance Committee of the Board of Directors is also regularly informed of the system's functioning.

v) The criminal risk prevention model is reviewed as part of the **internal audit** processes;

vi) A training and awareness-raising plan for employees on criminal risks, including corruption and bribery, has been put in place;

vii) A **process has been established for notifying** possible breaches or instances of misconduct, enabling the Bank to be aware and react to any unlawful situation (whistleblowing channel);

viii) The Bank has a **disciplinary procedure** in the event of non-compliance with the obligations required of employees, with the HR and People Department responsible for pursuing disciplinary proceedings based on the findings of any investigations carried out by Internal Audit.

The crime prevention system is set out in a manual that consists of **two parts**:

- **General Part**

  This part defines the structure of the organisational model, supervision, verification, monitoring and general procedures and controls that the Entity has in place to prevent the commission of criminal risks that being susceptible to generate criminal liability for legal persons under the Criminal Code, may hypothetically occur due to the activities carried out by the Bank.

- **Special Part**

  This part details each of the criminal risks identified through a series of appendices; one for each type or group of offence (e.g. money laundering offences, business corruption, stock exchange offences, tax offences, subsidy fraud, etc.). The list of criminal risks identified in the Special Part does not imply that the materialisation of such risks has been detected, but rather that they are identified as activities carried out by the Entity that are connected with conduct which, if it were to occur, could constitute a criminal offence.

The criminal risk control system is based on the **three lines of the prevention model in risk management**:

- The **first line of prevention** is the business units, which assume "ownership" of the risk and understand and manage the risks they are exposed to in the course of their activities.

- The **second line** is the internal control framework, which aims to ensure adequate risk control, prudent business conduct, reliability of information (financial and non-financial) and compliance with the Bank's internal regulations, policies and procedures. The risk control and compliance functions are found within this second line of defence.

- The **third risk prevention and management line** is the internal audit function. Within the scope of their respective activities and functions, all of them must ensure adequate risk management in general and criminal legal risk in particular.

> **OBJECTIVE**
>
> *Promote a culture of preventive compliance based on the principle of* ***zero tolerance*** *of unlawful conduct and wrongdoing*

Thus, the system is based on and constitutes a formal statement of the intention of the Board of Directors and senior management of the Bank to establish and uphold, as one of its basic values, that the actions of all members of the organisation shall always comply with the legal system in general and with criminal law, in particular, by fostering a culture of preventive compliance, based on the principle of **zero tolerance** of the unlawful acts (including bribery), and promoting ethical and responsible conduct. This commitment is also enshrined in Ibercaja's **Code of Ethics**, as approved by the Board of Directors.

All of Ibercaja *Banco's current workforce has* ***received training in criminal risk prevention, including the offences of corruption and bribery.***

6.10.2 Measures to combat money laundering

During the year, 204 files were opened to analyse transactions suspected of being related to money laundering or the financing of terrorism. SEPBLAC was informed of 121 cases where specific analysis suggested there was evidence to be further examined.

Ibercaja Banco qualifies as a **covered person** under anti-money laundering and counter-terrorism financing (AML/CTF) regulations. It must, therefore, apply adequate measures to prevent the Bank from being used for this purpose. To this end, it has adequate internal control and communication procedures and bodies to uncover, impede, and prevent the carrying out of transactions related to money laundering or the financing of terrorist activities.

The structure and content of these procedures and bodies, which are described in the corresponding manuals, meet the **principles of swiftness, security, efficiency, quality and coordination**, both in the internal transmission of relevant information and in the analysis and reporting to the competent authorities of such information pursuant to applicable law and regulations on the prevention of suspicious transactions.

A basic pillar of the AML/CTF system are the due diligence measures referred to in Law 10/2010 and the provisions of Royal Decree 304/2014 that implement it: identification of the customer and their beneficial owner and information on their economic activities and on the source of the funds that the customer wishes the Bank to deal with or handle.

Consequently, and in line with the risk prevention and management model based on **three lines of risk defence in place at the Bank**, the first filter of the AML/CTF system is the establishment of the relationship with customers, and this relationship is the responsibility of the Branch Network and business units, which act as the **first line** of defence against the risk of money laundering and the financing of terrorism.

In the **second line** of defence, aside from the risk control function, there is the regulatory compliance function performed by the Regulatory Compliance Department, which includes the AML/CTF Unit, which, as a technical unit specialised in this field, has an essential (although not exclusive) role in the application, supervision and monitoring of the internal procedures established by AML/CTF, with the Internal Audit Department assuming the functions of the **third line** of defence.

Such AML/CTF procedures and measures are applied with a risk-based approach. In cases where there is a greater risk that the Bank may be used for money laundering or terrorist financing, these measures are applied with a greater degree of intensity.

6.10.3 Contributions to foundations and not-for-profit entities

To the extent that contributions of economic nature by the Bank to foundations and not-for-profit entities are made through accounts held in Ibercaja, the entities benefiting from these contributions are subject to the same **controls for the prevention of money laundering and financing of terrorism** as other customers. In addition, given that due to their very nature, such entities are categorised as medium risk customers, in addition to the application of due diligence measures that are carried out in each customer registration or monitoring of the business relationship (e.g. check against blacklists), the Bank adopts additional control measures for the adequate management of the risk of money laundering or financing of terrorism.

6.11. Implementation of the Principles for Responsible Banking – UNEP-FI

102-15, 102-16, 102-30, 102-31, 201-2

In November 2019, Ibercaja signed up to the **United Nations Principles for Responsible Banking**, thus becoming part of a global coalition of banks whose aim is to promote and encourage the sustainable development of the economy, aligning the actions of banks with the achievement of the Sustainable Development Goals and the Paris Agreement on climate change.

By signing these Principles, **we are committed to promoting sustainability in our business**, aligning our strategy with long-term objectives that enable economic growth and address and help respond to social and environmental challenges, as we identify our greatest potential contribution.

Among the commitments we have made is to report on the Bank's progress in implementing the Principles. The 2020 Management Report included the first report following the signing of these Principles, as per the model established by UNEP-FI. In this Management Report 2021, we present the second report in which we transparently discuss the progress made in the second year of their implementation.

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO THE BANK'S FULL RESPONSE/ RELEVANT INFORMATION
Principle 1: Alignment **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and, where relevant, the technologies financed across the main geographies in which your bank has operations or provides products and services.	Ibercaja Banco is a nationwide banking institution specialised in retail and business banking and whose objective it is to generate value for its customers, shareholders and society in general, guided by its Corporate purpose: "**Helping people build their life story because it will be our story**" It upholds its traditional **social and territorial commitments** as it seeks to maximise the rewards for its shareholder foundations: Fundación Bancaria Ibercaja (88.04% of share capital), Fundación Caja Inmaculada (4.73%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.33%). It carries on all its business in Spain, and its corporate purpose is to carry out all manner of activities, transactions, acts, contracts and services related to the banking business in general. The Bank is the head of a group of subsidiaries, the most important of which are those of the Financial Group, comprising companies specialising in unit trusts, savings and pension plans, insurance banking and leasing/renting. The Ibercaja Group, with a balance of 58,631 million euros, is the ninth largest in terms of asset volume in the Spanish banking system. Its **universal banking business model** focuses on the **retail market**, above all on individuals and small and medium-sized enterprises. At the national level, the Group has a market share of 2.4% in lending to households and non-financial corporations, 3.6% in the individual house purchases segment, and 2.7% in household and corporate deposits[1]. The Bank is a leader in its traditional area of operation (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where 61% of its customers are concentrated and where it obtains 60% of its retail turnover. It has an important	See chapter 4 of this report See GRI indicators: 102-1 102-2 102-3 102-4 102-6 102-7

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	As shown in its **Sustainability Policy**, Ibercaja firmly believes that its plans and actions should help ensure well-balanced economic growth, social cohesion and environmental protection, pursuant to its Corporate Purpose. For this reason, the **Bank is firmly committed to the Sustainable Development Goals of the 2030 Agenda, and it is a signatory of the United Nations Principles for Responsible Banking** Ibercaja carried out a **materiality analysis of the SDGs to detect** those where it has the greatest capacity to expand its impact and launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. As a result, 7 SDGs have been prioritised to focus on their progress and align their business strategy: 3,4,5,8,9,13 and 17. The Bank is also aligned with the objectives of the Paris Agreements and is a signatory to the Spanish financial sector's **Collective Commitment to Climate Action** and of the **Net Zero Banking Alliance.** Therefore, it is continuing to analyse the carbon footprint of its portfolio and reduce the climate impact of its financial activity. The Bank has launched its **New 2021-2023 Strategic Plan**, which includes a horizontal enabling initiative titled **IN02 Purpose and Sustainability,** with the aim of ***"creating a corporate culture aligned with our Purpose and helping to achieve a better world by making sustainability part of the business (risks and opportunities) and our way of banking".*** This initiative envisions the following lines of work: • **MANAGEMENT OF ESG RISKS**: integrate **ESG risks** into the traditional risk analysis. In 2021, further progress was made on climate risks, with the development of an action plan for their management and communication. • **ESG BUSINESS STRATEGY**: Definition of a **sustainable business strategy (financing and investment)**, which takes into account the needs of our customers, society and the planet, helping our stakeholders as they make the necessary transition towards a sustainable economy. New ESG products, both investment and financing, were added in 2021.	See chapter 6.1. of this report See chapter 6.2. of this report See chapters 6.1 and 6.5 of this report See chapters 4.5 and 6.1 of this report See chapters 6.1, 6.12 and 7 of this report See chapter 6.3. of this

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
	• **COMMUNICATION AND IMPACT**: **Communication and awareness** among all our stakeholders (employees, customers, society, suppliers, shareholders) as we support and accompany them along this path.	See chapters 6.4, 6.5 and 6.14 of this report
	• **TRAINING: Training** in sustainability for everyone at Ibercaja, providing them with the necessary tools and knowledge for this new context to help and support our customers. In 2021, a sustainability strand was included in the Professional Development Plan.	See chapters 6.1, 6.3, 6.5, 6.12 and 7 of this report
	• **OUR FOOTPRINT**: **identification and development of synergies with our shareholder foundations**. Joint development of sustainable and environmental projects; financial literacy, volunteering: sustainability training.	
	Ibercaja focuses **on climate change, financial inclusion and the promotion of diversity while also concentrating on gender equality and access to the labour market for people with disabilities.** Thus, as part of its **FRC (family-responsible company) Plan**, the Bank has launched the **LiderA Plan**, to help get more women into management positions by improving their aspirations and flexibility aided by the support of mentors and ambassadors, and through accurate measurement and precise targeting to ensure progress.	
	Ibercaja carries out **extensive social action** through its own programmes and its shareholder Foundations.	
	Ibercaja's position when it comes to environmental protection is embodied in:	
	– The development of **specific products** to facilitate the transition towards a more sustainable economy.	
	– An **Environmental Management System** that minimises its negative environmental impacts and disseminates this commitment among its stakeholders.	
	– The signing of the **Net Zero Banking Alliance** to achieve decarbonisation of our portfolios by 2050.	
	– **Environmental actions** (planting trees to offset the carbon footprint and environmental volunteering	

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
Principle 2: Impact and target setting		
We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services To this end, we will set and publish targets where we can have the most significant impacts.		
2.1 Impact analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements: a. **Scope:** The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis b. **Scale of exposure:** In identifying its areas of the most significant impact, the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c. **Context & relevance:** Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.	In order to achieve sustainable development for all so as to promote a fairer, more inclusive and environmentally friendly society, it is essential to take into account social, environmental and good governance aspects within the business. Since its origins, **Ibercaja has always been an institution with a clear social calling, contributing to the development of the territories in which it operates and placing people at the centre of its decisions**, which is the hallmark of its way of banking. Since their approval in 2015, Ibercaja has been closely watching the Sustainable Development Goals. Therefore, the main contributions that the Bank can make to the goals were identified, taking into account all 169 targets. **Ibercaja has set social and environmental objectives** that are part of the FRC work-life balance plan, its Environmental Management System, as well as the new Desafío 2023 Strategic Plan, within the Purpose and Sustainability initiative; objectives that will help us boost our positive impacts and reduce our negative ones. A global analysis of the environment and the needs and expectations of our stakeholders has allowed us to identify these objectives, which are also based on the characteristics of our business. These objectives are described in section 2.2. of this chapter. Ibercaja is now **focusing on climate and environmental factors** because urgent action is required in accordance with supervisory expectations and because there is increased regulation of these important matters. This analysis is used to identify the current impact of climate and environmental factors on the business environment to ensure the long-term sustainability and resilience of the business model. A qualitative analysis of sustainability factors has been carried out, focusing on climate-related risks and paying special attention to the impact on those risks considered to have the greatest impact on the Bank's area of operation and on our main sources of income.	See chapters 6.1, 6.2 and 6.12 of this report GRI: 102-15

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
d. **Scale and intensity / significance of impact:** in identifying its areas of most significant impact, the bank has considered the scale and intensity/significance of the (potential) social, economic and environmental impacts resulting from the bank's activities and the provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) Show that building on this analysis, the bank has: • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of	Fifty-nine per cent of Ibercaja's recurrent revenues is in the form of net interest income. This income originates from loans and advances to customers, which account for 53% of our assets. Retail lending is the most important component of the Bank's lending business. The mortgage portfolio is particularly notable within this segment, as it accounts for more than 32% of the loan portfolio. For this reason, the **analysis begins with a study of the climate risks of the mortgage collateral**, using valuation reports drawn up by Sociedad de Tasación. The second-largest segment by volume is the financing of **productive activity** (corporate segment), which accounts for more than 12% of the loan portfolio volume. Both physical and transition risks are analysed in relation to this segment. Here, we have conducted theoretical evaluations of the sectors of activity most affected by physical risks in Spain. Ibercaja's own portfolio (business segment) was then analysed in order to identify the economic sectors (NACE) that are most material for the Bank due to their greater predisposition to climate vulnerability, considering, in this case, both physical risks and transition risks. For this purpose, we used a tool designed by ECODES (Ecology and Development Foundation) —a national benchmark in sustainability and climate change—, in collaboration with the Statistical Service attached to the Autonomous University of Barcelona in order to estimate the predisposition to climate vulnerability and physical and transition risks, as a segmentation mechanism for the analysis of the portfolio of productive activity. This tool is based on a method used to define an index of predisposition to vulnerability to climate change, both through the effects of physical and transitional risks. The method assigns, to each company, the value of the estimated predisposition index that most closely matches the reality of the company being assessed. The variables used are NACE, sales volume, geographical location, financial rating, and expert judgment. An initial approximation complements the vulnerability analysis for studying the carbon footprint of the portfolios of housing financing and productive activities, which is carried out in collaboration with Deloitte.	

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Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

The impact analysis has been carried out, and the corresponding reports have been submitted, and we, therefore, consider that the requirements related to this point 2.1 have been fulfilled.

2.2 Configuration of objectives

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services. Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Reduction of the negative impact on our environment, both Ibercaja and our customers, through a strategy that helps us all to continue growing by improving profitability and positioning and becoming recognised as a company that contributes value to improving the future of society and the environment.

In the first quarter of 2021, the Bank launched its new Strategic Plan for the years 2021 to 2023, which includes a cross-cutting sustainability initiative to ensure that business objectives drive sustainable development.

The definition of this initiative includes the list of **challenges, strategy for their achievement, actions, concrete targets and corresponding** monitoring indicators, based on the baseline situation of 2020.

The objectives to be achieved over the next three years (2021, 2022 and 2023) are shown in the table below.

		objective		
	2020	2021	2022	2023
% Volume under management in sustainable investment	4.46%	6.25%	(*)	(*)
Customers with sustainable investments	7.72%	15%	20%	25%
Sustainable financing volume	7.92%	10%	12%	15%
Number of media impacts on sustainability at Ibercaja	437	550	650	750
Achievement of Sustainability Milestones of the Strategic Plan	n/a	40%	75%	100%
CO2 emissions at Ibercaja Banco	1,281.02Tn	0	0	0
Female leadership: women in management positions	30%	32%	35%	40%
(*) to be established according to new business plan				

See chapter 6.1 of this report

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Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets.		
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.		
The main objectives have been set for the years 2021-2023 and will be further developed in the future.		
2.3 Plans for target implementation and monitoring **Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.**	The Bank has a **Brand, Reputation and Sustainability Department**, which defines, proposes and coordinates the Sustainability Strategy, monitors all indicators relating to the lines of action of the **Sustainability Initiative of the new 2021-23 Strategic Plan.** This initiative is **transversal**, involving the entire Ibercaja Group and Fundación Ibercaja. As a result, multidisciplinary work teams have been set up and objectives have been set by Marketing and Digital Strategy, People, Brand, Reputation and Sustainability, Communication and IR, Risk Control and Financial Group. To monitor the objectives in place, **Milestones for 2021** were set —all of which have been met— to ensure that the sustainability strategy is being implemented as planned. Monitoring of this initiative and the indicators and milestones is carried out on a regular basis by the Sustainability Committee, the Management Committee and the Board of Directors.	See chapter 6.1 of this report

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	These milestones are as follows: • Definition of the **Action Plan** and roadmap for responding to the ECB Expectations Guide **on climate-related and environmental risks.** • **Impact analysis** of climate and transition factors. • Definition of **the commercial strategy** to achieve the sustainability objectives. • Design of the **ESG product strategy.** • Staging of **I Planet Week**, aimed at employees, customers and society. • Design of Ibercaja's **sustainable impact** document, focusing primarily on its people. • Launch of the project ***"Vamos juntos hacia la sostenibilidad"*** (Together towards sustainability), by Ibercaja Banco and its Foundation. The aim is to support and accompany businesses on the road to sustainability, both with specific products and services and advice on the Next Generation Grants, while also providing a specialised team from the Foundation to help them build their CSR and align their activity with the Sustainable Development Goals. Ibercaja's **Remuneration Policy** aligns with the Sustainability Policy and with the Bank's principles and values when it comes to managing environmental, social and corporate governance risks. The policy also establishes a remuneration system based on equal opportunities and non-discrimination, contributes to good corporate governance at the Bank, aligns with the internal code of conduct, and mitigates excessive risk-taking. In addition, a long-term incentive has been approved to align the interests of certain key executives of the Bank with the corporate strategy and long-term value creation. Three of its multi-annual objectives are related to sustainability: the	

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

An initial set of targets and a series of actions to achieve them have been identified. These objectives have been quantified, monitoring indicators established, and a timeline drawn up to check their achievement, thus enabling us to determine the degree of progress towards Ibercaja's sustainability project. Implementation is monitored at the highest level: the Management Committee and Board of Directors.

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2.4 Progress on implementing targets

<u>For each target separately:</u>

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

The targets set for 2021 and their degree of achievement are as follows:

		2021	
	2020	Obj	Real
% Volume under management in sustainable investment	4.46%	6.25%	9.40%
Customers with sustainable investments	7.72%	15%	20.56%
Sustainable financing volume	7.92%	10%	12.26%
Number of media impacts on sustainability at Ibercaja	437	550	699
Achievement of Sustainability Milestones of the Strategic Plan	n/a	40%	40%
CO2 emissions at Ibercaja Banco	1,281.02Tn	0	0
Female leadership: women in management positions	30%	32%	31.3%

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

Specific targets were set for 2021 in relation to sustainable investment and financing, female leadership, emissions neutrality and sustainable communication. All of these are considered effectively achieved, indicating that we are on track with the roadmap.

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Principle 3: Customers (goods and services) **We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.**		
3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof	In 2021, Ibercaja defined the framework for its sustainable business strategy, which is being developed in the following phases: • **Information**: raising awareness among our customers and helping them to discover the relevance of sustainability and the importance of adaptation • **Detection of needs and opportunities** related to sustainability, which help us to develop our range of products and services, taking into account customisation according to the characteristics of the customer • **Proposed solutions**, through our range of products and services • **Sharing results**: involvement and engagement with our customers Thus, the **range of SRI products** has been expanded and new **financing** products have been designed to respond to the needs of our customers in sustainability, focusing on transition risks and **energy efficiency**. A **Sustainability Communication Plan** has been designed to create a permanent and continuous communication framework over time to accompany customers on this path towards a more sustainable society. Communication with customers follows the line of accompaniment: we tell them what the SDGs are and why Ibercaja is committed to advancing towards these goals and we ask them to join us. We include information on sustainable finance in our blog, promoting financial education to assist in decision-making in this direction. Ibercaja and its majority foundation, Fundación Ibercaja, launched the **"Vamos juntos hacia la sostenibilidad"** (Together towards sustainability) initiative in 2021, to contribute to the necessary transition towards a more sustainable economy and position ourselves as drivers of change. This initiative aims **to support other companies in integrating sustainability** into their strategy by providing them, in addition to appropriate financial solutions, with a wide range of resources. To succeed in this task, a support plan has been designed for our business customers who are sensitive to sustainability and social and environmental concerns. It is a **free, nationwide project** that will enable companies to contribute to the achievement of the SDGs through awareness-raising, training and the opportunity to collaborate in different Fundación Ibercaja projects, thus joining forces and multiplying the scope and impact of these actions.	See chapter 6.3 of this report

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	The **Ecosistema+ Empresa** (Ecosystem+ Company) initiative, developed by Ibercaja Banco and Fundación Ibercaja, aims to make companies more competitive for the betterment of society. It incorporates a specific **Sustainability** programme to help companies develop it in their businesses. The **Bank's corporate website** has also been updated, making public the commitments with stakeholders contained in its Sustainability Policy. Ibercaja Banco, acting in the best interest of its customers, has the duty to seek the generation of medium and long-term value from investment in financial assets. Therefore, as part of its pledge to move towards a sustainable economy and in line with the Bank's mission and values, it has developed a general framework for sustainable investment, which applies to the provision of investment advisory and discretionary portfolio management services. This sustainable investment framework is based on two fundamental pillars, which are set out and developed in Ibercaja Banco's **Sustainability Risk Integration Policy**, in the **Engagement Policy** and the **Due Diligence Policy in relation to Adverse Incidents on Sustainability Factors**.	
3.2 Describe how your bank has worked with and/or plans to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	We are going to work to identify our customers' behaviour in relation to sustainability and their interest in achieving the SDGs and propose actions so that we can achieve them together. We have started with an **initial analysis of customers** who have already taken out sustainable investment products and reached interesting conclusions that will help us to define new products to complete our range of sustainable products. In 2021, we already started marketing **two new ESG investment funds, an ESG SICAV and a new ESG-rated individual pension plan**. To help make the impact of sustainable investments easier to understand, **specific content has been published on our *Vamos con tu futuro*** website. To promote sustainability among our customers, we have launched our **communication plan** with a newsletter that	See chapter 6.3 of this report

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	In most cases, improving efficiency requires investment. To enable easier access to energy efficiency improvements, **specific financing products** have been developed that offer more attractive prices and repayment periods (including interest-only periods), among other attractive terms and conditions. Specific products have also been developed for various local and regional public administrations and we act as a collaborator on initiatives that pursue the same aim of energy efficiency and accessibility. Ibercaja is **a collaborating entity of the IDAE** (Institute for Energy Diversification and Saving) and helps to disseminate its programmes among customers. **To help make buildings more energy efficient**, Ibercaja offers its customers an **advisory and subsidy management service. It also arranges to carry out any necessary installation work and offers a range of financing options**. This service offers an assessment of the energy efficiency of the building and the customer can ultimately choose to make it a "turnkey" service, thus affording them the best possible solution for their property with the help of specialised professionals. To help companies on their path towards sustainability, Ibercaja **offers an advisory service on the eligibility of projects that may be eligible to receive Next Generation funds**, as well as the necessary steps to complete their application. Aside from environmental aspects, **we also offer products and services that aim to facilitate access for all our customers** through solutions such as **beginner mode** for our mobile banking platform. This option allows customers who have never used online banking to first familiarise themselves with the services it offers via a simple consultation mode. Users of the new Beginner Mode will be assisted by expert professionals and people they trust to answer any questions and address any issues that may arise when attempting to use the app. To enable more accessible access to financial services for the hearing impaired, Ibercaja has a **service point for deaf**	

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	With **visually impaired customers** in mind, we have added a notch to our debit and credit cards to know which way round they are holding the card and insert it the right way into ATMs or POS terminals. We have also continued to expand the use of **recycled PVC** in various products in our card range, thus reducing the impact of card production on the environment. To **bring our services closer to municipalities without a bank branch**, we offer various services, including **Correos Cash** (Post Office cash), whereby customers can use the mobile app to send and receive cash through participating post offices, as well as from their own home, through the delivery service of this communications provider. This service is complemented by the POS **Cash Back** service, which offers cardholders the possibility of withdrawing cash at the same time as they purchase products at a merchant. To provide service in sparsely populated rural locations where there is no branch, we have several **mobile bus branches** that offer all the services that can be found in a regular branch, including an ATM. To get customers involved in the **circular economy and responsible consumption**, Ibercaja has unveiled a new section at the **Consíguelo store** of Ibercaja Connect, which includes refurbished products. It also aims to **make high-quality technology products more accessible to all customers** through competitive pricing and free financing. When it comes to sustainable consumption, Ibercaja Renting incorporates a **new Sustainable Renting section**, where customers can find an extensive range of electric vehicles, including two new models from the TESLA brand, a global leader in this sector.	

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Principle 4: stakeholders		
We will proactively and responsibly consult, engage, and partner with significant stakeholders to achieve society's goals.		
4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated, or partnered with to implement these Principles and improve your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	Ibercaja works very actively on SDG 17: Partnerships for the goals. It has a **Stakeholder Map**, which was reviewed and updated in 2021 and identifies all stakeholders, analyses the expectations and interests of each of them, and classifies and prioritises them in a bid to improve active listening and engagement from the Bank. A **new materiality study was drawn up in 2021**, with the new **dual materiality approach**, in which the Bank consulted its main stakeholders (customers, employees, society, suppliers, opinion leaders, etc.) on the most relevant aspects that influence Ibercaja's capacity to create economic, social and environmental value. In 2021, Ibercaja joined the **Net Zero Banking Alliance** as a founding entity to achieve carbon neutrality for its portfolios by 2050. Meanwhile, Ibercaja Gestión and Ibercaja Pensión signed up to the **Net Zero Asset Managers** initiative, also committed to attaining neutrality of their own CO2 emissions and those of their portfolios by 2050. In 2021, Ibercaja partnered up with **Forética**. This national association seeks to promote corporate responsibility, leading the **Social Impact Cluster**, a business meeting point for leadership, knowledge, exchange of ideas and dialogue on internal and external social impacts. Hence, it actively exchanges experiences and best practices linked to sustainability with companies from the same and other productive sectors. Ibercaja is also a member of **DIRSE** (Spanish Association of Sustainability Executives) and actively participates with **Corporate Excellence**. This think tank promotes the management of intangible assets in companies as a source of differentiation and progress necessary to build responsible and sustainable business practices. Ibercaja forms part of the **COEPLAN** (Coalition of Companies for the Planet) initiative, which was created to advance sustainable practices and drive the circular economy. Fundación Ibercaja has a partnership agreement on sustainability training for companies and society at its Ibercide centre. In December 2019, Ibercaja signed the **Collective Commitment to Climate Action together with the other big**	See chapters 3, 6.1 and 6.14 of this report See chapter 6.1 of this report GRI indicators: 102-40 102-42 102-43 102-44

EL BANCO DEL vamos

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	We have given notice of our adherence to the **protocol of the Institute for Energy Diversification** (IDAE and Saving, part of MITECO, Ministry for Ecological Transition and the Demographic Challenge) to facilitate the financing of actions in buildings, with an aid programme for the energy rehabilitation of buildings associated with this protocol. In 2021, Ibercaja worked hard to convey and disseminate economic, business and financial knowledge to households and companies across the country, focusing on its traditional regions and seeking to ensure proximity and adaptation to the needs of each territory and segment. In doing so, Ibercaja relied on alliances with **public agents** (regional governments, provincial councils, town halls, etc.), **private agents** (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and **private companies.** In 2021, Ibercaja successfully renewed the **RSA and RSA+** badges awarded by the Government of Aragon, which go to companies and institutions committed to social responsibility. Ibercaja has held the **efr Family-Responsible Company certificate** since 2019, awarded by Fundación Más Familia to companies that champion equality and the reconciliation of work, family and personal life of their employees. Both Ibercaja Pensión and Ibercaja Gestión adhere to the United Nations **Principles for Socially Responsible Investment (UNPRI)**. In addition, both fund managers have joined the **Carbon Disclosure Project**, an engagement platform and non-profit organisation that administers a system for companies to disclose environmental information so that investors can better manage their environmental impacts.	

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Principle 5: Governance and culture		
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.		
5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	For sustainability management and to support the effective implementation of the PRB (Principles for Responsible Banking), the Bank has developed the following **governance structure**: • **Brand, Reputation and Sustainability Division**, reporting directly to the CEO, is tasked with promoting, defining and coordinating the sustainability strategy of Ibercaja Banco while collaborating with the areas involved in implementing that strategy. The division reports on the progress of actions to implement the PBR. • **Reputation and Sustainability Committee**, operating at the senior management level and chaired by the CEO, was tasked with validating and supervising the Bank's Sustainability Strategy and monitoring progress in implementing the PRB. • **The Board of Directors** is ultimately responsible for the approval and effective implementation of the Sustainability Policy; it is supported by the **Strategy Committee**, which oversees the Sustainability Policy. • There are also other committees and specific working groups entrusted with sustainability functions. Ibercaja has approved the following key items for **building a culture of responsible banking:** • **Sustainability Policy**> approved by the Board of Directors in December 2020, it establishes sustainability principles and the Bank's commitments to its main stakeholders and is the framework for implementing the sustainability strategy. • **Corporate Purpose**: the Bank's reason for being and the basis for its corporate strategy, which unifies purpose, inspires and calls us to action. It follows a humanistic approach and focuses on people and generating social value. Our purpose: **"Helping people build their life story because it will be our story"** (approved by the Board of Directors). • **Ethical Management Model**: consists of the Bank's **Code of Ethics, the Ethics Management Manual**, with the	See chapters 4.2, 6.1, 6.4, 6.5, 6.7, 6.12 and 7 of this report GRI indicators: 102-18 102-19 102-20 102-22 102-27

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	• **Suppliers**: the Bank has a **Supplier Code of Conduct** to show them how they are expected to act in relation to sustainability and to get them fully engaged. • **Environmental Policy**: explains the Bank's environmental commitments and fosters good practices. This Policy was reviewed and updated in 2021 to align it with the commitments set out in the Sustainability Policy, and then approved by the Environment Committee and the Sustainability Committee. • **FRC (Family Responsible Company) Plan**: work-life balance plan, which describes the actions to be undertaken to help ensure a healthy balance between the personal, family and working lives of employees, following the principles of proactive management and continuous improvement, which are the hallmark of a socially responsible company. • Ibercaja Banco has been a **signatory of the United Nations Global Compact since 2006**, showing that its business activities are carried out in accordance with the principles established by this initiative. The Bank reports annually on its performance. • In 2021, the Bank began to **integrate aspects related to environmental climate risks into its credit, market, liquidity and operational risk management policies and manuals**. This work will be further developed during 2022 to fully incorporate these concerns into our existing processes and governance structure. Ibercaja is working to include ESG factors into the various phases of credit risk management. This project is based on the alignment of its credit risk admission and monitoring processes with some of the sections of the new EBA Guidelines on Loan Origination and Monitoring. • The **Financial Group**, in line with the Bank's objectives and as part of its sustainability strategy, approved **new policies related to sustainability** in 2021, thus making further progress in integrating EG aspects into management and decision-making: Sustainability Policies, Sustainability Risk Integration Policy, Exclusions Policy, Adverse Event Policy and Engagement Policy. It also has an **ESG Committee**, tasked with promoting the effective implementation of responsible asset management investment strategies.	

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	The progress of sustainability at the Institution is led by the CEO, who is convinced of the importance of Ibercaja's commitment to sustainability, is backed by the Board of Directors and has the engagement of the entire Management Committee. In order to advance in the integration of sustainability into the corporate culture, a strategy has been designed to **activate the Corporate Purpose**, which will be implemented as one of the challenges of the 21-23 Strategic Plan. This activation process is taking place both internally and externally. As for the people who make up Ibercaja, this project is aligned with our equally strategic **Culture and Purpose** project, which the People Department is leading. Both projects pursue the alignment of our **culture with the Corporate Purpose**, as the cornerstone and standard of sustainability, and the embodiment of our values, mission and vision. In this way, we are working to improve daily attitudes and behaviours that should reflect our Purpose, in order to differentiate **our way of banking —responsible, approachable and sustainable banking—** and to be perceived as such by our customers and society. These behaviours will form the basis of the **internal relationship model** we are now defining. Within this project, we will also be working on our **internal leadership model** of "inspirational leadership", as we align the behaviours expected of leaders with the Corporate Purpose. In addition, an **Internal Sustainability Communication Plan** has been set up to help make Ibercaja's sustainability objectives known and internalised, thus seeking to foster a new "sustainability culture". To mark the **2nd anniversary of the signing of the Principles for Responsible Banking**, Ibercaja celebrated the milestone by demonstrating its steadfast commitment to the Principles and its role as a forerunner. A substantial employee training strategy accompanies the sustainability project and the implementation of the PRB. Therefore, a specific line of **sustainability training has been developed as part of the Bank's Professional Development Plan**, starting with a **Sustainable Finance Programme** for employees directly involved in the sustainability project (15 hours of specialised training; 57 people completed the course between 2020 and 2021). In 2021, it included **mandatory training** in sustainability for the entire workforce, thus helping employees to understand what sustainability means, how it is integrated into financial activity and, what Ibercaja's commitment is to progress towards a more sustainable society, how it is integrated into strategy and business, and how it is regulated, among other important aspects.	See chapters 4.2, 6.1 and 6.4 of this report GRI indicators: 102-16 102-26 102-35

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
5.3 Governance structure for implementation of the principles **Show that your bank has a governance structure in place for the implementation of the PRB, including:** **a) target-setting and actions to achieve targets set** **b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being**	Ibercaja has made decisive advances in **sustainability governance**, to help ensure the effective implementation of the Principles for Responsible Banking. The **sustainability governance structure** has been bolstered with the engagement of the Board of Directors and the effective participation of the business areas. The Bank took the Principles for Responsible Banking into account in the design of the **new Strategic Plan 21-23**, which includes a **specific Sustainability Initiative**, and in the identification of objectives, in order to respond accordingly and succeed in this task. Thus, the Bank has a clear structure in place for its development and monitoring: the **Reputation and Sustainability Committee** is responsible for overseeing the progress made towards the Challenges and Milestones of the Purpose and Sustainability Initiative of the **new Strategic Plan Challenge 2023**. Meanwhile, the **Management Committee** and the **Board of Directors** monitor the progress made towards the Strategic Plan, in accordance with the established milestones and indicators and focus on continuous improvement. In defining the objectives and milestones of the Strategic Plan, the Bank's commitment to implement the PRB has been	See chapter 6.1. of this report

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Ibercaja has made decisive advances in sustainability governance, to help ensure the effective implementation of the Principles for Responsible Banking. The sustainability governance structure has been bolstered with the engagement of the Board of Directors and the effective participation of the business areas. We will continue to move forward with allocating and formalising roles and responsibilities.

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION

Principle 6: Transparency & accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on implementing the principles for responsible banking **Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in a minimum of two areas (see 2.1-2.4).** **Show that your bank has considered existing and emerging international/regional good practices relevant to implementing the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.**	In 2021, work continued on implementing the PRB, following the roadmap defined in 2020 and to be achieved through the Strategic Sustainability Project, which has a three-year horizon under the Desafío 2023 Plan, which is an enabling and transversal plan for the entire Ibercaja Group. Milestones, objectives and indicators have been identified to meet the targets set, which are monitored by the highest management and governing bodies. In summary, progress has been made in: • Strengthening a **corporate culture aligned with our Purpose and our values and sustainability** to drive our responsible banking and to earn us recognition both internally and externally. We have worked on our own inspirational **leadership model**, which translates into daily actions and behaviour in which people and the vocation to help take centre stage. We also integrate this into our customer value proposition, tailored to each segment. We are also diagnosing the Bank's current positioning, in order to continue working on its total alignment with our values, our Purpose and our differential way of banking, based on providing a benefit to society and the environment. • A **sustainable business strategy** has been designed, with new products and services that respond to the needs of our customers in accordance with the impact analysis carried out and to accompany them towards a decarbonised economy. • Substantial progress has been made in identifying and managing **climate and environmental risks**, establishing an **action plan** to meet supervisory expectations in this area. • **Proactive internal and external communication** was maintained to raise awareness and support our stakeholders as they champion sustainable practices and the **achievement of the SDGs**. • **Staff training** has been strengthened, including a specific line of training in sustainability as part of the Professional	See chapters 6.1, 6.4, 6.5 and 6.12 of this Management Report.

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on implementing these Principles.	• As part of the **Family-Responsible Company Plan**, we are continuing to implement healthy practices and promote diversity, with projects such as Plan LiderA and Ibercaja Saludable. We are also seeking to better reconcile the personal, family and professional lives of the Ibercaja team, with the ultimate aim of improving employees' experience and making progress towards social aspects within Ibercaja. • **Sustainability governance** has been strengthened, based on the Sustainability Policy approved in 2020. In 2021, there were six meetings of the Reputation and Sustainability Committee, a management-level body chaired by the CEO, which sets the guidelines and objectives, monitors them and approves the necessary measures for making further progress in integrating sustainability into our business. In addition, the **Remuneration Policy** was aligned with the principles of sustainability and a long-term incentive was approved, aligned with the corporate and sustainability strategy and with long-term value creation. • **Data availability** is one of the most relevant aspects when seeking to integrate ESG factors into business and decision-making. Work is therefore being carried out on a project to design the **ESG reporting model**, to strengthen the structure for this valuable information and give it the same rigour, accuracy and reliability as our financial information. An **ESG data dictionary** was drawn up during the period. The dictionary contains all the necessary information to report in a comprehensive manner while covering all the regulatory requirements in terms of sustainability. It also includes definitions, names the owners and cites the sources to ensure the full traceability of all data. • Ibercaja adheres to the **TCFD (Task Force for Climate-Related Financial Disclosures) Recommendations** to improve its reporting of environmental risks. • Ibercaja is a founding signatory of the **Net Zero Banking Alliance** initiative, demonstrating its commitment to sustainable development and the decarbonisation of its portfolios. • All the progress made during the year is reported in this **consolidated Management Report of Ibercaja**, which	

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

Following its signing of the Principles for Responsible Banking, Ibercaja has taken very sizable steps for their effective implementation: it has built a strong position for itself in the realm of sustainability by defining a Purpose and Sustainability initiative as part of the new 2021-2023 Strategic Plan. It is a firm commitment, which has begun by laying the foundations of governance and engaging the entire organisation, under the leadership of the Board of Directors, the Chief Executive Officer and the Management Committee.

We are now working hard on risk management, responsible business strategy, communication and training; the main areas of this new Strategic Plan 21-23.

[1] Source: Bank of Spain

6.12 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31, 201-2

> The aim of these recommendations is to develop a common, consistent, comparable and clear reporting framework to provide information on the effect that an economic activity has on the climate to facilitate decision-making

6.12.1 Introduction

Climate change is a reality, and its effects on economic and social stability are already noticeable: its mitigation requires the commitment of all public and private actors to achieve progress towards a carbon-free economy.

Ibercaja, **committed from its origins to sustainability and guided by its Corporate Purpose,** is aware of this and is taking significant steps and acquiring commitments to assist in the fight against climate change.

Hence, **in 2019 Ibercaja adhered to the recommendations** issued by the Task Force on Climate-related Financial Disclosures (TCFD) set up by the Financial Stability Board. The objective of TCFD is to develop a common, consistent, comparable and clear reporting framework to inform about the effect that economic activity has on the climate to facilitate investors' decision making.

IN ITS REPORT, THE TCFD RECOMMENDS REPORTING INFORMATION IN FOUR AREAS, WHICH DEFINE THE STRUCTURE OF THIS SECTION:

Pursuing the goal of increasing its climate ambition, in 2021, Ibercaja joined the **Net Zero Banking Alliance** (NZBA) as one of the founding members. This organisation is led by the banking sector, convened by the UN and co-launched by the United Nations Environment Programme Finance Initiative (UNEP Finance Initiative) and the Financial Services Task Force of the Sustainable Markets Initiative to lead the transition towards a low-carbon global economy.

As a further show of its firm commitment to sustainability, Ibercaja has joined this initiative to build a global economy of zero net emissions and meet the objectives of the Paris Agreement.

Therefore, Ibercaja is committed to working towards achieving emission neutrality in its loan book and investment portfolio by 2050.

6.12.2 Objective

By adhering to the recommendations of the TCFD, Ibercaja aims **to make progress in the clear, consistent and standardised disclosure of the risks and opportunities** of climate change in relation to its business and its implications and integration within the Bank's strategy.

The information summarises how Ibercaja is becoming engaged in responding to the challenges arising from climate change, following the recommendations of the TCFD in the analysis, in the implementation of measures and in the development of reporting.

These are the **first steps and reflect our progress** along these lines: Ibercaja is aware of the long road ahead towards a sustainable future, of the important role it plays as a financial institution accompanying its customers and society in this direction, and shows its firm commitment to **continue progressing and disseminating advances** according to market needs.

6.12.3 Definition of environmental and climate-related risks

Environmental risks fall under ESG (Environmental, Social and Governance) risks. They should be treated as the financial risks posed by an institution's exposures to counterparties or invested assets that could potentially be affected by the negative impacts of environmental factors, such as climate change and other forms of environmental degradation (e.g. air pollution, water pollution, freshwater scarcity, soil contamination, biodiversity loss and deforestation), as well as remedial policy measures to address such factors. Within the broader category of environmental risks, climate-related risks derive directly or indirectly from the effects caused by climate change.

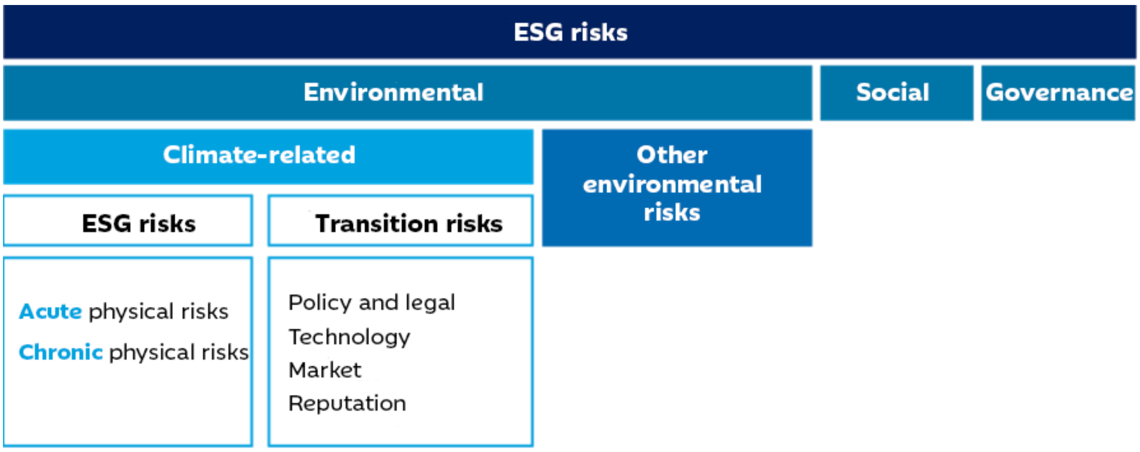


Figure 1. Classification of climate-related risks within ESG factors

Source: prepared in-house.

Climate change risks can be divided and classified into two categories:

Transition risks.

Transition risks are associated with transitioning to a low-carbon economy in response to climate change. They relate to the financial losses that a company may suffer directly or indirectly when attempting to adjust to changes in policies or regulations, such as the establishment of limits on CO2 emissions or carbon taxes, as well as changes or advances in technology and changes in consumer preferences.

They fall into the following categories:

- **Policy and legal risks.** These risks arise from a failure to prevent or minimise adverse effects on climate or a failure to adapt to climate change. Institutional and policy actions for climate change mitigation continue to evolve through:
  - Policy actions that attempt to constrain activities that contribute to the adverse effects of climate change.
  - Policy actions that seek to promote adaptation to climate change.
- **Technology risk.** Meaning the ability of companies to adopt, or not, new climate-friendly technologies to replace more harmful ones currently in use. The development and use of emerging technologies, such as renewable energies, will affect the competitiveness of certain organisations, their production and distribution costs, and ultimately user demand for their products and services.
- **Market risk.** The ways in which markets can be affected by climate change are varied and complex. For instance, through shifts in the supply and demand for certain products, services or raw materials, mainly due to the fact that both the market and consumers are increasingly shifting their preferences towards options viewed as being more sustainable.

- **Reputation risk.** Climate change has been identified as a potential source of reputation risk that is tied to changing customer or community perceptions of an organisation's contribution to or detract from the transition to a lower-carbon economy.

Physical risks.

Physical risks relate to the financial impact of a changing climate. They are those arising from the direct effects of climate change, such as increases in the frequency and intensity of extreme weather events or changes in the balance of ecosystems. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.

They fall into the following categories:

- **Acute risks.** Those that are event-driven, especially those related to weather events such as storms, floods, fires or heat waves, which can damage production facilities and disrupt value chains.

- **Chronic risks.** Those resulting from longer-term shifts in climate patterns, such as changes in temperature, sea-level rise, loss of biodiversity and alterations in land and soil productivity. This can directly cause, for example, damage to goods or a decrease in productivity and can also indirectly lead to further incidents, such as the disruption of supply chains.

6.12.4 Governance model

Ibercaja has developed a **sustainability governance model** with the direct engagement of the **Board of Directors**, as the highest level body, which promotes the entity's positioning in sustainable development, with the assistance of the **Strategy Committee**.

In carrying out this function of promoting sustainability:

- The Board of Directors has reviewed and approved the elements necessary to make progress in the sustainable and responsible planning of the Entity: thus, in 2018, it approved the Code of Ethics, which contains the seven ethical principles that govern the actions of the Ibercaja Group. It also agreed and approved the **Corporate Purpose**, which focuses on a shared inspirational objective: "Helping people to build their life story, because it will be our story."
- On 11 December 2020, the Board of Directors, following a review by the Strategy Committee, approved the **Sustainability Policy**, an essential element as it establishes the Ibercaja Group's commitments and framework for action in the area of sustainability.
- The Board of Directors, with the support of the Strategy Committee, oversees the implementation of the Sustainability Policy and is regularly informed of the progress made. The Policy sets out the Bank's commitments to its main stakeholders and the environment. **Ibercaja undertakes to:**
    - **Analyse the impact of climate change,** detecting needs that the transition to a decarbonised economy may present, in order to respond with business solutions that support environmental sustainability.

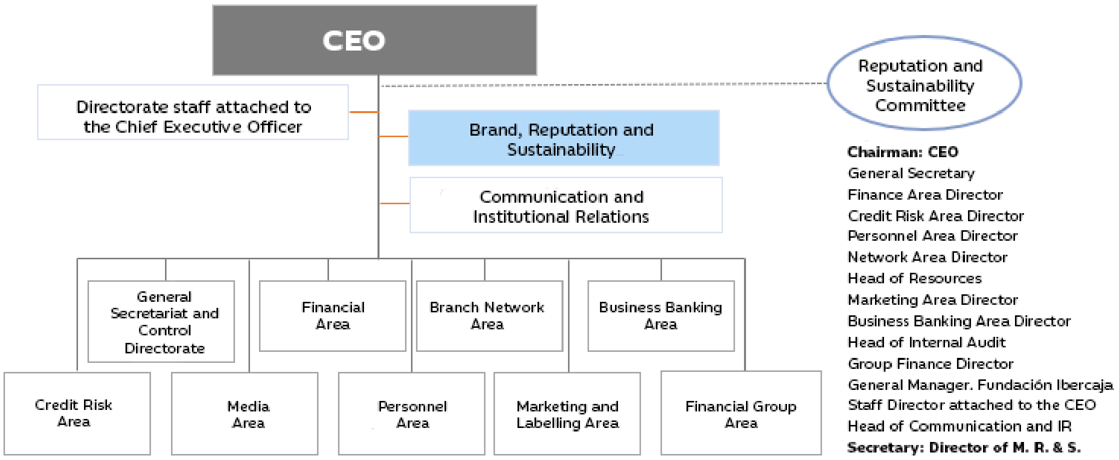
- **Analyse climatic and environmental risks,** their impact on customers and their financial activity, for their gradual integration in compliance with regulatory requirements.
- **Transparently communicate** the advances in environmental sustainability, raising awareness internally and externally to promote a sense of environmental responsibility.
- **Assume and endorse the primary national and international commitments that help to protect the environment and fight against climate change, working on their implementation.**

> *"We are a **different bank**, it's **our reason for being**".*

The **Strategy Committee** attached to the Board of Directors is especially involved in defining and approving the Strategic Plan, with sustainability as one of its key enabling initiatives. It is deployed through six strategic challenges, one of which addresses climate and environmental risk management. It defends a clear position on the importance of differentiating ourselves as a sustainable Bank, from three points of view: financially, socially, and environmentally. "We are a different bank, it's our reason for being".

Sustainability governance is based on the work of the functional areas, coordinated by the Brand, Reputation and Sustainability Department and the Reputation and Sustainability Committee, which is responsible for such matters, **according to the following scheme:**

The **Brand, Reputation and Sustainability Department**, reporting directly to the CEO, defines and coordinates the implementation of the sustainability strategy, following approval by the executive-level Reputation and Sustainability Committee, chaired by the CEO.



The sustainability strategy is implemented by a broad Group-wide team, tasked with tackling the challenges of the Purpose and Sustainability initiative of the new Desafío 2023 Strategic Plan, which is described in the following section of this chapter.

6.12.5 Strategy

The **Sustainability Policy** defines the **pillars of the strategy**, aligned with the Sustainable Development Goals (especially those that are a priority for Ibercaja: see chapter 6.2).

The policy was designed **with the TCFD recommendations and the Principles for Responsible Banking firmly in mind**, as signed by Ibercaja Banco in October 2019, to respond to its implementation challenges.

In 2021, a new **Strategic Plan, Desafío 2023**, was launched to respond to the Bank's new challenges. This plan includes a transversal initiative, namely **IN02 Purpose and Sustainability**, which aims to activate the Corporate Purpose and integrate ESG aspects into our business decisions. It is being implemented through six challenges that include the integration of ESG concerns into risk management and the definition of the ESG business strategy based on the identification of risks and opportunities arising from climate change, as well as internal and external communication and support with the necessary training of Ibercaja's people to successfully meet the objectives set.

To deliver on its commitment to align its commercial strategy with the Principles for Responsible Banking and to comply with the ECB's expectations on climate and environmental risk management, in 2021, the Bank analysed **the impacts that climate factors** could have in Spain, focusing this analysis on its main areas of activity and on those economic sectors in which it has a greater presence. This analysis **focused** on two main segments of the Ibercaja portfolio: retail segment and corporate segment, with the **aim** of:

- Identifying **sectors and geographical areas** more vulnerable to climate change.
- Identifying **new needs** in relation to climate change adaptation.
- Identifying potential **emerging risks**.
- Identifying **business opportunities** for both segments.

RISKS → *IMPACT* → *CONSEQUENCE* → *NECESSITY*

When conducting this analysis, two preliminary exercises were carried out: firstly, an **analysis of the climate vulnerability of the loan portfolio**[5] where the most relevant sectors of activity are identified due to their degree of exposure and predisposition to climate vulnerability; and secondly, an **analysis of the climate risks of real estate collateral**[6] using the reports provided by SOTASA.

[5] The purpose of this analysis is to estimate the potential climate vulnerability of the Entity's loan portfolio, resulting in a preliminary segmentation of economic sectors with a greater predisposition to climate risk. It has been carried out on the basis of a tool developed by ECODES in collaboration with the University of Barcelona. For more information, see section 6.12.6.

[6] This analysis, carried out on the basis of information provided by SOTASA, focuses on the assessment of the physical risk of the real estate portfolio, using the geographical location of the properties under guarantee, and on the assessment of the transition risk, using the energy efficiency certificates of the homes. For more information, see section 6.12.6.

The **results** of the exercise for the **retail portfolio** reveal that the Bank's assets that could present a certain predisposition to **physical risks** are those located in autonomous communities of Spain, where it is estimated that there is a high probability of being potentially affected in the long run by risks derived from rising temperatures or, to a lesser extent, flood risk. In the assessment of **transition risk**, the results show that the ratings of the properties in Ibercaja's portfolio are in line with the national housing stock in Spain, notably with a higher percentage of homes rated as sustainable (categories A and B) in Ibercaja's portfolio.

This analysis revealed certain **business opportunities** for the Bank in relation to physical risks, notably insurance policies to cover the risk of damage to buildings due to natural disasters. Among the opportunities arising from transition risk are specific financing solutions for energy efficiency improvements in housing, as well as solutions based on renting, leasing and loans for electric vehicles, hybrid vehicles and other low-emission certified engines that promote more sustainable mobility.

When analysing the **productive activities segment**, both the volume of exposure that each sector represents with respect to the total portfolio and their predisposition to climate vulnerability and exposure to physical and transition risks have been considered in order to determine which are the most relevant for Ibercaja, as a tool for segmenting its portfolio.

In those industries flagged as most **vulnerable to climate risks, the main risks relate to their CO_2** emissions intensity. Given their significant weight in the Bank's portfolio, the manufacturing industry and the agriculture, livestock, forestry and fishing sectors are particularly notable in this regard. Other industries that are also predisposed to climate vulnerability are less material as they account for a smaller share of the portfolio, such as the power supply, water supply, transport and storage sectors, etc.

The main **business opportunities** that arise in these industries are the financing of CAPEX investments needed to improve the energy efficiency of machinery and facilities, the efficiency of risk systems or waste management, or the financing of environmental practices that aid in the decarbonisation of the agricultural sector. There are also significant financing opportunities to promote renewable or alternative energy sources and sustainable mobility, as well as the range of insurance products to minimise the risk exposure of farms or production plants.

Aside from those opportunities revealed from our analysis of the impacts of climate factors, other business opportunities have been identified for Ibercaja:

- **Financing of projects aimed at households and enterprises that** promote **renewable self-consumption, ECO vehicles, energy refurbishment of homes, and** low-consumption appliances.
- Offering **sustainable means of payment**, such as using **cards made from recyclable materials or mobile apps that allow customers to estimate the carbon footprint** of their purchases.
- Offering of **ESG-sensitive** investment funds and pension plans.

In response to these opportunities, an ESG business strategy was also defined in 2021, featuring a series of short- and medium-term initiatives grouped into various thematic blocks. Examples of the blocks of sustainability initiatives include the promotion of mobility and sustainable buildings aimed at the retail segment; support for the energy transition for the corporate segment; or sustainable customer investment in the case of the Financial Group.

6.12.6 Risk management

The sustainability strategy designed by Ibercaja includes among its priorities the identification, management and control of climate and environmental risks for their progressive incorporation into the Bank's global risk framework[7].

To succeed in this task, a **Working Group coordinated by Risk Control** has been set up, comprising experts in the management and control of the Group's risks, belonging to the following departments and areas:

- Credit Risk Area
- Financial Area. Market and liquidity risks
- Risk Control Department. Operational risk
- Regulatory Compliance Department.
- Financial Group Area Department. Specific risks of the Financial Group (e.g. risk underwriting).

This Group has worked on identifying **potential climate risks**, their channels of transmission to prudential risks and the qualitative assessment of their impact.

In 2021, ESG aspects were included in the policies and manuals for credit, operational, liquidity and market risk, which clearly state that all such risks must be managed and controlled accordingly. This work will be further developed during 2022 to fully incorporate these concerns into our existing processes and governance structure.

[7] For more information on the risk management framework, see section 7.

The Bank is also working on integrating climate and environmental risks into the Risk Appetite Framework and Capital and Liquidity Self-Assessment processes, taking into account the supervisory expectations of both the ECB and the EBA.

Ibercaja was heavily involved in properly identifying, measuring, and managing climate-related risks in 2021, as shown in the figure below. This section describes the progress made by the Bank in 2021 in each of these three phases.

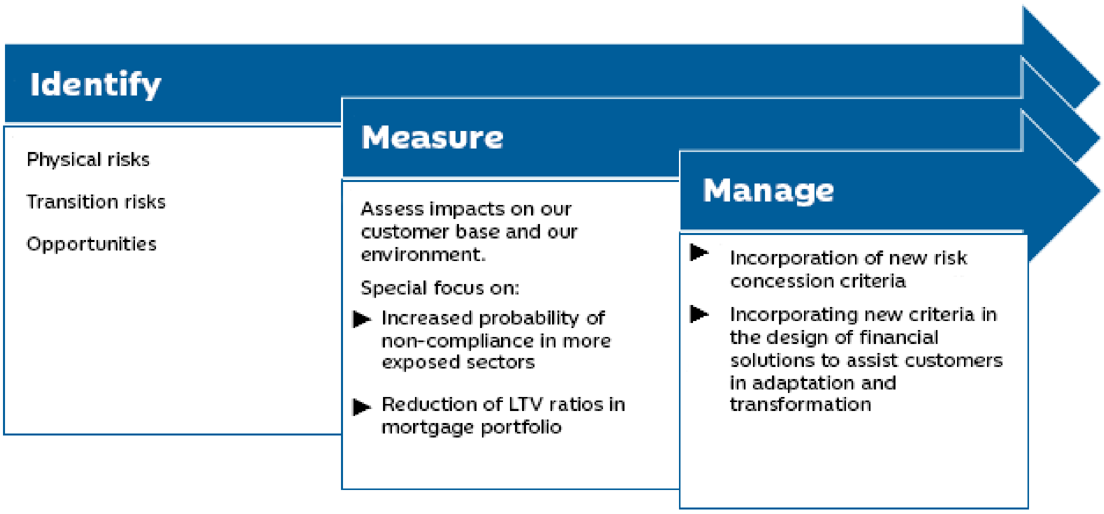


Figure 2. Main phases of climate risk management

Source: prepared in-house.

IDENTIFICATION OF CLIMATE-RELATED RISKS

Developing the climate and environmental risk map is a first step in understanding climate and environmental risks and their transmission channels to prudential risks.

Objectives:

- Further understand the characteristics and particularities of climate and environmental risks.

- Identify the main climate risks affecting the Ibercaja Group and how they are reflected in the existing risk categories.
- Make further progress in establishing and consolidating the management model for these risks based on three lines of defence at the Bank[8].

To succeed in this task, the work was coordinated with the front lines of the main prudential risks, based on a qualitative methodology developed with a top-down approach, to identify the main climate risk events and transmission channels that can lead to the risk categories currently used.

As part of the climate risk mapping exercise carried out by Ibercaja, an inventory was drawn up of climate events that are likely to materialise the various risks previously defined.

[8] For more information on the risk management model, see Note 3 of the Ibercaja Banco Group's Annual Report for the 2021 financial year.

Table 1. Inventory of climate and environmental events

Transition risks	POLICY AND LEGAL
	Non-compliance with environmental laws and regulations
	New regulations on existing products and services
	Increase in the price of greenhouse gas (GHG) emissions
	Changes in emission reporting obligations
	Stricter reporting and transparency obligations
	New taxes that penalise high-emission energy sources
	TECHNOLOGY
	Replacement of products, services and raw materials for more sustainable options (low emissions)
	Financing of failed investments in new technologies
	Transition costs to low-emission technology
	Late or unsuccessful adoption of energy efficiency and productivity technologies
	Early obsolescence of high GHG-emitting energy technologies
	MARKET
	Changing preferences among consumers and investors: favouring more sustainable products (reduced demand for certain products/services)
	Increase in the cost of raw materials
	Increased costs and/or price volatility of natural resources and raw materials
	Increasing demands from investors in terms of transparency and ESG standards
	REPUTATION
	Stigmatisation of the sector (due to its impact on climate change or environmental practices)
	Increased stakeholder concerns regarding contribution to climate change and environmental impact
	Potential reputational impact due to inaction or late action towards a low GHG emissions model
	Negative remarks made by stakeholders
Physical risks	ACUTE
	Severe external weather events such as cyclones and floods
	Disruption and delay of operations due to extreme weather events
	Rising energy costs due to extreme events
	CHRONIC
	Changes in precipitation patterns and extreme variability in weather patterns
	Scarcity of resources (drought)
	Increase in average temperature
	Rising sea levels
	Increase in pollution
	Destruction of ecosystems

Source: prepared in-house.

These climate risk factors or events may impact prudential risks through the Bank's counterparties and/or invested assets via various transmission channels, which are effectively the chain of causality whereby a climate factor and/or inefficient management thereof has a negative impact on the Bank.

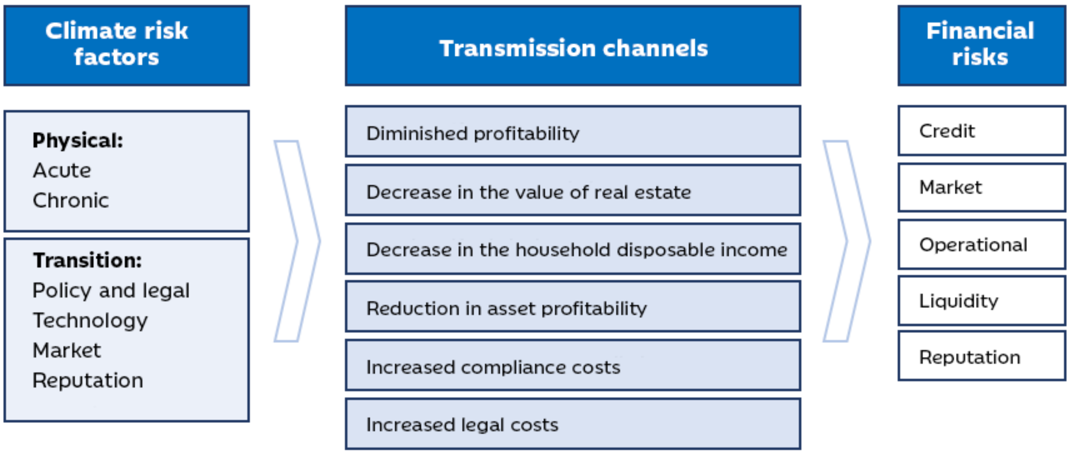


Figure 3. Non-exhaustive summary of climate risks, main transmission channels and financial risks impacted

Source: In-house adaptation of the EBA report on management and supervision of ESG risks for credit institutions and investment firms. European Banking Authority (EBA), 2021.

Based on the events identified in the inventory, Ibercaja carried out an initial qualitative assessment of the materiality of climate risks and their potential impact on prudential risks (credit, liquidity, market, operational and reputational) over different time horizons (short, medium and long term). The following tables provide a qualitative description of how climate, physical and transitional risks may impact these prudential risks.

Table 2. Expected potential impact of physical risks on prudential risks

	Physical risks
TYPE OF RISK	DESCRIPTION OF IMPACT
Credit risk	In geographic areas affected by extreme and chronic weather events, the value of real estate assets financed and/or used as collateral could be reduced if damaged, with potential repercussions at both PD and LGD levels.

Market risk	Acute climate events that have an economic impact on listed companies or fixed-income issues, or investments in companies or projects linked to polluting activities, such as the oil extraction sector, could impact the price of their shares or issues.
Liquidity risk	Extreme weather events could lead to a sharp depreciation of real estate assets that serve as collateral, resulting in a higher cost of funding. The withdrawal of deposits by customers who need to repair damage caused by these weather events could also impact liquidity.
Reputation risk	Given the characteristics of reputation risk, the impact of physical risk on reputation risk is not considered material.
Operational risk	The impact of physical risks arising from climate change on the Bank's assets such as buildings, offices, etc. is considered low in terms of expected losses in the short, medium and long run

Source: prepared in-house.

Table 3. Expected potential impact of transition risks on prudential risks.

TYPE OF RISK	Transition risks DESCRIPTION OF IMPACT
Credit risk	An increase in the price of carbon or a rise in the price of certain resources could result in reduced revenues for affected companies. The need to make a home more energy efficient, for example, could result in lower disposable income for the households affected. This reduction in customers' ability to pay could impact PD and LGD levels.
Market risk	Stricter ESG requirements could affect the valuation of companies and assets. Failure to take these criteria into account could affect the value of investment portfolios. Also, some companies lagging behind in ESG management might see their ability to pay dividends compromised.
Liquidity risk	Failure to align the institution's activities with the objectives of the Paris Agreement could result in the deterioration of its ESG rating, leading to the exclusion of its securities from the investment universe of asset managers or possibly higher funding costs.
Reputation risk	The financing of companies and projects in sectors of activity considered unsustainable could be perceived negatively by customers, markets and society, which might adversely impact the company's reputation or business. In these unsustainable sectors, customers' creditworthiness and payment capacity may also be affected.
Operational risk	No potential financial impacts on Ibercaja's operational risk as a result of transition risks have been observed

Source: prepared in-house.

This assessment dives deeper into risk analysis by incorporating a qualitative assessment of the materiality of climatic factors in the prudential risk categories. The analysis discriminates between the potential impacts of physical and transition risks over various time horizons (short, medium and long term).

This exercise resulted in a **climate risk map** in which the major impacts are concentrated in credit and market risk, with the most relevant risks being those of transition in the medium and long term, as well as the possible impact of physical risks in the long term.

IBERCAJA'S CLIMATE RISK MAP

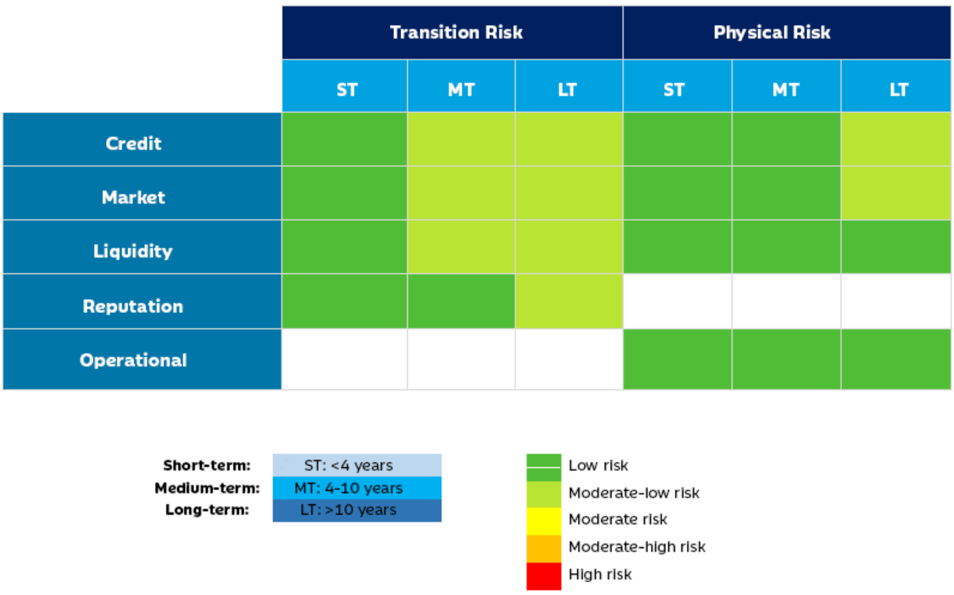


Figure 4. Expected potential impact of climate-related risks on prudential risks in the short, medium and long term.

Source: prepared in-house based on the consolidated results of the risk assessment questionnaires.

The risk map was also updated in 2021 to show the environmental and climate events that could impact this prudential risk and considering how climate-related events could negatively affect business continuity. The operational risk assessment questionnaire was adapted to include the risks of physical damage to the Bank's assets, branches and data centres due to extreme weather events. Special attention will now be paid to the potential impact that physical risks could have on the provision of the Group's services, as well as the potential risks linked to possible bad practices in the achievement of the climate transition objectives by Ibercaja or its counterparties, which may result in reputational costs for the Bank.

MEASUREMENT OF CLIMATE-RELATED RISKS

In 2021, Ibercaja carried out various exercises that allowed it to make further progress in measuring climate risks.

Firstly, it conducted an **analysis of the climate vulnerability of the Bank's loan portfolio**. This analysis aims to estimate the potential climate vulnerability of Ibercaja's productive activities segment of the loan portfolio, resulting in a preliminary segmentation of economic sectors with a greater predisposition to climate risk. It was carried out based on a tool developed by ECODES[9] (Ecology and Development Foundation), a national benchmark organisation in sustainability and climate change, in collaboration with the Statistics Service of the Autonomous University of Barcelona, following a methodology agreed upon with the Bank. To identify sectors and geographical areas with a greater predisposition to be impacted by climate factors, the following relevant metrics were analysed in 2021:

- **Metric 1:** measures the predisposition to climate vulnerability of the portfolio of productive activities by means of a variable that addresses not only climatic factors (physical and transition risks) but also environmental factors (soil degradation, water needs in processes, etc.).
- **Metric 2:** measures predisposition to physical risks of the portfolio of productive activities. The variable used reflects the vulnerability associated with extreme weather events such as tornadoes, torrential rainfall, earthquakes, etc.

[9] This ECODES (Fundación Ecología y Desarrollo) model allows assigning to each of the company clients of the productive segments, a value of the estimated climate predisposition index that best fits the reality of the evaluated company, with certain restrictions that the limitation of the model's input information imposes.

- **Metric 3:** measures predisposition to transition risks of the portfolio of productive activities. With the variable used, it is possible to know which activities within the portfolio are considered intensive in the emission of greenhouse gases in general or CO_2 in particular.

The Bank has also conducted a **climate risk analysis for real estate collateral**, assessing both physical and transition risk and using as an input information provided by valuation company Sociedad de Tasación (SOTASA)[10]. The potential physical climate impacts were determined for the real estate portfolio in the most relevant geographical areas, reflecting low levels of predisposition. Meanwhile, a study was carried out into the energy certification ratings of the housing units included in this portfolio. As a result, the ratings of the properties in Ibercaja's portfolio were found to be in line with those of the national housing stock.

In 2022 Ibercaja will take part in the **ECB's climate stress test exercise** to integrate climate factors into the Bank's internal stress test framework.

[10] SOTASA has carried out an analytical review of the climate impacts on Ibercaja's real estate guarantees, as well as a study of their energy certification ratings.

MANAGEMENT OF CLIMATE-RELATED RISKS

Ibercaja is working to **include the ESG factors in the underwriting and monitoring of credit risk**, in line with the EBA Guidelines on loan origination and monitoring, which set out the internal governance mechanisms and procedures of financial institutions in relation to loan transactions. Reference to the consideration of ESG risks in the assessment of customers and transactions has now been included in its risk underwriting policies. In 2022, the Bank will work towards implementing an exclusions policy and the ESG rating of its corporate customers. In aspects relating to the monitoring of the production activity portfolio, Ibercaja will start to monitor changes in the Bank's exposure to those sectors with potentially higher levels of ESG risk, especially climate change risks.

This work will continue throughout 2022 to completely integrate **ESG risks** into risk management and control processes.

With regard to **liquidity risk management**, the decline in the value of additional liquid assets for ESG assets was included for the first time during the period (including climate and environmental risks) within the main types of risk.

Last but not least, and in relation to **market risk management**, work was carried out in the sphere of portfolio management through the monitoring of indicators that define ESG criteria (which include aspects related to climate and environmental risks) and certain asset selection criteria that enable private fixed income and equity portfolios to be characterised.

Along similar lines, the **asset managers of the Financial Group** (Ibercaja Pensión and Ibercaja Gestión) —both firmly committed to the growth of society and environmental protection through socially responsible investment— are developing an internal and progressive model of investment selection and the management of non-financial risks that is being incorporated into the traditional essential analysis. Thus, in 2021 the **following policies** were approved:

- **Sustainability Policy**, to evidence and formalise the Financial Group's commitment to sustainable development and value creation through its activity and to establish the global action framework for the Group in matters of sustainability, containing the commitments voluntarily assumed to promote long-term sustainable, inclusive and environmentally-friendly growth, with a long-term vision (Regulation (EU) 2019/2088)[11].

- **The Sustainability Risk Integration Policy**, which establishes the principles, processes and governance framework, governing ESG risk integration in the investment decisions.

- **Exclusions Policy**, to ensure that the investment policies are not exposed to unethical, irresponsible or unsustainable activities, and to contribute to the attainment of the UN Sustainable Development Goals (SDGs) in the framework of the ESG Risk Integration Policy.

- **Adverse Event Policy** for the proper identification, analysis and management of impacts of investment decisions that could negatively affect sustainability factors[12].

[11] In compliance with the provisions regarding transparency in the incorporation of sustainability risks in investment management of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (SFDR).
[12] Pursuant to Art. 4.1.a and 4.2 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector (SFDR).

- **Engagement Policy**, which sets out the general principles, criteria and procedures to encourage the long-term engagement of shareholders in listed companies[13].

[13] In compliance with the requirements of article 224 bis of the Consolidated Text of the Securities Market Act, approved by Royal Legislative Decree 4/2015, of 23 October, introduced by Act 5/2021, of 12 April, amending the Consolidated Text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.

6.12.7 Metrics and targets

Metrics

Ibercaja is aware of the **importance of non-financial information** in making progress in the metrics and targets needed to assess and manage climate-related risks and opportunities

For this reason, a specific line has been developed as part of the Strategic Sustainability Initiative to improve non-financial information and make it one of the areas of information to be further developed within the framework of the Data Governance Project currently underway at the Bank.

Progress made: definition of stages to be undertaken

1. **Identification of non-financial information** used for both internal management and reporting of climate and environment-related risks.
2. **Development of an ESG reporting and analysis model to ensure the availability of information** (quantitative and qualitative) in the Bank's information system. Planning of the necessary developments for unavailable data.
3. **Adaptation of identified** non-financial information to the needs of the Data Governance Framework for further integration therein.
4. **Definition by users and construction of the metrics** (KPIs and KRIs) based on which environmental and climate risk exposure is to be identified, managed, monitored and measured.
5. **Definition and preparation of reporting and disclosure** (internal and external) through a scorecard that includes indicators and the like, as well as control levels and reporting frequency.

Objectives

In furtherance of its commitment to sustainability and the fight against climate change, **Ibercaja aims to**:

- **Accompany its customers on the path towards a decarbonised economy**, defining a commercial strategy that helps them make purchasing and investment decisions that positively impact the environment.
- **Continue to promote socially responsible investment by expanding the number of investment products and strengthening the Financial Group's positioning in SRI strategies (see current SRI product offering in Chapter 6.3).**
- **Complete the financing offer with products with sustainable features** (especially climate change mitigation), thus meeting the needs of the environment and customers.

The new Strategic Plan, Desafío 2023, incorporates specific targets for sustainability and the fight against climate change, as well as indicators for their monitoring and evaluation. In particular, it has set a target of achieving Scope 1 and 2 emission neutrality, achieved by offsetting those emissions that could not be avoided.

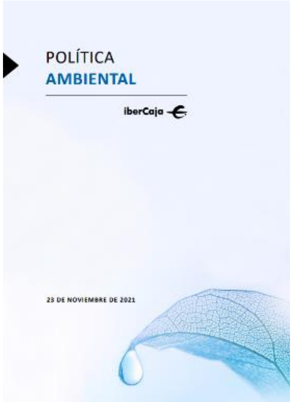
In addition, within the Environmental Management System, the objectives for the years 2021-2023 are to continue working to reduce emissions, extend our environmental commitment to our suppliers, and promote the circular economy while improving recycling levels.

Disclosure of Ibercaja Banco's carbon footprint (direct impacts)

As evidenced by its **Sustainability Policy,** Ibercaja, aware of the direct impact of its activity on the environment, is committed to:

- Measure and publish its **carbon footprint**, establishing a reduction plan to achieve emission neutrality.
- Comply with all applicable **environmental law and regulations** and other voluntarily assumed requirements, adopting the necessary measures to do so.
- Apply the principle of **pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- Encourage the **responsible control and consumption** of resources and the **proper management of waste** by minimising its generation to the fullest extent possible and promoting the circular economy all along the value chain.
- Ensure the integration of continuous improvement in the system and in environmental performance by establishing **environmental objectives**.

Since 2007, the Entity has had an **Environmental Management System**, which is certified by the ISO 14001 Standard, and which establishes annual environmental targets and defines the indicators for their monitoring. It also has an **Environmental Policy**, which is based on the observance of applicable laws and regulations, preventing pollution and contamination, ensuring proper waste management, raising employee awareness regarding the responsible use of natural resources and disseminating good practices among customers and suppliers to raise levels of engagement.


POLÍTICA
AMBIENTAL
ibercaja
23 DE NOVIEMBRE DE 2021

This policy was updated in 2021 to align with the principles of action that govern the Sustainability Policy and extend its scope to include the Bank's financial activity.

Since 2016, Ibercaja has calculated its carbon footprint, including the scope 1 and 2 emissions, demanded by the Spanish Climate Change Office, and also the indirect scope 3 emissions, specifically, those produced by car trips of employees for work reasons and those associated with documents sent by messenger.

In response to the commitments made, in 2019, Ibercaja **registered its carbon footprint in the Registry of Footprint, Offsets and CO2 Absorption Projects of the Ministry for Ecological Transition and Demographic Challenge** with the calculation of CO2 emissions of scope 1+2 and 3.

Ibercaja has drawn up an **Emissions Reduction Plan** and has earned the **"Calculo/Reduzco" (I calculate, I reduce)** seal of excellence from the carbon footprint register kept by MITECO.

As explained in **Chapter 6.5.** of this Management Report, in 2021, Ibercaja offset those emissions calculated in 2020 that could not be avoided, thus making it **Carbón Neutral**.

Furthermore, aware of the importance of directly reducing CO2 emissions, Ibercaja has an **emissions reduction plan** that identifies the most effective measures in achieving this objective.

In addition, following its accession to the NZBA initiative in 2021, Ibercaja is firmly committed to achieving emission neutrality for its loan book and investment portfolio by 2050 (for more information, see Chapter 6.1. of this report).

6.13 Global Compact Progress Report

Ibercaja has been a signatory of the United Nations Global Compact since 2006, a pact that promotes the implementation of ten universally proclaimed principles to foster sustainable development.

The **2021 Management Report** of Ibercaja describes the **Bank's annual progress** in implementing the ten principles of the UN Global Compact in terms of human and employment rights, the environment and the fight against corruption.

In this way, we are responding to the requirements established for preparing the **Progress Report**, reaching the **Advanced level**, the highest rating awarded by the **Global Compact** within the Reporting levels.

ACTIONS

*The 2021 Management Report describes the actions carried out during the year in the task of implementing **these Ten Principles***

In this regard, there are three key issues on which we wish to report:

- **Corporate sustainability and leadership**: in late 2020, Ibercaja approved the Sustainability Policy of the Ibercaja Group, thus making further progress, as explained throughout this report, towards the Bank's commitment to sustainability. The new 2021-2023 Strategic Plan was also launched in 2021, which includes ambitious and specific objectives to advance the integration of sustainability within the business.
- **Sustainable Development Goals** of the United Nations: this report also includes information on the Bank's positioning in relation to the SDGs and the most significant actions carried out, adding to their achievement.
- **Implementation of the Ten Principles** in strategies and operations in Human Rights, Labour, Environment and Anti-Corruption. **Appendix B** contains a table showing the Ten Principles of the Global Compact and the sections of this report that contain information on them and their relationship with the GRI Indicators.

6.14 Communication: listening to and dialogue with our stakeholders

102-21, 102-40, 102-42, 102-43, 102-44, 103-1, 103-2, 103-3, 207-3

> For Ibercaja, active listening and dialogue with stakeholders are key to developing its business model, achieving the greatest positive impact, and meeting their expectations and needs.

The challenges faced by the Bank and, specifically, its active role in **achieving the Sustainable Development Goals for the improvement of the planet** can only be met by actively engaging its stakeholders to jointly promote the necessary transition towards a more sustainable economy. Doing this necessarily means fostering **dialogue and close cooperation** with stakeholders, knowing their expectations, working together, and joining forces through partnerships.

> **DIALOGUE AND PROXIMITY**
>
> *It is necessary* ***to foster dialogue and proximity with stakeholders****, know their expectations, and work together, through alliances, as we join forces.*

The Bank has a **stakeholder map**, which is regularly updated and identifies those stakeholders that are a priority for the Bank: **customers, employees, investors and shareholders, suppliers and society**. In addition, the impact of its activity on the **environment** is given careful consideration. This selection was made after analysing their expectations and interests and assessing their relationship with the Bank, their capacity to influence and the importance of each group to the Bank.

Stakeholders *are persons or groups that impact the Entity and are influenced, directly or indirectly, by its activities, products or services.*

Communication and institutional relations with our various stakeholders are a tool for enhancing reputation and business opportunities, while contributing to our differentiation within the market.

Therefore, there is continuous coordination and alignment in disseminating content through the Bank's various communication channels, both externally and internally.

Communications criteria

Transparency, honesty, diligence and neutrality are key criteria present in all the information flows generated by the Bank, both internally and externally.

Based on these four key criteria, these flows are systematised through a communication model.

Transparency

In all matters of public interest that do not compromise the required confidentiality of the activity.

Veracity

So that it accurately responds to the information requests of the stakeholders.

Diligence

To provide timely information that recipients can use to their maximum benefit.

Neutrality

All stakeholders are entitled to information generated by Ibercaja under equal conditions.

Internal communication

Working alongside the People Department, **Internal Communication** seeks to foster a sense of belonging, commitment and alignment of the workforce around the common project. One of the most important milestones this year was the presentation of the Strategic Plan, Desafío 2023, in April, which was presented online to all Bank employees.

Also, in 2021, Ibercaja continued to deploy its **Internal Sustainability Communication Plan**, which was launched the previous year to accompany the Bank's Sustainability project and help to ensure that Ibercaja's objectives in this area are **known and internalised**, thus helping to foster a new **culture of sustainability**.

External communication

External Communication in 2021 was deployed within the framework of the new Strategic Plan, Desafío 2023. The Bank worked even harder to convey its messages relating to the activities of Corporate Banking, Personal and Private Banking and Insurance, as well as those relating to sustainability, thus helping to raise awareness of the Bank's firm commitment to sustainable growth and, at the same time, accompanying its stakeholders on the path towards a more sustainable society.

Ibercaja maintains fluid relations with Spanish and foreign media to respond to requests for information and notify society of significant events involving the Bank. Through these actions, the Bank achieved 18,677 impacts in 2021

The main external communication actions include:

- seven press conferences, four of which were held online due to existing health protocols at that time. At these events, information was presented to the press and media on the Bank's achievements and actions that were considered relevant to the Bank's various stakeholders. The Bank has been able to keep up normal levels of external communication by going digital in many cases, thus achieving greater outreach. In particular, the press call for the online presentation of the Strategic Plan, Desafío 2023, was attended by 33 media outlets and generated 91 impacts. Meanwhile, the press conference held to report on the Financial Group's performance, which was also held in digital format, was attended by 18 media outlets and generated 56 impacts.

- Planet Week: In October of this year, the 1st Ibercaja Planet Week was organised with the slogan "the week in which the planet and you win", to convey to society, customers and employees the Bank's commitment to the transition towards a more sustainable economy, while also seeking to raise awareness and engagement among all of its stakeholders. The Bank's commitment to being a benchmark in sustainability was reflected in the press releases, media collaborations, articles, events, and the like that were carried out or published throughout the year, with 699 hits within the media and an outreach on social networks of 397,072

- Dissemination of Ecosistema Más Empresa actions: a meeting point for more than 4,000 entrepreneurs, professionals and managers who interact through an open innovation platform throughout the country. The Ecosystem currently has 48 national and international partners, and a think-tank made up of five leading experts in their sectors. It has also organised more than 130 face-to-face activities throughout Spain. Some of these companies have participated in the Ecosystem Open Innovation challenge platform.

- Collaboration of expert professionals in different areas of the Bank with the media through opinion articles, interviews and responses to queries on issues and matters of an economic and financial nature.

- Boosting the Bank's presence on social networks by disseminating news related to the Bank, participation in events, sponsorships, partnerships, etc.

- Preparation and dissemination of the four-monthly issues of journal Economía Aragonesa and the half-yearly issues of journal Economía Riojana, which include analyses of the international, national and regional economic situation carried out by the Bank's Economic and Financial Studies unit, as well as monographic articles on regional socio-economic issues.

Institutional projection plan. This plan aims to position the Ibercaja brand as a benchmark within the Spanish banking system through participation in the main economic and sectorial forums and meetings and in the general and specialised media, both by members of the management team and other managers and specialists of the Bank. The Bank continued to strengthen its institutional projection in the traditional regions where it has a stronger position, such as Aragon, La Rioja, Guadalajara, Burgos and Badajoz, as well as in those areas of expansion where it has a significant presence, such as Madrid and the Mediterranean Seaboard. In 2021, a total of 436 conferences, events, meetings and webinars were held, of which 63 were online. A total of 11,617 people attended in person, while 5,646 people followed the live streaming of the event.

Lobbying strategy. Ibercaja is a member of the Spanish Confederation of Savings Banks (CECA), which groups together Spanish banks that were once savings banks in their day. To further the legitimate interests of its member institutions, CECA acts as a spokesperson and sectoral liaison with parliaments and governments, as well as with the various regulatory and supervisory bodies, both at the European and national level. Therefore, Ibercaja channels its lobbying strategy through CECA on almost all issues.

The main communication channels are as follows:

	Customer service
	Corporate website and commercial website
	Suppliers Portal
	Active listening on social media
	Customer satisfaction surveys *Employee satisfaction surveys* *Reputation measurement surveys* *Brand awareness surveys*
	Free telephone numbers and email inboxes
	Newsletters and online assessment questionnaires
	Meetings and focus groups with employees, customers and the general public
	Systematic and permanent relationships with bodies, institutions and social agents to ascertain trends and expectations and exchange good practices (AEC, CEOE, Chambers of Commerce, Forética, Cecabank, etc.).

6.15 Commitments in 2021 and challenges in 2022

102-11

> The attached tables provide information on the degree of achievement of the targets set for 2021, as well as the new challenges for 2022.

2021 Commitments

STAKEHOLDER	2021 COMMITMENTS	RESULTS	%
Customers	**Customer experience**: Achieve 90% of satisfied or very satisfied customers in post-interaction counselling surveys	A 97.4% customer satisfaction rate was achieved, meaning target attainment was successful and above expectations.	100%
	Marketing and sales: • Expanding our range of sustainable investment products to offer each customer the most appropriate solution according to their investment profile. • Enhancing our range of sustainable financing products to provide customers with access to solutions that improve the energy efficiency of their homes, businesses and mobility.	We added two new investment funds and an ESG pension plan. In addition, Spain's first ESG-rated SICAV was set up. We incorporated new financing products aimed at the energy efficiency of private properties, homeowners' associations and productive activities. To keep up with sustainable consumption trends, Ibercaja Renting incorporated a new Sustainable Renting section for electric vehicles.	100% 80%
	Digitalisation: 90% of transfers in digital channels.	In 2021 89.5% of transfers were made via digital channels.	100%
	Ibercaja APP: Increase active users of the Ibercaja app by 25%.	In 2021 the number of users of Ibercaja's apps was up 26%.	100%

Human resources	**Launch of a new "Digital Employee Environment" with the following objectives**: improve the user experience, bring together the main communication and employee engagement applications and incorporate new forms of internal communication to enhance the employee experience.	Phase 1 of the project developed in a test and production environment. Actual launch for the entire workforce planned for April/May 2022.	75%
	Advance in the design and deployment of a governance model to assist the work of Management by establishing basic and uniform guidelines for all divisions, ensuring that this process will consolidate the Leadership Model at Central Services, just as it does across the Network through the Management	The model is designed, but not yet deployed.	50%
	Advance in constructing a people development model based on the alignment between value contribution and remuneration.	Currently in the design phase.	50%

Environment	**Progress in identifying climate risks** for their progressive incorporation into the Bank's wider risk management processes.	The impact of climate factors was analysed, identifying the potentially most vulnerable sectors and focusing on the analysis of mortgage collateral and the portfolio of productive activities of companies. The climate and environmental risk map was developed to understand climate and environmental risks and their transmission channels to prudential risks.	100%
	Progress in integrating environmental criteria in supplier approval processes.	Within the Suppliers Portal, suppliers can incorporate, for approval, information on any seals, recognitions or certifications	80%
	Offset the total carbon footprint (Scopes 1 and 2) through CO_2 absorption projects.	In 2021, carbon emissions from 2020 were offset through an Ecodes project in the Amazon.	100%
	Advance in the improvement of selective waste collection at the Bank	In 2021, a selective waste collection system was implemented at the Bank's main centres, and the aim is to make further progress over the coming years.	90%
Suppliers	**Review and adapt to the EBA's Guidelines on Outsourcing** of outsourced services before they enter into force.	Project carried out on schedule.	100%
	Improve and standardise the model for measuring risks associated with suppliers.	All objectives were met.	100%

Company	**Renew the RSA+ Seal**	In 2021, both the RSA Seal and the RSA+ Seal, promoted by the Government of Aragon, were renewed.	100%
	Develop a different kind of volunteering that brings added value and can be carried out in the current health circumstances.	In 2021, a professional volunteering model was implemented to unlock the value of the professional experience of Ibercaja's people and help young people make their way into the labour market. This project was developed through digital tools to avoid physical contact amid the ongoing pandemic.	100%
	Convey to society the strategic importance of sustainability for the Ibercaja Group.	Ibercaja has positioned itself in sustainability to accompany customers and society on this path. A prime example of this was the celebration of Planet Week.	100%
Shareholders and investors	**Continue increasing the visibility of Ibercaja among institutional investors** by increasing the number of events, meetings and telephone conferences.	Numerous contacts were made with leading institutional investors in preparation for the IPO process.	100%
	Adapt the corporate website www.ibercaja.com to include the Bank's commitments and progress in sustainability	The sustainability section of the corporate website was revised and completed to show the progress made in the sustainability project framework and respond to the regulatory requirements arising from EU Regulation 2019/2088 on the disclosure of information relating to sustainability in the financial services sector.	75%
	Enhance communication of Ibercaja's ESG commitment among investors and rating agencies.	Ibercaja began to regularly include information on the Bank's ESG strategy in presentations to investors, while also holding specific meetings on the subject with the rating agencies that cover Ibercaja	75%

Other commitments	**Making sustainability part of the new Strategic Plan, Desafío 2023**: developing a cross-cutting enabling initiative.	The new Strategic Plan, Desafío 2023, includes the initiative IN02: Purpose and Sustainability to integrate the Corporate Purpose into our culture and sustainability into the organisation's strategy (risk management, business strategy, communication and outreach, etc.)	100%
	Internally and externally activate the organisational purpose by making it part of the corporate culture.	The first planned activation phase was carried out with an internal and external communication plan; the corporate culture was aligned with the Purpose; the latter was included in the customer value proposition, personalised by segments.	100%

2022 challenges

STAKEHOLDER	2022 COMMITMENTS
Customers	**Customer experience:** • Post-interaction advice: Achieve 90% of satisfied or very satisfied customers in post-interaction counselling surveys • Omnichannel Relationship Customer Experience: TOP3 in the sector (source: BMKS – Global Satisfaction) **Digitalisation:** • Users of Ibercaja apps: To exceed 1 million active users of the app and Ibercaja Pay. **Marketing and sales:** • Broaden the range of sustainable investment products to ensure that an investment proposal can be made to all customers who receive advice, whatever their risk profile and preferences
Human resources	**Employee Experience Indicator**, identifying the various employee archetypes and lines of improvement in those processes that have the greatest impact at key moments in Ibercaja's relationship with its employees. NPS index update Recertification of the **Family Friendly Business** Update of the **Equality Plan**
Environment	**Emissions neutrality**: Offset the total carbon footprint (Scopes 1 and 2) through CO2 absorption projects. **Make progress in measuring the carbon footprint** of the loan portfolio for subsequent analysis and definition of reduction targets.
Suppliers	**Review of procurement and supplier risk management policies**, including ESG criteria. **Standardise the approval and review of supplier risk** at all Ibercaja Group companies

Company	**In collaboration with Fundación Ibercaja, development of a comprehensive environmental action**: reforestation activity, alliance with companies and participation of environmental volunteers. **Launch of the 2022 Volunteering Plan**: visibility, encouraging participation and enhancing the volunteer experience. **Renewal of the RSA+ seal from the Government of Aragon** **Raising public awareness of the relevance of sustainability** and the importance of moving towards a decarbonised economy: Internal and external communication actions.
Shareholders and investors	Continue increasing the **visibility of Ibercaja** among **institutional investors** by increasing the number of events, meetings and telephone conferences. Enhance communication of Ibercaja's **ESG commitment** among investors and rating agencies. Development of a **communication policy** for shareholders, investors and proxy advisors once the Bank is listed on the stock exchange
Other commitments	**Development of an action plan to integrate climate and environmental risks** in response to supervisory expectations

7 Risk management

7. Risk management

102-15, 102-30, 102-31, 103-1, 103-2, 103-3

> Financial and sustainability-related risk management is key to Ibercaja's business development strategy.

Global risk management is one of **Ibercaja's strategic priorities** in order to preserve its financial strength and grow the business in accordance with the risk appetite and tolerance levels determined by the governing bodies.

Risk management is organised through the **Risk Appetite Framework. The key aim is to establish a set of principles, procedures, controls, and systems through which the Group's risk appetite is specified, communicated and monitored**. Risk appetite is the level or profile of risk that the Bank is willing to accept and maintain in terms of type and amount. Risk appetite must be geared towards achieving the targets of the Strategic Plan in accordance with the established lines of action.

The Group's risk management principles are as follows:

- Maintain a medium-low risk profile.
- Comply with regulatory requirements and with the capital and liquidity targets set in the self-assessment processes.
- Maintain strong risk governance with senior management and the Board of directors' effective involvement.
- Foster a risk-aware culture and ensure that the organisation understands the level and nature of risks to which it is exposed.

- Maintain the trust of customers, investors, employees, suppliers and other stakeholders.
- Preserve credit, market and interest rate risk levels that ensure a medium-low risk profile and the objectives of profitability and solvency.
- Prevent risk concentration.
- Avoid materialising operational, regulatory, legal or reputation risks through active and continuous risk management.
- Maintain a liquidity position to ensure that all payment obligations can be comfortably met.
- Achieve suitable levels of risk-adjusted returns to ensure the achievement of profit targets.

While **credit risk** is the most significant threat to the Bank's business, other risks are managed and controlled, including business and profitability, concentration, operational, interest rate, market, and liquidity.

In addition, the Bank has numerous measures and procedures in place to minimise **non-financial risks**, such as reputation risk, compliance risk and risks related to social, human rights and environmental issues.

Among the general principles of sustainability enshrined in the Sustainability Policy approved by the Board of Directors in December 2020, Ibercaja observes the prudent and global management of all financial and non-financial risks when carrying on its activities, including ESG risks (environmental, social and good governance). In addition, the Entity undertakes to analyse the risks arising from climate change and environmental deterioration, their impact on customers and its financial activity for gradual integration into risk management procedures in compliance with supervisory expectations. In this regard, Ibercaja has drawn up an **Action Plan**, also approved by the Board of Directors on 11 May 2021, to respond to the **expectations of the European Central Bank's Guide on climate-related and environmental risks**. This Plan is developed within the Strategic Initiative "Purpose and Sustainability" framework, which is part of the Strategic Plan, Desafío 2023.

It should be noted that Ibercaja is working to include ESG factors in its credit risk underwriting and monitoring processes, in line with the EBA Guidelines on loan origination and monitoring, having already included in its risk underwriting policies an analysis of the potential impact of ESG factors. The Bank is likewise looking to develop an Exclusions Policy that limits the impact of the ESG factors on the Bank's credit risk. ESG aspects were included in the policies and manuals for credit, operational, liquidity and market risk, which clearly state that all such risks must be managed and controlled accordingly. The Bank is also working on integrating climate and environmental risks into the Risk Appetite Framework and Capital and Liquidity Self-Assessment processes, taking into account the supervisory expectations of both the ECB and the European Banking Authority (EBA).

Meanwhile, the asset managers of the Financial Group (Ibercaja Gestión and Ibercaja Pensión) —both firmly committed to the development of society and environmental protection through socially responsible investment— approved the following policies during the year: Sustainability Policy, Sustainability Risk Integration Policy, Exclusions Policy, Adverse Event Policy and Engagement Policy.

Note 3 to the Ibercaja Banco Group's 2021 consolidated annual accounts *provides more extensive and detailed information on the management of each type of risk.*

8 Research, development and technology

8. Research, development and technology

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> The new Strategic Plan reinforces the Bank's commitment to digital transformation and the continuous improvement of operational processes.

Technological innovation plays a key role amid a series of hugely significant changes within the sector: transformation of customer habits, the need to improve the efficiency of operational processes to gain competitiveness, regulation in continuous change, and the emergence of new players who are making inroads in the retailing of financial products.

Technology is a **decisive factor underpinning the competitive advantages of the Bank's business and operating model.** In the 2021-2023 Strategic Plan, the development and growth of the operational model is an initiative that deepens the transformation undertaken in the previous three-year period. The new plan focuses on the **four main courses of action**: efficiency, self-service, outsourcing and robotisation. In developing these aspects, a process map of the Bank has been drawn up as a guide for optimisation and ongoing evaluation, thus completing the process re-engineering carried out over the last few years.

The main actions and projects on which work has been carried out are as follows:

Ibercaja and Pensumo's "Consumer Pension System"	*This project, submitted in the first edition of the Financial Sandbox, was one of the 18 projects selected out of 67 submitted. The "Consumption-Based Pension System" links retirement savings with consumption by redirecting the economic flows generated by the pension holders' daily lifestyle towards their future pension. A digital service has been created along these lines, available in a new mobile app or via Ibercaja's own app. Through agreements with third parties, commercial establishments and companies, they apply a percentage of the purchase, bonuses, discounts or promotions to the user's savings plan. Moreover, the customer can allocate a fixed amount to their savings system each month or round up the purchase made. This service further innovates the existing mechanisms for savings contributions and further shows the Bank's status as an innovative leader in savings investment.*
Digital transformation	*New functionalities and changes to existing applications have been rolled out across all channels to facilitate their use and enhance the customer experience.*
Improved efficiency for banking transactions	*The Bank has continued to develop its operating model, which pursues excellence in internal and customer operations and better use of resources. As well as reinforcing mechanisation and robotisation, it has implemented a line of artificial intelligence utilities linked to document and information analysis. The creation of artificial intelligence solutions in processes such as credit investments and risk has already delivered significant results by reducing the hours worked by the human team and leveraging the data obtained by these utilities.*

Self-service plan	*New functionalities have been added to the self-service channels, such as payment of taxes to various administrative bodies and transfers, together with improvements in robotic processes. The changes have resulted in better customer service and more efficient and faster assistance to customers' needs. The Bank has also deployed customer support tools in areas with lower service density. They are essentially cash back utilities, which allow cash withdrawals to be made in shops with Ibercaja POS terminals or the implementation of cash couriers; a solution for sending money orders, including home delivery, from the app and via Ibercaja branches.*
Contact centre	*There to provide permanent customer service for cards, POS, complaints, general information lines and specialised fraud response.*
Crisis management and business continuity	*Ibercaja has reinforced this line of work, which aims to guarantee the quality and continuity of customer service in complex situations, avoiding impacts that alter the functioning of business processes. The process of modernising the continuity management system will culminate with AENOR's certification of the International Business Continuity Management Standard (ISO 22301) in early 2022.*

9 Information on treasury stock

9. Treasury shares

There have been no transactions involving Treasury shares in 2021.

10 Other information

10. Other information

10.1 Dividend policy

The distribution of dividends is determined at the General Meeting of Shareholders on the basis of the proposal made by the Board of Directors.

Given the impact of the COVID-19 pandemic on economic growth, on 15 December 2020, the European Central Bank (ECB) issued a **Recommendation (ECB/2020/62)** addressed to all significant credit institutions in the Eurozone regarding **profit distributions for 2019 and 2020, which was extended until 30 September 2021,** calling for shareholder remuneration to remain below 15% of accumulated profit in both years and not to exceed, under any circumstances, 20 basis points of CET1.

At the General Meeting held on 15 April 2021, shareholders approved the **distribution of a dividend totalling 3,849 thousand euros against the profits reported by the Company in 2020**. Payment of the dividend went ahead on 16 April 2021.

On 23 July, the ECB, through **Recommendation (ECB/2021/31)**, decided **not to extend its recommendation on profit distribution** beyond 30 September 2021.

On 5 October 2021, the Board of Directors of Ibercaja Banco, taking into account the ECB Recommendation of 23 July 2021, resolved, in accordance with Article 277 of the Corporate Enterprises Act, to distribute an **interim dividend of 47 million euros among shareholders in proportion to their respective holdings in the share capital of the Bank**. The dividend was paid out in full on 7 October 2021.

The Board of Directors will lay a motion before the Annual General Meeting calling on shareholders to approve the **distribution of a dividend of 98.14 million euros out of 2021 profits (of which the interim dividend of 47 million euros has already been paid, leaving 51.14 million euros to be approved and distributed),** representing a pay-out ratio of 65%.

The Bank has no legal restriction or limitation on the payment of dividends and, except in extraordinary circumstances such as the health crisis in which the ECB recommendation has been adopted, it intends to continue its shareholder remuneration policy. In any event, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining an adequate capital buffer, even if there is an impairment of the economic situation and financial conditions.

10.2 Ratings by rating agencies

In 2021, the main changes in the ratings awarded by the rating agencies were as follows:

- On 24 June, **Standard & Poor's** raised Ibercaja Banco's outlook from "negative" to "stable", confirming the long-term rating at "BB+".
- On 9 September, **Fitch Ratings** downgraded Ibercaja Banco's outlook to "positive" from "negative", confirming the long-term credit rating at "BB+".
- On 13 July, **Moody's Investors Service**, following an internal review of its methodology, adjusted Ibercaja Banco's long-term deposit rating to "Ba2" from "Ba3". On 1 October, in response to the Bank's fundamentals, Moody's upgraded Ibercaja Banco's long-term deposit rating to "Ba1" from "Ba2", maintaining a "stable" outlook.

Ratings by rating agencies

	LONG TERM	SHORT TERM	OUTLOOK
Standard & Poor´s	BB+	B	Stable
Moody's (deposit rating)	Ba1	NP	Stable
Fitch Ratings	BB+	B	Positive

On 27 January 2022, rating agency S&P Global Ratings ratified Ibercaja Banco's long-term rating at "BB+", maintaining a "stable" outlook.

10.3 Average supplier payment period

The average payment period for suppliers in 2021 was **16 days**, well within the legal maximum of 60 days established by Law 15/2010, of 5 July, which establishes measures to combat late payments in commercial transactions.

11 Business outlook and projections

11. Business outlook and expected performance

Macroeconomic scenario:

> *The recovery will continue throughout 2022, although material risks have emerged, such as rising inflation and geopolitical tensions, while the pandemic lingers.*

Global growth expectations are favourable for 2022, with GDP growth above the long-term potential, though falling short of the higher rates reported in 2021 due to the base effect caused by the recession in 2020. **The IMF expects a 4.4% increase in global GDP in 2022** (5.9% in 2021), with a 4.0% increase in the United States and 3.9% in the Eurozone (5.6% and 5.2%, respectively, in 2021). However, there are significant downside risks. On the one hand, the omicron variant of the coronavirus has stalled the recovery in recent months by requiring further lockdowns and other restrictions on activities and events where people typically gather. On the other hand, rising energy and commodity prices could negatively impact the consumption of goods and services. On top of this, we have the threat of war in Ukraine.

The delay in **Spain's** recovery in the year just ended implies a **higher growth potential in the short term**. It is, therefore, one of the few economies in which the **International Monetary Fund (IMF) expects growth in 2022 (+5.8%) to outpace 2021 growth (+5.0%)**. Beyond a return to pre-pandemic production levels, growth will depend on the impact of the risks mentioned above and on recovering the productivity lost in the last year. To this end, proper use of Next Generation EU funds may well play a key role.

Overview and prospects of the Ibercaja Group

> *The Strategic Plan launched in 2021 aims to improve the Bank's competitiveness and profitability. It envisions a series of initiatives to help Ibercaja achieve its objectives for the 2021–2023 three-year period.*

Ibercaja has completed the first year of the new Strategic Plan 2021-2023, achieving a large part of the demanding commercial and sales objectives it set itself while at the same time taking a big step forward in the transformation of the operating and business model on the road to improving its competitiveness.

Commercial activity developed at a good pace, as evidenced by the progress made in the Bank's strategic business lines: Corporate Banking, Personal Banking and asset management and insurance. Of note was the significant increase in market share in lending to companies within a fiercely competitive environment. In contrast, the foundations have been laid in mortgage lending to reach a natural share of the balance and originations that corresponds to the Bank over the coming years. The balance in asset management (mutual funds, pension plans and unit linked) was excellent, underscoring the Group's outstanding expertise in this area, which is so important for the Bank's profitability. The quality of the balance sheet was strengthened with a further reduction in the volume of non-performing assets. At the same time, the Group managed to maintain one of the highest capital adequacy ratios to be found within the entire Spanish financial system. In addition, intense commercial action got underway in the distribution of risk insurance, which was identified as one of the basic pillars of growth over the 2021-2023 strategic period. Looking further ahead, the Bank continued to work towards digital transformation, improving its operating model and customer relationship model and implementing the Group's sustainability strategy.

The gradual return to normality and the economic recovery expected in 2022 will set the scene for Ibercaja's ongoing growth in the year ahead. The Bank will continue to work to become more commercially dynamic, competitive and profitable within the guidelines set out in the Strategic Plan, Desafío 2023.

The main challenges and objectives that will steer our activity moving forward are:

Companies	***Providing liquidity to companies*** *and supporting them, seeing as though we are a key player in financing projects supported and promoted by European Next Generation funds.*
Individuals	***Making mortgage loans available to individuals*** *for home purchases on advantageous terms, as the market is now picking up following the deep slump seen during the darkest months of the pandemic.*
Business and Personal Banking	***Consolidating*** *the plans for* ***Corporate and Personal Banking,*** *both strategic segments of the Bank's activity, as we strengthen the asset management business and distribution of risk insurance.*
Profitability	***Maximising profitability*** *by increasing loan revenue with risk-adjusted rates and generating fees for services that provide added value to the customer, mainly through asset management and insurance.*
Irregular assets	***Managing non-performing assets*** *to bolster the quality of the balance sheet further.*
Quality of service	***Achieving service excellence and customer loyalty*** *as management guidelines and differentiating factors within a highly competitive market. In this respect, we will continue to improve the expertise of branch network employees across the various segments flagged as key to the Bank's business.*
Efficiency	***Increasing efficiency and productivity*** *by optimising resource allocation and maintaining strict cost control. When it comes to efficiency, the final stage of the furlough scheme agreed with the majority of employee representatives in late 2020 will be implemented during the first few months of 2022.*
Digitalisation	***Making decisive progress in the digitalisation*** *of the business to boost commercial activity and deliver on customer expectations.*

Sustainability	***Supporting the transition towards a more sustainable economy and increasing,*** *in line with the Bank's commitment to sustainability,* ***the range of sustainable products*** *in order to meet the expectations and needs of customers and regulators alike.*
Capital adequacy	***Ensuring that the Group's capital adequacy*** *remains among the highest in the Spanish banking system after exceeding the CET1 fully-loaded target of 12.5% envisioned in the 2021-2023 Strategic Plan.*
Value	***Generating value for shareholders*** *by remunerating them with a target payout of 60% of the profit obtained.*

One of the main corporate challenges now facing Ibercaja, due to its size and importance for the future of the institution, is to successfully complete the planned IPO to comply with the regulations affecting the Ibercaja Banking Foundation and to place us on the same footing as most of our competitors in Spain and Europe as a listed bank.

12 Events after the reporting period

12. Events after the reporting period

Between the year-end date and the preparation of these annual accounts, no events have taken place that could significantly affect them.

13 Alternative Performance Measures

13. Alternative Performance Measures

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA/2015/1415es), the Alternative Performance Measures (APMs) used in this report are defined below, alongside a reconciliation with the balance sheet and income statement items used to calculate them.

Ibercaja uses a range of APMs, which are unaudited, to aid understanding of the company's financial performance. APMs should be regarded as additional information. They do not replace financial information prepared under IFRS. The way in which the Group defines and calculates APMs may differ from performance measures calculated by other companies and, therefore, the APMs may not be comparable.

APMs related to the income statement

RECURRENT REVENUES:

Definition: sum of interest margin plus net fee and commission income and net exchange differences (APM defined and calculated below).

Relevance: measures the performance of income directly related to typical banking activity.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Interest margin (1)	492,826	533,673
+	Net fees and commissions and exchange differences (2)	438,543	374,987
=	**Recurrent revenues**	**931,369**	**908,660**

(1) Source: consolidated income statement in the financial statements.

(2) APM. See definition and calculation below.

NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES:

Definition: aggregation of net fee and commission income and fee and commission expense together with exchange differences.

Relevance: measures the income generated via fees and commissions.

	(THOUSANDS OF EUROS)	31/12/201	31/12/2020
+	Fee and commission income	457,495	390,771
-	Fee and commission expenses	19,509	16,636
+	Net exchange differences	557	852
=	**Net fees and commissions and exchange differences**	**438,543**	**374,987**

Source: consolidated income statement in the financial statements.

NET GAINS/(LOSSES) FROM FINANCIAL TRANSACTIONS:

Definition: sum of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and liabilities held for trading, gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, gains/losses on financial assets and liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting.

Relevance: to determine the amount of income related to financial activity but which, by their nature, cannot be considered as recurring revenue.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Gains or losses on the disposal of financial assets and liability accounts not expenses measured at fair value through profit or loss.	46,108	128,856
+	Gains/(losses) on financial assets and liabilities held for trading	645	1,149
+	Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit or loss	103	(10,476)
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	-	-
+	Gains/(losses) from hedge accounting	(194)	(364)
=	**Gains/(losses) on financial assets and liabilities**	**46,662**	**119,165**

Source: consolidated income statement in the financial statements.

OTHER OPERATING INCOME AND EXPENSES:

Definition: sum of the net amount of other operating income and expenses and income and expenses on assets and liabilities covered by insurance or reinsurance contracts.

Relevance: to measure income and expenses that are not wholly derived from financial activity but which are related to our business.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Other operating income	37,944	47,022
-	Other operating expenses	78,553	78,581
+	Income from assets covered by insurance and reinsurance contracts	904,463	960,230
-	Liability expenses covered by insurance or reinsurance contracts	904,756	960,461
=	**Other operating income and expense**	**(40,902)**	**(31,790)**

Source: consolidated income statement in the financial statements.

OPERATING EXPENSES:

Definition: sum of staff expenses, other administrative expenses and depreciation/amortisation.

Relevance: indicator of expenses incurred from our activities.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2010
+	Personnel expenses	375,183	502,568
+	Other administration expenses	169,066	153,020
+	Amortisation/Depreciation	66,973	62,918
=	**Operating expenses**	**611,222**	**718,506**

Source: consolidated income statement in the financial statements.

RECURRING OPERATING EXPENSES:

Definition: operating expenses (APM defined and calculated above) excluding non-recurring items.

Relevance: to measure the trends in of ordinary expenses generated by our activity (banking business, asset management and bancassurance), excluding non-recurring items, such as expenses associated with the workforce adjustment plan.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Operating expenses (1)	611,222	718,506
-	Non-recurring expenses (2)	12,842	151,041
=	**Recurring operating expenses**	**598,380**	**567,465**

(1) APM. See definition and calculation above.

(2) Source: Note 38 to the financial statements.

PROFIT/(LOSS) BEFORE WRITE-DOWNS:

Definition: gross margin less operating expenses (administrative expenses and depreciation and amortisation).

Relevance: to show profitability before write-downs.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Gross income	952,260	1,001,822
-	Administrative expenses	544,249	655,588
-	Amortisation/Depreciation	66,973	62,918
=	**Profit/(loss) before write-downs**	**341,038**	**283,316**

Source: consolidated income statement in the financial statements.

RECURRING INCOME BEFORE WRITE-DOWNS:

Definition: difference between recurring revenues and recurring operating expenses (MARs as defined and calculated above).

Relevance: to measure the recurring profitability of the business before write-downs.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Recurrent revenues (1)	931,369	908,660
-	Recurring operating expenses (1)	598,380	567,465
=	**Recurring income before write-downs**	**332,989**	**341,195**

(1) APM. See definition and calculation above.

PROVISIONS, IMPAIRMENT AND OTHER WRITE-DOWNS:

Definition: The following items are included under the caption "Gains or losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations": the sum of provisions, impairment of financial assets not measured at fair value through profit or loss, impairment of investments in joint ventures or associates, impairment of non-financial assets and the portion of the caption "Gains or losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" corresponding to impairment losses on other non-current assets held for sale.

Relevance: indicator of the cost of allowances made during the year to cover the impairment of the value of our assets.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Provisions or (-) reversal of provisions	5,722	(14,236)
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	78,008	219,646
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	128	-
+	Impairment or (-) reversal of impairment of non-financial assets	11,927	1,559
+	Impairment losses on other non-current assets for sale	31,166	18,861
=	**Provisions, impairment and other write-downs**	**126,951**	**225,830**

Source: consolidated income statement and Note 42 to the financial statements

OTHER GAINS AND LOSSES:

Definition: sum of gains/(losses) on the disposal of non-financial assets and shareholdings and gains/(losses) on disposal of other non-current assets and held for sale within the heading of gains/(losses) on non-current assets and disposal groups of items classified as held for sale and not eligible for classification as discontinued operations.

Relevance: indicator of the impact on our income statement on the derecognition/disposal of assets unrelated to the ordinary activity.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	(5,199)	(3,047)
+	Gains/(losses) on disposal of other non-current assets for sale (2)	5,885	(969)
=	**Other gains/(losses)**	**686**	**(4,016)**

(1) Source: consolidated income statement in the financial statements.

(2) Source: Note 42 to the financial statements.

APMs related to the profitability

CUSTOMER SPREAD (%):

Definition: difference between the average loan portfolio performance and the cost of retail deposits.

Relevance: profitability indicator of our retail business.

	(%)	2021	2020
+	Yields from consumer loans	1.19%	1.36%
	Ratio of interest income on the loan portfolio recorded in the year to the average balance of loans to customers		
-	Cost of retail deposits	(0.02)%	(0.01)%
	Ratio of interest expense on retail deposits recorded in the year to the average balance of retail deposits		
=	**Customer spread (%)**	**1.21%**	**1.37%**

Source: internal Bank information.

COST-TO-INCOME RATIO:

Definition: recurring operating expenses (APM defined and calculated above) divided by gross income.

Relevance: to measure our operating efficiency.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Recurring operating expenses (1)	598,380	567,465
Denominator	Gross income (2)	952,260	1,001,822
=	**Cost-to-income ratio (%)**	**62.84%**	**56.64%**

(1) APM. See definition and calculation above.

(2) Source: consolidated income statement in the financial statements.

RECURRING COST-TO-INCOME RATIO:

Definition: ratio of recurring operating expenses to recurring revenues (MARs as defined and calculated above).

Relevance: to measure the efficiency of our recurring activity.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Recurring operating expenses (1)	598,380	567,465
Denominator	Recurrent revenues (1)	931,369	908,660
=	**Recurring cost-to-income ratio (%)**	**64.25%**	**62.45%**

(1) APM. See definition and calculation above.

ROA:

Definition: Profit attributable to the parent divided by consolidated average total assets.

Relevance: to measure the profitability of our assets.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Profit/(loss) attributed to the parent (1)	150,985	23,602
Denominator	Total average consolidated assets (2)	57,864,629	55,479,103
=	**ROA (%)**	**0.26%**	**0.04%**

(1) Source: consolidated income statement in the financial statements.

(2) The average balance of total assets was calculated as a simple average of the monthly asset balances. The average monthly balance is the average of the closing balances weighted at 50% (i.e. the balance at the end of the reference month multiplied by 0.5 plus the balance at the end of the month immediately preceding the reference month multiplied by 0.5).

RORWA:

Definition: Parent company profits divided by risk-weighted assets.

Relevance: to measure the profitability of our risk-weighted assets.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Profit/(loss) attributed to the parent (1)	150,985	23,602
Denominator	Risk-weighted assets phased in (2)	18,051,935	18,248,449
=	**RORWA (%)**	**0.84%**	**0.13%**

(1) Source: consolidated income statement in the financial statements.

(2) Source: Note 1.7.2 to the financial statements.

ROE:

Definition: ratio between the profit attributable to the parent company and the consolidated average shareholders' equity. Excludes the AT1 issue of €350 million recorded as equity.

Relevance: to measure profitability in relation to shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Profit/(loss) attributed to the parent (1)	150,985	23,602
Denominator	Average consolidated shareholders' equity (2)	2,893,921	2,837,079
=	**ROE (%)**	**5.22%**	**0.83%**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closing figures since the previous December (inclusive), with the first and last quarter weighted by 0.5 and the rest by 1. Average consolidated shareholders' equity for 2020 has been restated to reflect the criteria adopted for its calculation in 2021.

ROTE:

Definition: Parent company profits divided by average tangible consolidated shareholders' equity. Excludes the AT1 issue of €350 million recorded as equity.

Relevance: to measure profitability in relation to tangible equity.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Profit/(loss) attributed to the parent (1)	150,985	23,602
Denominator	Average tangible consolidated shareholders' equity (2)	2,651,490	2,622,633
=	**ROTE (%)**	**5.69%**	**0.90%**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closing figures since the previous December (inclusive), with the first and last quarter weighted by 0.5 and the rest by 1. Average consolidated tangible shareholders' equity for 2020 has been restated to reflect the criteria adopted for its calculation in 2021.

APMs related to capital adequacy

DENSITY OF RWAs:

Definition: ratio of risk-weighted assets to total assets.

Relevance: to measure our balance sheet's risk profile.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Risk-weighted assets phased in (1)	18,051,935	18,248,449
Denominator	Total consolidated assets (2)	58,631,409	58,400,790
=	**RWA density (%)**	**30.79%**	**31.25%**

(1) Source: Note 1.7.2 to the financial statements.

(2) Source: consolidated balance sheet in the financial statements.

PAYOUT RATIO:

Definition: ratio of the expected dividend to be distributed to shareholders to profit attributable to the parent.

Relevance: to measure the shareholder return.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Distribution of dividends (1)	98,140	3,849
Denominator	Profit/(loss) attributed to the parent (2)	150,985	23,602
=	**Pay-out ratio (%)**	**65.00%**	**16.31%**

(1) Source: Note 4 to the financial statements.

(2) Source: consolidated income statement in the financial statements.

APMs related to asset quality

DISTRESSED ASSETS:

Definition: the aggregation of impaired assets from loans and advances to customers and the gross value of foreclosed assets.

Relevance: to evaluate the size of our portfolio of non-performing assets in gross terms.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Impaired assets – loans and advances to customers (1)	717,621	1,012,938
+	Gross value of foreclosed assets (2)	542,241	619,527
=	**Distressed assets**	**1,259,862**	**1,632,465**

(1) Source: Note 3.5.4 to the financial statements.

(2) Source: Note 3.5.6.2 to the financial statements.

RATIO OF NON-PERFORMING LOANS AND ADVANCES TO CUSTOMERS:

Definition: ratio of impaired loans and advances to customers to gross loans and advances to customers.

Relevance: monitor the rating of the credit portfolio.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Impaired assets – loans and advances to customers (1)	717,621	1,012,938
Denominator	Gross loans and advances to customers (2)	31,195,451	31,589,582
=	**Non-performing loans ratio loans and advances to customers**	**2.30%**	**3.21%**

(1) Source: Note 3.5.4 to the financial statements.

(2) Source: Notes 8 and 11.4 to the financial statements.

DISTRESSED ASSET RATIO:

Definition: ratio of distressed assets (MAR as defined and calculated above) to the exposure value.

Relevance: to evaluate the size of our portfolio of non-performing assets in relative terms.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Distressed assets (1)	1,259,862	1,632,465
Denominator	(a) Gross loans and advances to customers (2)	31,195,451	31,589,582
	(b) Gross value of foreclosed assets (3)	542,241	619,527
	(a) + (b) Value of exposure	31,737,692	32,209,109
=	**Distressed asset ratio (%)**	**3.97%**	**5.07%**

(1) Source: APM. See definition and calculation above.

(2) Source: Notes 8 and 11.4 to the financial statements.

(3) Source: Note 3.5.6.2 to the financial statements.

COST OF RISK:

Definition: percentage of write-offs associated with loans and advances to customers and foreclosed properties in relation to the average exposure, which is the sum of gross loans and advances to customers and foreclosed properties.

Relevance: to monitor the cost of allowances for the loan portfolio and foreclosed assets.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Write-downs of loans and foreclosed properties (1)	113,904	232,754
Denominator	Average exposure (gross credit and real estate) (2)	32,086,135	32,884,592
=	**Cost of risk (%)**	**0.35%**	**0.71%**

(1) Source: internal Bank information. The write-down of the loan is the sum of the impairment of financial assets at amortised cost and the provisioning (reversal) of provisions for commitments and guarantees given. Foreclosed properties are classified according to their nature as non-current assets held for sale, investment property or inventories. Impairment losses are recognised under "Impairment or Reversal of Impairment Losses on Non-Financial Assets (Investment Property and Other)" (see note 40 to the consolidated financial statements) and "Impairment Losses on Non-Current Assets Held for Sale" (see note 42 to the consolidated financial statements).

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

COVERAGE OF NON-PERFORMING EXPOSURES:

Definition: sum of impairment losses on loans and advances to customers and cumulative negative changes in fair value due to credit risk on non-performing exposures. Includes impairment losses of stages 1, 2 and 3.

Relevance: to monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Impairment losses on loans and advances to customers (1)	539,147	644,937
+	Accumulated negative changes in fair value of doubtful exposures (2)	1,278	2,241
=	**Coverage of non-performing exposures**	**540,425**	**647,178**

(1) Source: Note 11.4 to the financial statements.

(2) Source: Note 8 to the financial statements.

COVERAGE OF NON-PERFORMING EXPOSURES:

Definition: ratio of provisions for asset impairment (MAR as defined and calculated above) to impaired assets of loans and advances to customers.

Relevance: to monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Coverage of non-performing exposures (1)	540,425	647,178
Denominator	Impaired assets – loans and advances to customers (2)	717,621	1,012,938
=	**Coverage of non-performing exposures (%)**	**75.31%**	**63.89%**

(1) Source APM. See definition and calculation above.

(2) Source: Note 3.5.4 to the financial statements.

COVERAGE RATIO OF FORECLOSED ASSETS:

Definition: ratio of impairment losses on foreclosed assets (included since loan origination) to the gross value of foreclosed assets.

Relevance: We use this MAR to monitor the extent to which the provisions associated with foreclosed properties cover the gross value of those properties.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Impairment adjustments of foreclosed assets (1)	326,197	367,413
Denominator	Gross value of foreclosed assets (1)	542,241	619,527
=	**Coverage of foreclosed assets (%)**	**60.16%**	**59.31%**

(1) Source: Note 3.5.6.2 to the financial statements.

COVERAGE RATE OF THE ALLOCATED LAND:

Definition: ratio between the value corrections for land impairment (included since the origination of the loan) and the gross adjudicated value of the land.

Relevance: to monitor the extent to which provisions associated with land cover the gross value of these properties.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Land value adjustments (1)	226,627	266,206
Denominator	Gross value of land (1)	331,192	404,800
=	**Foreclosed land coverage ratio (%)**	**68.43%**	**65.76%**

(1) Source: Note 3.5.6.2 to the financial statements.

COVERAGE RATIO OF DISTRESSED ASSETS:

Definition: ratio between the allowances for doubtful risks and foreclosed assets over the problematic exposure (MAR as defined and calculated above).

Relevance: to monitor the extent to which provisions associated with non-performing loans and foreclosed properties cover the gross value of such exposure.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	(a) Coverage of non-performing exposures (2)	540,425	647,178
	(b) Impairment adjustments of foreclosed assets (1)	326,197	367,413
	(a) + (b) Coverage of distressed assets	866,622	1,014,591
Denominator	Distressed assets (2)	1,259,862	1,632,465
=	**Coverage rate of distressed assets (%)**	**68.79%**	**62.15%**

(1) Source: note 3.5.6.2 to the financial statements.

(2) Source: APM. See definition and calculation above.

NET DISTRESSED ASSETS TO TOTAL ASSETS:

Definition: ratio of distressed assets net of hedges (MAR as defined and calculated above) to total assets.

Relevance: to measure the weight of distressed assets, after deducting the provisions linked to those assets, on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	(a) Distressed assets (1)	1,259,862	1,632,465
	(b) Coverage of distressed assets (1)	866,622	1,014,591
	(a) - (b) Distressed assets net of coverage	393,240	617,874
Denominator	Total assets (2)	58,631,409	58,400,790
=	**Net distressed assets to total assets (%)**	**0.67%**	**1.06%**

(1) Source: APM. See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

TEXAS RATIO:

Definition: ratio of distressed assets (MAR as defined and calculated above) to shareholders' equity and hedges in place. Excludes the AT1 issue of €350 million recorded as equity.

Relevance: to measure the absorption capacity of potential losses of our distressed assets with the coverage in place and shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Distressed assets (1)	1,259,862	1,632,465
Denominator	(b) Coverage of distressed assets (1)	866,622	1,014,591
	(b) Shareholders' equity (2)	3,253,857	3,160,630
	(c) Equity instruments issued other than capital (2)	350,000	350,000
	(a) + (b) – (c)	3,770,479	3,825,221
=	**Texas Ratio (%)**	**33.41%**	**42.68%**

(1) Source: APM. See its definition and calculation explained above.

(2) Source: Note 23.1 to the financial statements.

Note: the 2020 Texas ratio has been restated to reflect the criteria adopted for its calculation in 2021.

APMs related to business volume

RETAIL DEPOSITS:

Definition: The sum of demand savings and traditional time deposits, excluding mortgage bonds and repurchase agreements recorded under customer deposits in the consolidated balance sheet.

Relevance: indicator of retail funding on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Demand deposits (1)	34,673,081	33,014,125
+	Term deposits (1)	3,485,694	4,688,146
-	Mortgage-backed bonds (including nominal amount and share premium)	1,027,605	1,536,960
	Nominal value of mortgage covered bonds (1)	1,100,470	1,625,470
	Mortgage-backed bond issue premium (2)	(72,865)	(88,510)
	Term deposits (excluding mortgage-backed bonds)	*2,458,089*	*3,151,186*
=	**Retail deposits**	**37,131,170**	**36,165,311**

(1) Source: Note 19.3 to the financial statements.

(2) Represents the difference between the nominal value of a security and the price at which it was issued. In this particular case, multi-issuer bonds (those where several entities participate in the full issue) were issued below par, at a cost below the nominal value.

ASSET MANAGEMENT AND INSURANCE:

Definition: sum of assets under management in investment companies and funds (including third-party funds, but excluding the assets of funds that invest in Ibercaja Gestión funds), pension plans and insurance.

Relevance: this indicator is significant because of the importance for Ibercaja of off-balance-sheet savings as a source of the Group's income.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Investment companies and funds (1)	19,600,522	16,234,844
+	Pension funds (1)	6,562,703	5,907,074
+	Insurance products (2)	6,868,109	7,103,732
=	**Asset management and insurance**	**33,031,334**	**29,245,650**

(1) Source: Note 27.4 to the consolidated financial statements.

(2) Source: Note 24.4 to the separate financial statements.

TOTAL RETAIL FUNDS:

Definition: sum of retail deposits and asset management and insurance (MARs defined and calculated above).

Relevance: indicator of the volume of retail savings managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Retail deposits (1)	37,131,170	36,165,311
+	Asset management and insurance (2)	33,031,334	29,245,650
=	**Total retail funds**	**70,162,504**	**65,410,961**

(1) Source: APM. See its definition and calculation explained above.

RETAIL BUSINESS VOLUME:

Definition: sum of gross loans and advances to customers ex repos and impaired assets and total retail funds (MAR as defined and calculated above).

Relevance: indicator of the savings and credit of our retail customers managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Loans and advances to customers ex impaired assets and reverse repos (1)	28,862,436	28,955,787
+	Total retail funds (2)	70,162,504	65,410,961
=	**Retail business volume**	**99,024,940**	**94,366,748**

(1) Source: Notes 8 and 11.4 to the financial statements.

(2) Source: APM. See its definition and calculation explained above.

APMs related to liquidity

CREDIT TO RETAIL FUNDING RATIO (LTD):

Definition: ratio of loans and advances to customers net of reverse repurchase agreements to retail deposits (MAR as defined and calculated above).

Relevance: to measure the proportion of loans and advances to customers financed by retail deposits.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	(a) Net loans and advances to customers (1)	30,655,026	30,942,404
	(b) Reverse repurchase agreements (2)	1,615,394	1,620,857
	(a) – (b) Net loans ex reverse repos	29,039,632	29,321,547
Denominator	Retail deposits (3)	37,131,170	36,165,311
=	**LTD (%)**	**78.21%**	**81.08%**

(1) Source: consolidated balance sheet in the financial statements.

(2) Source: 11.4 in the annual accounts.

(3) Source: APM. See definition and calculation above.

AVAILABLE LIQUIDITY:

Definition: sum of cash and central banks, available on policy, eligible off-policy assets and other marketable assets not eligible by the Central Bank, in accordance with the criteria established in the Bank of Spain's official statement LQ 2.2.

Relevance: to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Cash and central banks	6,183,416	7,319,717
+	Available in policy	1,050,679	891,981
+	Eligible assets not included in the policy	7,590,280	6,421,078
+	Other marketable assets not eligible by the Central Bank	425,796	326,665
=	**Available liquidity**	**15,250,171**	**14,959,441**

Source: Note 3.8.2 to the financial statements.

AVAILABLE LIQUIDITY TO TOTAL ASSETS:

Definition: ratio of available liquidity (MAR as defined and calculated above) to total assets. **Relevance:** to calculate the available liquidity to total assets.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
Numerator	Available liquidity (1)	15,250,171	14,959,441
Denominator	Total assets (2)	58,631,409	58,400,790
=	**Available liquidity to total assets (%)**	**26.01%**	**25.62%**

(1) Source: APM. See its definition and calculation explained above.

(2) Source: consolidated balance sheet in the financial statements.

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TOTAL AVAILABLE LIQUIDITY:

Definition: aggregation of available liquidity (MAR defined and calculated above) and capacity to issue mortgage bonds.

Relevance: to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2021	31/12/2020
+	Available liquidity (1)	15,250,171	14,959,441
+	Mortgage bond issuance capacity (2)	8,776,402	8,379,866
=	**Total available liquidity**	**24,026,573**	**23,339,307**

(1) Source: APM. See its definition and calculation explained above.

(2) Source: Note 3.8.2 to the financial statements.

Appendices

Appendix A – Requirements of Spanish Law 11/2018 regarding non-financial information and diversity

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
BUSINESS MODEL	Brief description of the group's business model, including: 1) its business environment, 2) its organisation and structure, 3) the markets in which it operates, 4) its objectives and strategies, 5) the main factors and trends that may affect its future performance.	-	Ibercaja Banco Group (*)	102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7	4.3. Economic and financial environment 4.5. Business Model and Strategic Plan 2021-2023 11. Business outlook and expected performance	-
POLICIES	A description of the group's policies with respect to such issues, which shall include: 1) the due diligence procedures applied for the identification, assessment, prevention and mitigation of risks and significant impacts 2) verification and control procedures, including the measures that have been taken.	-	Ibercaja Banco Group (*)	103 Management approaches in each area within the economic, environmental and social dimensions	3. Keys points of this document 6.1. Sustainability strategy See the detail of non-financial policies in the following blocks.	-
ST, MT and LT RISKS	The main risks associated with those topics that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas; and • how the Group manages those risks, • explaining the procedures used to detect and evaluate them in accordance with the national, EU or international reference frameworks for each subject. Must include information on the impacts that have been detected and a breakdown of these, particularly in relation to the main short-, medium- and long-term risks.	-	Ibercaja Banco Group (*)	102-15	7. Risk management 6.12. Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	-
KPIs	Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability. • In order to facilitate the comparison of information, both over time and between banks, special use will be made of generally applicable non-financial key indicator standards that comply with the European Commission's guidelines in this area and the standards of the Global Reporting Initiative, and the report should mention the national, European or international framework used for each area.	-	Ibercaja Banco Group (*)	General or specific GRI standards of the economic, environmental and social dimensions that are reported in the following blocks	3. Keys points of this document 6.1. Sustainability strategy See the detail of the KPIs reported in the following blocks.	-
TAXONOMY	Reporting requirements under Regulation (EU) 2020/852 on eligibility indicators	-	Ibercaja Banco Group (*)		Appendix D	

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AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
ENVIRONMENTAL MATTERS	**Global Environment**					
	1) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures; 2) Resources dedicated to the prevention of environmental risks; 3) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the Environmental Liability Law).	YES	Ibercaja Banco Group (*)	103 Management Approach to each area within the Environmental dimension Note 21 to the Financial Statements	6.5. Commitment to the environment 6.11. Implementation of the Principles for Responsible Banking – UNEP-FI 6.12 Recommendations of the Task Force on	
	Pollution					
	Measures to prevent, reduce or repair carbon emissions that severely affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	NO	-		-	-
	Circular economy and waste prevention and management					
	Circular economy. Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste.	YES	Ibercaja Banco Group (*)	103 Effluent and waste management approach	Appendix D.	-
	Actions to combat food waste.	NO	-	306-2	6.5. Commitment to the environment	
	Sustainable use of resources					
	The consumption of water and water supply according to local constraints.	NO	Ibercaja Banco Group (*)	303-5	-	-
	Consumption of raw materials and measures taken to improve the efficiency of their use.	YES		103 Management approach for materials 301-1 301-2	6.5. Commitment to the environment / Resource management Appendix D	-
	Consumption, direct and indirect, of energy, measures taken to improve energy efficiency and use of renewable energies.	YES		103 Management approach for energy 302-1	Appendix D	-

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	Climate Change					
	The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.	YES	Ibercaja Banco Group (*)	103 Management approach of Emissions 305-1/305-2/305-3/305-4/305-5	6.5. Commitment to the environment / Emissions 6.5. Commitment to the environment / Awareness-raising and communication	-
	Measures adopted to adapt to the consequences of climate change.	YES		103 Management approach of Emissions	6.12 Recommendations of the Task Force on Climate-related Financial Disclosures	-
	Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented for that purpose.	YES		103 Management approach of Emissions	Appendix D	-
	Protection of biodiversity					
	Measures taken to preserve or restore biodiversity.	NO	-	-	-	-
	Impacts caused by activities or operations in protected areas.	NO	-		-	-

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
SOCIAL AND PERSONNEL ASPECTS	**Employment**					
	Total number and distribution of employees by gender, age, country and job category;	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	103 Employment management approach 102-8 / 405-1	6.4. Commitment to our employees Appendix D	-
	Total number and distribution of employment contract types.	YES		102-8		-
	Annual breakdown of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational category.	YES		102-8 / 405-1		-
	Number of dismissals by gender, age and occupational category;	YES		401-1		-
	Average remuneration and its trend, broken down by gender, age and occupational category or equal value; Salary gap, the remuneration of equal or average jobs at the company.	YES		103 Diversity and equal opportunities management approach 405-2	4.4. Corporate Governance 6.4. Commitment to our employees / Remuneration policy	-
	Average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings pension schemes and any other payments broken down by gender.	YES		103 Diversity and equal opportunities management approach		-
	Implementation of digital disconnect policies.	YES		103 Employment management approach	6.4. Commitment to our employees / Social dialogue and organisation of working time	-
	Employees with some form of disability.	YES		405-1	6.4. Commitment to our employees / Diversity, equality and work-life balance	-
	Organisation of work					
	Organisation of working time	YES		103 Employment management approach	6.4. Commitment to our employees / Social dialogue and organisation of working time	-
	Number of hours of absenteeism.	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	403-2	6.4. Commitment to our employees / Occupational health and safety	-
	Measures aimed at facilitating a work-life balance and encouraging the co-responsible exercise of these rights by both parents.	YES		103 Employment management approach	6.4. Commitment to our employees / Diversity, equality and work-life balance	-

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Health and safety

Health and safety conditions at work;	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	103 Employment management approach 403-1 to 403-8	6.4. Commitment to our employees / Occupational health and safety	-
Occupational accidents, particularly their frequency and severity, occupational diseases, broken down by gender.	YES		403-9 403-10		-

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
SOCIAL AND PERSONNEL ASPECTS	**Social relations**					
	Organisation of dialogue with employees, including procedures for informing, consulting and negotiating with them;	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	103 Employer-employee relationship management approach	6.4. Commitment to our employees / Dialogue with employees	-
	Confidentiality of employee complaints/disclosures.			GRI 404-1	4.2. Purpose, Mission, Vision, values and Code of Ethics	
	Percentage of employees covered by collective bargaining agreements by country;	YES		102-41	6.4. Commitment to our Employees / Dialogue with employees	-
	The balance of collective agreements, particularly in the field of health and safety at work.	YES		403-1	6.4. Commitment to our employees / Occupational health and safety	-
	Training					
	Policies implemented in training;	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	103 Training and education management approach	6.4. Commitment to our employees / Cultivating talent	-
	The total number of training hours by occupational category.	YES		404-1	6.4. Commitment to our employees / Cultivating talent	-
	Average hours of training by gender and occupational category					
	Average hours of training by gender and employee					
	Universal accessibility for persons with disability	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	6.4. Commitment to our employees / Diversity, equality and work-life balance	-
	Training delivered by partners. GRI 404-1					
	Equality					
	Measures adopted to foster equal treatment and opportunities between women and men;	YES	Ibercaja Banco S.A. (accounts for 94% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	6.4. Commitment to our employees / Diversity, equality and work-life balance	-
	Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of persons with disabilities;	YES				-
	Policy against all forms of discrimination and, as applicable, management of diversity.	YES				-

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AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
HUMAN RIGHTS	Implementation of human rights due to diligence procedures Prevention of risks of human rights abuses and, where appropriate, measures to mitigate, manage and redress possible abuses.	YES	-	103 Management approach to human rights assessment and non-discrimination 102-16 / 102-17	6.9. Human Rights	Although the risk of human rights violations in Ibercaja's activities is low, the Bank has several mechanisms to prevent and mitigate any risk in this area.
	Complaints due to instances of human rights abuses;	YES	-	406-1		
	Promotion and compliance of the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining;	YES	-	407-1		
	The elimination of discrimination in employment and labour;	Yes	-	103 Non-discrimination management approach		
	The elimination of forced or compulsory work;	YES	-	409-1		
	The effective abolition of child labour.	YES	-	408-1		

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
CORRUPTION AND BRIBERY	Measures taken to prevent corruption and bribery;	YES	Ibercaja Banco Group (*)	103 Management approach for anti-corruption 102-16 / 102-17	6.10. Fight against corruption and bribery	-
	Measures to combat money laundering	YES			6.10. Fight against corruption and bribery 6.8.1 Social action	-
	Contributions to foundations and not-for-profit entities.	YES		413-1	6.10. Fight against corruption and bribery	-

AREAS	CONTENT	MATERIAL TOPIC (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
COMMUNITY	**Company's commitments to sustainable development**					
	The impact of the company's activity on local employment and development;	YES	Ibercaja Banco Group (*)	103 Management approach – Local community and indirect economic impacts 203-1 / 413-1	6.8 Contribution to society	-
	Impact of the company's activity on local communities and the territory;	YES				-
	Relationships with local community actors and the types of dialogue with them;	YES		102-43		-
	Partnership or sponsorship actions.	YES		102-12 / 102-13	6.8.4. Sponsorships	-
	Subcontracting and suppliers					
	Inclusion in the procurement policy of social, gender equality and environmental issues; consideration, in dealings with suppliers and subcontractors, of their social and environmental responsibility;	YES	Ibercaja Banco Group (*)	103 Management approach – Procurement practices 102-9 / 204-1	6.7. Commitment to suppliers	-
	Systems of supervision and audits and results thereof.	YES				-
	Consumers					
	Measures for consumer health and safety;	YES	-	103 Customer health and safety management approach; Marketing and labelling and Customer privacy	-	-
	Complaint systems, complaints received and their resolution.	YES	Ibercaja Banco Group (*)		6.3 Commitment to customers	-
	Tax information					
	Profits country by country.	YES	Ibercaja Banco Group (*)	103 Economic performance management approach 207-1	6.8.11. Tax information	-
	Income tax paid.	YES	Ibercaja Banco Group (*)	207-4		
	Public grants received.	YES	Ibercaja Banco Group (*)	201-4		-

(*) Ibercaja Banco Group corresponds to 100% of the Group's scope of consolidation

Appendix B – The 10 Principles of the Global Compact

The following table lists the ten principles of the Global Compact and the sections of the report that contain information on them, as well as their relationship with the GRI indicators.

	PRINCIPLE OF THE GLOBAL COMPACT	RELATED REPORT CONTENTS	REPORT CHAPTERS	GRI CORRESPONDENCE
Human rights	**1. Companies must support and respect the protection of fundamental Human Rights, recognised internationally, within their scope of action.**	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Business Participations, Commitment to our employees - Equality and Work-Life Balance- Occupational Health Prevention, Social Dialogue, Suppliers, Customers, Shareholders & Investors, Environment, Society.	1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 7	102-8, 102-41, 205-1, 205-2, 205-3, 401-1, 401-2, 402-1, 403-1, 403-2, 408-1, 409-1, 413-1, FS13, FS14
	2. Businesses must ensure that they are not complicit in human rights abuses.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders & Investors, Environment, Society.	1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 7	102-16, 102-25, 102-31, 205-1, 205-2, 205-3, 408-1, 409-1, 413-1, 416-2, 419-1
Employment rules and standards	**3. Businesses should uphold the freedom of association and effectively recognise the right to collective bargaining.**	Commitment to our Employees; Dialogue with employees.	6.4.	102-41, 402-1, 407-1
	4. Businesses should support eliminating all forms of forced or compulsory labour.	Business Model, Commitment to Sustainability, Commitment Our Employees- Equality and Work-life Balance- Remuneration Policy, Suppliers, Society.	4.5, 6.1, 6.4, 6.7, 6.8	Ibercaja does not operate in developing countries. 409-1
	5. Companies should support the effective abolition of child labour.	Business Model, Transparency and Strategic Communications, Commitment to Sustainability, Commitment to Our Employees, Suppliers, Society.	4.5, 6.1, 6.4, 6.7, 6.8	Ibercaja does not operate in developing countries. 408-1
	6. Businesses should support the elimination of discrimination in respect of employment and occupation.	Governing Bodies, Internal Control, Suitability Policy, Commitment to Sustainability, Commitment to Customers, Our Employees -Equality and Work-Life Balance- Remuneration Policy-Occupational Health Prevention, Environment, Society.	4.4, 6.1, 6.3, 6.4, 6.5, 6.8	102-8, 102-41,403-1, 403-2, 401-1, 404-1, 404-3
Environment	**7. Companies must maintain a preventive approach that favours the environment.**	Risk Prevention, Breaches, Fines and Penalties, Commitment to Sustainability, Commitment to Environment, Society.	6.1, 6.5, 6.8.	301-1, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, 307-1, 419-1
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	Ibercaja does not perform its activities in spaces or places that affect natural ecosystems. Presentation Letter, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	1, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.11, 6.12	301-1, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, 307-1, 419-1
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	2021-2023 Strategic Plan, Research, Development and Technology, Commitment to Sustainability, Commitment to the Environment, Society.	4.5, 6.1, 6.5, 6.8, 8	301-1, 302-4, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, 307-1, 419-1
	10. Businesses should work against corruption in all its forms, including extortion and bribery.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Omnichannel, Financial Group, Model aimed at Excellence, Brand and Reputation, Transparency and Strategic Communications, Commitment to Sustainability, CSR Policy, Commitment to Suppliers, Customers,	1, 4.1, 4.2, 4.4, 4.5, 5.3, 5.4, 6.1, 6.3, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 7, 8,	102-16, 102-17, 205-1, 205-2, 205-3

Appendix C – GRI Table of contents

102-8, 102-55

GRI STANDARD	CONTENT	CHAPTER OR DIRECT RESPONSE	OMISSION
GRI 102: 2016 GENERAL CONTENTS	**102-1 Name of the organisation**	4.1. See Note 1.1 of the Consolidated financial statements at 31 December 2021.	
	102-2 Activities, brands, products and services	1, 4.1, 4.2, 4.5.1, 4.5.2, 4.5.4, 8	
	102-3 Location of headquarters	4.1. See Note 1.1 of the Consolidated financial statements at 31 December 2021	
	102-4 Location of operations	1, 4.5.1, 4.5.4	
	102-5 Ownership and legal form	1, 4.1, 4.5.5	
	102-6 Markets served	1, 4.5.1, 4.5.4, 6.3	
	102-7 Scale of the organisation	4.5.1, 5.1, 5.2, 6.3, 6.4	
	102-8 Information on employees and other workers	6.4, Appendix C, Appendix D Ibercaja Banco carries out most of its activities using its own staff, with investees collaborating in maintenance, editing, logistics and other works. There were no significant changes in the organisation's	
	102-9 Supply chain	1, 4.5.2, 4.5.4, 6.7	
	102-10 Significant changes to the organisation and its supply chain	5.1, 6.4, 6.7	
	102-11 Precautionary principle or approach	6.5, 6.12, 6.15	
	102-12 External initiatives	6.1, 6.4, 6.5, 6.12	
	102-13 Membership of associations	Ibercaja participates in the sectoral associations representing the financial activity and other associations of reference: Cecabank, AEC, Forética, Commission for the Integrity of the Financial System for	
	102-14 Statement from senior decision-maker	1	
	102-15 Key impacts, risks and opportunities	1, 4.4, 6.1, 6.5, 6.11, 6.12, 7	
	102-16 Values, principles, standards and norms of behaviour	4.2, 4.4, 6.1, 6.9, 6.10, 6.11	
	102-17 Mechanisms for advice and concerns about ethics	4.4, 6.9	
	102-18 Governance structure	4.4	
	102-19 Delegating authority	4.4, 6.1, 6.5, 6.12	
	102-20 Responsibility at the executive level regarding economic, environmental and social issues.	4.4, 6.1, 6.5, 6.12	
	102-21 Consultation of stakeholders regarding economic, environmental and social issues.	3, 6.1, 6.14	
	102-22 Composition of the highest governance body and its committees	4.4	
	102-23 Chair of the highest governance body	4.4 In 2021, the Chairman of Ibercaja Banco did not have any executive functions	
	102-24 Nominating and selecting the highest governance body	4.4	
	102-25 Conflicts of interest	4.4	
	102-26 Role of the highest governing body in the selection of objectives, values and strategies	4.4, 6.1	
	102-28 Evaluation of the performance of the highest governing body	4.4, 6.1	
	102-30 Efficiency of risk management processes	4.4, 6.1, 6.5, 6.11, 6.12, 7	
	102-31 Review of economic, environmental and social issues	4.4, 6.1, 6.5, 6.11, 6.12, 7	

	102-32 Role of the highest governing body in the preparation of sustainability reports	4.4, 6.1 This document was approved at the Board meeting for the authorisation for the issue of the Financial Statements held on 25 February 2022
	102-35 Remuneration policies	4.4, 6.4
	102-36 Processes to determine the remuneration	4.4, 6.4
	102-40 List of stakeholders	3, 4.2, 6.14
	102-41 Collective bargaining agreements	100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees.
	102-42 Identification and selection of stakeholders	3, 4.2, 6.14 The Bank's Stakeholder Map was updated in 2021.
	102-43 Approaches for the participation of stakeholders	3, 6.1, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.14
	102-44 Key issues and concerns mentioned	3, 6.1, 6.3, 6.4, 6.5, 6.6., 6.7, 6.8
	102-45 Entities included in the consolidated financial statements	3, 4.1, 4.5.5 See consolidated Financial Statements at 31 December 2021
	102-46 Definition of the contents of the reports and the Coverage of the topic	3
	102-47 List of material issues	3
	102-48 Restatement of information	The possible changes in the criteria applied with respect to the previous report, when they are significant, are reflected in the corresponding section and in the GRI indicators table.
	102-49 Changes in the preparation of reports	There have been no significant changes in the scope, coverage or valuation methods. A new materiality analysis was carried out in 2021, including the dual approach to materiality.
	102-50 Period covered by the report	2021
	102-51 Date of last report	2020
	102-52 Report preparation cycle	Annual
	102-53 Contact point for questions about the report	mcampob@ibercaja.es
	102-54 Declaration of preparation of the report in accordance with the GRI Standards	3
	102-55 GRI content index	Appendix C
	102-56 External verification	Appendix E

Economic performance

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	5.1, 5.2, 5.3
	103-2 Management approach and its components	5.1, 5.2, 5.3
	103-3 Evaluation of the management approach	5.1, 5.2, 5.3
GRI 201: Economic performance 2016	**201-1 Direct economic value generated and distributed**	Appendix D
	201-2 Financial implications and other risks and opportunities arising from climate change	6.1, 6.3, 6.5, 6.11, 6.12
	201-3 Obligations of the defined benefit plan and other retirement plans	100% of serving employees are included in the Pension Plan.
	201-4 Financial assistance received from government	6.8.11 Ibercaja did not receive any type of aid from the Government.

Market presence

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	1, 4.3, 4.5.1, 6.4. Remuneration policy
	103-2 Management approach and its components	1, 4.5.1, 6.4. Remuneration policy
	103-3 Evaluation of the management approach	4.5.1, 6.4. Remuneration policy
GRI 202: Market presence 2016	**202-1: Ratio of the standard initial category salary by gender with respect to the minimum local salary**	6.4. Remuneration policy The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are

	202-2: Proportion of senior executives hired from the local community.	Ibercaja Banco recruits 100% of its employees in Spain and 100% of senior executives are Spanish nationals.

Indirect economic impacts

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.5
	103-2 Management approach and its components	4.5.5
	103-3 Evaluation of the management approach	4.5.5
GRI 203: Indirect economic impacts 2016	**203-1: Infrastructure investments and services supported**	Appendix D

Procurement practices

GRI 103: Management Approach 2016	**103-1: Explanation of the material topic and its Boundary**	6.7.
	103-2: The management approach and its components	6.7.
	103-3: Evaluation of the management approach	6.7.
GRI 204: Procurement practices	**204-1: Proportion of spending on local suppliers**	The percentage of purchases from local suppliers is 97%.
GRI 407: Freedom of association and collective bargaining	**407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk**	Ibercaja has not identified any centres or suppliers likely to have significant risks in relation to the right to freedom of association and collective bargaining.
GRI 408: Child labour	**408-1: Operations and suppliers at significant risk for incidents of child labour**	Ibercaja has not identified any centres or suppliers likely to have significant risks in relation to child exploitation. Moreover, when doing business with us, all suppliers accept the Bank's Code of Ethics and Supplier Code of Conduct, which explicitly states zero tolerance for
GRI 409: Forced or compulsory labour	**409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour**	Ibercaja has not identified any centres or suppliers likely to have significant risks in relation to forced labour. Moreover, when entering into business with us, all suppliers accept the Bank's Code of Ethics and Supplier Code of Conduct, which explicitly states zero tolerance for

Unfair competition

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.14, 7
	103-2 Management approach and its components	4.4, 6.14, 7
	103-3 Evaluation of the management approach	4.4, 6.14, 7
GRI 206: Unfair competition 2016	**206-1: Legal action related to unfair competition and monopolistic practices and against free competition**	In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to Anti-competitive practices, monopolistic practices or against free

Anti-corruption

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.10, 7
	103-2 Management approach and its components	4.4, 6.10, 7
	103-3 Evaluation of the management approach	4.4, 6.10, 7
GRI 205: Anti-corruption 2016	**205-1: Operations evaluated for risks related to corruption**	Appendix D
	205-2: Communication and training on anti-corruption policies and procedures	91% of Ibercaja Banco's current workforce has received training in criminal risk prevention, including the crime of corruption and bribery.
	205-3: Confirmed cases of corruption and measures taken	In 2021, no cases of corruption arose.

	415-1 Political contributions	Ibercaja does not accept or offer contributions to political parties and/or representatives.

Taxation

GRI 103: Management Approach 2019	**103-1 Explanation of the material topic and its Boundary**	6.8.11
	103-2 Management approach and its components	6.8.11
	103-3 Evaluation of the management approach	6.8.11
GRI 207: Tax	**207-1 Approach to tax**	6.8.11
	207-2: Tax governance, control and risk management	6.8.11. The Company is currently working to report tax information on a cash basis through the CECA Total Tax Contribution report and a specific report by Ibercaja.
	207-4 Presentation of reports country by country	6.8.11 The Company does not currently have any permanent establishments in other countries and is therefore not required to issue this report.

Customer privacy

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Commitment to privacy, 6.3
	103-2 Management approach and its components	4.4. Commitment to privacy, 6.3
	103-3 Evaluation of the management approach	4.4. Commitment to privacy, 6.3
GRI 418: Customer privacy 2016	**418-1: Claims based on violations of customer privacy and loss of customer data**	In 2021, there were 538 case files relating to GDPR and 3,808 cancellations of online advertising unsubscribes. In 2021, no significant penalties or fines were received of a definitive nature with regard to data protection.

Health and safety of customers

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies, 6.3
	103-2 Management approach and its components	4.4. Internal rules and control bodies, 6.3
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 6.3
	416-2: Cases of non-compliance related to the health and safety impacts of the product and services categories	In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition.

Marketing and labelling

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies, 4.5.4
	103-2 Management approach and its components	4.4. Internal rules and control bodies, 4.5.4
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 4.5.4
GRI 417: Marketing and labelling	**417-1: Information requirements and the labelling of products and services**	4.4. Internal rules and control bodies, 4.5.4
	417-2: Cases of breaches related to information and the labelling of products and services	In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to the impact on the use and supply of products and services and in health and safety, or as a result of labelling.

	417-3: Cases of breaches related to marketing notifications	In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to matters tied to marketing notifications.
	305-3 Other indirect (Scope 3) GHG emissions	6.1, 6.3 Appendix D

GRI 103: Management approach

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4
	103-2 Management approach and its components	6.4
	103-3 Evaluation of the management approach	6.4
GRI 401: Employment 2016	**401-1: New employee recruitments and staff turnover**	Appendix D
	401-2: Benefits for full-time employees that are not given to part-time or temporary employees	6.4
	401-3 Parental leave:	6.4.

Labour/management relations

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Social dialogue
	103-2 Management approach and its components	6.4. Social dialogue
	103-3 Evaluation of the management approach	6.4. Social dialogue
GRI 402: Labour/management relations 2016	**402-1: Minimum notice periods for operational changes**	That stipulated in the prevailing legislation applies with regard to minimum advance notice period(s) relating to organisational changes, including if these notices are specific in the collective bargaining agreements.

Occupational health and safety

GRI 103: Management Approach 2018	**103-1 Explanation of the material topic and its Boundary**	6.4. Occupational health and prevention
	103-2 Management approach and its components	6.4. Occupational health and prevention
	103-3 Evaluation of the management approach	6.4. Occupational health and prevention
GRI 403: Occupational health and safety 2018		6.4. Occupational health and prevention
	403-1 Occupational health and safety management system	
	403-2 Hazard identification, risk assessment and the investigation of incidents	6.4. Occupational health and prevention
	403-3 Occupational health services	6.4. Occupational health and prevention
	403-4 Worker participation, consultation and communication on occupational health and safety	6.4. Occupational health and prevention
	403-5 Training of workers on health and safety at work	6.4. Occupational health and prevention
	403-6 Promoting the health of workers	6.4. Occupational health and prevention
		The information reported relates to Ibercaja Banco's own personnel. In rotation to the investees' workers who collaborate in maintenance, editing, logistics, and other works, they are not covered by the Ibercaja Banco prevention service. However, the risks associated with their work position are assessed and adequate measures are taken to preserve health and safety.

	403-7 Prevention and mitigation of the impacts on the health and safety of workers directly linked with commercial relations	6.4. Occupational health and prevention The information reported relates to Ibercaja Banco's own personnel. There are currently no external workers linked with commercial
	403-8 Coverage of the occupational health and safety management system	Ibercaja Banco has its own prevention service. However, no health and safety management system currently exists.
	403-9 Work-related injuries	6.4. Occupational health and prevention
	403-10 Occupational illnesses and diseases	6.4. Occupational health and prevention

Training and education

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Cultivating talent
	103-2 Management approach and its components	6.4. Cultivating talent
	103-3 Evaluation of the management approach	6.4. Cultivating talent
GRI 404: Training and education 2016	**404-1: Average training hours per year per employee**	6.4. Cultivating talent The average number of training hours per employee in 2020 was 78 hours.
	404-2: Programmes to improve employee aptitudes and transition assistance programmes	6.4. Cultivating talent
	404-3: Percentage of employees who receive periodic evaluations of professional performance and development	100% of permanent employees receive regular performance and career development assessments.

Diversity and equal opportunities

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.4.
	103-2 Management approach and its components	4.4, 6.4.
	103-3 Evaluation of the management approach	4.4, 6.4.
GRI 405: Diversity and equal opportunities	**405-1: Diversity of governance bodies and employees**	4.4, 6.4. Diversity, equality and work-life balance, Appendix D

Non-discrimination

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Diversity, equality and work-life balance, 6.9
	103-2 Management approach and its components	6.4. Diversity, equality and work-life balance, 6.9
	103-3 Evaluation of the management approach	6.4. Diversity, equality and work-life balance, 6.9
GRI 406: Non-discrimination 2016	**406-1: Incidents of discrimination and corrective actions taken**	There were no incidents of discrimination or, therefore, corrective plans in 2021.

Local communities

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 6.8
	103-2 Management approach and its components	4.5.4, 6.8
	103-3 Evaluation of the management approach	4.5.4, 6.8
GRI 402-1: Local communities 2016	**413-1: Operations with the participation of the local community, impact assessments and development programmes**	6.8
	FS13: Accessibility in unpopulated areas or in marginalised zones	In 2021, Ibercaja provided services in 104 towns as the only company present, and 23% of branches provides services in towns with fewer than 1,000 inhabitants.
	FS14: Initiatives to improve access to financial services for disadvantaged people.	4.5.4, Appendix D

Socio-economic compliance

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies
	103-2 Management approach and its components	4.4. Internal rules and control bodies
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies
GRI 419: Socioeconomic compliance 2016	**419-1: Breach of laws and regulations in social and economic areas**	In 2021, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to social and economic areas.

Materials

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 301: Materials 2016	**301-1: Materials used by weight or volume.**	6.5, Appendix D
	301-2: Recycled inputs	6.5, Appendix D

Energy

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 302: Energy	**302-1: Energy consumption within the organisation**	6.5, Appendix D
	302-3: Energy intensity	Appendix D
	302-4 Reduction of energy consumption	6.5, Appendix D

Emissions

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 305: Emissions 2016	**305-1: Direct (Scope 1) GHG emissions**	6.5, Appendix D
	305-2: Indirect GHG emissions when generating energy (Scope	6.5, Appendix D
	305-3: Other indirect (Scope 3) GHG emissions	Appendix D
	305-4: GHG emissions intensity	Appendix D
	305-5 Reduction of GHG emissions	6.5, Appendix D

Effluents and waste

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 306: Effluents and waste 2016	**306-2: Waste by type and disposal method**	Appendix D

Environmental compliance

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies
	103-2 Management approach and its components	4.4. Internal rules and control bodies

	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 6.1, 6.5
GRI 307: Environmental compliance	**307-1: Non-compliance with environmental laws and regulations**	No significant penalties, sanctions or fines were received in 2021 for failure to comply with environmental laws and regulations.

Product portfolio

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 4.5.5
	103-2 Management approach and its components	4.5.4, 4.5.5
	103-3 Evaluation of the management approach	4.5.4, 4.5.5
Product portfolio	**FS6: Portfolio breakdown by line of business, specific ensuring region, size (microenterprise, SME, large company) and sector**	4.5.4, 4.5.5
	FS7: Monetary value of products and services designed to offer a specific social benefit for each line of business broken down by objectives.	Appendix D
	FS8: Monetary value of products and services designed to offer a specific environmental benefit for each line of business broken down by objectives	Appendix D

Audit

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	The Environmental Management System extends to the entire organisation, taking care to ensure operations in accordance with the UNE-EN ISO 14001: 2015 standard. The headquarters at Plaza Paraíso 2, Zaragoza, also has ISO certification in environmental management. In
	103-2 Management approach and its components	6.5.
	103-3 Evaluation of the management approach	6.5.

Active ownership

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 4.5.5
	103-2 Management approach and its components	4.5.4, 4.5.5
	103-3 Evaluation of the management approach	4.5.4, 4.5.5
Active ownership	**FS10: Percentage and number of companies in the portfolio with which they have interacted in social or environmental matters.**	Appendix D
	FS11: Percentage of assets subject to positive or negative social or environmental analysis.	Appendix D

Appendix D – Additional non-financial information, GRI content and Taxonomy information

102-8, 201-1, 203-1, 205-1, 401-1, 405-1, 301-1, 301-2, 302-1, 302-3, 302-4, 303-1, 303-5, 305-1, 305-2, 305-3, 305-4, 305-5, 306-2, FS7, FS8, FS10, FS11, FS14

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THOUSANDS OF EUROS	2019	2020	2021
Gross income	926,579	1,001,822	952,260
Net profit/(loss) discontinued operations	0	0	0
Gains or (-) losses on the derecognition of net non-financial assets and equity interests	-6,544	-3,047	-5,199
Gains/(losses) non-current assets held for sale	-6,775	-969	5,885
Economic value generated	913,260	997,806	952,946
Dividends	17,500	3,849	98,140
Other general administrative expenses	152,149	132,799	150,896
Personnel expenses	360,944	502,568	375,183
Tax on profits and contributions and other taxes	64,414	50,089	81,958
Economic value distributed	595,007	689,305	706,177
Economic value withheld (VEG-VED)	318,253	308,501	246,769

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SUMMARY OF REVIEWS CONDUCTED	2019	2020	2021
Distribution Network Audit	333	289 (*)	274 (*)
Credit Risk Audit	13	13	13
Financial Audit	26	26	28
Internal Models and Systems Audit	25	22	32
Technical and Quality Supervision	5	4	5
Total	**402**	**354**	**352**
Office audits	2019	2020	2021
Revised offices	321	265	254 (*)
Percentage of the average number of offices	28.69%	24.33%	24.42%

(*) Continuous audit process across the entire Branch Network

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The **following tables** show the distribution of Ibercaja Banco's workforce at 31 December 2021, 2020 and 2019, broken down by gender, employee category, age, type of contract, professional level and area.

	GENDER		TOTAL	AVERAGE AGE
2021 EMPLOYEE CATEGORY	MEN	WOMEN		
Executives	549	250	799	47
Middle managers	540	496	1,036	47
Technicians	700	843	1,543	46
Clerical staff	561	648	1,209	46
Total	**2,350**	**2,237**	**4,587**	**47**

	GENDER		TOTAL	AVERAGE AGE
2020 EMPLOYEE CATEGORY	MEN	WOMEN		
Executives	626	270	896	48
Middle managers	593	529	1,122	47
Technicians	731	843	1,574	46
Clerical staff	715	748	1,463	48
Total	**2,665**	**2,390**	**5,055**	**47**

	GENDER		TOTAL	AVERAGE AGE
2019 EMPLOYEE CATEGORY	MEN	WOMEN		
Executives	649	279	928	47
Middle managers	593	524	1,117	46
Technicians	699	851	1,550	45
Clerical staff	707	751	1,458	47
Total	**2,648**	**2,405**	**5,053**	**46**

** Job categories are defined as:

EXECUTIVES: up to branch managers

MIDDLE MANAGERS: up to assistant managers-officers

TECHNICIANS: specialised branch office roles and Head Office Technicians/Experts

CLERICAL STAFF: branch network and Head Office employees

	GENDER		
2021 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	132	132	264
31 - 40 YEARS	279	265	544
41 - 50 YEARS	1,005	1,051	2,056
51 - 60 YEARS	920	787	1,707
61 - 70 YEARS	14	2	16
Total	2,350	2,237	4,587

	GENDER		
2020 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	105	102	207
31 - 40 YEARS	359	361	720
41 - 50 YEARS	1,036	1,086	2,122
51 - 60 YEARS	1,157	840	1,997
61 - 70 YEARS	8	1	9
Total	**2,665**	**2,390**	**5,055**

	GENDER		
2019 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	106	102	207
31 - 40 YEARS	426	459	885
41 - 50 YEARS	1,076	1,109	2,185
51 - 60 YEARS	1,032	714	1,746
61 - 70 YEARS	8	1	9
Total	**2,648**	**2,405**	**5,053**

2021 GENDER	I	T	TOTAL
MEN	2,258	92	2,350
WOMEN	2,158	79	2,237
TOTAL	**4,416**	**171**	**4,587**

2020 GENDER	I	T	TOTAL
MEN	2,590	75	2,655
WOMEN	2,329	61	2,390
TOTAL	**4,919**	**136**	**5,055**

2019 GENDER	I	T	TOTAL
MEN	2,580	68	2,648
WOMEN	2,329	76	2,405
TOTAL	**4,909**	**144**	**5,053**

P:permanent contracts

T: temporary contracts

	GENDER		
2021 PROFESSIONAL LEVEL	MEN	WOMEN	TOTAL
GR.1 LEVEL I	16	4	20
GR.1 LEVEL II	35	11	46
GR.1 LEVEL III	288	121	409
GR.1 LEVEL IV	491	254	745
GR.1 LEVEL V	394	322	716
GR.1 LEVEL VI	233	275	508
GR.1 LEVEL VII	264	299	563
GR.1 LEVEL VIII	320	561	881
GR.1 LEVEL IX	124	178	302
GR.1 LEVEL X	40	91	131
GR.1 LEVEL XI	29	34	63
GR.1 LEVEL XII	48	38	86
GR.1 LEVEL XIII	39	24	63
GR.1 LEVEL XIV	15	23	38
GR.2 LEVEL I	3	—	3
GR.2 LEVEL II	10	2	12
GR.2 LEVEL IV	1	—	1
TOTAL	**2,350**	**2,237**	**4,587**

	GENDER		
2020 PROFESSIONAL LEVEL	MEN	WOMEN	TOTAL
GR.1 LEVEL I	16	4	20
GR.1 LEVEL II	42	12	54
GR.1 LEVEL III	332	119	451
GR.1 LEVEL IV	571	263	834
GR.1 LEVEL V	439	353	792
GR.1 LEVEL VI	268	272	540
GR.1 LEVEL VII	304	334	638
GR.1 LEVEL VIII	358	621	979
GR.1 LEVEL IX	114	176	290
GR.1 LEVEL X	95	131	226
GR.1 LEVEL XI	24	35	59
GR.1 LEVEL XII	44	44	88
GR.1 LEVEL XIII	22	14	36

GR.1 LEVEL XIV	13	9	22
GR.2 LEVEL I	4	–	4
GR.2 LEVEL II	18	3	21
GR.2 LEVEL V	1	–	1
TOTAL	**2,665**	**2,390**	**5,055**

	GENDER		TOTAL
2019 PROFESSIONAL LEVEL	MEN	WOMEN	
GR.1 LEVEL I	16	4	20
GR.1 LEVEL II	43	11	54
GR.1 LEVEL III	321	111	432
GR.1 LEVEL IV	557	250	807
GR.1 LEVEL V	434	356	790
GR.1 LEVEL VI	252	225	477
GR.1 LEVEL VII	305	335	640
GR.1 LEVEL VIII	345	613	958
GR.1 LEVEL IX	130	192	322
GR.1 LEVEL X	112	178	290
GR.1 LEVEL XI	35	32	67
GR.1 LEVEL XII	36	55	91
GR.1 LEVEL XIII	26	26	52
GR.1 LEVEL XIV	13	14	27
GR.2 LEVEL I	4	–	4
GR.2 LEVEL II	18	3	21
GR.2 LEVEL V	1	–	1
TOTAL	**2,648**	**2,405**	**5,053**

	GENDER		TOTAL
2021 – AREAS	MEN	WOMEN	
BRANCH NETWORK DEPARTMENT	11	12	23
TERR. DIV. ARAGÓN	638	589	1,227
TERR. DIV. MEDITERRANEAN SEABOARD	290	268	558
TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN	185	189	374
TERR. DIV. MADRID AND NORTH-WEST SPAIN	369	435	804
TERR. DIV. RIOJA, BURGOS AND GUADALAJARA	273	277	550
CENTRAL UNITS	404	368	772
CORPORATE BANKING DEPARTMENT	180	99	279
TOTAL	**2,350**	**2,237**	**4,587**

	GENDER		TOTAL
2020 – AREAS	MEN	WOMEN	
BRANCH NETWORK DEPARTMENT	16	19	35
TERR. DIV. ARAGÓN	805	638	1,443
TERR. DIV. MEDITERRANEAN SEABOARD	351	291	642
TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN	226	215	441
TERR. DIV. MADRID AND NORTH-WEST SPAIN	475	499	974

TERR. DIV. RIOJA, BURGOS AND GUADALAJARA	352	331	683
CENTRAL UNITS	440	397	837
TOTAL	**2,665**	**2,390**	**5,055**

2019 – AREAS	GENDER		TOTAL
	MEN	WOMEN	
BRANCH NETWORK DEPARTMENT	16	16	32
TERR. DIV. ARAGÓN	811	652	1,463
TERR. DIV. MEDITERRANEAN SEABOARD	354	305	659
TERR. DIV. EXTREMADURA AND SOUTHERN SPAIN	225	219	444
TERR. DIV. MADRID AND NORTH-WEST SPAIN	482	510	992
TERR. DIV. RIOJA, BURGOS AND GUADALAJARA	358	327	685
CENTRAL UNITS	402	376	778
TOTAL	**2,648**	**2,405**	**5,053**

The **following tables** present the distribution of the workforce of Ibercaja in 2021, 2020 and 2019 by gender, occupational category, age and type of contract in terms of average number of days.

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND OCCUPATIONAL CATEGORY

		PERMANENT			TEMPORARY	
2021			TOTAL			TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle Managers	100%	100%	100%	0%	0%	0%
Technicians	99.92%	100%	99.96%	0.08%	0%	0.04%
Clerical staff	85.88%	87.29%	86.61%	14.12%	12.71%	13.39%
TOTAL	**96.26%**	**96.07%**	**96.17%**	**3.74%**	**3.93%**	**3.83%**

		PERMANENT			TEMPORARY	
2020			TOTAL			TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	99.93%	100%	99.97%	0.07%	0%	0.03%
Clerical staff	87.27%	87.92%	87.61%	12.73%	12.08%	12.39%
TOTAL	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

		PERMANENT			TEMPORARY	
2019			TOTAL			TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	100%	100%	100%	0%	0%	0.03%
Clerical staff	84.91%	83.24%	84.05%	15.09%	16.76%	15.95%
TOTAL	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND AGE RANGE

2021	PERMANENT		TOTAL	TEMPORARY		TOTAL
21 - 30 YEARS	32.37%	35.96%	34.20%	67.63%	64.04%	65.80%
31 - 40 YEARS	98.10%	98.41%	98.25%	1.90%	1.59%	1.75%
41 - 50 YEARS	100%	99.94%	99.95%	0%	0.06%	0.05%
51 - 60 YEARS	99.91%	100%	99.95%	0.09%	0%	0.05%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**96.26%**	**96.07%**	**96.17%**	**3.74%**	**3.93%**	**3.83%**

2020	PERMANENT		TOTAL	TEMPORARY		TOTAL
21 - 30 YEARS	32.37%	35.98%	34.23%	67.63%	64.02%	65.77%
31 - 40 YEARS	99.01%	98.91%	98.96%	0.99%	1.09%	1.04%
41 - 50 YEARS	100%	99.86%	99.93%	0%	0.14%	0.07%
51 - 60 YEARS	99.92%	100%	99.95%	0.08%	0%	0.05%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

2019	PERMANENT		TOTAL	TEMPORARY		TOTAL
21 - 30 YEARS	26.05%	25.97%	26.01%	73.95%	74.03%	73.99%
31 - 40 YEARS	97.75%	98.35%	98.06%	2.25%	1.65%	1.94%
41 - 50 YEARS	100%	99.70%	99.85%	0%	0.30%	0.15%
51 - 60 YEARS	100%	100%	99.97%	0%	0%	0.03%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**95.80%**	**94.54%**	**95.20%**	**4.02%**	**5.46%**	**4.80%**

401-1

In 2021, the number of **permanent employees** decreased by 503. The **churn rate** of permanent employees was 14.88% in 2021.

CHURN NUMBER AND RATE (INCOMING AND OUTGOING EMPLOYEES)

2021	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 - 30 YEARS	27	1.20%	18	0.83%	45	1.02%
31 - 40 YEARS	12	0.53%	22	1.02%	34	0.77%
41 - 50 YEARS	24	1.06%	29	1.34%	53	1.20%
51 - 60 YEARS	345	15.28%	176	8.16%	521	11.80%
61 - 70 YEARS	2	0.09%	2	0.09%	4	0.09%
Total	**410**	**18.16%**	**247**	**11.45%**	**657**	**14.88%**

	MEN		WOMEN		TOTAL	
2020	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 - 30 YEARS	10	0.39%	9	0.39%	19	0.39%
31 - 40 YEARS	17	0.66%	22	0.94%	39	0.79%
41 – 50 YEARS	20	0.77%	27	1.16%	47	0.96%
51 – 60 YEARS	21	0.81%	12	0.52%	33	0.67%
61 - 70 YEARS	2	0.08%		0.00%	2	0.04%
Total	**70**	**2.70%**	**70**	**3.01%**	**140**	**2.85%**

2019	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 - 30 YEARS	17	0.66%	22	0.94%	39	0.79%
31 - 40 YEARS	13	0.50%	22	0.94%	35	0.71%
41 – 50 YEARS	11	0.42%	30	1.29%	41	0.83%
51 – 60 YEARS	13	0.50%	9	0.39%	22	0.45%
61 - 70 YEARS	1	0.04%	1	0.04%	2	0.04%
Total	**55**	**2.12%**	**84**	**3.61%**	**139**	**2.85%**

The **hiring rate** of permanent employees was 1.74% in 2021.

NUMBER AND RATE OF NEW HIRES (INCOMING EMPLOYEES)

2021	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 - 30 YEARS	24	1.06%	17	0.79%	41	0.93%
31 - 40 YEARS	4	0.18%	8	0.37%	12	0.27%
41 - 50 YEARS	8	0.35%	10	0.46%	18	0.41%
51 - 60 YEARS	3	0.13%	2	0.09%	5	0.11%
61 - 70 YEARS		0.00%	1	0.05%	1	0.02%
Total	**39**	**1.73%**	**38**	**1.76%**	**77**	**1.74%**

2020	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 - 30 YEARS	9	0.35%	7	0.30%	16	0.33%
31 - 40 YEARS	13	0.50%	7	0.30%	20	0.41%
41 – 50 YEARS	10	0.39%	14	0.60%	24	0.49%
51 – 60 YEARS	7	0.27%	7	0.30%	14	0.28%
61 - 70 YEARS	1	0.04%		0.00%	1	0.02%
Total	**40**	**1.54%**	**35**	**1.50%**	**75**	**1.52%**

2019	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 - 30 YEARS	16	0.62%	19	0.82%	35	0.71%
31 - 40 YEARS	9	0.35%	12	0.52%	21	0.43%
41 – 50 YEARS	3	0.12%	15	0.64%	18	0.37%
51 – 60 YEARS	5	0.19%	4	0.17%	9	0.18%
61 - 70 YEARS	0	0.00%	0	0.00%	0	0.00%
Total	**33**	**1.27%**	**50**	**2.15%**	**83**	**1.69%**

A total of 539 people were laid off due to dismissal or termination of contract, with an average age of 57, and none of them was aged under 35 or had children aged under 12.

2021 EMPLOYEE CATEGORY	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	58	20	78	57
Middle managers	58	17	75	57
Technicians	42	47	89	57
Clerical staff	195	102	297	57
Total	**353**	**186**	**539**	**57**

2020 EMPLOYEE CATEGORY	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	2		2	48
Middle managers	1	2	3	38
Technicians	1	2	3	42
Clerical staff	6	1	7	52
Total	**10**	**5**	**15**	**47**

2019 EMPLOYEE CATEGORY	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	0	0	0	
Middle managers	2	0	2	43
Technicians	1	1	2	44
Clerical staff	4	6	10	49
Total	**7**	**7**	**14**	**47**

301-1, 301-2, 302-1, 302-3, 302-4, 303-1

CONSUMPTION

WATER CONSUMPTION (m3)	2019	2020	2021
Water consumption (headquarters)	11,473	8,210	12,515
Water consumption (branch network)	29,978	28,818	26,419
Average water consumption per employee and year (Entity)	8.08	7.18	7.92

Specific observations: Well water collected is not included in the table because it is not consumed. Water consumption has been estimated in the Branch Network based on an average consumption ratio per unit of surface area. No. company employees: taken as the average annual headcount: 5,127 in 2019, 5,152 in 2020 and 4,910 in 2021.

ENERGY CONSUMPTION (Gj)	2019	2020	2021
Electricity (headquarters)	30,991.3	28,455.83	28,850.71
Electricity (branch network)	100,164.8	93,390.28	92,132.60
Average electricity consumption per employee and year (Entity)	25.6	23.65	24.64
Diesel (central building)	30.7	41.54	73.85
Diesel (branch network)	3,199.7	3,427.11	3,017.86
Natural Gas (branch network)	3,720.6	4,465.97	4,063.22
Average consumption of diesel and natural gas per employee and year (Entity)	1.4	1.45	1.46

PAPER CONSUMPTION Tm	2019	2020	2021
Type DIN A4 white (entity)	8.17	9.64	9.03
Recycled DIN A4 type (entity)	257.3	211.57	224.92
Total type DIN A4 (entity)	265.4	221.21	233.95
Type DIN A3 (entity)	0.4	0.27	0.33
Envelopes	26.5	23.82	54.25
Bovine (insert)	77.0	88.03	59.1
Average total paper consumption per employee (Entity)	0.1	0.06	0.07
Total paper consumption	369.3	333.3	347.3

Specific observations on envelopes: Indicator based on the most commonly used envelope size (115x225). In 2021, the accuracy of envelope consumption data was improved and the quantity consumed in previous years was updated.

General remarks

Entity = headquarters + network of branches

No. of employees at central headquarters is considered to be the average workforce: 822 in 2019, 854 in 2020 and 866 in 2021

No. employees per entity is considered to be the average workforce: 5,127 in 2019, 5,152 in 2020 and 4,910 in 2021

Remarks on branch network electricity consumption: the annual electricity consumption of the Branch Network is calculated based on the electricity invoices of the various companies for the period from 1 December of the previous year to 30 November of the current year. This is because real calendar year data are not available until March of the following year.

Endesa's actual bills are not available for 2021. The data shown for office electricity consumption corresponds to Endesa's estimated consumption, which has been taken from the billing period from October 2020 to September 2021.

5-1, 305-2, 305-3, 305-4, 305-5

CO2 EMISSIONS*	2019	2020	2021
Emissions from diesel consumption, in Tn of CO2 (total entity)	250.9	269.22	234.34
Emissions from natural gas consumption, in Tn of CO2 (total entity)	209.9	203.43	205.41
Emissions for electricity consumption, in Tn of CO2 (Central Building)	0	0	0
Emissions for electrical consumption, in Tn of CO2 (Branch network)	7,512.36	0	0
Emissions in Tn of CO2 by displacement of employees by car	1,133.5	607.42	687.06
Emissions in CO2 Tn by vehicle displacement (Total Entity)	77.6	44.98	58.31
missions in Tn of CO2 by messaging service (Total Entity)	82.42	69.15	58.65
Emissions in Tn of CO2 by leakage of fluorinated gases (Total Entity)	570.4	767.39	375.90
Emissions in Tn of CO2 by leakage of fluorinated gases (Central Building)	0	0	0
Total emissions, in Tn of CO2	9,837.04	1,961.60	1,619.68
Average CO2 emissions per employee in Tn CO2 **	1.92	0.38	0.33

Specific observations: The carbon footprint calculation tool of the Ministry for Ecological Transition (MITECO), Scopes 1-2, is used to calculate emissions.

The sources of the emission factors for the calculation of the CO2 emissions produced in the displacements are: The GHG Protocol (Greenhouse Gas Protocol) and IDAE (Institute for Energy Diversification and Saving)

The average number of employees is as follows: 5,127 in 2019, 5,152 in 2020 and 4,910 in 2021.

100% of electricity supplied by ENDESA is generated from renewable energy sources. This amount of energy is accredited through guarantees of origin by the CNMC.

(*) This figure varies from that reported in the 2020 Management Report (767.39 and 1,961.60) due to a calculation error.

TABLE OF CO2 EMISSIONS – SCOPES 1, 2 and 3

		EMISSIONS (Tn CO2 eq)		
SCOPE	EMITTING SOURCE	2019	2020	2021
	Fuel consumption in buildings	460.8	472.65	439.76
1	**Leakage of fluorinated gases**	570.4	763.77	375.90
	Fuel consumption of own vehicles	77.63	44.98	58.31
2	**Electricity consumption**	7,512.36	0.00	0.00
TOTAL EMISSIONS, SCOPE 1+2 (Tn CO2 eq)		**8,621.19**	**1,281.4**	**873.97**

		EMISSIONS (Tn CO2 eq)		
SCOPE	EMITTING SOURCE	2019	2020	2021
3	**Commuting of employees by car for work purposes**	1,133.5	607.42	687.06
	Delivery and distribution by courier service	82.42	69.16	58.65
TOTAL EMISSIONS, SCOPE 3 (Tn CO2 eq)		**1,215.92**	**676.58**	**745.71**

SCOPES	EMISSIONS (Tn CO2 eq) 2019	2020	2021
SCOPE 1	1,108.80	1,281.40	873.97
SCOPE 2	7,512.30	0	0.00
SCOPE 3	1,215.90	676.58	745.71
TOTAL EMISSIONS	**9,837.00**	**1,957.90**	**1,619.68**

306-2

KILOS	2019	2020	2021
TOTAL NON-HAZARDOUS WASTE (kg)	241,183.0	209,789.40	251,564.8
TOTAL HAZARDOUS WASTE (kg)	3,475.59	7,506.56	10,089.08
CONFIDENTIALLY DESTROYED PAPER (kg) (*)	230,996.0	67,050	242,921

(*) The actual quantity, in kg, of documentation in custody in 2020, expurgated and certified in 2021, is shown.

To calculate the amount of documentation in custody in 2021 to be destroyed, the same amount has been estimated as in 2020 (146,778 kg).

Confidential Destruction is certified according to UNE-EN 15713 – Secure destruction of confidential material.

FS14

CHANNEL OF RELATIONSHIP WITH CUSTOMERS	2019	2020	2021
Number of offices	1,084	1,031	914
Number of ATMs	1,316	1,287	1,172
% over-the-counter transactions	12.78%	9.53%	10.01%
% transactions performed via distance banking	72.03%	75.96%	74.27%
% transactions carried out at ATM	4.18%	2.98%	2.76%
% transactions carried out at POS	10.86%	11.33%	12.97%
% operations performed on updater	0.15%	0.03%	0.00%
Active digital banking users per month	765,585	842,486	878,818
Active mobile banking users per month	432,211	521,551	603,409
Active mobile payment users per month	86,040	213,765	322,975
Total visits to ibercaja.es homepage	26,375,480	28,008,266	25,779,055

FS8

PARTICIPATED COMPANY	ENVIRONMENTAL PROJECT	INVESTMENT IBERCAJA			QUANTITATIVE INDICATOR
		2019	2020	2021	
Rioja Nueva Economía, S.A.	Bio-diesel plant in Calahorra and wind farm	7,124	5,592	5,592	Wind farm with 39 Mw of installed capacity Biodiesel plant of 250 m Tn/year of
Solavanti	Photovoltaic projects	6,030	6,030	6,030	Total installed capacity: 44.46 Mw
Foresta Project	Forest plantations in Extremadura	4,553	4,773	5,000	640 ha (Reservoir of 232,541 trees)
Energías Alternativas de Teruel	Promotion and exploitation of wind power	26	26	-	Projects under development with a capacity of 159 Mw
Total investment Ibercaja		**17,733**	**16,421**	**16,622**	

Specific observations: In 2021, the stake in Prames was reclassified from Environment to Tourism, due to the change of corporate activity. Therefore, in order to provide like-for-like information, this stake is not included in the data for 2019 and 2020.

FS7

ECONOMIC VALUES IN THOUSANDS OF EUROS	2019	2020	2021
Línea Joven			
Scholarships, postgraduate, etc.			
No. of transactions	27	8	9
Financing amount	87	23	9
Home purchases			
No. of transactions	2,219	1,308	1,319
Financing amount	214,421	129,473	129,864
Individuals			
Citizen Card Zaragoza			
No. of transactions	3,873,480	1,984,572	2,357,222
OPERATIONAL amount	2,495	1,313	1,556
Citizen Card Guadalajara			
No. of transactions	33,577	18,384	15,794
OPERATIONAL amount	14	8	7
Companies			
ICO Lines-Companies and Entrepreneurs			
No. of transactions	525	439	439
Financing amount	29,480	24,879	29,597
EIB agreements			
No. of transactions	1,964	915	167
Financing amount	111,374	50,446	8,573
Agro industry			
No. of transactions	3,598	2,860	2,519
Financing amount	137,198	120,069	102,542
Young Farmers and Cattle Ranchers			
No. of transactions	109	125	113
Financing amount	10,211	12,746	9,933

FS10, FS11

IBERCAJA INVESTMENTS IN COMPANIES AT WHICH CSR IS MATERIAL

IBERCAJA'S INVESTMENTS IN COMPANIES IN WHICH CSR IS SIGNIFICANT (THOUSANDS OF EUROS)	2019	2020	2021
Amounts	107,306	103,3336	103,646
Companies	20	19	20
% of total equity interests	39%	45%	45%

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BUSINESS SHAREHOLDINGS		2019			2020	
	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION
	Thousands of euros	Thousands of euros	Direct and indirect	Thousands of euros	Thousands of euros	Direct and indirect
Tourism sector	66,647	28,175	13,596	66,647	29,873	13,634
Logistics industry	-	-	-	-	-	-
Food and agriculture industry	1,306	25,292	1,147	1,306	9,984	1,154
Other sectors	6,600	1,173	5,570	6,600	873	5,803
Total	74,553	54,640	20,313	74,553	40,731	20,591

BUSINESS SHAREHOLDINGS		2021	
	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION
	Thousands of euros	Thousands of euros	Direct and indirect
Tourism sector	67.463	1.331	13.603
Food and agriculture industry	1.306	9.127	1.057
Other sectors	8.523	3.403	26.446
Total	**77,292**	**13,861**	**41,106**

Investment in strategic sectors (thousands of euros)	2019	2020	2021
Amounts	**77,880**	**75,481**	**74,911**

INFORMATION ON THE TAXONOMY REGULATION (EU) 2020/852

Taxonomy Regulation (EU) 2020/852, published on 22 June 2020 by the European Parliament and the Council within the framework of the European Green Pact, aims to help create a fairer economy capable of generating employment equitably by defining those economic activities that can be considered environmentally sustainable.

In accordance with Article 8 of the Regulation, Ibercaja, being subject to Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU as regards disclosure of information, non-financial and diversity information by certain large companies and certain groups (hereinafter "NFRD"), must disclose how and to what extent its activities are associated with sustainable economic activities, as defined in that regulation.

At present, the Taxonomy has only developed climate change mitigation and climate change adaptation objectives, with the rest of the environmental objectives still to be defined.

The disclosure obligations required of entities subject to the NFRD in this year relate to eligibility ratios. Note that eligibility is not an indicator of an activity's environmental performance or sustainability for these purposes. Eligible economic activities are those that fall within the scope of the regulation and have the potential to contribute to the defined environmental objectives, provided that they meet the technical screening criteria set out in the Regulation; this analysis will be required of companies in the coming years, following a timetable for implementation of the Regulation.

The Ibercaja Group primarily engages in retail banking and carries out all its business in Spain. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

Below we break down below the quantitative information as at 31 December 2021, following the recommendations published by the European Commission in its FAQs document of December 2021, which states that credit institutions should report while following the requirements of the prudential consolidation perimeter in accordance with Title II, Chapter 2, Section 2 of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms.

At 31 December 2021	As %	Description of content
% of total assets exposed to Taxonomy-eligible economic activities	55.03	Activities with entities subject to the NFRD, households and local governments covered by the Taxonomy Regulation divided by the total assets covered (1) and (3)
% of total assets exposed to Taxonomy-non-eligible economic activities	18.30	Activities with entities subject to the NFRD, households and local governments not covered by the Taxonomy Regulation divided by the total
% of total assets exposed to Central Governments, Central Banks and Supranational Issuers	16.72	Exposures to Central Governments, Central Banks and Supranational Issuers divided by total on-balance sheet assets (2)
% of total assets exposed to derivatives	0.14	Derivative exposures divided by total balance sheet assets (2)
% of total assets exposed to entities not required to publish non-financial information	26.67	Exposures to entities not required to report under NFRD divided by total assets covered (1)
% of total assets corresponding to the trading book	0.006	Trading book exposures divided by total on-balance sheet assets (2)
% of total assets corresponding to overnight interbank loans	0.00	Exposures to overnight interbank loans divided by total on-balance sheet assets (2)

(1): "Total assets covered" includes financial assets within the perimeter of the GAR calculation: financial assets at amortised cost, financial assets at fair value through other comprehensive income, investments in subsidiaries, joint ventures and associates, financial assets at fair value through profit or loss, and non-trading financial assets mandatorily measured at fair value through profit or loss as at 31 December 2021

(2): "Total balance sheet assets" is the total amount of assets considering the prudential consolidation perimeter as at 31 December 2021

(3) For the purpose of presenting a like-for-like perimeter with the information published in this management report, the figure of % of total assets exposed to Taxonomy-eligible economic activities is reported by following the consolidation perimeter of the consolidated financial information that includes the entire Ibercaja Group, which represents 49.23%; and the figure of % of total assets exposed to non-eligible economic activities, which represents 19.39%.

To determine the above information, assets exposed to eligible activities have been categorised as such on the basis of the list of activities contained in Annexes I and II of the Climate Delegated Act of the Taxonomy Regulation 2020/852, which list the activities that contribute substantially to the objectives of climate change mitigation and adaptation.

The information about these exposures has been obtained from the analysis of available counterparty data in the company's systems for each asset class. Most of the exposure to activities categorised as Taxonomy-eligible corresponds to exposures to residential real estate, which would correspond under the Regulation to activity 7.1 – Acquisition and ownership of buildings. Also relevant are assets with loan exposures and leasing and renting operations of private vehicles, which under the Regulation relates to activity 6.5 Transport by motorbikes, passenger cars and light commercial vehicles of Annex I of the Climate Delegated Act.

To assess the eligibility of exposures to financial and non-financial institutions, it must be based on actual data provided by the counterparty. As at the date of authorisation for issue of this report, the entities required to publish non-financial information have yet to report their eligibility indicators. Therefore, in the information broken down above, the percentages of exposure to eligible activities do not include information about the potential eligibility of the activities associated with those entities.

Likewise, in accordance with the provisions of the aforementioned Regulation, we have made the following exclusions for when calculating the aforementioned indicators:

a. Exposures to central governments, central banks and supranational issuers have been excluded from total hedged assets.

b. The trading portfolio has been excluded from total hedged assets.

c. Exposures to entities not required to publish non-financial information and derivative exposures have been excluded from the numerator of the percentage of total assets exposed to Taxonomy-eligible and non-eligible economic activities.

At Ibercaja, we are committed to sustainability, which is why we strive to duly address the needs and expectations of all our stakeholders while also complying with the provisions of all related regulations, including the Regulation giving rise to this report. When carrying on its financial activity, Ibercaja considers that its actions should promote a suitable balance between economic growth, social cohesion and the preservation of the environment, all in accordance with its Corporate Purpose: "Helping people build their life story because it will be our story." As stated in its Sustainability Policy, Ibercaja is committed to aligning its commercial strategy with the UN Principles of Responsible Banking by tailoring its products and services to the new needs arising from sustainable development, championing more sustainable business models and practices and integrating ESG factors into global risk management.

With this objective in mind, the Ibercaja Group is now including ESG aspects in designing products and services with sustainable characteristics. During the year, it made progress in identifying and integrating sustainability risks and their disclosure, complying with the current requirements of Regulation 2019/2088, on which it continues to work to adapt its policies and pre-contractual information, website and periodic information to regulatory requirements.

Appendix E – Independent assurance report

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Independent Assurance Report on the Consolidated Non-Financial Information Statement for the year 2021

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

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INDEPENDENT LIMITED ASSURANCE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

Translation of a report originally issued in Spanish. In the event of discrepancy the Spanish-language version prevails

To the Shareholders of Ibercaja Banco, S.A. (Parent company):

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement Consolidated (hereinafter NFIS) for the year ended 31 December 2021, of Ibercaja Banco, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) which forms part of the 2021 consolidated Group's Director's Report.

The consolidated Director's Report includes additional information to that required by prevailing mercantile legislation governing non-financial information that has not been subject of our assurance work. In this regard, our assurance work was limited only to providing assurance on the information contained in Appendix A "Requirements of Law 11/2018 on non-financial information and diversity", Appendix C "GRI Content Index", and in principles 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 of the chapter 6.11 "Implementation of the UNEP-FI Principles for Responsible Banking", included in the attached consolidated Group's Director's Report.

Directors´responsibilities

The Board of Directors of the Parent is responsible for the preparation and presentation for the NFIS included in the Group´s Director's Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative of the selected GRI Standards, as well as those other criteria among which are the sectorial supplement "Financial Services of GRI-G4 guidelines" and "Principles for Responsible Banking of United Nation",described in accordance with that mentioned for each subject in Appendix A "Requirements of Law 11/2018 on non-financial information and diversity", Appendix C "GRI Content Index", and in principles 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 of the chapter 6.11 "Implementation of the UNEP-FI Principles for Responsible Banking", included in the attached consolidated Group´s Director´s Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Parent directors of Ibercaja Banco, S.A., are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our Independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Domicilio Social: C/ Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. Madrid 9 de Marzo de 1.989. A member firm of Ernst & Young Global Limited.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialized in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE) and the Limited Assurance Guide on the reporting of the Principles for Responsible Banking, issued by UNEP-FI (United Nations Environment Programme Finance Initiative).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent that for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Group that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Group personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.

- Analysis of the processes for compiling and validating the data presented in the NFIS for 2021, based on the materiality assessment performed by Group Management and described in section 3 "Guidelines to this document", in light of the content required under prevailing mercantile legislation.

- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2021.

- Review of the processes for compiling and validating the information presented in the NFIS of 2021.

- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2021 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.

- Procurement of a representation letter from the Directors and management.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the entity´s investments are associated with economic activities eligible in accordance with the Taxonomy. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the NFIS which forms part of the aforementioned consolidated Director's Report does not contain comparative information on his matter. Additionally, certain information has been included in respect of which, at the date of preparation of the NFIS which forms part of the aforementioned consolidated Director's Report, the directors of Ibercaja Banco, S.A. have opted to apply the criteria that, in their opinion, best allow the to comply with the new obligation and those defined in the section "Information related of the European Taxonomy (UE) 2020/852) of the NFIS which forms part of the aforementioned consolidated Director's Report. Our conclusion is not modified in respect of this matter.

Conclusion

Based on the Assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Information Statement Consolidated of Ibercaja Banco, S.A. and subsidiaries for the year ended 31th December 2021 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, as well as those other criteria among which are the sectorial supplement "Financial Services of GRI-G4 guidelines" and "Principles for Responsible Banking of United Nations",described in accordance with that mentioned for each subject in Appendix A "Requirements of the Law 11/2018 on non-financial information and diversity", Appendix C "GRI Content Index", and in principles 2.1, 2.2, 2.3, 2.4, 5.3 and 6.1 of the chapter 6.11 "Implementation of the UNEP-FI Principles for Responsible Banking", included in the attached consolidated Group´s Director´s Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús

March 8, 2022

CORPORATE GOVERNANCE
REPORT

EL BANCO DEL Vamos

The Annual Corporate Governance Report is available at the CNMV and on the Bank's website, under the section "Shareholders and Investors – Corporate Governance and Remuneration Policy".

Auditor´s report on the "Information Related to the System of Internal Control Over Financial Reporting (ICFR)" for the year 2021

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

(Ibercaja Banco Group)

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AUDITOR´S REPORT ON THE "INFORMATION RELATED TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)"

Translation of a report and information originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

To the Board of Directors of IBERCAJA BANCO, S.A.:

In accordance with the request from the Management of IBERCAJA BANCO, S.A. (hereinafter the Entity) and our engagement letter dated March 18, 2021, we have performed certain procedures on the "ICFR related information" attached "F. Internal control and risk management systems for financial reporting (ICFR)" of the Annual Corporate Governance Report of IBERCAJA BANCO, S.A., which summarizes the internal control procedures of the Entity in relation to the annual financial information.

The Board of Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system as well as developing improvements to that system and preparing and establishing the content of the accompanying ICFR related information attached.

It should be noted that irrespective of the quality of the design and operability of the internal control system adopted by the Entity in relation to its annual financial information, it can only provide reasonable, rather than absolute assurance with respect to the objectives pursued, due to the inherent limitations to any internal control system.

In the course of our audit work on the financial statements and pursuant to the Technical Auditing Standards, the sole purpose of our assessment of the entity´s internal control was to enable us to establish the nature, timing and extent of the audit procedures to be applied to the Entity´s financial statements. Therefore, our assessment of the internal control performed for the purposes of the audit of the financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively performed the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of these procedures was limited and substantially less than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or its design or operating effectiveness, in relation to Entity's annual financial information for 2021 described in the ICFR related information attached. Consequently, had we performed additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters might have come to our attention that would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements in accordance with prevailing audit regulations in Spain, we do not express an audit opinion in the terms provided for therein.

The procedures performed were as follows:

1. Read and understand the information prepared by the Entity in relation to the ICFR -which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the model established by CNMV Circular nº 5/2013 dated June 12, 2013 and subsequent amendments, the most recent one being CNMV Circular 1/2020 of October 6, 2020 (hereinafter, the CNMV Circulars).

2. Make enquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) Obtain an understanding of the process followed in its preparation; (ii) Obtain information which will allow us to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) Obtain information on whether the control procedures described are implemented and in use by the Group.

3. Review the explanatory documentation supporting the information described in point 1 above, which should basically include that which is provided directly to those responsible for preparing the ICFR descriptive information. In this respect, the aforementioned documentation includes related reports prepared by the Internal Audit Department, senior management, and other internal and external experts providing support to the Audit and Compliance Committee.

4. Compare the information described in point 1 above with our knowledge of Entity's ICFR obtained as a result of performing the external audit procedures within the framework of the audit of the financial statements.

5. Read the minutes of the meetings held by the Board of Directors, Audit and Compliance Committee and other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information provided in point 1 above.

6. Obtain the representation letter related to the work performed, duly signed by the personnel in charge of preparing the information discussed in point 1 above.

As a result of the procedures performed, no inconsistencies or issues were observed that might have an impact on ICFR related information.

This report was prepared exclusively within the framework of the requirements stipulated in article 540 of the Consolidated text of the Corporate Enterprises Act and CNMV Circulars on ICFR description in Annual Corporate Governance Reports.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús

March 8, 2022

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Ibercaja Banco, S.A.
and subsidiaries
(Grupo Ibercaja Banco)

Auditor's report
on the consolidated annual accounts
and the consolidated Directors' report
December 31, 2020

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Ibercaja Banco, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Ibercaja Banco, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, the statement of recognised income and expense, the statement of changes in total equity, the statement of cash flows and the related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key Audit matters	How our audit addressed the key audit matter
Impairment of financial assets for credit risk and foreclosed assets	
The estimation of the impairment of financial assets for credit risk and foreclosed assets is one of the most significant and complex estimates in the preparation of the consolidated annual accounts, therefore we consider this estimation as a key audit matter. This impairment is based on individual and collective estimations, using different Group models. Mentioned estimations are included within the International Financial Reporting Standards 9 (IFRS 9) and considers elements such as: • The classification of the different credit portfolios by their risk and asset type. • The identification and classification by stages of the impaired assets and the assets with a significant increase in credit risk (SICR). • The use of assumptions such as macroeconomic scenarios, useful life and segmentation criteria. • The ddevelopment of parameters for these models such as the probabilities of default (PD) and the loss given default (LGD). • The value of the collaterals and personal guarantees that are considered effective. The Group has developed internal methodologies to estimate the recoverable value of those collaterals based on haircuts according to their own sale experience on similar assets. The Group also uses information provided by external valuation experts. • Regular retrospective testing (back-testing and monitoring) on the different parameters included within the model are performed. The Group, regularly, performs adjustments on its models in order to optimise the estimates, updating, when needed, the data or the algorythms used. The expected losses models modifications due to the Covid-19 environment have increased its complexity, including new estimations such as the flexible payments measures, the government guarantees (ICO facilities) or the adjustments	Our work over the estimation of the impairment of financial assets for credit risk has focused on the analysis and assessment of the internal control, as well as the performance of tests of details over credit risk provisions estimated collectively and individually. With respect to internal control, we have focused on the following procedures: • Verify that the internal policies, the procedures and the internal model comply with the regulation applicable requirements. • Review of the periodic assessment of credit files and follow-up alerts designed by the Group to check the classification and the impairment. In addition, we performed the following tests of details: • Tests of principal models with respect to: i) calculation and segmentation methods; ii) methodology utilized for the estimation of the expected loss parameters; iii) methodology used for the generation of the macroeconomic scenarios; iv) information used in the calculation and generation; v) criteria for significant increase in credit risk and loan staging classification; and vi) restrospective methodologies for the most relevant parameters . • Review of the impairment calculations for the main portfolios. • Review the foreclosed assets model and the impairment related to them. • Review, on a sample basis, individual credit files to test its classification and booking, its cash flows discounts and the impairment related to them. Regarding Covid-19 environment and its impact in the expected loss model, we have performed the following procedures:

Key Audit matters	How our audit addressed the key audit matter
within the models to determine and adjust the expected loss. This situation has caused the need to adjust the expected loss models parameters to the new conditions based on Covid-19 environment. The impairment of the foreclosed assets possess by the Group on the execution of the guarantee is consistent with the criteria used to determine the value of the collaterals. Refer to notes 2.3 and 11.4 of the consolidated annual accounts as of December 31, 2020, and refer to note 11.6 for Covid-19 disclosures.	• Understanding of the internal policies and measures to evaluate the existence of significant increase in credit risk, based on the regulatory and supervision bodies communications since March 2020, and the agreements on payments flexibility and government guarantees (ICO facilities). • Analysis of the criteria and methodologies used by the Group for the impairment calculations based on Covid-19 environment. • Analysis of the Group policies to monitor the flexibility measures (holiday payments) granted to customers including the flexible payments and thr loans with government guarantees (ICO facilities). • Review, on sample basis, the flexiblity measures and ICO facilities concession process and the staging classification for both current and expired operations. We have not identified exceptions outside of a reasonable range in the tests outlined above.
Goodwill impairment test	
On annual basis or when there is any evidence of impairment, the Group performs an evaluation to determine if an impairment of the Goodwill exists. For the year ended December 31, 2020, the Group has considered the Covid-19 environment and the uncertainty within the economy to estimate the future cash flows. In connection with the consolidated annual accounts, the Group's Management assesses the existence of evidence of impairment in the Cash Generating Unit (CGU) since the previous year-end close. This goodwill is related to one CGU, agreeing with the total consolidated balance sheet, using for the estimation the discounted potential dividends derived from the business projections. These estimations are inherently uncertain and include a high level of judgement as they are based on aspects such as macroeconomic evolution and key hypothesis (credit growth,	We have understood and analysed the estimation process carried by the Group, and performed the following: • Obtained the criteria to decide the Group CGU related to the goodwill. • Assess of the methodology used to estimate the goodwill impairment. • Assess the annual valuation report from a third party used to perform the impairment testing. • Review the new cash flows estimations impacted by the Covid-19 environment. Additionally, we performed analysis of the budget for the main CGUs, considering the regulation, the market and the specific requirements by the sector. This analysis obtained to get comfort over the relevant hypothesis such as the growth rate, the discount

Key Audit matters	How our audit addressed the key audit matter
customer deposits, interest rates, capital requirements, etc..) which determined the cash flows, the discount rates and the long term growth rates used. These estimations are sensitive to variables and assumptions used, which based on their own nature are subject to the risk of material misstatement when being valued. Due to the high level of estimation, we consider this impairment as a key audit matter Refer to note 2.16.1 and 16.1 of the consolidated annual accounts as of December 31, 2020.	rate and the impact of the deviations identified against the budget and the rates that allowed the Group to identify potential evidence of impairment. Finally, we have observed the annual accounts disclosures on this topic. As a result of the above procedures, we believe that the evaluation carried out by Management is reasonable and the estimations of key assumptions employed are not outside a reasonable range in the context of the consolidated annual accounts.

Key Audit matters	How our audit addressed the key audit matter

Legal, tax and regulatory provisions

As a result of the Group´s ordinary course of its operations, it is party to a range of tax and legal proceedings, including administrative and regulatory.

There are also situations that even though still not subject to any legal proceedings, are nevertheless required from the Group to recognise provisions; these include customer conduct related matters and the related compensation. These may include the cancellations from the regulatory organism of the "Floor clauses" or the application of the "Royal Decree 1/2017" to protects the customers regarding the aforementioned clause.

These proceedings generally take a long period of time to run their course, giving rise to complex processes dictated by the applicable legislation prevailing in the various jurisdictions in which the Group operates.

The Group's Management decide when to recognise a provision for these proceedings based on estimates made using reasonable calculation procedures that are consistent with the uncertainty intrinsic to the obligations they cover.

Litigations is one of the estimation areas that requires more judgement, therefore, we consider it as a key audit matter.

Refer to note 21 of consolidated annual accounts for more detail on the "Floor clauses" contingency.

We have obtained our understanding and evaluated the estimation process of the litigation, legal, tax and regulatory provisions performed by the Group and the analysis of the internal control on the mentioned process including the following:

- Understanding the process of update of the databases that contain the ongoing litigation and provision needs based on the accounting standards.
- Analysis of the main claims, both individually and collectively ones.
- Obtaining confirmation letters from Group´s legal department to agree their evaluation with the litigations, provisions and possible unrecorded liabilities.
- Follow-up the open inspections using the help of our internal tax and legal experts and evaluation of the final results for the more significant tax open procedures and possible contingencies related to the open to inspection years.
- Provisions booking, estimation and movement analysis.

Specifically, for the claims and conduct matters related to the "Floor clauses", our procedures focused on:

- Understanding the internal control related to the provision to compensate the customers calculations.
- Evaluation of the methodology and hypothesis used by the Group, and verify that they are aligned with the ones used in the market.
- Sensitivity analysis over the models due to possible deviations on the main assumptions.

As result of the work mentioned above, we consider that the judgements and assumptions made by the Group are reasonable based on the available information.

Key Audit matters	**How our audit addressed the key audit matter**
Valuation of the liabilities related to life insurance contracts The Group operates in the life insurance business offering saving, life insurance and unit linked products. In relation to the life savings insurance products, the Group registers the liabilities related to these contracts in accordance with the Spanish regulation which includes a certain amount of judgement from Group management in the calculation of the mathematical provision. The Group's calculation of mathematical provision is determined by the methodology used and certain critical assumptions made my management which include the determination of the discount rates, future expense assumptions or mortality tables. Due to aforementioned factors included in this estimate, consider mathematical provision as a key audit matter. Refer to note 20 of consolidated annual accounts.	We have obtained an understanding of the processes and registration related to the valuation and account the liabilities for the life insurance contracts included within the mathematical provision. Additionally, we evaluated the internal control environment, including the related IT controls. In collaboration with the Actuarial experts, we have performed determined procedures focused on the following: • Understanding and assessing the methodologies used in the calculation of the mathematical provision for life insurance liabilities, as well as validating consistency year on year. • Validation of the appropriate accounting of the life insurance contracts, including the validation of the movements and payments made during the year. • Corroborate the completeness and accuracy of the Actuarial Data used for the calculations. • Recalculation of the mathematical provision for a sample of policies and validating the biometrical assumptions as per current regulation. On this matter, the Group is progressively adapting to the biometrical tables published within the communications from the Dirección General de Seguros y Fondos de Pensiones (DGS) dated December 17, 2020. • Validation of the immunization exercise performed by Management for a sample of groups of policies • Validation of the adequacy of future expenses assumptions.

Key Audit matters	How our audit addressed the key audit matter
	• Verification of the disclosures in the consolidated annual accounts. As result of the procedures described above, we consider that the calculations performed by Management related to the mathematical provision for life insurance products are within a reasonable range in the context of the consolidated annual accounts.

Key Audit matters	How our audit addressed the key audit matter
Risk related to IT systems The Group, as per its nature and specifically in the accounting and financial information generating process is dependent of the IT systems. This occurs both because of the platform that runs the majority of the Group´s activity and the personnel that managed it. Therefore, an adequate control over them is relevant to ensure the right recording and flow of information. In addition, as the IT systems become with more complex systems, some functions are externalised, the risks related to the IT systems and the information that runs on them increases. In this context, it is vital to evaluate aspects such as the effectivity of the Internal Control department. Therefore, the assessment of risk related to IT systems and the internal control environment are a key audit matter.	We have assessed, in collaboration with our IT system specialists, the internal controls over the IT systems, databases and applications that support the core business activity and have an impact on the Group's financial reporting. For the relevant IT systems related to the financial reporting process, we have performed the following procedures: • Testing the Group internal controls for the development and maintenance of the systems trying to minimize the risk on the program changes. • Check the authorisation access and application limits procedures in Applications, Databases and Operative Systems. On those where can be found some weakness over the access control we identified compensating controls either in the IT or business department. We performed the following procedures: • Obtained comfort over the compensating controls that allow to detect problems in the completeness and accuracy of the information. • Risk analysis for the outsourced critical services and analysis of the documentation and internal general controls performed to minimize the outsourcing risk. As result of our procedures and testing mentioned above, we have not found any relevant issue affecting the consolidated annual accounts.

Other information: Consolidated Directors' report

Other information comprises only the consolidated Directors' report for the 2020 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated Directors' report. Our responsibility regarding the consolidated Directors' report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated Directors' report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated Directors' report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated Directors' report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Ibercaja Banco, S.A. and its subsidiaries for the 2020 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Ibercaja Banco, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated March 3, 2021.

Appointment period

The General Ordinary Shareholders’ Meeting held on April 10, 2018 appointed us as auditors of the Group for a period of three years, from the year ended December 31, 2018.

Previously, we were appointed by resolution of the General Shareholders’ Meeting and we have audited the accounts continuously since the year ended December 31, 1989.

Services provided

Services provided to the Group for services other than the audit of the accounts are detailed in Note 39 of the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Julián González Gómez (20179)

March 3, 2021

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at 31 December 2020 and
consolidated directors' report for 2020

CERTIFICATE OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate issued by the Secretary of the Board, Mr Jesús Barreiro Sanz, to record that the Board of Directors of Ibercaja Banco, S.A., at its meeting held on 26 February 2021, has prepared the 2020 consolidated financial statements comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2020 consolidated directors' report, having been signed by all Directors.

For the record, I hereby issue this instrument in Zaragoza, on 26 February 2021.

MR JESÚS BARREIRO SANZ
Tax ID No.:
Non-Director Secretary

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 26 February 2021 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2020 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2020 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2020 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial position, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2020 consolidated directors' report fairly presents the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 1/11- Mr Aguirre.

Zaragoza, 26 February 2021

MR JOSÉ LUIS AGUIRRE LOASO
Tax ID No.:
Chairman

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 2/11- Mr Bueno.

Zaragoza, 26 February 2021

MR JESÚS BUENO ARRESE
Tax ID No.:
First Deputy Chairman

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 3/11- Mr Iglesias.

Zaragoza, 26 February 2021

MR VÍCTOR IGLESIAS RUIZ
Tax ID No.:
CEO

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director.
Certificate 4/11- Mr González-Bueno.

Zaragoza, 26 February 2021

Ms GABRIELA GONZÁLEZ-BUENO LILLO
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 5/11- Mr Solchaga.

Zaragoza, 26 February 2021

MR JESÚS SOLCHAGA LOITEGUI
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 6/11- Mr Jiménez.

Zaragoza, 26 February 2021

MR EMILIO JIMÉNEZ LABRADOR
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 7/11- Mr Cóndor.

Zaragoza, 26 February 2021

MR VICENTE CÓNDOR LÓPEZ
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 8/11- Mr Longás.

Zaragoza, 26 February 2021

MR FÉLIX LONGÁS LAFUENTE
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 9/11- Mr Tejel.

Zaragoza, 26 February 2021

MR JESÚS TEJEL GIMÉNEZ
Tax ID No.:
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 10/11- Mr Arrufat.

Zaragoza, 26 February 2021

MR ENRIQUE ARRUFAT GUERRA
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 11/11- Mr Segura.

Zaragoza, 26 February 2021

MS MARÍA PILAR SEGURA BAS
Tax ID No.:
Director

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at
31 December 2020

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

ASSETS	Note	31/12/2020	31/12/2019 (*)
Cash and cash balances at central banks and other demand deposits	**6**	**7,572,609**	**3,929,202**
Financial assets held for trading	**7**	**5,503**	**8,963**
Derivatives		5,503	8,963
Debt securities		-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**8**	**853,721**	**375,885**
Equity instruments		824,170	284,905
Debt securities		28,009	78,783
Loans and advances		1,542	12,197
Customers		*1,542*	*12,197*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**9**	**8,602**	**8,939**
Debt securities		8,602	8,939
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**7,023,328**	**8,086,430**
Equity instruments		353,872	397,831
Debt securities		6,669,456	7,688,599
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*71,059*	*461,199*
Financial assets at amortised cost	**11**	**39,726,825**	**39,768,768**
Debt securities		8,474,312	7,218,228
Loans and advances		31,252,513	32,550,540
Credit institutions		*311,651*	*643,792*
Customers		*30,940,862*	*31,906,748*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		3,116,505	4,924,586
Derivatives - Hedge accounting	**12.1**	**142,020**	**137,210**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**-**	**-**
Investments in joint ventures and associates	**13**	**106,525**	**109,815**
Joint ventures		29,705	28,161
Associates		76,820	81,654
Assets under insurance or reinsurance contracts	**14**	**429**	**539**
Tangible assets	**15**	**960,967**	**983,710**
Property, plant and equipment		714,068	719,045
For own use		*638,443*	*645,064*
Assigned under operating lease		*75,625*	*73,981*
Investment property		246,899	264,665
Of which: assigned under operating lease		*63,416*	*53,796*
Memorandum items: acquired under finance lease		-	-
Intangible assets	**16**	**237,226**	**212,673**
Goodwill		144,934	144,934
Other intangible assets		92,292	67,739
Tax assets	**25**	**1,345,136**	**1,339,805**
Current tax assets		9,511	13,097
Deferred tax assets		1,335,625	1,326,708
Other assets	**17**	**155,526**	**192,867**
Inventories		108,102	135,284
Rest of other assets		47,424	57,583
Non-current assets and disposal groups classified as held for sale	**18**	**262,373**	**267,209**
TOTAL ASSETS		**58,400,790**	**55,422,015**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

LIABILITIES	Note	31/12/2020	31/12/2019 (*)
Financial liabilities held for trading	**7**	**5,630**	**9,469**
Derivatives		5,630	9,469
Financial liabilities at fair value through profit or loss		**-**	**-**
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	**19**	**46,627,380**	**43,448,320**
Deposits		44,460,275	40,857,849
Central banks		*5,371,202*	*1,628,990*
Credit institutions		*1,207,820*	*4,304,232*
Customers		*37,881,253*	*34,924,627*
Debt securities issued		1,340,670	1,480,421
Other financial liabilities		826,435	1,110,050
Memorandum items: subordinated liabilities		*510,326*	*508,997*
Derivatives - Hedge accounting	**12.1**	**216,202**	**233,888**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**12.2**	**37,593**	**37,617**
Liabilities under insurance or reinsurance contracts	**20**	**7,521,867**	**7,784,537**
Provisions	**21**	**393,100**	**315,695**
Pensions and other post-employment defined benefit obligations		119,125	123,610
Other long-term employee remuneration		122	466
Lawsuits and litigation for outstanding taxes		7,780	7,930
Commitments and guarantees given		19,477	22,515
Other provisions		246,596	161,174
Tax liabilities		**167,326**	**178,164**
Current tax liabilities		165	1,551
Deferred tax liabilities	25.4	167,161	176,613
Other liabilities	**22**	**213,272**	**173,228**
Liabilities within disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**55,182,370**	**52,180,918**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

EQUITY	Note	31/12/2020	31/12/2019 (*)
Shareholders' equity	**23**	**3,160,630**	**3,139,017**
Capital		214,428	214,428
Paid-in capital		*214,428*	*214,428*
Called-up capital		-	-
Memorandum items: uncalled capital		-	-
Share premium		-	-
Equity instruments issued other than capital		350,000	350,000
Equity component of compound financial instruments		-	-
Other equity instruments issued		*350,000*	*350,000*
Other equity items		-	-
Retained earnings		602,663	545,893
Revaluation reserves		3,297	3,305
Other reserves		1,966,640	1,941,402
Accumulated reserves or losses on investments in jointly-controlled entities and associates		*(33,603)*	*(43,089)*
Other		*2,000,243*	*1,984,491*
(Treasury shares)		-	-
Profit attributable to owners of the parent		23,602	83,989
(Interim dividends)		-	-
Other accumulated comprehensive income		**57,790**	**102,080**
Items that will not be reclassified to profit or loss		10,132	48,162
Actuarial gains/(losses) on defined benefit pension plans	*24.1*	*(23,741)*	*(24,286)*
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*24.3*	*33,873*	*72,448*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Items that may be reclassified to profit or loss		47,658	53,918
Hedges of net investment in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*24.2*	*8,551*	*8,524*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*24.3*	*39,091*	*45,509*
Hedging instruments (undesignated items)			
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised at joint ventures and associates		*16*	*(115)*
Non-controlling interests	**23.2**	**-**	**-**
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,218,420**	**3,241,097**
TOTAL EQUITY AND LIABILITIES		**58,400,790**	**55,422,015**
Memorandum items: off-balance sheet exposures			
Loan commitments given	**27.3**	**3,288,448**	**2,966,973**
Financial guarantees granted	**27.1**	**93,631**	**76,204**
Other commitments given		**795,006**	**856,027**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Note	2020	2019 (*)
Interest income	**28**	**632,798**	**663,561**
Financial assets at fair value through other comprehensive income		111,533	131,258
Financial assets at amortised cost		493,287	536,531
Other		27,978	(4,228)
(Interest expense)	**29**	**99,125**	**116,315**
(Expenses on share capital repayable on demand)		**-**	**-**
INTEREST MARGIN		**533,673**	**547,246**
Dividend income	**30**	**5,208**	**12,652**
Share of profit of entities accounted for using the equity method	**31**	**579**	**431**
Fee and commission income	**32**	**390,771**	**412,375**
(Fee and commission expenses)	**33**	**16,636**	**18,636**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**34**	**128,856**	**8,261**
Financial assets at amortised cost		125,366	(23,757)
Remaining financial assets and liabilities		3,490	32,018
Net gains or (-) losses on financial assets and liabilities held for trading	**34**	**1,149**	**1,220**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		1,149	1,220
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**34**	**(10,476)**	**(3,718)**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		(10,476)	(3,718)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	**34**	**-**	**747**
Net gains or (-) losses from hedge accounting	**34**	**(364)**	**567**
Net exchange differences	**35**	**852**	**1,104**
Other operating income	**36**	**47,022**	**37,073**
(Other operating expenses)	**37**	**78,581**	**72,473**
Income from assets covered by insurance and reinsurance contracts	**20.2**	**960,230**	**940,528**
(Liability expenses covered by insurance or reinsurance contracts)	**20.2**	**960,461**	**940,798**
GROSS INCOME		**1,001,822**	**926,579**
(Administration expenses)		**655,588**	**532,859**
(Staff expenses)	38	502,568	360,944
(Other administration expenses)	39	153,020	171,915
(Amortisation and depreciation)	**15, 16**	**62,918**	**67,228**
(Provisions or (-) reversal of provisions)	**21**	**(14,236)**	**37,330**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)		**219,646**	**124,637**
(Financial assets at fair value through other comprehensive income)	10	1,300	(1,242)
(Financial assets at amortised cost)	11.5	218,346	125,879
(Impairment or (-) reversal of impairment on investments in joint businesses or associates)		**-**	**-**
(Impairment or (-) reversal of impairment on non-financial assets)	**40**	**1,559**	**5,612**
(Tangible assets)		1,471	569
(Intangible assets)		-	-
(Other)		88	5,043
Gains/(losses) on derecognition of non-financial assets, net	**41**	**(3,047)**	**(6,544)**
Negative goodwill recognised in profit or loss		**-**	**-**
Gains (losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	**42**	**(19,830)**	**(23,732)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**53,470**	**128,637**
(Expense or (-) income from taxes on income from continuing operations)	**25**	**29,868**	**44,648**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**23,602**	**83,989**
Profit/(loss) after tax from discontinued activities		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**23,602**	**83,989**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		23,602	83,989

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated income statement for 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Note	2020	2019 (*)
PROFIT/(LOSS) FOR THE YEAR		**23,602**	**83,989**
OTHER COMPREHENSIVE INCOME	**24**	**(10,008)**	**31,813**
Items that will not be reclassified to profit or loss		**(3,747)**	**27,991**
Actuarial gains/(losses) on defined benefit pension plans		**779**	**(9,884)**
Non-current assets and disposal groups of items held for sale		-	-
Share in other income and expense recognised in joint ventures and and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		**(8,047)**	**42,816**
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Corporation tax relating to items not to be reclassified	25.4	3,521	(4,941)
Items that may be reclassified to profit or loss		**(6,261)**	**3,822**
Hedges of net investment in foreign operations (effective portion)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Currency translation		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Cash flow hedges (effective portion)		39	(1,091)
Valuation gains/(losses) taken to equity		*39*	*(1,091)*
Transferred to the income statement		-	-
Transferred to initial carrying amount of hedge items			
Other reclassifications		-	-
Hedging instruments (undesignated items)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Debt instruments at fair value through other comprehensive income		(9,170)	7,587
Valuation gains/(losses) taken to equity		*3,686*	*38,256*
Transferred to the income statement	*34*	*(12,856)*	*(30,669)*
Other reclassifications		-	-
Non-current assets and disposal groups of items held for sale		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Share in other income and expense recognised in joint ventures and associates		131	(725)
Corporation tax relating to items that may be reclassified to profit or loss	25.4	2,739	(1,949)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,594**	**115,802**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		13,594	115,802

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of recognised income and expense at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 24)	Other accumulated comprehensive income	Other items	Total (Note 23)
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,602**	**-**	**(10,008)**	**-**	**-**	**13,594**
Other changes in equity	**-**	**-**	**-**	**-**	**56,770**	**(8)**	**25,238**	**-**	**(83,989)**	**-**	**(34,282)**	**-**	**-**	**(36,271)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	74,270	(8)	44,009	-	(83,989)	-	(34,282)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(18,771)	-	-	-	-	-	-	(18,771)
	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 (*)

(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 24)	Other accumulated comprehensive income	Other items	Total (Note 23)
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**83,989**	**-**	**31,813**	**-**	**-**	**115,802**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**24,131**	**(8)**	**1,909,892**	**-**	**(40,804)**	**-**	**1,705**	**-**	**-**	**(34,932)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 23)	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	41,631	(8)	(2,524)	-	(40,804)	-	1,705	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,432)	-	-	-	-	-	-	(17,432)
III. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Note	2020	2019 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**3,659,874**	**2,916,558**
Profit/(loss) for the year	**23**	**23,602**	**83,989**
Adjustments to obtain cash flows from operating activities		**222,170**	**329,262**
Amortisation and depreciation	15 and 16	62,918	67,228
Other adjustments		159,252	262,034
Net increase/decrease in operating assets		**358,308**	**(322,634)**
Financial assets held for trading		3,460	(1,552)
Non-trading financial assets mandatorily measured at fair value through profit or loss		(488,186)	(234,570)
Financial assets at fair value through profit or loss		337	636
Financial assets at fair value through other comprehensive income		1,153,025	621,899
Financial assets at amortised cost		(313,845)	(740,435)
Other operating assets		3,517	31,388
Net increase/(decrease) in operating liabilities		**3,084,855**	**2,591,541**
Financial liabilities held for trading		(3,839)	778
Financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost		3,195,573	2,397,800
Other operating liabilities		(106,879)	192,963
Corporation tax credit/(payments)		**(29,061)**	**234,400**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**25,859**	**22,854**
Payments		**(139,856)**	**(106,584)**
Tangible assets		(98,300)	(78,534)
Intangible assets		(32,620)	(23,427)
Investments in joint ventures and associates		-	(559)
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		(8,936)	(4,064)
Other payments related to investing activities		-	-
Receipts		**165,715**	**129,438**
Tangible assets		61,318	55,998
Intangible assets		-	424
Investments in joint ventures and associates		1,552	5,164
Subsidiaries and other business units			-
Non-current assets and liabilities classified as held for sale		49,562	67,852
Other receipts related to investing activities		53,283	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(42,000)**	**(119,801)**
Payments		**(542,000)**	**(119,801)**
Dividends	4	(17,500)	(17,500)
Subordinated liabilities	19.4	(500,000)	(77,801)
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities	23.1	(24,500)	(24,500)
Receipts		500,000	**-**
Subordinated liabilities	19.4	500,000	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other receipts related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**3,643,733**	**2,819,611**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD		**3,918,901**	**1,099,290**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7,562,634**	**3,918,901**
MEMORANDUM ITEMS			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Of which: in the possession of Group companies but not drawable by the Group		-	-
Cash	6	239,019	227,234
Cash equivalents at central banks	6	7,079,491	3,444,265
Other financial assets	6 and 19.2	244,124	247,402
Less: bank overdrafts repayable on demand		-	-

(*) Presented for comparison purposes only (Note 1.4).

Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of cash flows at 31 December 2020.

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the financial year ended 31 December 2020

Contents

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the financial year ended 31 December 2020

1. Introduction, basis of presentation and other information

1.1 Introduction

Ibercaja Banco, S.A. (hereinafter, Ibercaja Banco, the Bank or the Company), is a credit institution, 88.04% owned by Fundación Bancaria Ibercaja (hereinafter, the Foundation), subject to the rules and regulations issued by the Spanish and European Union economic and monetary authorities.

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Zaragoza Companies Registry in volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also registered in the Bank of Spain Special Register under number 2085. Its corporate web page (electronic headquarters) is www.ibercaja.es, on which its bylaws and other public information can be viewed.

Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and which, together with it, make up the Ibercaja Banco Group (hereinafter, the "Group" or the Ibercaja Banco Group).

Likewise, the Foundation also prepares consolidated financial statements of the Group of which it is the parent (Ibercaja Group).

Note 45 contains the Bank's balance sheets, income statements, statements of recognised income and expense, statements of total changes in equity and statements of cash flows for the years ended 31 December 2020 and 2019, in accordance with the same accounting policies, accounting standards and measurement bases applied in the Group's consolidated financial statements.

It should be noted that these consolidated financial statements have been drawn up at a time of great economic and social uncertainty, caused by the public health emergency created by the spread of COVID-19 and the necessary measures for its containment.

The emergence of the COVID-19 Coronavirus in China in January 2020 and its global spread to a large number of countries led to the viral outbreak being classified as a pandemic by the World Health Organisation as at 11 March. In Spain, in view of the public health emergency and international pandemic situation, the Government adopted Royal Decree 463/2020 of 14 March, thus declaring a state of alarm for the management of the health crisis situation caused by COVID-19. This state of emergency was extended six times since it was declared in March, ending on 22 June 2020. In October 2020, the Government adopted Royal Decree 926/2020 of 25 October, thus declaring a state of alarm to contain the spread of infections caused by SARS-CoV-2. This state of alarm was extended in November for a period of six months, with the aim of ending in May 2021.

Considering the complexity of the markets due to their globalisation, the effects of government measures to curb the spread of the virus and the launch, at the end of 2020, of the first vaccination campaigns as medical treatment against the virus, the consequences for the Group's operations are uncertain and will depend largely on the development and extent of the pandemic in the coming months, as well as on the ability of all economic agents affected to react and adapt.

Therefore, on the date of preparing these consolidated financial statements, it is very difficult to make a detailed assessment or quantification of the possible impacts that COVID-19 will have on the Group, due to the uncertainty of its consequences in the short, medium and long term.

In this context, the Group has made its best estimate with the information available on this date and will continue in the future to reassess potential changes that may affect the financial information.

1.2 Basis of presentation of the consolidated financial statements

The consolidated financial statements of the Ibercaja Banco Group for 2020 were authorised for issue by the Company's directors at its Board of Directors' meeting held on 26 February 2021, and have not yet been approved by its Annual General Meeting. However, the Bank's directors believe that they will be approved without any significant modifications. The Group's consolidated financial statements for 2019 were approved by the Bank's shareholders at the Annual General Meeting held online on 30 March 2020. The resolutions adopted by this governing body were adopted by written vote and without a meeting, in accordance with article 40.2 of Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to deal with the economic and social impact of COVID-19.

These consolidated financial statements were prepared in accordance with the accounting policies, accounting standards and measurement bases applicable under the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and considering Bank of Spain Circular 4/2017 of 27 November ("Circular 4/2017"), and subsequent modifications; accordingly, they fairly present the Group's equity and financial condition at 31 December 2020, and the consolidated results of its operations and consolidated cash flows during the year then ended.

On 6 December 2017, Bank of Spain Circular 4/2017, of 27 November, was published in the Boletín Oficial del Estado [Official State Gazette], addressed to credit institutions, concerning the rules on public and confidential financial information and model financial statements. The purpose of the Circular, which came into force on 1 January 2018, is to adapt the accounting rules of Spanish credit institutions to the changes in European accounting rules arising from the adoption of IFRS 9 and IFRS 15.

On 16 June 2020, the Bank of Spain issued Circular 3/2020, amending Circular 4/2017. The purpose of this Circular is to adapt Circular 4/2017, mainly Appendix IX, to the flexibility measures that supervisors and regulators around the world are recommending to mitigate the impact of COVID-19.

The amendment introduced by this circular means that restructured, refinanced or refinancing credit transactions no longer have to be classified as normal risk under special surveillance (stage 2) if they are not classified as doubtful risk (stage 3). In other words, these transactions may continue to be classified as normal risk (stage 1) at the date of refinancing or restructuring provided that the entity can justify that it has not identified a significant increase in credit risk since initial recognition. In addition, such transactions that are in the normal risk category under special surveillance could be reclassified to normal risk, provided that the significant increase in credit risk has been reversed. However, they shall remain identified as restructured, refinanced or refinancing until the end of the minimum two-year probationary period during which the holder must demonstrate good payment behaviour.

In accordance with the first transitional provision of this Circular, the first application of this Circular has been treated prospectively as a change in accounting methodologies, procedures and practices. However, given the uncertainty caused by COVID-19, the entity is currently in the process of modifying its methodologies and procedures, so the impact of this Circular on these consolidated financial statements is limited.

The most significant accounting policies and measurement bases used in the preparation of the consolidated financial statements are summarised in Note 2:

These financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Company and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's financial statements for 2020, adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Company.

1.3 Estimates made

The consolidated financial statements corresponding to 2020 contained opinions and estimates have been made on certain occasions to quantify the value of certain assets, liabilities, revenues, expenses and obligations recorded therein. These estimates basically relate to:

- impairment losses on certain assets and the estimate of related security (Notes 10, 11, 13, 15 to 18), in particular as regards the changes arising from changes in portfolios as a result of specific business models, the consideration of the "significant increase in credit risk (SICR)" and "default", and the introduction of forward-looking information
- the assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees (Notes 2.13, 38.2 and 38.3), and those used to calculate liabilities arising under insurance contracts (Note 20),
- the measurement of goodwill and other intangible assets (Note 16).
- useful life of tangible and intangible assets (Notes 2.15 and 2.16),
- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events (Notes 2.20 and 21),
- the fair value of certain financial assets (Note 26),
- the income tax expense and the recoverability of deferred tax assets (Notes 2.14, 25.3 and 25.4),
- the valuation of investments in joint ventures and associates (Note 13),
- the determination of returns from investments in joint ventures and associates (Note 13) and
- the discount rate used in the valuation of the lease liability (Note 2.10).

The estimates described above have been made on the basis of the best available information as at 31 December 2020 on the events analysed, taking into account the above-mentioned uncertainty resulting from the coronavirus health crisis. For this reason, future events may require them to be modified in the coming years, which would occur in accordance with prevailing regulations, prospectively recognising the effects of the change in estimate in the consolidated financial statements for the years in question.

1.4 Comparative information relating to 2019

Under the regulations in force, the information contained in these consolidated financial statements for 2019 is presented exclusively for the purpose of comparison with the information for 2020, in order to aid understanding.

1.5 Agency agreements

Neither at year-end 2020 and 2019 nor at any time during the two years did the Group have any "agency agreements" in force within the meaning of article 21 of Royal Decree 84/2015, of 13 February.

1.6 Investments in credit institutions

Pursuant to article 28 of Royal Decree 84/2015, neither at 31 December 2020 and 2019 nor at any time during the two years did the Group own direct or indirect equity interests in the capital of Spanish or foreign credit institutions exceeding 5% of the share capital or voting rights of such entities.

1.7 Capital management and requirements

1.7.1 Regulatory framework

In December 2010, the Basel Committee on Banking Supervision approved a new regulatory framework (Basel III), which increased the capital requirements with the best quality instruments, seeking consistency and a uniform application by entity and country. The new agreement improves the transparency and comparability of capital ratios and includes new prudential tools, in the area of liquidity and leverage.

The European Union transfers these agreements to its legal system (Basel III) through the Directive 2013/36/EU (CRD-IV) of the European Parliament and of the Council of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable since 1 January 2014.

In order to adapt the Spanish legal system to international regulatory requirements, Law 10/2014, of 26 June, was approved on the regulation, supervision and solvency of credit institutions, together with Royal Decree 84/2015, of 13 February, enacting the aforementioned law, continuing the transposition commenced by Royal Decree-Law 14/2013, of 29 November, and Bank of Spain Circulars 2/2014 and 3/2014, stipulating the regulatory options for the applicable requirements during the transition period.

In 2015, new regulations were published that complement the (EU) Regulation No. 575/2013 (CRR) on aspects relating to shareholders' equity, liquidity, the risks of Pillar I and capital requirements.

Also, in February 2016, Bank of Spain Circular 2/2016, of 2 February, was published for credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no. 575/2013.

In June 2019, the European governing bodies enacted the new capital regulatory framework, which modifies the previous one (CRR/CRD IV). The reform package included the adoption of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital preservation measures (hereinafter CRD V), and Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 575/2013 as regards the leverage ratio, NSFR, eligible capital and liability requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and Regulation (EU) 648/2012 ('CRR II').

However, the economic disruptions caused by the COVID-19 pandemic and the exceptional containment measures taken by the authorities have significantly affected the main economic players.

In June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council entered into force, amending both the CRR and CRR II as regards certain adaptations made in response to the pandemic.

The most relevant new feature is the extension for two years of the transitional provisions on the application of IFRS 9, limiting the negative effect that a possible increase in provisions for expected credit losses may have on institutions' capital. It also lays down, on a temporary basis, a prudential filter on exposures to sovereign bonds, aimed at mitigating the consequences of financial market turmoil on the solvency of institutions.

In addition, the amendments also include bringing forward the introduction of some measures to reduce capital requirements for banks in relation to certain loans secured by pensions or salaries, and loans to SMEs and infrastructure.

In December 2020, Commission Delegated Regulation (EU) 2020/2176 was published amending the existing deduction for intangible assets associated with in-house software development. This amendment, introduced in order to further support the transition to a more digitised banking sector, allows software assets that have been prudently valued and whose value is not significantly affected by the resolution, insolvency or liquidation of an institution not to be deducted directly from the capital of financial institutions.

At the same time, it should be recalled that, the TLAC Term Sheet was implemented, established internationally by the FSB *(Financial Stability Board)* within the European capital framework, called *MREL (Minimum Requirement for own funds and Eligible Liabilities)* in such a way that systemic banks have to comply with the MREL requirements in Pillar 1. Within this package of changes, amendments to the Single Resolution Mechanism Regulation and the Bank Recovery and Resolution Directive (SRMR and BRRD, respectively) were also included and replaced with SRMR II and BRRD II, where MREL requirements are established by Pillar 2 for all banks in resolution, whether systemic or not, and the resolution authority sets requirements on a case-by-case basis.

The minimum requirements for own funds established by the prevailing regulations (Pillar I) are calculated based on the Group's exposure to credit, exchange rate, market and operational risks and risks of financial assets and liabilities held for trading. Also, the Group is subject to compliance with risk concentration limits.

1.7.2 Quantitative information

The Ibercaja Banco Group determines its capital and leverage ratios in accordance with the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business of credit institutions and their prudential supervision (CRD IV), and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) as updated by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II) and Regulation (EU) 2020/873 of the European Parliament and of the Council (CRRII Quick Fix).

At 31 December 2020, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following table:

	2020	2019
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	2,484,668	2,498,314
Additional eligible equity tier 1 (thousands of euros) (b)	350,000	350,000
Eligible equity tier 2 (thousands of euros) (c)	500,000	482,800
Risks (thousands of euros) (d)	18,248,449	20,362,850
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	13.62%	12.27%
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.92%	1.72%
Tier 1 capital ratio (Tier 1) (A) + (B)	15.53%	13.99%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.74%	2.37%
Total capital ratio (A) + (B) + (C)	**18.27%**	**16.36%**

	2020	2019
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,834,668	2,848,314
Exposure (thousands of euros) (b)	45,295,546	48,684,555
Leverage ratio (a)/(b)	**6.26%**	**5.85%**

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET 1 ratio of 4.5%, Tier I of 6% and a total capital ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) communicated that the prudent minimum capital requirements for 2020 applicable to Ibercaja Banco, following the supervisory review and evaluation process (SREP) remain in force for 2021.

The decision means that Ibercaja Banco must maintain a phased-in common equity tier 1 (CET1) ratio of 8.125% and a total capital ratio of 12.50%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

At 31 December 2020, Ibercaja Banco's consolidated ratios, CET1 of 13.62% and total capital of 18.27%, stood at 5.49 points and 5.77 points, respectively, above the regulatory requirements established for 2021.

The reconciliation of accounting equity to regulatory equity is as follows:

	Thousands of euros	
	2020	**2019**
Share capital	*214,428*	*214,428*
Equity instruments issued other than capital	*350,000*	*350,000*
Retained earnings	*602,663*	*545,893*
Revaluation reserves	*3,297*	*3,305*
Other reserves	*1,966,640*	*1,941,402*
Profit/(loss) attributed to the parent	*23,602*	*83,989*
Shareholders' equity in public balance sheet	3,160,630	3,139,017
Other accumulated comprehensive income	57,790	102,080
Non-controlling interests	-	-
Equity in public balance sheet	**3,218,420**	**3,241,097**
Intangible assets	*(245,635)*	*(221,292)*
Intangible asset amortisation adjustment	*25,369*	-
Deferred tax assets	*(263,693)*	*(249,936)*
Transitional adjustment for first-time application of IFRS9 9	*114,002*	*89,423*
of which due to modifications introduced by Quick Fix	*40,359*	-
Proposed distribution of dividends	*(3,849)*	*(17,500)*
Securitisations deduction	-	-
Equity instruments ineligible as CET1	*(350,000)*	*(350,000)*
Contingent convertible bonds	-	-
Differences in public equity for prudential purposes	*(9,946)*	*6,522*
Total adjustments and deductions	(733,752)	(742,783)
Total common equity tier 1 (CET1)	2,484,668	2,498,314
Equity instruments eligible as AT1	*350,000*	*350,000*
Other temporary adjustments for additional tier 1 capital	-	-
Total additional tier 1 capital (AT1)	350,000	350,000
Total tier 1 capital (T1)	2,834,668	2,848,314
Subordinated financing and other	500,000	482,800
Total tier 2 capital (T2)	500,000	482,800
Total eligible shareholders' equity	**3,334,668**	**3,331,114**

Below are the details at 31 December 2020 and 2019 of the consolidable Group's eligible own funds, indicating each of its components and deductions, broken down into common equity tier 1 instruments, additional tier 1 capital instruments and tier 2 capital instruments:

	Thousands of euros	
	2020	2019
TOTAL ELIGIBLE SHAREHOLDERS' EQUITY	**3,334,668**	**3,331,114**
Tier 1 capital (T1)	**2,834,668**	**2,848,314**
Common equity tier 1 (CET1)	**2,484,668**	**2,498,314**
Equity instruments disbursed	214,428	214,428
Retained earnings and other reserves	2,569,298	2,487,289
Admissible results	19,753	66,489
Revaluation reserves	3,297	3,305
Non-controlling interests	-	-
Other accumulated comprehensive income	57,789	119,497
Accumulated other ineligible comprehensive income	(9,940)	(10,889)
Transitional adjustment for first-time application of IFRS9 9	114,002	89,423
of which due to modifications introduced by Quick Fix	*40,359*	-
Deductions of common equity tier 1 instruments (CET 1)	(483,959)	(471,228)
Securitisations	-	-
Intangible assets	*(245,635)*	*(221,292)*
Intangible asset amortisation adjustment	*25,369*	-
Deferred tax assets dependent on future earnings	*(263,693)*	*(249,936)*
Additional tier 1 capital (AT1)	**350,000**	**350,000**
Additional Tier 1 capital instruments	350,000	350,000
Deductions of additional tier 1 capital instruments (AT 1)	-	-
Tier 2 capital (T2)	**500,000**	**482,800**
Subordinated financing, subordinated loans and others	500,000	482,800

Both this information and further details on regulatory capital and risk-weighted assets can be found in the Prudential Relevance Report (Pillar III Disclosures) published on the Company's website.

1.7.3 Capital management

The objective of Basel's Pilar II is to ensure an adequate relationship between the Group's risk profile and the own funds that it effectively holds. Accordingly, the Group performs a recurring capital self-assessment process in which:

- it applies processes for the identification, measurement and aggregation of risks;
- it determines the capital needed to cover them; in addition to the minimum own funds, it maintains a level in keeping with the risks inherent in its activity, in the economic climate in which it operates, in the management and control of such risks, in its governance and internal audit systems and in its strategic business plan;
- it plans capital at medium term; and
- It establishes the own funds objectives.

The Group sets a capital objective enabling it to permanently maintain sufficient means regarding prudential minimum requirements and capital guidelines, ensuring an adequate relationship between its risk profile and its own funds.

The Group's total capital needs were estimated through the aggregation of capital requirements associated with each risk.

In order to adequately plan the Group's future capital requirements, it forecast capital sources and consumption on the basis of business performance and expected results over a three-year period.

Likewise, the Group estimates projected capital levels in line with stress scenarios.

1.7.4 Information of Prudential Relevance

In order to comply with market disclosure requirements, the Board of Directors approved the information of prudential relevance disclosure policy (Basel Pillar III); consequently, the Ibercaja Group will make such information public on its web page prior to the publication and approval of the 2020 consolidated financial statements.

1.7.5 Credit ratings granted

The credit ratings granted to Ibercaja Banco, S.A. are as follows:

	Date		Short-term		Long-term		Outlook	
Company	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Standard&Poors	Abril 2020	May 2019	B	B	BB+	BB+	Negative	Stable
Moody's	Abril 2020	March 2019	NP	NP	Ba3	Ba3	Stable	Positive
Fitch Ratings	September 2020	March 2019	B	B	BB+	BB+	Negative	Positive

During the year the rating agencies have revised downwards their outlook for the Spanish financial system as a result of the expected impacts on the Spanish economy of the health crisis triggered by COVID-19. As a result of this sector-wide review, the outlook for Ibercaja Banco's credit rating has been revised downwards.

1.7.6 Stock market launch

On 31 March 2020, RDL 11/2020 was published, adopting urgent additional measures in the social and economic field to deal with COVID-19. In the current context of the health, social and economic crisis, the banking foundations' welfare projects take on even greater importance. Therefore, and with the aim of guaranteeing these welfare projects, it is proposed to amend Law 26/2013 of 27 December on savings banks and banking foundations to extend by two years the divestment period foreseen for banking foundations with majority shareholdings in credit institutions.

In this context, the Company maintains its plan to go public within the new deadline laid down by current regulations, before the end of 2022, and is taking the appropriate and necessary actions to achieve this objective.

1.8 Single Resolution Fund and Deposit Insurance Fund

1.8.1 Single Resolution Fund

Law 11/2015, of 18 June, together with its regulatory enactment through Royal Decree 1012/2015, led to the transposition into Spanish law of Directive 2014/59/EU, establishing the new framework for the resolution of credit institutions and investment services companies, and regulated the creation of the National Resolution Fund.

As part of the enactment of such regulation, on 1 January 2016, the Single Resolution Fund entered into force, which was established as a financing instrument for the Single Resolution Board, which is the European authority that will take resolution decisions to effectively implement the resolution measures adopted. The Single Resolution Fund will be maintained with the contributions made by investment services companies and credit institutions availing themselves of such Fund.

Under Regulation (EU) 2015/63, the calculation of the contribution of each entity will take into account the proportion that it represents with respect to the total aggregate of total liabilities of all banks included, net of own funds and the guaranteed amount of the deposits, adjusted with the Company's risk profile.

In 2020, the expense incurred as a result of the contribution to this body was 11,094 thousand euros (10,350 thousand euros in 2019; Note 37).

1.8.2 Deposit Guarantee Fund

The Company is a member of the Deposit Guarantee Fund of Credit Institutions.

Royal Decree-Law 2606/1996, of 20 December, amended by Royal Decree 1012/2015, of 6 November, stipulates that the Management Committee of the Deposit Guarantee Fund will calculate the annual contributions of the companies included in the Deposit Guarantee Fund for Credit Institutions.

The Management Committee of the Deposit Insurance Fund for credit institutions, pursuant to Article 6 of Royal Decree-Law 16/2011 and Article 3 of Royal Decree 2606/1996, set the contribution to be made for all institutions adhering to the deposit insurance sub-fund at 1.8 per thousand of the amount of insured deposits as at 30 June each year. Each institution's contribution is calculated on the basis of the amount of insured deposits and their risk profile, taking into account indicators such as capital adequacy, asset quality and liquidity, introduced by Bank of Spain Circular 5/2016 of 27 May, as amended by Circular 1/2018 of 31 January. Likewise, the contribution to the securities guarantee compartment was set at 2/1000 of 5% of the guaranteed amount of the securities and other financial instruments at 31 December each year.

The expense for ordinary contributions referred to in the preceding paragraph accrue in full at year end, accordingly, at that time, the balance sheet included the liability for the contribution paid in the first quarter of the subsequent year (46,229 thousand euros and 41,486 thousand euros at 31 December 2020 and 2019, respectively; Note 22).

On 30 July 2012, the Management Committee of the Deposit Guarantee Fund agreed to cover an extraordinary shortfall between Fund members, to be paid by each entity through ten equal annual instalments. The amount of the shortfall corresponding to the Bank is 81,460 thousand euros (ten annual instalments of 8,146 thousand euros each).

In 2020, the expense incurred as a result of all contributions made to this body was 53,774 thousand euros (49,247 thousand euros in 2019). This amount was recognised under "Other operating expenses" (53,269 thousand euros and 48,520 thousand euros in 2020 and 2019, respectively; Note 37) and "Interest expense" (505 thousand euros and 727 thousand euros in 2020 and 2019, respectively; Note 29).

1.9 Minimum reserve ratio

At 31 December 2020, and throughout 2020, the Company complied with the minimums required by the minimum reserve ratio. In compliance with the legal obligations prescribed by the European Central Bank, the daily average of the minimum reserves to be held at 31 December 2020 amounted to 362,377 thousand euros (319,247 thousand euros at 31 December 2019).

1.10 Events after the reporting period

Between the year-end date and the date of preparation of the consolidated financial statements and the corresponding explanatory notes, no events have taken place that could have a significant effect on them.

1.11 Changes in accounting estimates and criteria

In 2020, amendments were made to the accounting regulations applicable to the Group with respect to those applied in the previous period. The changes considered to be most important are listed below.

The mandatory standards, amendments and interpretations for the years commencing on 1 January 2020 were as follows:

Standards and Interpretations	Title
Amendment to IAS 1 and IAS 8 (*)	Definition of "material"
Amendments to IFRS 3 (*)	Definition of business
Amendments to IFRS 9, IAS 39 and IFRS 7 (*)	Interest rate benchmark reform
Amendment to IFRS (*)	Conceptual framework
Amendment May 2020 - IFRS 16 (**)	COVID-19 related rent reductions

(*) Applicable for financial years beginning on or after 1 January 2020.
(**) Applicable retrospectively from 1 June 2020 for financial years starting on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 "Definition of Material".

These amendments clarify the definition of "material" by introducing, in addition to omitted or misstated items that may influence users' decisions, the concept of "obscuring" information. These amendments make IFRS more consistent.

Amendment to IFRS 3 "Definition of a Business":

These amendments help to distinguish between an acquisition of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products.

Additionally, the amended definition emphasises that the product of a business is to provide goods and services to customers, whereas the previous definition focused on providing returns in the form of dividends, lower costs or other economic benefits to investors and others.

Amendment of IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform".

In the context of the global reform of interest rate benchmarks (IBORs), the IASB initiated a project to revise the main IFRS standards concerned in two phases. The first phase focused on the accounting impacts before the replacement of interest rate indices, culminating in the publication in September 2019 of the Amendments to IAS 39, IFRS 9 and IFRS 7 which were endorsed at European level on 17 January 2020.

These amendments provide certain exemptions in relation to the reform of the interest rate reference rate (IBOR). The exemptions relate to hedge accounting and have the effect that IBOR reform generally should not cause hedge accounting to cease. However, any hedge ineffectiveness must continue to be recorded in the income statement.

As the Group applies IAS 39 for hedge accounting, so that the amendments to IFRS 9 referred to are not applicable, the impacts of the overall reform itself are small and the disclosures provided for in the first phase amendments do not apply to the Group.

Changes to references to the Conceptual Framework in IFRSs

The IASB has issued a revised conceptual framework to be used in the development of accounting standards and includes revised definitions of assets and liabilities, as well as new guidance on their measurement, derecognition, presentation and disclosure.

IFRS 16 (Amendment) "COVID-19 related rent reductions".

The IASB has published an amendment to IFRS 16 "Leases" that provides an optional practical expedient for lessees in assessing whether a rental concession related to COVID-19 is a lease modification. Lessees may elect to account for such lease concessions in the same way as they would if they were not lease modifications. In many cases, this will result in the allowance being accounted for as variable lease payments in the periods in which the event or condition that triggers the reduced payment occurs. This amendment does not affect the accounting record for lessors. The Group has not availed itself of this exemption.

Application of these modifications of accounting standards and interpretations has not had a material effect on the Group's consolidated financial statements.

At the date of authorisation for issue of these consolidated financial statements, following are the main standards, amendments and interpretations issued by the IASB and by the IFRS Interpretations Committee, but which have not yet entered into force, either because their effective date is subsequent to the date of these consolidated financial statements or because they have not yet been adopted by the European Union. The Group has assessed the impact arising from these standards, amendments and interpretations and has elected not to adopt them early:

<u>Approved for use in the EU</u>

Standards and Interpretations	Title
Amendment to IFRS 4 (**)	Extension of the temporary exemption from application of IFRS 9
Amendments to IFRS 9, IAS 39, IFRS 7 (*), IFRS 4 (**) and IFRS 16	Interest rate benchmark reform

(*) Applicable for financial years beginning on or after 1 January 2021.
(**) Applicable for financial years beginning on or after 1 January 2023.

IFRS 4 (Amendment) "Extension of the temporary exemption from application of IFRS 9"

In line with the postponement of the effective date of IFRS 17 "Insurance Contracts", the amendment changes the expiry date for the temporary exemption in IFRS 4 "Insurance Contracts" for the application of IFRS 9 "Financial Instruments".

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Restatement of Interest Rate Benchmarks

Following the Phase amendments outlined in the previous section, the Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of one reference rate with an alternative base rate.

<u>Not approved for use in the EU</u>

Standards and Interpretations	Title
Amendment to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture
Amendment to IAS 1 (*)	Classification of liabilities as current or non-current
Amendment to IAS 16 (*)	Property, plant and equipment – Revenue earned prior to intended use
Amendment to IAS 37 (*)	Onerous contracts – Cost of fulfilling a contract
Amendment to IFRS 3 (*)	Reference to the Conceptual Framework
IFRS 17 (**)	Insurance contracts (May 2017 and amendments June 2020)
Annual improvements to IFRS (*)	Cycle 2018-2020

(*) Applicable for financial years beginning on or after 1 January 2022.
(**) Applicable for financial years beginning on or after 1 January 2023.
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IFRS 10 and IAS 28 (Amendment) "Sale or allocation of assets between an investor and its associates or joint ventures"

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of "business", the investor recognises the gain or loss in line with the interests of other investors. The amendments will only be applied when the investor sells or contributes assets to its associates or joint ventures.

Originally, these modifications to IFRS 10 and IAS 28 were applied prospectively and were effective for the annual financial years that began on 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone their date of validity (without setting a new specific date), as it is planning a more extensive review that may result in the simplification of accounting for these transactions and other accounting aspects for associates and joint ventures.

Amendments to IAS 1 "Classification of liabilities as current or non-current"

These amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the end of the period. The amendment also clarifies what is meant in IAS 1 when it refers to the "settlement" of a liability.

IAS 16 (Amendment) "Property, plant and equipment – Revenue earned prior to intended use"

It is prohibited to deduct from the cost of an item of property, plant and equipment any revenue from the sale of items produced while the entity is preparing the asset for its intended use. Revenues from the sale of such samples, together with production costs, are now recognised in profit or loss. The amendment also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant for this assessment. Therefore, an asset could be capable of operating as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management.

IAS 37 (Amendment) "Onerous contracts – Cost of fulfilling a contract"

The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfilment of contracts. It also clarifies that before making a separate provision for an onerous contract, an entity shall recognise any impairment loss that has occurred on the assets used to fulfil the contract, rather than on the assets dedicated to that contract.

Amendments to IFRS 3 "Reference to the Conceptual Framework".

IFRS 3 has been updated to refer to the Conceptual Framework mentioned above.

IFRS 17 "Insurance Contracts".

IFRS 17 replaces IFRS 4 "Insurance contracts", which currently enables a wide variety of accounting practices. IFRS 17 will fundamentally change accounting for all entities that arrange insurance contracts and investment contracts with discretionary participation components.

In response to some of the concerns and challenges raised in relation to the implementation of IFRS 17, the IASB has developed specific amendments and clarifications aimed at facilitating the implementation of the new standard, although the amendments do not change the essential principles of the standard. Originally the effective date of IFRS 17 was 1 January 2021, but amendments in June 2020 have delayed the effective date of application of the standard to 1 January 2023.

Annual Improvements to IFRS. Cycle 2018-2020

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022. The main amendments relate to:

- IFRS 1 "First-time Adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the parent's carrying amounts based on the parent's date of transition to IFRS.

- IFRS 9 "Financial instruments": The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.

- IFRS 16 "Leases": Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to lease improvements, thereby eliminating any potential confusion about the treatment of lease incentives.

- IAS 41 "Agriculture": This amendment removes the requirement to exclude cash flows for tax purposes when measuring fair value under IAS 41.

The Group is analysing the impact that these standards, amendments and interpretations may have on the consolidated financial statements and at the date of preparation of these consolidated financial statements it is considered that their entry into force will not have a material impact.

2. Accounting policies and measurement bases

The most significant accounting policies and principles and measurement bases applied in the preparation of these consolidated financial statements are described below. There are no accounting principles or measurement bases that, having a material effect on the 2020 financial year, have not been applied in its preparation.

2.1 Business combinations and consolidation

2.1.1 Subsidiaries

"Subsidiaries" are those companies over which the Entity has the ability to exercise control, which is generally, although not exclusively, expressed by the direct or indirect ownership of over 50% of the voting rights of the investees or, if this percentage is less or nil, by the existence of other circumstances or agreements that grant control. In line with the prevailing standards, control is deemed to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Appendices I and II provide significant information on these companies.

The financial statements of the subsidiaries are consolidated using the equity method, as defined by the prevailing standards: Consequently, all balances arising from transactions performed between companies consolidated using this method and which were significant were eliminated on consolidation. Also, the ownership interest of third parties in:

- the Group's equity was recognised under "Non-controlling interests" in the consolidated balance sheet,
- consolidated profit for the year was posted under "Profit/(loss) attributable to non-controlling interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are consolidated only taking into consideration those relating to the period between the date of acquisition and the close of that year. Alongside this, the results of subsidiaries disposed of during the year are consolidated only taking into consideration those relating to the period between the start of that year and the disposal date.

2.1.2 Jointly controlled entities

"Jointly controlled entities" are deemed to be those, although not subsidiaries, with which contractual agreements of joint control exist, whereby decisions on significant activities are taken unanimously by the entities that share control, with entitlement to their net assets.

Theses entities are accounted for using the "equity method".

Appendices I and II provide significant information on these companies.

2.1.3 Associates

An "associate" is an enterprise over which the Bank has significant influence, but with which it does not form a decision-making unit nor is it subject to joint control therewith. In general, although not exclusively, this capacity is presumed when a direct or indirect ownership interest is held equal to or exceeding 20% of the voting rights of the investee.

In the consolidated financial statements, associates are accounted for using the "equity method", as defined by the prevailing standards:

If, as a consequence of the losses incurred, an associate reported negative equity, it would be recognised in the consolidated balance sheet as zero, since the Group is not obliged to provide it with financial support, and a provision for liability would be recognised under "Provisions" on the liability side of the balance sheet.

Appendices I and II provide significant information on these entities.

2.1.4 Structured entities

A structured entity is an entity designed in a manner that its voting and/or similar rights are not a decisive factor when determining control thereover.

When the Group forms or holds ownership interests in entities to transfer risks or to provide access to investments, it analyses whether it has control thereover and, therefore, whether the entities formed should be consolidated, mainly taking into account the following factors:

- Analysis of the Group's influence over the entity's activities that are important with a view to determining said entity's profit.
- Implicit or explicit commitments to provide financial support to the entity.
- Significant exposure of the Group to the variable returns of the entity's assets.

These entities include the so-called "asset securitisation funds" consolidated by the Group when contractual financial aid agreements exist (commonly used on the securitisations market). In virtually all securitisations performed by the Group, the transferred risks cannot be derecognised from the asset side of the balance sheet and the securitisation fund issues are recognised as liabilities on the Group's balance sheet.

The Group does not hold any significant interests in the companies and investment and pension funds managed by the Group itself that would constitute a potential indication of control or meet the criteria for consolidation as defined in IFRS 10 Consolidated Financial Statements. Therefore, these investment vehicles marketed to customers are not consolidated.

Note 27.5 provides details of the Group's structured entities and Appendix III provides details of the percentages held by the Group in the companies and mutual and pension funds managed by the Group.

2.1.5 Business combinations

A business combination is the union of two or more entities or independent economic units within a single entity or group of entities in which the acquirer obtains control over the other entities.

At the acquisition date, the acquirer will include the assets, liabilities and contingent liabilities of the acquired company in its financial statements, including the intangible assets not recognised by the latter, initially booking all of them at their fair value.

Any excess of the cost of the ownership interests in the entities over their corresponding carrying amounts acquired, adjusted on the date of the first business combination, are allocated as follows:

- Where they can be allocated to specific assets of the companies acquired, they are recognised by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets and whose accounting treatment is similar to that of the Group's equivalent assets (liabilities).

- If they are attributable to specific intangible assets, they are explicitly recognised in the consolidated balance sheet provided that their fair value at the date of acquisition can be measured reliably.

- The remaining non-attributable differences are recognised as goodwill, which is allocated to one or more specific cash-generating units.

Negative differences, once their amount has been established, are recognised in the income statement.

Acquisitions of non-controlling interests, subsequent to the takeover of the entity, are recognised as an addition to the business combination.

In those cases in which the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities of the acquired entity cannot be definitively determined, the initial recognition of the business combination will be deemed to be provisional. In any case, the process must be completed within a maximum of one year from the acquisition date, effective on that date.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contract originating them, in accordance with the provisions thereof. Specifically, debt instruments, such as credits and monetary deposits, are recognised from the date on which the legal right to receive or a legal obligation to pay cash, respectively, arises. Financial derivatives are generally recognised on their trading date.

Regular way purchases and sales of financial assets are recognised on the date on which the benefits, risks, rights and duties attaching to all owners are for the purchaser which, depending on the type of financial asset bought or sold, may be the trading date or the settlement or delivery date. In particular, transactions carried out in the spot currency market are recognised on the settlement date, transactions carried out with equity instruments traded on Spanish secondary securities markets are recognised on the trade date and transactions carried out with debt instruments traded on secondary Spanish securities markets are recognised on the settlement date.

2.2.2 Derecognition of financial instruments

A financial asset is derecognised from the consolidated balance sheet when any of the following circumstances occur:

- the contractual rights over the cash flows they generate have expired, or
- the financial asset is transferred, together with substantially all its risks and benefits, or
- the risks and rewards associated with the transferred financial asset are not substantially transferred or retained - this being the case of sales of financial assets with an acquired call or written put option that are not deeply in or out of the money, or securitisations in which the transferor assumes subordinated financing or other credit enhancements for part of the transferred asset and other similar cases - if the transferor does not retain control of the transferred financial asset, it is derecognised and any rights or obligations retained or created as a result of the transfer are recognised.

A financial liability is derecognised from the balance sheet when the related obligation is extinguished or when it is re-purchased by the Group.

2.2.3 Fair value and amortised cost of the financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable interested parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence of this information, of valuation techniques commonly used by the international financial community, taking into consideration the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of the financial derivatives traded in organised, transparent and deep markets, included in the trading portfolios, is similar to their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

All investments in equity instruments and contracts relating to such instruments are measured at fair value.

Amortised cost is the amount at which a financial asset or liability is measured at initial recognition, as corrected by principal repayments and by the cumulative amortisation of any difference between that initial amount and the maturity amount of the financial instrument, using the effective interest rate method. In the case of financial assets, amortised cost also includes any impairment loss allowances.

The effective interest rate is the discount rate that matches the gross carrying amount of a financial asset or the carrying amount of a financial liability to estimated cash flows over the expected life of the instrument, based on the contractual terms and disregarding expected credit losses. For fixed-rate financial instruments, the effective interest rate is the contractual interest rate set upon acquisition, adjusted by any fees and transaction costs that in accordance with current legislation form part of the effective yield or cost of the instrument and must therefore be considered in the calculation of the effective interest rate. For financial instruments at variable interest rates, the effective interest rate is estimated in a similar way to the transactions at a fixed interest rate, with the contractual interest rate of the transaction being recalculated on each review date, taking into account the changes to future cash flows from the transaction.

2.2.4 Classification and measurement of financial assets and liabilities

Business model and contractual cash flow characteristics of financial assets

Financial assets are classified into different categories depending on the business model under which they are managed and the contractual characteristics of their cash flows.

“Business model” means the way in which the Group manages its financial assets to generate cash flows, having regard to how groups of financial assets are managed together to achieve a specific objective. So a business model does not depend on the Group’s intentions for an individual instrument but is determined for a wider set of instruments.

Specifically, the business models used by the Group consist of holding financial assets to collect their related contractual cash flows, selling such assets, or a combination of both approaches (mixed model):

- *Holding financial assets to collect their related contractual cash flows:* the Group's objective is to hold financial assets to collect their related contractual cash flows. In accordance with the requirements of the standard, debt instruments managed under this model are rarely or never sold, i.e., sales are merely accessory and subject to restrictions. However, the Group takes the view that sales of financial assets close to maturity and sales prompted by increased credit risk or the need to manage concentration risk are consistent with this business model.

- *Sale of financial assets:* the Group’s objective is to realise gains and losses on financial assets.

- *Mixed model:* the Group’s objective combines collection of contractual cash flows and realisation of financial assets. For financial instruments managed under the mixed model, sales are essential and not accessory; therefore, sales are unrestricted.

Based on the characteristics of its contractual cash flows, a financial asset is initially classified into one of the following categories:

- Financial assets whose contractual terms give rise, on specified dates, to cash flows consisting only of payments of principal and interest on principal outstanding.

- Other financial assets:

For the purposes of this classification, the principal of a financial asset is its fair value at the time of initial recognition. That amount may change over the life of the financial asset: for example, after repayments of principal. Interest is defined as the sum of the consideration for the time value of money, for financing and structural costs, and for the credit risk associated with the principal amount outstanding during a specified period, plus a profit margin.

Although, given the nature of the Group’s business, almost none of its debt instruments give rise to cash flows other than payments of principal and interest, the Group monitors compliance with the contractual conditions of its financial assets (solely payments of principal and interest, SPPI test) and classifies such assets accordingly.

The main function of this test is to discriminate which products contained in the “holding of financial assets to receive their contractual cash flows” and “mixed model” business models can be measured at amortised cost and at fair value through other comprehensive income, or, conversely, must be measured at fair value through profit or loss.

The following are the judgements that guide the analysis to determine that the contractual cash flows of a financial instrument are only payments of principal and interest on the amount of principal outstanding:

- Principal: variables such as leverage or transaction currency are taken into account.

- Interest: account is taken of variables such as the time value of money, credit risk, other basic risks and costs such as liquidity risk or administrative costs associated with holding the financial asset and the profit margin.

- Contract terms that change the timing or amount of contractual cash flows.

- De minimis or non-genuine features: instruments that do not pass the SPPI test provided that the impact identified is considered to be insignificant or that the event affecting compliance with the SPPI test is extremely exceptional, highly abnormal and very unlikely to occur.

- Non-recourse assets: instruments with contractual cash flows that are described as principal and interest but that are not solely payments of principal and interest on the outstanding amount of principal.

- Contractually related instruments: situations in which an institution prioritizes payments to holders of multiple contractually related instruments that create credit concentration risk.

Classification and portfolios of financial instruments for presentation and measurement purposes

Financial instruments are mainly classified in the Group's consolidated balance sheet in accordance with the categories listed below:

▪ **Financial assets at amortised cost**: this category includes financial assets that are managed under a business model that holds assets to collect their contractual cash flows and whose contractual terms give rise to cash flows on specified dates, which are solely principal and interest payments on the outstanding principal amount.

This portfolio includes financing to third parties from typical credit and lending activities, debt securities satisfying the two conditions set out above, and debts incurred by purchasers of goods and by users of services. Finance leases in which the Group acts as lessor are also included.

Financial assets included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. Following their acquisition, the assets classified under this category are measured at amortised cost, using the effective interest rate method.

Income and expenses from financial instruments at amortised cost are recognised on the following basis:

- Accrued interest is recognised under “Interest income” in the consolidated income statement, using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where the rate is applied to the net carrying amount).

- Other changes in value are recognised as income or expense when the financial instrument is derecognised; when it is reclassified; when there are exchange differences (see Note 2.5.3) and when there are impairment losses or gains due to subsequent recovery.

- **Financial assets at fair value through other comprehensive income:** this category mainly includes debt instruments acquired to manage the Company's balance sheet, which are managed using a mixed business model whose objective combines collection of contractual cash flows and sales, and whose contractual terms give rise to cash flows on specified dates, which are solely payments of principal and interest on the outstanding principal amount.

  In addition, the Group has opted to include in this portfolio the investments it holds in equity instruments that should not be classified to the portfolio of “Financial assets held for trading” and that, but for the use of this option, would be classified as financial assets mandatorily measured at fair value through profit or loss. This optional treatment is applied instrument by instrument.

  Instruments included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. After acquisition, financial assets included in this category are measured at fair value through other comprehensive income.

  Income and expenses of financial assets at fair value through other comprehensive income are recognised on the following basis:

  - Accrued interest or, where applicable, accrued dividends are recognised in the consolidated income statement.

  - Exchange differences are recognised in the income statement in the case of monetary financial assets and in other comprehensive income, net of tax effects, in the case of non-monetary financial assets.

  - For debt instruments, impairment losses or gains on subsequent recovery are recognised in the consolidated income statement.

  - Other changes in value are recognised, net of tax effects, in other comprehensive income.

  When a debt instrument at fair value through other comprehensive income is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. However, when an equity instrument at fair value through other comprehensive income is derecognised, the amount of the gain or loss recognised in other comprehensive income is reclassified not to profit or loss but to an item of reserves.

- **Financial assets and liabilities at fair value through profit or loss:** this category includes the following financial instruments:

  - **Financial assets and liabilities held for trading:** financial assets or liabilities acquired to be sold in the short term or that are part of a portfolio of identified financial instruments managed jointly and for which there is evidence of a recent pattern of short-term profit-taking, together with derivative instruments that do not comply with the definition of a financial guarantee contract and have not been designated as hedging instruments, including those segregated derivatives of hybrid financial instruments pursuant to the regulations in force.

    The held-for-trading portfolio also covers short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities.

  - **Financial assets not held for trading mandatorily measured at fair value through profit or loss:** financial assets whose contractual terms do not pass the SPPI test, i.e., they do not give rise to cash flows consisting solely of principal and interest payments on the outstanding principal amount, as defined in the previous section.

  - **Financial assets and liabilities designated at fair value through profit or loss:** to avoid differences between the measurement bases of the related assets and liabilities, the Group classifies to this portfolio any debt instruments that are managed jointly with insurance contract liabilities (“Unit-linked”), measured at fair value.

A financial asset is classified to the portfolio of financial assets held for trading or the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss if the Group's business model for its management or the characteristics of its contractual cash flows do not warrant classification to any of the financial asset portfolios described above.

Financial instruments classified at fair value through profit or loss are initially measured at fair value, and directly attributable transaction costs are recognised immediately in the income statement.

Income and expenses of financial instruments at fair value through profit or loss are recognised on the following basis:

- Changes in fair value are recognised directly in the consolidated income statement, distinguishing, for non-derivative instruments, between the portion attributable to the instrument's accrued income, which is recognised as interest or dividends depending on its nature, and the remainder, which is recorded as gains/losses on financial transactions with a balancing entry under the headings "Gains/losses on financial assets and liabilities held for trading (net)", "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss (net)" and "Gains/losses on financial assets and liabilities designated at fair value through profit or loss (net)" of the consolidated income statement.

- Accrued interest on debt instruments is calculated using the effective interest method.

In relation to derivative instruments, the Group manages both those classified as "Financial assets and liabilities held for trading" and those classified as hedging derivatives on the basis of their net exposure to their credit risk; accordingly, it estimated their fair value by taking into account such net exposure, as indicated in paragraph 48 of IFRS 13.

▪ **Financial liabilities at amortised cost:** this category of financial instruments includes those financial liabilities that do not belong to any of the above categories and reflect the typical funding activities of financial institutions.

Financial liabilities included in this category are initially measured at fair value, adjusted by the transaction costs directly attributable to their issue. Subsequently, they are valued at their amortised cost, calculated through the application of the effective interest rate method.

The interest accruing on these securities, calculated using such method, is registered under the "Interest expense" heading in the consolidated income statement.
Despite the foregoing, the financial instruments that must be considered to be non-current assets and disposal groups on sale under prevailing regulations are recognised in the consolidated financial statements in accordance with the criteria set forth in Note 2.18.

2.3 Impairment of financial assets

A financial asset or other form of exposure to credit risk is considered to be impaired when there is objective evidence that events have occurred that:

▪ in the case of debt instruments (loans and advances and debt securities), have an adverse impact on future cash flows as estimated at the time of entering into the transaction.

▪ in the case of other exposures involving credit risk other than debt instruments, an adverse impact on the future cash flows that would be due in the case of the drawdown of the loan commitment and the cash flows that are expected to be collected if the loan commitment is drawn, or in the case of financial security granted, on the payments that the entity expects to make.

Impairment losses on debt instruments arising in the period are recognised as an expense under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss” in the consolidated income statement. For debt instruments classified as financial assets at amortised cost, such impairment losses are recognised against an allowance account that reduces the carrying amount of the asset, while for debt instruments at fair value through other comprehensive income, impairment losses are recognised against “other accumulated comprehensive income”.

Allowances for impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses arising in the period for these exposures are recognised as an expense in the consolidated income statement.

Subsequent reversals of previously recognised impairment losses are immediately recognised as income in the consolidated income statement for the period.

The calculation of the impairment of financial assets is based on the type of instrument and on other circumstances that may affect them, once the guarantees received have been taken into account. For debt instruments at amortised cost, the Group recognises both allowance accounts, when provisions for bad debts are recognised to cover estimated losses, and direct write-offs against the asset, when it is considered that the likelihood of recovery is remote.

Interest accrual is recognised in the consolidated income statement by applying the effective interest rate to the gross carrying amount of the transaction, in the case of transactions classified as normal risk (stage 1) and normal risk under special watch (stage 2); while such recognition is carried out by applying the effective interest rate at amortised cost, i.e. adjusted for any impairment correction, in the case of transactions classified as non-performing risk (stage 3).

Following are the criteria applied by the Group to determine potential impairment losses in each of the different financial instrument categories, together with the method used to calculate the allowances recognised for such impairment.

Debt instruments and other exposures involving credit risk

Within the framework of EU-IFRS, International Financial Reporting Standard 9, “Financial Instruments”, which sets the criteria for measurement and impairment of financial assets, it is considered important to link credit risk monitoring policies to the accounting recognition of provisions under IFRS.

Credit risk management constitutes a priority for the Group, in order to provide sustainable balanced growth and to guarantee the soundness of the Bank’s financial and equity position at all times and to optimise the return/risk ratio. These principles are followed in the “Loan and discount risk management policy and procedure manual”.

To determine impairment losses, the Group performs an individual monitoring of at least the significant debtors and a collective monitoring of the groups of financial assets with similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it is exclusively analysed individually to estimate the impairment loss.

The credit risk characteristics considered for grouping instruments are, among others: type of instrument, debtor's sector of activity, geographical area of activity, type of security, age of past-due amounts and any other factor relevant to the estimation of future cash flows.

The Group has policies, methods and procedures in place to estimate expected losses as a result of credit risk exposures, relating both to insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied to the arrangement, study and formalisation of debt instruments and off-balance sheet exposure, and to the identification of their possible impairment and, where appropriate, to the calculation of the amounts required to hedge the estimated losses.

The Group has established criteria to identify borrowers and bond issuers displaying significant increases in risk or objective evidence of impairment and classify them on the basis of their credit risk.

The following sections describe the classification principles and methodology used by the Group.

Classification category definitions

Credit exposures are classified according to credit risk as follows:

- Performing (stage 1): a transaction is considered to be at this stage when no significant increase in risk has occurred since its initial recognition. Where appropriate, the impairment loss allowance will reflect the expected credit losses arising from possible *default* during the 12 months following the reporting date.

- Performing on special watch (stage 2): when the risk has significantly increased from the date on which the transaction was initially recognised, but without leading to impairment, the transaction will be classified to stage 2. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses arising from *default* during the residual life of the financial instrument.

- Non-performing (stage 3): a transaction will be catalogued as stage 3 when it shows effective signs of impairment as a result of one or more events that have already occurred and will lead to a loss. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses due to credit risk during the expected residual life of the financial instrument.

  - Due to borrower default: transactions with some part of the principal, interest or contractually agreed expenses is past-due, generally speaking, more than 90 days, unless they should be classified as written-off. Guarantees provided shall also be included in this category when the guarantor has defaulted under the guaranteed transaction. Furthermore, the amounts of all transactions of a single holder are included when the transactions with overdue sums, generally speaking, and as mentioned above, are past-due more than 90 days, account for more than 20% of the amounts receivable.

  - For reasons other than borrower default: transactions in which, not classifiable as written-off or non-performing due to default, there are reasonable doubts about their full repayment under the contractual terms; in addition to off-balance-sheet exposures not classified as non-performing due to default, concerning which payment by the Group is likely and recovery is doubtful.

    In order to determine the existence of reasonable doubt as to the full repayment of these transactions, the entity performs an analysis of indicators on transactions that are not overdue by more than 90 days, which may or may not automatically classify the transaction as stage 3.

    The indicators analysed that do not lead to the automatic classification of the transaction as stage 3 are the following:

    - Negative equity or equity that has significantly decreased in the last financial year.

    - Negative EBITDA for two years or a significant decrease in EBITDA for one year.

    - Very significant decrease in revenue and in operating income.

    - Significant decrease in cash flow generated in the last three years or in the last year.

    - Accumulation of defaults with other credit institutions.

    - Borrower has defaults equal to or greater than 91 days in less than 20% of exposure, and there are doubts about its total repayment.

The indicators analysed that lead to the automatic classification of the transaction as stage 3 are the following:

- Transaction that ceases to have amounts overdue for 91 or more days but is not classified in Stage 1 as there are other transactions classified in Stage 3.

- Refinancing with a Stage 3 rating as it meets the conditions for reclassification to non-performing.

- The borrower is in uncured insolvency proceedings.

- The transactions of holders that are declared or are known to be in insolvency proceedings without a winding-up petition.

▪ Write-off: transactions for which, after individual analysis, it is considered that there is no reasonable expectation of full or partial recovery due to a significant or irrecoverable deterioration in the creditworthiness of the transaction or the holder. The entity considers in any case that there is no reasonable expectation of recovery for the following cases:

- The risks of customers who are declared to be insolvent and for whom it is known that the liquidation phase has been or will be declared, except for those which have effective collateral covering at least 10% of the gross carrying amount of the transaction.

- Non-performing risks due to borrower default that have been classified as such for more than four years or, before reaching this age when the amount not covered by effective guarantees has been maintained with a credit risk coverage of 100% for more than two years, unless those balances have effective collateral covering at least 10% of the gross carrying amount of the transaction.

In the above circumstances, the Company derecognises any amount recognised along with the provision from the balance sheet, without prejudice to any actions that may be taken to seek collection until the contractual rights to receive sums are extinguished definitively by expiry of the statute-of-limitations period, remission or any other cause.

Transactions purchased or originated with credit impairment

As at 31 December 2020, there were no transactions purchased or originated with credit impairment. In recent years, the Bank has not acquired assets at a significant discount in accordance with the materiality threshold established by Group management.

Transaction classification criteria

The Group applies a range of criteria to classify borrowers, bond issuers and transactions among the different categories, depending on the related credit risk. These include:

▪ Automatic criteria,

▪ Specific refinancing criteria, and

▪ Indicator-based criteria.

Automatic factors and specific refinancing classification criteria constitute the classification and cure criteria against the entirety of the portfolio.

Furthermore, to facilitate advance identification of significantly increased risk or indications of impairment of transactions, the Group has constructed a series of indicators, distinguishing between significant and non-significant borrowers, which encompass all default events and signals depending on the composition of the relevant portfolio. This methodology is based on the Group's experience in Credit Risk, in the composition of its portfolio and loss events identified by the Group; in addition, it proactively seeks to identify potential impairment in advance. Specifically, non-significant borrowers who, having surpassed the automatic classification algorithm, fail to meet any of the conditions to be transferred to either the non-performing or special watch categories, are assessed using indicators; the objective of these indicators is to identify weaknesses that may involve the assumption of greater losses than other similar transactions classified as performing. These indicators are based on the best current estimate of the likelihood of being classified non-performing associated with each transaction.

To evaluate the significant increase in credit risk, the quantitative measurement indicators used in ordinary credit risk management are taken into account, such as the increased risk of default in any of the key indicators for which a threshold has previously been defined that depends on the management practices of each portfolio; for example, defaults of between 30 and 90 days are considered, except in cases where the unpaid amount does not exceed the materiality thresholds established by Group management for each portfolio, or increases in the Probability of Default (PD) at the reporting date with respect to the PD at the time of origination, based on specified thresholds. Other qualitative variables are also considered such as signs of whether an unimpaired transaction is considered to be refinanced, or the consideration of operations included in a special debt sustainability agreement.

The definition of default is based on a non-payment period exceeding 90 days, except in the events referred to in the above paragraph, although according to the EBA (4.3.1.89 a – 4.3.1.90), *unlikeliness-to-pay events* have also been defined, such as the inclusion of an uncured debtor in insolvency proceedings.

Operations classified as doubtful are reclassified to performing when, as result of the partial or full collection of outstanding amounts in the case of doubtful exposures due to default, or because the cure period has been completed in the case of doubtful exposures for reasons other than default, the reasons that gave rise to the classification of the operation as doubtful no longer apply, unless reasons subsist for maintaining it in this category.

As a result of these procedures, the Group classifies its borrowers in the categories of performing under special watch or doubtful due to debtor default, or maintains them under performing.

<u>Individual classification</u>

The Group has established an exposure threshold for considering borrowers as significant, based on EAD (exposure at default) levels.

On the basis of credit risk management and monitoring criteria, the Group has identified the following as individually significant borrowers:

- Borrowers/issuers with EAD (exposure at default) in excess of €3 million.

- Borrowers classified as doubtful for reasons other than default due to non-automatic factors (manually identified default).

- Borrowers without appreciable risk classified as doubtful for accounting purposes, irrespective of EAD.

For significant borrowers assessed through individual analyses, a trigger system has been established to identify significant increases in risks or signs of deterioration. The triggers system covers signs of impairment or of weaknesses through the definition of:

- *Triggers* with different pre-alert thresholds to identify increased risk and signs of impairment

- Specific *triggers* that indicate a significant increase in risk.

- Specific *triggers* that indicate signs of impairment.

A team of expert risk analysts analyses borrowers with activated triggers to conclude on the existence of a significant increase of risk or objective evidence for deterioration and, in the event that there is evidence of deterioration, whether the event or events causing the loss have any impact on estimated future cash flows from the financial asset or group of financial assets.

The indicator system for significant borrowers is automated and takes into account the specific characteristics of the differentiated behaviour segments in the loan portfolio. The issues to be identified by the indicator system are as follows:

- Significant financial difficulty faced by the issuer or obligor.

- Breach of contract terms, default or delay in interest payments.

- For financial difficulties, the borrower is granted concessions or benefits that would not otherwise be taken into account.

- Probability of borrower insolvency: cases where there is a high probability that the borrower will be declared insolvent or will have to be restructured.

The Group carries out an annual review of the reasonableness of the thresholds and coverage used in the individual analyses, unless the borrower's financial situation changes substantially, making a review of that situation necessary.

According to the specified levels, a volume of borrowers that allows a reasonable coverage of the total credit exposure is above the significance threshold, which requires them to be subjected to an individual expert analysis.

Collective classification

Both for borrowers that exceed the aforementioned materiality threshold and those that do not exceed the materiality threshold, and additionally have not been classified as doubtful or under special watch by the automatic classification algorithm, the Group has constructed a synthetic indicator to identify exposures that display significantly increased risk or weaknesses which could entail losses that are higher than those in other similar transactions classified as performing. In this respect the Group has laid down thresholds that, once exceeded, entail an automatic classification as performing exposure under special watch due to the significant increase in risk or weaknesses.

The methods used to determine whether the credit risk of an instrument has increased significantly since initial recognition must take into account the characteristics of the instrument (or group of instruments) and past default patterns in comparable financial instruments. In order to define the significant increase in risk (SICR) at the Group, qualitative variables and quantitative measurement indicators used in ordinary credit risk management are taken into account. The latter include increases in the probability of default (PD) with respect to the PD at the time of the origin of the operation, based on a series of thresholds.

For debtors assessed in line with a group approximation, thresholds were defined based on the comparison of PD during the expected lifetime of the operation. If insufficient past information of a granular nature is available, thresholds were defined based on the comparison of a current 12 months PD PIT versus a PD PIT involving 12 months of origination for such period. These thresholds were determined in such a way that the NPL rates observed, for a sufficiently long period, are statistically different.

Refinancing and restructuring

Once a transaction has been identified as refinancing, refinanced or restructured, it may only be classified as non-performing or under special watch.

The following refinancing or restructuring operations are classified as doubtful:

- Operations reclassified from doubtful exposures or which are refinanced to avoid their classification as doubtful due to default.
- Operations with a grace period exceeding 24 months.
- Operations with reductions higher than the impairment that would be applicable if they were classified under exposures subject to special watch.
- Transactions based on an unsuitable payment plan - because the plan has been repeatedly breached, because it has been modified to avoid default, or because it is based on expectations that are not properly supported by macroeconomic forecasts.

For a refinancing or restructuring classified as non-performing to be upgraded to “under special watch”, all the criteria that generally determine the classification of transactions outside the category of non-performing risk must be satisfied, and, furthermore:

- It has been concluded, following an exhaustive review of the borrower’s assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- One year has elapsed from the date of refinancing or restructuring.
- Accrued principal repayments and interest payments must be met, reducing the renegotiated capital. The transaction cannot have overdue amounts.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid, or other objective criteria evidencing the borrower's payment capacity must be attested to. The presence of contractual terms that delay repayment, such as grace periods, entails that the transaction remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 90 days on the date of the potential reclassification.

Refinancing or restructuring operations that do not meet the above conditions for classification as doubtful will be classified as exposures under special watch. They must remain under special watch for a trial period,until the following requirements are met:

- It has been concluded, following an exhaustive review of the borrower’s assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- A minimum of two years elapse from the formalisation of the operation or from reclassification from doubtful exposures.
- The borrower has paid principal and interest accruing since the date of the refinancing or since the date of reclassification from non-performing exposure.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid, or other objective criteria evidencing the borrower's payment capacity must be attested to. The presence of contractual terms that delay repayment, such as grace periods, will imply that the operation remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 30 days at the end of the trial period.

During the trial period described, a new refinancing or restructuring of the refinanced or restructured operations, or the existence of amounts overdue by more than 30 days, will entail the reclassification of these operations to doubtful exposures for reasons other than default, provided that they were classified as doubtful before the trial period.

Credit risk management policies and procedures applied by the Group guarantee detailed monitoring of borrowers, indicating that provisions need to be recorded when there is evidence of impairment in a borrower's solvency. The Group records any bad-debt provisions that may be necessary in transactions in which the borrower's situation thus requires, before restructuring or refinancing operations are formally approved.

For refinanced operations, the algorithm provides for their initial classification on the basis of their characteristics, mainly the existence of financial difficulties for the borrower and certain contractual terms, such as lengthy grace periods; subsequently, the algorithm changes the initial classification on the basis of the cure periods established.

The Group's refinancing, restructuring, renewal and renegotiation policies are described in Note 3.5.5.2 to these financial statements.

<u>Determination of provisions</u>

Once the accounting classification of the borrower and of the related transactions has been determined, credit risk allowances are calculated. These allowances can be calculated by individual analysis or collective analysis.

The criteria for selecting portfolios for creating internal models for collective impairment testing follow the principles of materiality and complexity, and provide results that are in line with the real situation of the transactions in the current economic environment.

The Group applies the following policies for calculating credit risk loss provisions:

The amount of impairment loss provisions is calculated on the basis of whether or not there has been a significant increase in credit risk since the initial recognition of the transaction and whether or not an event of default has occurred. Thus, the allowance for impairment losses on transactions is equal to:

- The expected credit losses over twelve months, when the risk of an event of default in the transaction has not increased significantly since initial recognition (stage 1).
- The expected credit losses over the lifetime of the transaction, if the risk of an event of default in the transaction has increased significantly since initial recognition (stage 2).

- The expected credit losses over the lifetime of the transaction, if an event of default has occurred (stage 3).

The Group uses forward-looking information in the calculation of the expected loss, for which it uses scenario projection models. The macroeconomic effects of the COVID-19 health crisis are explained in Note 11.6.3.

The application of a range of scenarios to reflect the effect of non-linearity of losses entails estimation of the allowances required in different scenarios, including those that are unlikely but plausible. Specifically, three macroeconomic scenarios have been considered, a central scenario, an adverse scenario and a favourable scenario, which have been defined at Group level, with probabilities of occurrence of 70%, 20% and 10% respectively, taking into account the current uncertainty about how the pandemic will evolve and the time a large part of the economy will normalise. Timescales of three years are considered to cast these projections and the variables considered are the performance of GDP, the unemployment rate and housing prices, among others.

- Base case scenario:

  By studying what happened during 2020, it is possible to estimate the impact on the sector at the worst time of the pandemic and the degree of more immediate recovery, as well as the less severe and more differentiated effects and consequences by productive sector that the successive waves of the pandemic and the new restrictions on activity have had on economic activity during the second half of the financial year. The projections are also based on the behaviour of the different variables in periods of deep crisis, albeit taking into account the notable differences in the current crisis.

  In the central scenario, the normalisation of activity remains divergent by sector during the first three quarters of 2021 and the final improvement in those sectors requiring social closeness does not start until the last quarter of 2021.

- Adverse scenario:

  In the adverse scenario, effective control of the pandemic is not achieved until the third quarter of 2022, causing greater structural damage due to the long duration of the closures of a large part of the productive sectors. This situation aggravates job destruction, which spreads the negative effects to the economy as a whole. Public finances are also suffering, with rising deficits and debt levels.

- Favourable scenario:

  The favourable scenario entails a somewhat faster success in mass immunisation through vaccination processes, which would allow for some improvement in tourism activity already in the summer season of 2021, although it would still be a partial recovery.

The Group estimated the pre-payment rates for a range of different products and segments based on observed historical data. These pre-payment rates are applied to determine the expected loss on the exposures classified in Stage 1 and Stage 2. Also, the repayment table agreed for each transaction is applied.

Further, operations identified as not having appreciable risk (essentially operations with central banks, public administrations and companies, and financial institutions, all belonging to the European Union or certain countries regarded as non-risk) are given a percentage of 0% (based on an analysis of past such operations and backtesting analysis), except for operations classed as doubtful, in which an individual impairment estimate is carried out. In this estimate, the amount of the provisions required for the credit risk allocable to the debtor and for the relevant country risk are calculated. When it is necessary to provide for both the debtor's credit risk and the country risk, more demanding provisioning criteria are applied.

The Group's exposure metric for provisioning purposes considers currently drawn down balances and the estimate of the amounts that are expected to be disbursed in the event that off-balance-sheet exposures become doubtful, through the application of a Credit Conversion Factor or CCF.

For transactions classified as non-performing, an estimate is made of expected losses, defined as the difference between the current exposure amount and the estimated future cash flows, as described below.

Subsequently, those cash flows are discounted at the current effective interest rate of the financial asset (if the contractual rate is fixed) or at the contractual interest rate effective on the date of discounting (if the contractual rate is variable).

The various Group methodologies are described in the following paragraphs.

Individualised provision estimates

In order to estimate the credit risk provisions due to the insolvency of a financial instrument, the Group makes an individualised estimate of the expected credit losses of those financial instruments that are considered to be material and with sufficient information to make such calculation.

On this point, it should be noted that the Entity estimates collectively the positions classified in stage 1 of individually significant borrowers, since on the basis of its historical experience and the hedge monitoring analyses performed, the individualised estimate of the hedges of these borrowers would be considerably lower than that calculated by the collective estimate.

The Group has developed a method for estimating these allowances: calculating the difference between the carrying amount of the asset and the present value of the future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Furthermore, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from enforcement of the security, less costs of obtaining and selling the collateral, whether or not enforcement is probable, with application of a haircut to the collateral.

The following methods for calculating the recoverable amount of assets tested individually have been established:

a) Generation of cash flows by the activity itself (going concern): this will be applied for borrowers with respect to which it is estimated that future cash flows can be generated in the course of business, which will allow the repayment of part or all of the debt concerned. In addition, these flows could be supplemented by potential sales of equity assets that are not essential for the generation of said cash flows.

b) Enforcement of guarantees (gone concern): this will be applied for borrowers that are not capable of generating cash flows in the course of their business, the only means of recovering the investment being the foreclosure and liquidation of their assets.

c) Mixed approach: individual analysis of the borrower in which the two previous approaches are combined, enforcing secondary (non-essential) collateral.

The Group uses macroeconomic scenarios in its method for calculating provisions for individually material borrowers via an *add-on* calculated on the basis of the Group's internal models.

Collective provision estimates

The Group estimates expected credit losses as a group in cases where they are not estimated individually.

The criteria for selecting portfolios for creating internal models involve the principles of significance and complexity, and provide results that are in line with the real situation of the operations in the current economic environment.

The Group has conducted a prior study of the operations used in the collective calculation of provisions. As a result of this study, the Group has chosen the following portfolios to be used in the development of internal methodologies:

- Home purchases,
- Credit cards and
- Companies.

The following portfolios are excluded from the utilisation of internal models:

- Consumption,
- Self-employed,
- Large corporations and
- Property developers.

For the excluded portfolios, apart from the borrowers that are subject to individual analysis, the Group makes a group calculation of coverage based on the models prepared at sector level by the Bank of Spain on the basis of experience and the information it has on the Spanish banking sector, as well as forecasts of future conditions. In any case, these models are periodically checked retrospectively to ensure the reasonableness of the provision.

When calculating a collective impairment loss, the Group, in accordance with IFRS 9 and taking into account Bank of Spain Circular 4/2017, mainly takes into consideration the following aspects:

- The impairment estimate process takes into account all credit exposures except performing loans with no appreciable risk for which impairment estimation methods are used based on statistical data and models that aggregate the average behaviour across Spanish banking institutions. The Group recognises an impairment loss equal to the best available estimate under internal models, bearing in mind all available relevant information on conditions at the end of the period to which the calculation relates. The Group has identified the following transactions without appreciable risk for the estimation of credit risk allowances:

  - Transactions with central banks.
  - Transactions with the government bodies of European Union countries, including those arising from reverse repurchase loans of debt securities.
  - Transactions with central governments of countries classified in group 1 for country-risk purposes.
  - Transactions in the name of deposit insurance funds and resolution funds, provided that they are comparable in credit quality to those of the European Union.
  - Transactions with credit institutions and credit financial institutions of European Union countries and, in general, of countries classified in Group 1 for country-risk purposes.
  - Transactions with Spanish mutual guarantee companies and with government bodies or government-controlled companies from other countries classified in Group 1 for country-risk purposes whose main activity is credit insurance or guarantee.
  - Transactions with non-financial corporations that qualify as public-sector.
  - Advances on pension benefits and pay packets corresponding to the following month, provided that the paying entity is a government body and the payments are made to the bank on standing orders, and
  - Advances other than loans.

- In order to make a group assessment of impairment, financial assets are grouped according to the similarity in characteristics relating to credit risk (such as type of product, purpose of financing, trade identifier, guarantees, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and allows for a more precise calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturity. The segmentation takes into account historical loss experience observed for a uniform group of assets (segment), once the present economic situation has been analysed, which is representative of the unreported losses incurred that will take place in that segment. This segmentation distinguishes risk, and is aligned with management and is being used in the Group's internal models, having been applied on various occasions by the internal control units and the supervisor. Finally, it is subjected to backtesting and the regular update and review of estimates to include all available information.

The Group has developed internal models for the collective calculation of impairment losses in which the aggregate amount of a credit risk loss is determined on the basis of the following parameters:

- Probability of impairment (PI): probability of an asset becoming impaired (corresponding to a borrower or uniform borrower group) within a specific time horizon (appropriate to the period for the identification/emergence of impairment).
- Probability of recovery: probability of asset being recovered expressed as a percentage, in the event of the impairment event occurring (determined using the PI parameter).
- Discounting of guarantees: percentage loss in the value of guarantees.
- Exposure at the time of Default: Group's exposure when the borrower impairment materialises (on the basis of which the above-mentioned probability of impairment is determined).

Classification and Provision for credit risk due to country risk

Country risk is considered to be the risk arising in counterparties resident in a specific country due to circumstances other than ordinary commercial risk (sovereign risk, transfer risk or risks arising from international financial activity). The Group classifies transactions with third parties into groups according to the economic performance of the respective countries, their political situation, regulatory and institutional framework, and payment ability and history.

Debt instruments or off-balance-sheet exposures with final obligors resident in countries with persistent difficulties in servicing their debt are considered non-performing assets due to the materialisation of country risk: the possibility of recovery is considered doubtful. The same applies to off-balance-sheet exposures for which the likelihood of recovery is considered remote, unless they are to be classified as write-offs.

Allowances are estimated in two stages: first, we estimate the allowance for insolvency risk and then the additional allowance for country risk.

Provision levels for this risk are not significant in relation to the impairment provisions recognised by the Group.

Guarantees

In-rem and personal guarantees are regarded as efficient when the Group has demonstrated their validity in mitigating credit risk. The analysis of guarantee efficiency takes into account the time required to enforce the guarantees and the Group's capacity and experience in this respect.

Under no circumstances are guarantees whose efficiency depends substantially on the credit quality of the debtor or corporate group to which the debtor belongs regarded as admissible as efficient guarantees.

The Group's measurement policies for guarantees relating to real-estate assets located in Spain are in line with current regulations. Specifically, the Group applies policies for selecting and engaging valuation companies which aim to ensure their independence and the quality of the valuations. All the valuation companies and agencies used are entered in the Special Valuation Companies Register of the Bank of Spain and the valuations are conducted in accordance with the provisions of Order ECO/805/2003 on rules for valuing real estate and certain rights for certain financial purposes.

Real-estate guarantees in loan operations and properties are appraised at the time they are granted or acquired, the latter by purchase, adjudication or dation in payment, and when an asset suffers a significant decline in value. In addition, minimal updating criteria are applied that guarantee an annual frequency in the case of impaired assets (special vigilance, doubtful and repossessed assets or assets received in settlement of debts), or on a three-yearly basis for very large debts performing normally without any symptoms of latent risk. Statistical methods are used to update the appraisals, when the regulations so permit, especially for the above assets when exposure and risk is low.

2.4 Accounting hedges

The Group employs derivative financial instruments as part of its strategy to reduce exposure to interest rate and foreign exchange risks, where the transactions in question fulfil applicable legal requirements.

The Group designates a transaction as a hedge from inception. In the documentation relating to hedge operations, the hedged and hedging instruments are identified adequately along with the nature of the risk to be covered and the criteria or methods followed by the Group to appraise their efficiency over the term of the operation.

The Group only considers hedging operations to be those which are highly efficient throughout their term. A hedge is regarded as being highly efficient if the fluctuations arising in the fair value or in the cash flows attributed to the hedged risk over the duration of the hedge are almost entirely offset by the fluctuations in the fair value or the cash flows, as applicable, of the hedging instruments.

To assess whether a hedge is effective The Group analyses whether, from inception to the finalisation of the term defined for the operation, it may be expected prospectively that any changes in the fair value or the cash flows of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value or the cash flows, as applicable, of the hedging instruments and that, retrospectively, the gains or losses on the hedge operation are within a range of 80% to 125% of the gains or losses on the hedged item.

Hedging operations performed by the Group are classified into the following categories:

- Fair value hedges: they hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects the consolidated statement of profit or loss.

- Cash flow hedges: hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised financial asset or liability or with a highly probable forecast transaction and could affect the consolidated statement of profit or loss.

In fair value hedges, the differences in the fair value of both hedging instruments or hedged items, involving hedged type of risk are recognised directly in the consolidated statement of profit or loss.

In cash flow hedges, changes to the fair value arising in the portion of the effective hedge of the hedging instruments are recognised temporarily in "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedge (effective portion) reserve until the time when the hedged transactions occur. At this moment, the amounts previously recognised in equity are taken to the statement of profit and loss in a symmetrical manner to the hedged cash flows. Gains or losses on the hedging instrument corresponding to the ineffective portion of cash flow hedging operations are recognised directly in the statement of profit or loss. Financial instruments hedged in this type of hedging transaction are recognised in the manner explained in Note 2.2, without any changes for their consideration as hedged items.

As well as the above hedging operations, the Group carries out fair value hedges of foreign exchange risk for a certain amount of financial assets (or financial liabilities) which form part of the instruments in its portfolio, but not specific instruments, which in accounting terms are usually called macro-hedges.

In fair value macro-hedges, changes to the fair value of hedged items attributable to interest rate risk are recognised directly in the statement of profit and loss, but the balancing entry is recognised in "Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk" or "Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk" depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.

The accounting technique known as a macro-hedge requires the periodic assessment of its efficiency and therefore efficiency is verified on a quarterly basis by checking that the net position of assets and liabilities that mature or are repriced in the corresponding time band is higher than or equal to the amount hedged (sum of the hedging instruments in that band). Therefore, inefficiencies arise when the amount hedged is higher than the net asset and liabilities in the same time band, with the fair value of the inefficient portion immediately recognised in the consolidated statement of profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or, lastly, when the designation as a hedge is revoked.

Where fair value hedge accounting is interrupted as stated in the preceding paragraph, the value adjustments made for hedge accounting purposes are recognised in the statement of profit or loss until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date of the hedge.

In turn, in the event of an interruption of a cash flow hedge, the cumulative gain or loss recognised in equity remain in equity until the forecast transaction occurs, at which point it is recognised in the statement of profit and loss. However, if it is expected that the transaction will not be carried out, the cumulative gain or loss is recognised immediately in the consolidated statement of profit or loss.

2.5 Foreign currency transactions

2.5.1 Functional currency

The Ibercaja Group's presentation and functional currency is the euro. All balances and transactions denominated in currencies other than the euro are therefore foreign currency balances and transactions.

The equivalent value of the main asset and liabilities balances on the consolidated balance sheet recorded in foreign currency breaks down as follows based on the nature of the items making them up and the most significant currencies in which they are denominated:

	Equivalent value in thousand euro			
	2020		2019	
	Assets	Liabilities/ Equity	Assets	Liabilities/ Equity
Breakdown by type of portfolio -				
Financial assets/liabilities at fair value with changes in equity	10,443	-	9,660	-
Financial assets/liabilities at amortised cost	58,252	45,321	67,190	40,785
Other	-	480	-	1,208
	68,695	**45,801**	**76,850**	**41,993**
Breakdown by type of currency -				
US dollar	53,076	41,692	61,879	37,546
Pound sterling	6,600	2,949	8,351	2,588
Swiss franc	1,353	1,331	1,423	1,322
Japanese yen	909	16	1,066	16
Canadian dollar	10	7	33	8
Norwegian krone	2,798	19	3,616	30
Other	3,949	(213)	482	483
	68,695	**45,801**	**76,850**	**41,993**

2.5.2 Conversion criteria for foreign currency balances

Transactions in foreign currencies are initially recognised at the equivalent value in euro based on the exchange rates prevailing at the date of the transactions. Monetary balances denominated in foreign currency are subsequently converted to the functional currency at the exchange rate prevailing on the date of issue of the financial information.

Furthermore:

- Non-monetary items valued at historical cost are translated into the functional currency at the exchange rate prevailing on the date of acquisition.
- Non-monetary items stated at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value is determined.

2.5.3 Recognition of exchange rate differences

Exchange differences that arise when translating balances in foreign currency to the entities' functional currency are recorded in general at net value under Differences on exchange (net) on the consolidated statement of profit or loss, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated statement of profit or loss under “Gain/(loss) on financial assets and liabilities held for trading, net” and “Gain/(loss) on financial assets and liabilities at fair value through profit or loss, net”, without differentiating them from other fair value fluctuations.

Exchange differences arising on foreign currency equity instruments whose fair value is adjusted against equity are recognised in consolidated equity under “Other accumulated comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value through other comprehensive income” in the consolidated balance sheet until they are realised. When an equity instrument at fair value through other comprehensive income is derecognised, the amount of exchange differences arising on these financial instruments is not reclassified to profit or loss, but to an item of reserves alongside the gains or losses recorded in accumulated other comprehensive income from changes in fair value.

2.6 Recognition of income and expenses

The paragraphs below summarise the most significant accounting criteria applied by the Group in recognising income and expense:

2.6.1 Interest income, interest expense, dividends and similar items

As a general rule, interest income, interest expense and similar items are recognised on a time proportion basis using the effective interest method. Dividends received from other companies are recognised as income when the right to receive them is declared by the consolidated entities.

2.6.2 Fees, commissions and similar items

Commission and fee income and expenses which are not included in the calculation of the effective interest rate on transactions and/or which do not form part of the acquisition cost of financial assets or liabilities other than those classified at fair value through profit or loss are recognised on the consolidated statement of profit or loss using accounting policies that vary according to the nature of the item concerned. The most significant fee and commission items are as follows:

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the statement of profit or loss when payment is made.
- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated statement of profit or loss over the term of the transaction or service.
- Those relating to a one-off event, which are recorded when the originating event takes place.

2.6.3 Non-financial income and expense

They are recognised for accounting purposes when the goods are delivered or the non-financial service is rendered. To determine the amount and timing of recognition, a five-step model is followed: identify the contract with the customer, identify the separate obligations of the contract, determine the transaction price, allocate the transaction to each identified obligation, and finally recognise revenue as and when obligations are satisfied.

2.6.4 Deferred receipts and payments

Deferred receipts and payment are recognised for accounting purposes at the amount resulting from discounting the expected cash flows to net present value at market rates.

2.6.5 Contributions to the Single Resolution Fund and Deposit Insurance Fund

In accordance with IFRIC 21 Levies, recognition of the obligation, which entails recording the amount accrued to date, takes place upon receipt of the payment notification (second quarter for the contribution to the Single Resolution Fund and fourth quarter for the contribution to the Deposit Insurance Fund).

2.7 Offsetting of financial instruments

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.8 Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards of transferred assets to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised simultaneously.

- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of financial asset securitisations in which subordinated financing or another kind of credit improvement is maintained which substantially absorbs the loan losses expected for the securitised assets, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the criteria used prior the transfer. Conversely, the following items are recognised and not offset:

  - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.

  - The income from the financial asset which is transferred but not written off, and the expenses derived from the new financial liability.

Therefore, financial assets are only derecognised from the consolidated balance sheet when the cash flows they generate have been extinguished, when the risks and rewards involved have been substantially transferred to third parties, and when the transferor does not retain control of the transferred financial asset.

Notwithstanding the above, financial assets transferred before 1 January 2004 have been derecognised irrespective of the conditions of the transfer of risks and rewards, in accordance with current legislation.

Note 27.5 summarises the most significant circumstances of the main asset transfers in effect in the Group at year-end.

2.9 Financial guarantees and provisions made thereon

Financial guarantees are agreements in which the Group undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: collateral, financial guarantee, irrevocable documentary credit issued or guaranteed by the entity, etc.

At the time of initial recognition, the Group accounts for the financial guarantees provided under liabilities in the consolidated balance sheet at fair value, which is generally equal to the present value of the commissions and returns to be received on such contracts over the term of the same with, as the balancing entry under assets on the consolidated balance sheet, the amount of likened commissions and returns collected at inception and accounts receivable at the present value of the commissions and returns pending collection. These amounts are amortised on a straight-line basis over the term of the contracts in the consolidated statement of profit or loss.

Financial guarantees, whatever the holder or instrumentation, are analysed periodically to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to create a provision for them, which is determined by applying criteria similar to those used to quantify impairment losses on debt instruments, as explained in Note 2.3 above.

Provisions set aside for these operations are recognised under “Provisions – Commitments and guarantees given” on the liability side of the consolidated balance sheet. Additions to and reversals from these provisions are recognised in the consolidated statement of profit or loss under ““Provisions or reversal of provisions”.

When a provision is required for financial guarantees, the associated commissions pending accrual, carried in the consolidated balance sheet under “Other liabilities”, are reclassified to the relevant provision.

2.10 Accounting of operating leases

The Group should identify at the beginning of the lease whether a contract is a lease or contains a lease component and this conclusion will only be reassessed in the event of a change in the terms and conditions of the contract. According to the criteria of the Standard, a contract is a lease if it gives the customer the right to exercise control over the use of the asset identified in the contract for a period of time in exchange for a consideration.

The Standard provides two exemptions from the recognition of lease assets and liabilities, which may be applied in the case of short-term contracts and those whose underlying asset is of low value, which the Group has decided to use.

Leases in which the bank acts as lessee

The lease term corresponds to the non-cancellable period of a lease, plus the periods covered by the option to extend the lease if it is reasonably certain that the lessee will exercise the option and the periods covered by the option to terminate the lease if it is reasonably certain that the lessee will not exercise the option.

The lease liabilities, which are initially recognised under “Financial liabilities at amortised cost - other financial liabilities” in the balance sheet, include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive receivable,
- variable lease payments that depend on an index or rate,
- amounts expected to be paid by the lessee as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise that option, and
- lease termination penalty payments, if the term of the lease reflects the lessee's exercise of that option.

Subsequent to their initial recognition, they are measured at amortised cost using the effective interest rate method.

Lease payments are discounted using the interest rate implicit in the lease. The discount rate used was determined by the institution's Capital Strategy and Balance Sheet Unit, which calculated a financing curve that approximates the cost of funding the Group through senior debt.

When the implicit interest rate cannot be readily calculated, use is made of the incremental interest rate, which is defined as the interest rate that a lessee would have to pay for borrowing, for a term similar to the duration of the lease and with similar security, funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.

Each lease payment is allocated between liabilities and finance expense. The interest expense is charged to income over the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. Interest expense on lease liabilities are recognised in the consolidated statement of profit or loss under “Interest expense - Other liabilities”.

Right-of-use assets are initially measured at cost, which includes the following:

- the amount of the initial valuation of the lease liability,
- any lease payment made on or before the start date less any lease incentive received,
- any initial direct cost and
- restoration costs.

Such assets are measured subsequent to initial recognition at cost less:

- Accumulated depreciation and impairment, and
- Any revaluation of the corresponding lease liability.

Depreciation is calculated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis. The annual provisions for depreciation are charged to the statement of profit or loss under "Depreciation - Tangible assets" and are calculated on the basis of the following average years of the different underlying asset classes comprising the rights of use, as follows:

	Years of estimated useful life
Branch offices	1 to 20
Sale & lease-back	8 to 28
Other	2 to 8

The criteria for impairment of these assets are similar to those used for tangible assets (see Note 2.15).

<u>Leases in which the bank acts as lessor</u>

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

Whenever consolidated entities act as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value, are recorded as financing provided to third parties and are therefore recognised under "Financial assets at amortised cost" in the consolidated balance sheet, in accordance with the nature of the lessee.

Note 11.4 sets out information on these leases.

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

When the consolidated entities act as lessors in operating leases, the acquisition cost of the leased assets is presented under "Tangible assets" as "Investment property" or as "Other assets leased out under operating lease", depending on the substance of the leased assets. These assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated statement of profit or loss on a straight-line basis under "Other operating income".

The impacts of these leases are presented in Note 15.2 in the consolidated income statement.

2.11 Assets managed

Third party assets managed by the consolidated companies are not included in the consolidated balance sheet. Fees generated by this activity are recorded under “Fee income” in the consolidated statement of profit or loss. Note 27.4 provides information on the third-party assets managed at year end.

2.12 Investment funds and pension funds managed by the Group

Mutual funds and pension funds managed by consolidated companies are not recognised in the Group’s consolidated balance sheet since the related assets are owned by third parties. Fees and commissions earned on the services rendered to these funds by Group companies (asset management services, portfolio deposits, etc.) are recognised under “Fee income” in the consolidated statement of profit or loss.

Note 27.4 provides information on the investment funds and pension funds managed by the Group at the year end.

2.13 Staff expenses

2.13.1 Post-employment benefits

Post-employment remuneration is remuneration paid to employees after the end of their period of employment. All post-employment obligations are classified as defined contribution plans or defined benefit plans, based on the conditions of these obligations.

The Bank’s post-employment commitments with its employees are treated as “Defined contribution plans” when the Bank makes predetermined contributions to a separate entity, on the basis of the agreements reached with each specific group of employees, without any legal or effective obligation to make additional contributions were the separate entity unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as “Defined benefit plans”.

Defined contribution plans

The Group's pension commitments to active employees are arranged through a defined contribution system for retirement and a defined benefit system for death and disability during active employment, the latter being covered by annual insurance policies.

Defined contribution plans are recognised under “Personnel expenses” in the consolidated statement of profit or loss. The contributions made by the defined contribution plan promoters amounted to €15,339 thousand in 2020 and €15,030 thousand in 2019 (Note 38).

Defined benefit plans

With respect to defined benefit plans, the Group recognises the present value of post-employment obligations less the fair value of the plan assets, under “Provisions - Pensions and other post-employment defined benefit obligations” and “Provisions - Other long-term employee remuneration” on the liabilities side of the balance sheet. The liabilities for defined benefits are calculated annually by independent actuaries using the projected unit credit method.

"Plan assets" are the assets linked to a certain defined benefit obligation that will be directly used to settle these obligations and that meet the following conditions:

- They are not owned by the Bank, but rather by a legally separate, non-related third party.
- They are available to be used only to pay or fund employee benefits and are not available to Bank's own creditors, even in the event of bankruptcy.
- They cannot be returned to the Bank unless the assets remaining in the scheme are sufficient to meet all obligations of the scheme and of the Bank relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid.
- They may not be non-transferable financial instruments issued by the Bank.

The Group records its reimbursement right under assets on the balance sheet under "Other assets".

The present value of the defined benefit obligations with staff is determined by discounting the future cash flows estimated at discount rates for corporate bonds with high credit ratings that are consistent with the currency and estimated terms that the liabilities for post-employment benefits will be settled.

The expected return on plan assets for defined benefit plans and reimbursement rights are determined using the same discount rate as for calculating the present value of the obligations.

Post-employment benefits are recognised as follows:

- In the statement of profit or loss: the cost of services provided by employees, both during the year and in prior years (where not recognised in prior years), net interest on the provision (assets), and the gain or loss arising on settlement.
- In the statement of changes in equity: new measurements of the provision (asset) as a result of actuarial gains or losses, of yields on plan assets that have not been included in net interest on the provision (assets), and changes in the present value of the assets due to changes in the present value of flows available to the entity, which are not included in net interest on the provision (assets). The amounts not recorded in net interest under equity will not be reclassified to the statement of profit or loss in a subsequent period.

  Actuarial gains and losses arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Pension supplements for serving or retired personnel

Post-employment commitments acquired by the Group with serving and retired personnel derive from the various Collective Agreements and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

Post-employment commitments acquired by the Group with retired personnel included in the "Ibercaja Employee Pension Plan" derive from the Collective Agreement and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

In addition, the Group has retirement supplements commitments with former retired employees and management personnel which are externalised through insurance policies with Caser, Compañía de Seguros y Reaseguros, S.A. and Ibercaja Vida, S.A.

2.13.2 *Other long term employee remuneration*

Commitments with staff taking early retirement, widowhood commitments and disability commitments prior to retirement that depend on length of service and other similar items will be processed for accounting purposes, as applicable, as established in defined benefit post-employment plans, except that actuarial gains and losses are recognised immediately in the statement of profit or loss.

The Group has commitments towards early retirees to pay salary complements and other welfare charges from the time of early retirement to the date of actual retirement. As at 31 December 2020 and 2019 there are no early retirees.

2.13.3 *Severance payments*

Severance payments are recognised as a personnel expense when the Group undertakes to terminate the employment relationship before the normal retirement date, or to pay severance indemnities as a result of an offer made to encourage voluntary termination of employment by employees.

2.13.4 *Other employee benefits*

The Group has committed to providing employees with certain goods and services at partially or totally subsidised prices, in accordance with the collective bargaining agreement and the Corporate or Company Agreements. The most relevant employee benefits are credit facilities.

Employees of Ibercaja Banco, S.A. with indefinite contracts are generally entitled to request loans or credit facilities, subject to a maximum limit based on their annual salary, once their trial period has ended.

- Home loans: the maximum amount to be granted is that determined by the value of the dwelling plus the expenses inherent to the acquisition thereof, which must be duly supported and may not exceed five annuities, which are considered as comprising the items referred to in Article 39 of the Collective Agreement, plus the family support. If this second limit is applicable, the resulting amount may not be less than €200,000 under a Resolution of the Board of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 0.50% and a maximum of 5.25%.
- Personal loan/credit: the maximum capital to be financed is 25% of the employee's annual remuneration with respect to the corresponding items from those provided for in Article 39 of the Collective Agreement, plus the family support. However, any employee may obtain up to €30,000. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October.
- Welfare support: to meet fully justified essential needs. The amount will not exceed six gross monthly payments, including all fixed items that make up the monthly salary, and will be repaid in monthly instalments consisting of 10% of the gross salary.

2.14 Corporate Income Tax

The corporate income tax expense is recognised in the income statement, except when it results from a transaction whose outcome is recognised directly in equity, in which case the corporation tax is recognised with a balancing entry in equity.

The corporate income tax expense is calculated as the tax payable on the taxable profit for the year, adjusted for the changes arising during the financial year in the assets and liabilities recognised as a result of timing differences, tax credits and relief and possible tax loss carryforwards (Note 25).

As mentioned in Note 25, Ibercaja Banco forms part of a Tax Group, the parent of which is Fundación Bancaria Ibercaja, in accordance with Chapter VII of Title VII of the Corporate Income Tax Law.

A timing difference is a difference between the carrying amount and the taxable amount of an asset or liability. A taxable amount is one which will generate a future obligation to make a payment to the tax authorities and a deductible amount is one that will generate the right to a refund or a reduction in a payment to the tax authorities in the future.

Timing differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are only recognised when it is probable that sufficient future taxable profit will be obtained against which the deferred tax asset can be utilised. Deferred tax liabilities are recognised for practically all taxable temporary differences.

Tax credits and relief, and credits for tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, provided that the Group considers it probable that they will be used in future periods. Note 25 gives details of the assets recorded in this respect.

Current tax assets and liabilities are those which, respectively, are regarded as being recoverable or payable within 12 months as from the year end. Deferred tax assets and liabilities are those which, respectively, are expected to be recovered or paid in future years.

Deferred tax assets and liabilities are reviewed at each balance sheet date to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

2.15 Tangible assets

In general, tangible assets are presented on the balance sheet at cost, this being the fair value of any consideration paid plus all cash payments made or committed net of accumulated depreciation and any value adjustment resulting from comparing the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The annual provisions for depreciation are charged to the consolidated statement of profit or loss under "Depreciation - Tangible assets" and are calculated on the basis of the following average years of estimated useful life of the various assets, as follows:

	Years of estimated useful life
Properties for own use	25 to 100
Furniture	6 to 16.6
Fixtures	5 to 16.6
Computer equipment and installations	4 to 8

At each balance sheet date, the consolidated entities assess whether there is any internal or external indication that a tangible asset is impaired (i.e. its carrying amount exceeds its recoverable amount). If any such indication exists, the carrying amount of the asset is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the asset's adjusted carrying amount and its new remaining useful life, in the event that a re-estimation of this is necessary. This reduction in the carrying amount is charged, as necessary to "Impairment or reversal of impairment of the value of non-financial assets (net)" in the consolidated statement of profit or loss.

Similarly, if there is an indication of a recovery in the value of a deteriorated tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods, through the corresponding credit to the heading "Impairment or reversal of impairment of the value of non-financial assets (net)" in the consolidated statement of profit or loss, and adjusts the future depreciation charges accordingly.

Foreclosed assets that, depending on their nature and purpose, are classified as real-estate investments by the Group, are initially recognised at the lower of the fair value net of sales cost and the acquisition cost, which is understood as the net carrying value of the debts that give rise to them, with the net value calculated pursuant to the provisions of the applicable regulations as set out in Note 2.18. Subsequently, these foreclosed assets are subject to the corresponding estimated impairment losses that, as applicable, are generated; to this end, an appraisal is carried out on whether the lease operation meets the following requirements:

- the lessee's payment capacity is sufficient to repay the amounts agreed in the contract, and
- the market value of the asset in the price of the lease exceeds its carrying amount.

In the event that either of these two points are not met, the estimated fair value will be calculated using the internal methodologies set out in Note 2.18.

Additionally, at least once every year, the estimated useful life of the elements of property, plant and equipment is reviewed, in order to detect significant changes in them that, if produced, will be adjusted through the corresponding correction charged to the statement of profit or loss for future years in concept of their depreciation by virtue of the new useful lives.

Repair and maintenance expenses relating to fixed assets for own use are charged to "Other administrative expenses" on the consolidated statement of profit or loss (Note 39).

2.16 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from an acquisition from third parties or have been developed internally.

2.16.1 Goodwill

The positive difference between the price paid in a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entities is recognised under assets on the balance sheet as goodwill. Goodwill represents a payment made by the group in anticipation of the future economic benefits from assets of an acquired entity that are not capable of being individually or separately identified and recognised. It is recognised only if it has been purchased for valuable consideration through a business combination. Goodwill is not amortised, but at the end of each accounting period it is subject to analysis for any possible impairment that would reduce its recoverable value to below its stated net cost and, if found to be impaired, is written down against the consolidated statement of profit or loss.

In order to verify if any impairment has taken place, the goodwill acquired in a business combination will be allocated from the date of acquisition among the cash generating units of the acquiring entity which are expected to benefit from the synergies produced by the business combination, irrespective of whether other assets or liabilities of the acquired entity are allocated to these units or groups of units. Each unit or group of units among which the goodwill is distributed:

a) will represent the lowest level of detail within the entity to which the goodwill is assigned for internal control purposes; and

b) will not be larger than an operating segment, as defined in Note 27.8.

Therefore, in the annual impairment test on goodwill, the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

To detect possible indications of goodwill impairment, value appraisals are undertaken generally based on the medium-term dividend discount model, having regard to the following parameters:

- Key business assumptions. The cash flow projections used in the measurement are based on these assumptions. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates, as well as capital requirements.

- The period covered by the projections: This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.
- Discount rate. The present value of estimated future dividends, from which a value in use is derived, is calculated from a discount rate taken as the capital cost of the entity from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) is used.
- The rate of growth used to extrapolate cash flow projections beyond the year in which they are considered standardised. Based on long-term estimates for the main macroeconomic numbers and key business variables, and bearing in mind the current financial market outlook at all times, a rate of growth in perpetuity is estimated.

Goodwill impairment losses are not reversed in a subsequent period.

2.16.2 Other intangible assets

Intangible assets other than goodwill are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortisation and any impairment losses.

Intangible assets may have indefinite useful lives when, on the basis of the analyses performed, it is concluded that there is no foreseeable limit to the period during which they are expected to generate cash flows and they are not amortised. Rather, at each accounting close, the Group reviews the assets' remaining useful lives in order to ensure that they are still indefinite. The Group has not identified any assets of this kind.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets. The annual amortisation of intangible assets with finite useful lives is recognised under "Depreciation – Intangible assets" in the income statement and is calculated on the basis of the years of estimated useful life as follows:

	Years of estimated useful life
Computer software	3 to 14
Trademark	5
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	6 to 10

During 2020, the useful lives of computer software have been re-estimated based on a functional, technical and strategic analysis, with the new useful lives ranging from 3 to 14 years, compared to 3 to 5 years in 2019.

The Group recognises any impairment loss in the carrying amount of these assets and makes a balancing entry under "Impairment or reversal of impairment of non-financial assets (net) - tangible assets" in the consolidated statement of profit or loss. The policies for recognising impairment losses on these assets and for reversing impairment losses recognised in prior years are similar to those for property, plant and equipment (Note 2.15).

2.17 Inventories

This item in the consolidated balance sheet includes the non-financial assets that the consolidated entities:

- hold for sale in the ordinary course of business,
- are in the process of making, building or developing for such purposes, or
- expect to consume in production or the provision of services.

Inventories are valued at the lower of their cost, including all acquisition and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated statement of profit or loss in the financial year they are incurred, under “Impairment or reversal of impairment of non-financial assets (net) - Other”.

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated statement of profit or loss under “Other operating expenses” in the year the income from their sale is recognised.

For assets foreclosed or received in settlement of debts which, according to their nature and purpose (in production, construction or development), are classified as inventories, the Group applies criteria similar to those described in Note 2.18 for said assets.

2.18 Non-current assets and disposal groups classified as held for sale

Under this heading, assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are recognised, provided that the sale is considered highly probable.

These are valued on the acquisition date and thereafter at the lower of carrying value and fair value of the estimated costs to sell. Assets that would otherwise be subject to depreciation and amortisation are not depreciated or amortised while they remain in the category of non-current assets held for sale.

In particular, repossessed real estate assets or assets received in settlement of debts by the Group in order to partially or fully meet the payment obligations of its debtors are considered non-current assets and disposal groups of items that are classified as held for sale, unless the decision has been taken to make continuing use of these assets or they are used in operations as leased properties.

- The carrying value at the date of acquisition of non-current assets and disposal groups of items that are classified as held for sale from foreclosures or received in settlement of debts is defined as the outstanding amount receivable of loans or credit facilities from which they originate net of any related provisions according to their accounting classification before receiving said assets. These repossessed assets or assets received in settlement of debts are treated as collateral. This carrying amount is compared with the previous carrying amount and the difference is recognised as a an increase or release of provisions, as applicable.

  To estimate the provisions mentioned, the recoverable amount of the guarantee is taken to be fair value less estimated costs to sell of the repossessed assets or assets received in settlement of debts, since the Group has sufficient sales experience to ratify its capacity to realise the assets at fair value.

- To determine the fair value of selling costs, the repossessed assets or assets received in settlement of debts are measured initially on the basis, as a reference value, of the market value calculated in complete individual appraisals applying the policies and criteria described under Guarantees in Note 2.3. In addition, the Group assesses whether it is necessary to apply a discount to this reference value given its experience in sales and the average time that similar assets are held on the balance sheet.

  With the exception of the certain properties, which do not account for a significant amount in this portfolio, classified under Other properties, to which the discount on the reference value provided by the Bank of Spain is applied as an alternative solution given its experience and the information it has on the Spanish banking sector, the Group has developed internal methodologies for estimating discounts on reference values and selling costs, taking into account its experience in selling similar assets.

For the purposes of determining impairment after the foreclosure date or receipt as payment, when the fair value of costs to sell exceeds the carrying amount, the difference is recognised in the consolidated statement of profit or loss as income from impairment reversals, subject to the limit of the accumulated impairment since the initial recognition of said assets. When an asset has surpassed the average period for holding properties, the Company reviews the procedure for determining fair value. Therefore, no impairment reversal income is recognised for these assets.

The Group carries out regular comparison and reference exercises for the estimates made and has devised backtesting methods for comparing estimated and actual losses.

As a result of these analyses, the Group makes changes to internal methodologies when regular backtesting brings to light significant differences between estimated losses and actual losses.

The backtesting methods and analyses are also revised by the internal control department.

Gains and losses generated on the disposal of non-current assets and disposal groups of items classified as held for sale and impairment losses and impairment reversals, where applicable, are recognised under "Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" on the consolidated statement of profit or loss. The remaining income and expenses associated with these assets and liabilities are disclosed by nature.

2.19 Insurance transactions

In accordance with accounting standards specific to the insurance sector, group insurance companies record a revenue for the amount of premiums issued during the year and an expense for the cost of claims when these are made known. These accounting practices require insurance companies to apportion the amounts credited to the statement of profit or loss and not accrued at that date at year-end.

The most significant accruals and deferrals made by the consolidated entities in relation to direct insurance purchased by them are: unearned premiums, benefits, life insurance when the investment risk is assumed by the policyholder, share in profits and returned premiums.

The adjustment of accounting asymmetries is applied to insurance transactions that:

- are financially immunised,
- link the surrender value to the value of the assets specifically assigned,
- envisage a share in the profits of a related asset portfolio,
- are characterised by the fact that the policyholder assumes the investment risk.

The adjustment consists of symmetrically recognising the changes in the fair value of the financial assets linked to insurance activity classified in the categories "Financial assets not held for trading mandatorily measured at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income".

The balancing entry for these changes is the life insurance provision, when this is required by Spanish insurance legislation, or a liability account (with a positive or negative balance) for the portion not recorded as in the life insurance provision which is disclosed under "Other liabilities" on the consolidated balance sheet.

The technical reserves for ceded reinsurance, calculated on the basis of the relevant reinsurance treaties applying the same criteria as for direct insurance, are recognised under "Assets under insurance or reinsurance contracts" (Note 14).

The technical provisions for direct insurance and accepted reinsurance recognised by the consolidated insurance company to cover the obligations arising from the insurance contracts in force at the end of the period are presented in the consolidated balance sheet under "Liabilities under insurance or reinsurance contracts" (Note 20).

Life insurance provisions

They represent the value of the institution's obligations net of the Policyholder's obligations for life insurance at the end of the financial year.

Life insurance reserves are broken down into the unearned premium reserve for insurance whose period of coverage is equal to or less than one year plus, where appropriate, the provision for current risks and, for other insurance, the mathematical reserves.

- **Unearned premium reserve**

  The unearned premium reserve relates to the fraction of the premiums in the year that is allocated to the period between the year-end date and the end of the contract coverage period. The reserve is calculated for each individual policy, applying the actuarial bases contained in its technical notes.

- **Provision for current risks**

  This provision is set up for each line of insurance in so far as the amount of the unearned premium reserve is not sufficient to reflect the value of all the risks and expenses to be covered by the institution for the coverage period not elapsed at the end of the financial year.

  The necessary claims study was carried out to determine the need for a provision for current risks based on the provisions of Article 31 of the Insurance Regulation. This yielded a positive balance, which shows the lack of obligation to make such a provision.

- **Mathematical reserves**

  The mathematical reserves represents the difference between the actuarial present value of the entity's future obligations and those of the policyholder or, if applicable, the insured party. Its calculation is made policy by policy, via an individual system and applying a prospective method, taking as a basis for calculation the inventory premium accrued in the year.

  Calculation of the mathematical reserves was based on the provisions of the Regulation for the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November, Royal Decree 239/2007 of 16 February and Order EHA/339/2007 of 16 February, as well as its subsequent amendments and the Resolutions of the Directorate General of Insurance of 6 July 2012 and 9 March 2015.

  However, pursuant to the Second Transitional Provision of the Regulations, for insurance contracted before the entry into force of the Regulation for the Organisation and Supervision of Private Insurance, if the real yield obtained from the investments concerned in the financial year was lower than the technical rate used, the Company would calculate the mathematical reserves by applying an interest rate equal to the yield actually obtained.

  The insurance company calculates the mathematical reserves of a significant part of its insurance portfolio in accordance with article 33.2 of the Regulation for the Organisation and Supervision of Private Insurance, measuring it by the maximum interest rate derived from the internal rate of return of certain investments allocated to the product, provided that certain requirements established in the applicable regulations are met by means of matching flows.

  On 2 December 2015, Royal Decree 1060/2015 of 20 November was published on the organisation, supervision and solvency of insurance and reinsurance undertakings. It came into force on 1 January 2016 and its main purpose is to complete the transposition of European Solvency II regulations into Spanish law.

  As a result of the foregoing, the institution has applied the fifth additional provision, which is mandatory for it, in relation to the interest rate for the calculation of technical provisions for accounting purposes of life insurance with respect to contracts entered into on or after 1 January 2016.

In 2017, the insurance company, pursuant to the provisions of section 1 of the fifth additional provision of Royal Decree 1060/2015, of 20 November, on the Regulation, Supervision and Solvency of Insurance and Reinsurance Companies, accepted, with regard to the interest rate to be used in the calculation of the life insurance provision for contracts concluded before 1 January 2016 and whose calculation is governed by the provisions of sections 1.a.1 and 1.b)1 of article 33 of the Regulation for the Organisation and Supervision of Private Insurance, to the option of adapting to the relevant temporary structure of risk-free interest rates provided for in article 54 of this Royal Decree, including, where appropriate, the component relating to the adjustment for volatility provided for in article 57 of this Royal Decree.

Reserves for benefits pending payment

These include:

- **Reserves for benefits pending payment**

  This represents the amount of the institution's outstanding obligations arising from claims occurring prior to the year-end date, which is equal to the difference between its total estimated or certain cost, including external and internal file management and administration expenses, and all the amounts already paid in respect of such claims.

  In order to determine their amount, claims are classified by year of occurrence, with each claim being measured individually.

- **Reserves for benefits pending declaration**

  The reserves for claims pending declaration has been estimated based on the information and experience in previous years of the Insurer, as established in article 41 of the Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

- **Provision for claim settlement expenses**

  It reflect the amount sufficient to cover the internal expenses of the institution necessary for the total settlement of the claims. The provision for benefits for settlement expenses has been estimated as set out in article 42 of Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

Provision for profit sharing and returned premiums

It contains the amount of the benefits accrued in favour of the policyholders, insured parties or beneficiaries and the amount of the premiums that should be returned to the policyholders or insured parties, if applicable, by virtue of the behaviour experienced by the insured risk, as long as they have not been allocated individually to each of them.

Provisions for life insurance in which the investment risk is borne by the policyholders

The provision for life insurance in which it is contractually estimated that the risk of the investment is borne by the policyholder is determined on the basis of the technical notes for each type and on the basis of the investments concerned in order to establish the economic value of the policyholder's rights.

The Group carries out various procedures and has implemented controls to ensure the sufficiency of technical reserves, including:

- With regard to insurance reserves with mortality risk: the provision for current risks is calculated annually as detailed above. This calculation involves the preparation of a profit or loss account for the last two years of mortality risk in order to determine that the premiums collected, determined with the same mortality tables used for the calculation of technical reserves, are higher than the claims actually incurred. The fact that the mortality business yields profits ensures the sufficiency of the provisions made.

- With regard to insurance reserves with longevity risk: each year, the Group obtains real historical mortality assumptions in relation to this activity, for application in the Solvency II calculations (Best Estimate Liability and Capital Requirements (SCR)). For this generation of assumptions, the company's historical mortality rate in these products compared with the mortality tables applied in the collection of premiums and in the calculation of technical reserves. The fact that the reality does not differ from the tables applied ensures the sufficiency of the provisions made with these tables.

- Every month, from the second line of defence (control), the results obtained by the company are monitored by product, differentiating the financial result from the technical result (result associated with insurance risk). The observation that positive technical results are being generated in the different products ensures the sufficiency of the technical provisions set up.

- The Group has a specific Internal Audit function for the insurance activity which is set up as a third line of defence, independent from the rest of the company's units, which, as part of its action planning, periodically reviews the adequacy of the technical reserves associated with each insurance line.

- Lastly, the Group's external auditor issues the "Report on the Financial Condition and Solvency of the insurance company".

2.20 Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, their respective directors distinguished between:

- Provisions: credit balances covering present obligations at the date of the balance sheet arising from past events which could give rise to pecuniary losses for the entities that are considered likely to occur, are certain as to their nature but uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events not within the control of the consolidated entities.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, although they are disclosed in accordance with applicable regulations (Note 27.1).

Provisions, which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close if new information comes to light, are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

Provisions considered necessary in accordance with the above criteria are debited or credited to "Provisions or reversal of provisions" on the consolidated statement of profit or loss.

At year end, certain litigation and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on the consolidated financial statements in the years in which they are settled.

2.21 Consolidated statements of recognised income and expenses

In accordance with the options established in IAS 1.81, the Group has chosen to present separately a statement showing the components of consolidated profits ("consolidated statement of profit or loss") and a second statement which, on the basis of consolidated profits for the year, reflects the components of the remaining income and expenses for the year recognised directly in equity ("Consolidated statement of comprehensive income").

The "Consolidated statement of comprehensive income" shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between items of income and expense that are recognised in profit and loss for the year and items of income and expense that, as required under current regulations, are recognised directly in consolidated equity.

In general, income and expenses recognised directly in equity are disclosed at the gross amount and the relevant tax effect is reflected under "Corporate Income Tax".

Therefore, this statement shows:

a) Consolidated profit/(loss) for the year.

b) The net amount of income and expenses recognised as "Other accumulated comprehensive income" in equity, which will not be reclassified to profit or loss.

c) The net amount of income and expenses recognised in equity, which may be reclassified to profit or loss.

d) Corporation tax accrued on the items indicated in (b) and (c) above, except for adjustments to other comprehensive income arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented on a net basis.

e) Total consolidated recognised income and expenses, calculated as the sum of the foregoing letters, showing separately the amount attributed to the parent and the amount attributed to non-controlling interests.

2.22 Total statement of changes in equity

The "Total statement of changes in equity" presents all changes in equity, including those arising from changes in accounting criteria and the correction of errors. This statement therefore reflects a reconciliation of the carrying value at the beginning and end of the year for all items forming part of consolidated equity, grouping movements on the basis of their nature into the following items:

a) Adjustments due to changes in accounting principles and correction of errors: Includes changes in consolidated equity due to the retroactive adjustment to financial statement balances because of changes in accounting principles or to correct errors.

b) Comprehensive income for the year: comprises an aggregate of all the aforementioned items recognised in the statement of comprehensive income.

c) Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of earnings, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in consolidated equity.

2.23 Consolidated statement of cash flows

The following expressions are used with the following meaning in the consolidated cash flow statement:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as on-demand investments.
- Operating activities: the ordinary activities of credit institutions. Activities involving financial instruments are regarded as operating activities, with certain exceptions such as the equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments and subordinate financial liabilities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities do not form part of operating activities.

For the purposes of preparing the consolidated cash flow statement, "cash and cash equivalents" are considered to be short-term, highly liquid investments with an insignificant risk of changes in value. The Group therefore treats the following financial assets and liabilities as cash or cash equivalents:

- The Group's own cash, which is recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6).
- Net demand balances held with Central Banks, recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6).
- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6). Creditor balances are recognised under liabilities on the consolidated balance sheet under the heading "Financial liabilities at amortised cost – Deposits – Credit institutions" (Note 19.2).

3. Risk management

3.1 General principles

The Ibercaja Group's risk management is based on the strategic principles described below:

- Maintenance of a medium-low risk profile.
- Compliance with regulatory requirements at all times, and with the capital and liquidity targets set in the capital and liquidity self-assessment processes.
- Maintenance of suitable levels of risk-adjusted returns to ensure achievement of profit targets.
- Avoid concentration of risks in any form (individual, economic groups, sectorial, etc).
- Avoid the materialisation of operational, regulatory, legal or reputational risks through active and continuing risk management.
- Strong risk governance with the effective involvement of senior management and the Board of Directors.
- Foster a risk-aware culture and support the Organisation's suitable understanding of the level and nature of risks to which it is exposed.
- Maintain and reinforce the trust of customers, investors, employees, suppliers and other stakeholders.

3.2 Catalogue of material risks for the Ibercaja Group

The material risks identified by the Ibercaja Group in the course of its business are as follows:

- Credit risk: the risk of loss due to borrowers' breach of payment obligations, and loss of value due to impairment in borrowers' credit quality. Includes the following sub-categories:
  - Concentration risk: These are defined as the risk of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Group.
  - Real estate risk: Risk of impairment of properties used as collateral in financing transactions or acquired through foreclosure arising from periods of crisis in the real estate market.
  - Sovereign risk: This relates to the risk that the country in which the investment is made, often in the form of purchase of bonds and government debt, will default on its payment obligations, outside the normal risks of a common credit operation.

- Operational Risk: reflects potential loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or a loss arising from external events. Includes the following sub-categories:
  - Reputational risk: Risk tied to the perception of stakeholders (customers, investors, employees, suppliers and others), from which economic losses may derive.
  - Legal risk: the possibility of financial loss due to failure to comply with applicable legal and administrative provisions, issuance of unfavourable administrative and judicial decisions, application of fines or sanctions in relation to any of the bank's operations, processes or activities, such as errors in legal opinions, contracts, bonds or any legal document, such as to preclude enforceability of a right or determine the legal impossibility of enforcing a contract due to failures of legal implementation.
  - Technological risk: the probability that the bank's ICT (information and communication technologies) services or infrastructure will not achieve the service levels necessary to support business processes with sufficient effectiveness, as a consequence of an event that affects the availability, integrity or confidentiality of the data, applications and networks that make up such infrastructure, causing economic loss or other types of loss.
- Market risk: the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, commodity prices, etc.) that determine the value of those positions. This risk affects the trading portfolio and the "hold to collect and sell" portfolio.
- Interest rate risk: the risk that the financial margin or economic value of the Bank are affected by adverse variations in interest rates that impact the cash flows of financial instruments.
- Liquidity and financing risk: the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.
- Business and profitability risk: the probability of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. In addition, the risk encompasses extraordinary threats, which may endanger the continuity of the business or the Bank.
- Insurance business risk. In addition to its banking business risk, Ibercaja Banco, as a financial conglomerate, must specifically manage and control its insurance business risk. Material risks of this business include interest rate risk, spread risk, concentration risk, counterparty risk, underwriting risk, operational risk and sovereign risk.

3.3 Global risk management processes and tools

Risk Appetite Framework (RAF)

The Group's risk management is organised through the Risk Appetite Framework (RAF). The key aim of the Ibercaja Group's RAF is to establish a set of principles, procedures, controls and systems through which the Bank's risk appetite is specified, communicated and monitored.

Risk appetite is the level or profile of risk that the Ibercaja Group is willing to accept and maintain, in terms of type and amount, and its level of tolerance. Risk appetite must be geared towards achieving the targets of the strategic plan, in accordance with the lines of action established in that plan.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterized by:

- Alignment with the strategic plan and capital planning.
- Integration into the Bank's risk culture, with the involvement of all levels of responsibility.
- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.
- Associated with the information management systems.

Internal Capital/Liquidity Adequacy Assessment Process (ICAAP & ILAAP)

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) seek to provide certainty about the risks to which the Bank is or may be exposed and its ability to remain viable, while maintaining an adequate level of capitalisation and liquidity and managing its risks effectively.

This requires prospective assurance that all material risks are identified, managed effectively (with an appropriate combination of measurement and controls), and covered by a sufficient amount of high-quality capital, in the case of ICAAP, and by a sufficient amount of liquid assets and stable sources of financing, in the case of ILAAP.

The purpose of ICAAP and ILAAP is to ensure an adequate relationship between the Bank's risk profile and the own funds that it effectively holds. To do this, a recurring process is carried out that allows:

- Identify, measure and aggregate material risks (not just Pillar I).
- Define the risk profile.
- Carry out capital planning and medium-term financing (base case and adverse scenarios).
- Set internal targets for own resources and liquid assets that enables us to maintain adequate clearance over minimum requirements.
- Determine and allocate the capital and liquidity needed to cover material risks.
- Establish action plans to respond to any situation of capital or liquidity shortage.
- Present a formal and unequivocal statement on the adequacy of the Group's capital and liquidity approved by the Board of Directors.

Recovery Plan

Ibercaja Banco's recovery plan is a response to the requirement under Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, or “Bank Recovery and Resolution Directive” (BRRD). The main objectives of the plan are:

- To provide a detailed view of the Bank, including an analysis of its main lines of business and critical economic functions.
- To describe the process of development, approval and updating of the plan, and how it is integrated into the Bank's procedures.
- To describe in detail the model of escalation and decision-making in a situation of continuity, early warning and recovery.
- To identify the set of recovery indicators that are to be monitored periodically to anticipate any situations of severe stress.
- To set out the selected recovery measures, which could be taken in a recovery situation to restore Ibercaja's capital and liquidity position. For each recovery measure, a feasibility and financial impact analysis was carried out, an operational plan was designed for its implementation, a communication plan was rolled out, and needs were analysed from an information management point of view. In addition, a test of the effectiveness of the measures in the face of hypothetical stress scenarios is described.

- To design the internal and external communication plan to be carried out in a recovery situation.
- To describe preparatory measures.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are reviewed and approved by the Bank's Board of Directors on an annual basis.

3.4 Governance Model

The Ibercaja Group has a robust organisational structure that allows it to ensure effective risk management and control. The governance structure provides adequate channels of communication to convey information and decisions at all levels of the organisation.

The following are the Governing Bodies and Executive Committees that directly address risk management and control.

3.4.1 Governing Bodies

Board of Directors

The Board of Directors is the body responsible for ensuring a robust risk culture, establishing the strategic lines of risk management and control and approving policies, manuals and procedures relating to risk management.

Its risk management and control duties and powers include:

- Establishing and approving the Ibercaja Group's Risk Appetite Framework (RAF) after a report from the Large Exposures and Solvency Committee, and review it at least once a year or whenever necessary depending on the circumstances.
- Evaluating and supervising the risk profile and its alignment with the established framework and the Group's strategy, and approving the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports.
- To approve and periodically review the strategies and policies for accepting, managing, supervising and reducing the risks to which the Group is or may be exposed, including risks posed by the macroeconomic situation in which it operates in relation to the current stage of the economic cycle.
- To actively participate in the management of material risks covered by solvency regulations and ensure that the organisation has adequate resources for such management.
- To ensure that the necessary action plans and corrective measures are in place to manage limit overshoots.
- To establish and supervise the Group's risk information and control systems, following a report from the Large Exposures and Solvency Committee.
- To ensure that all aspects of capital planning are integrated with management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Financing Plan.

The boards of directors of the subsidiaries are responsible for approving the respective risk appetite proposals once they have been validated by the Global Risk Committee and the Large Exposures and Solvency Committee.

The Ibercaja Group is a financial conglomerate and its insurance business is significant, so it jointly manages the risks arising from the banking and insurance businesses.

Large Exposures and Solvency Committee

The Large Exposures and Solvency Committee has had powers delegated to it by the Board of Directors to carry out the functions of framing and supervising risk management.

Its risk management duties and powers include:

- To report to the Board of Directors, prior to approval, on the Bank's Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS), the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan, ensuring that they are consistent with other policies and with the Bank's strategic framework.
- To review the effectiveness of the risk management framework and internal control systems.
- To periodically review compliance with risk appetite (significant risk exposures, breaches of limits and agreed management measures).
- To receive adequate information from management so as to be able to identify the risks faced by the Bank and its Group; to be able to assess and, where appropriate, propose measures to mitigate the impact of the risks identified.

Strategy Committee

The Strategy Committee has the core function of informing the Board of Directors of the Bank's strategic policy, ensuring that there is a specific organisation in place for its implementation.

Audit and Compliance Committee

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

3.4.2 Executive Committees

Global Risk Committee

Executive body responsible for defining and monitoring the Group's risk strategies and policies. The main functions and responsibilities of the Global Risk Committee are:

- To report periodically to the Large Exposures and Solvency Committee on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the action plans required to correct overshoots or breaches.
- To submit the proposed RAF, the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan to the Large Exposures and Solvency Committee for evaluation and analysis with a view to consistency with the Group's risk management policy and strategic plan.
- To evaluate and approve action plans in response to alerts or overshoots, prior to referral to the Large Exposures and Solvency Committee.
- To ensure that the Group has adequate procedures and means in place for the identification, measurement, follow-up and monitoring of the risk profile.

Audit Committee

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organisational scheme provides the Bank with a global structure of governance and risk management, in proportion to the complexity of the Ibercaja Group's business, with three lines of defence:

- First line of defence: Configured by the Group's risk-taking business and support units.
- Second line of defence: Located organisationally in the General Secretary’s Office-Control Department as the head of the second line, it acts independently of the business units. The second line comprises the Risk Control functions, which monitor and report risks and review the application of management policies and control procedures by the first line, and the Compliance functions, in charge of reviewing that business is conducted in accordance with applicable legislation, regulations and internal policies.
- Third line of defence: Internal audit, as an independent function that provides an assessment and proposals for improving risk management and control processes.

3.5 Exposure to credit risk

Defined as the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers’ credit ratings.

3.5.1 Strategies and policies for the credit risk management

Credit risk management is geared towards facilitating sustained and balanced growth in loans and receivables while guaranteeing at all times the soundness of the Company’s position in financial and equity terms, so as to optimise the return / risk ratio within levels of tolerance established by the Board of Directors based on the defined management principles and operational policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the “Credit Risk Management Framework”, the “Irregular Assets Management Framework” and the “Risk Models Management Framework” and the various policy manuals that implement those frameworks. The manuals include, inter alia, the action guidelines for the main operating segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorising risks that exceed the competence of the operating circuit.

In the current context of the health pandemic, the Entity, through the various support measures (public and private) put in place as a result of the COVID-19 crisis, has offered its customers solutions in keeping with their financial condition. The company has also implemented the guidelines issued by the regulator on the treatment and accounting recognition of such aid. (Note 11.6.1)

The Entity has carried out exercises to identify borrowers affected by this crisis, in order to assess their payment capacity, and the customers and exposures identified as having a higher risk profile, the Entity has carried out various risk management and accounting recognition actions.

The impact of the COVID-19 crisis, the support measures granted and their characteristics, as well as macroeconomic forecasts have been considered in the projection of the financial statements for the coming years, with special attention to the foreseeable development of inflows and outflows of non-performing loans, accounting provisioning and solvency.

3.5.2 *Credit risk granting, monitoring and recovery policies*

The loan portfolio is segmented into groups of customers with homogeneous risk profiles susceptible to different treatment through the application of specific evaluation models.

a) In relation to the granting of credit risk, the following policies have been implemented:

- Classifications of risk for borrower groups through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.
- Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.
- Methodology for operations analysis based on type and correspondence to different segments.
- Internal credit rating models integrated with decision-taking systems for the various areas of the retail business.
- Requirements necessary to provide each operation with legal safeguards.
- Risk mitigation techniques.
- Pricing policies in line with customers' credit quality.

The credit risk management policy is structured through a decentralised lending arrangement based on a formally established delegation of powers and set out in risk manuals.

The Bank has in place, under its “Acceptance Policy Manual”, risk acceptance policies in line with Law 2/2011 of 4 March, on the Sustainable Economy, Order EHA/2899/2011 of 28 October, on banking services transparency and customer protection, and Bank of Spain Circular 5/2012 of 27 June, on transparency in banking services and responsibility in the granting of loans and credit facilities.

With respect to granting loans, the manual considers essential criteria to be the reasonableness of the proposal, the analysis of the borrower's payment capacity and the prudent valuation of guarantees. Real-estate collateral is always appraised by independent valuation companies (authorised by the Bank of Spain).

In terms of banking services customer protection and transparency standards, the Group performs the following actions:

- Current rates (interest, fees and expenses) applied to the various financial products are displayed at branches.
- Rates in force are reported quarterly to the Bank of Spain.
- The rates applied in products can be consulted on the Company's website (http://contransparencia.ibercaja.es).
- Customers are provided with documentation setting out contractual conditions before any contract is signed. A copy of the contract is subsequently given to the customer.
- Every January, customers receive personal reports giving details of interest, fees and expenses applied during the preceding year in the products they have contracted.

The Internal Audit Department, as part of the control actions performed at the branches, is responsible for overseeing compliance with the established policies and procedures.

b) In the area of credit risk monitoring, the main objective is to identify in advance any impairment in borrowers' risk quality, to take corrective action and minimise the adverse impact of any entry into default of the exposure, or of classification of the exposure as Stage 2.

The credit risk monitoring function is carried out on the basis of individualised monitoring of customers who require greater attention due to exposure or risk profile, and on the basis of an analysis of the performance of different portfolios (Individuals, Production Activities, Developers, etc.).

Some of the credit risk monitoring conducted at the Bank, including classification and estimation of allowances for exposures, is based on Annex 9 “Analysis and Coverage of Credit Risk”, of Bank of Spain Circular 4/2017, of 27 November. Those regulatory provisions require institutions to have policies in place for credit risk assessment, monitoring and control that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, both when granted and throughout their term of effect. Under this Circular, the Bank considers borrowers with respect to which exposure exceeds €3 million to be individually material borrowers.

The principles, procedures and key tools on which the monitoring function is based to carry out its work effectively are set out in the Bank's Credit Risk Monitoring Policy.

c) Integrated management risk is completed by recovery policies aimed at avoiding or minimising potential default through specific recover circuits based on the quantity and nature of the operations concerned and with the involvement of various internal and external managers to tailor the actions required by each situation.

3.5.3 Country risk

This is defined as the possibility of incurring losses due to the failure of a country to comply with payment obligations due to circumstances other than normal commercial risk. Comprises sovereign risk, transfer risk and other risks inherent to international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2017, on the basis of their rating, economic performance, political situation, regulatory and institutional framework, payment capacity and payment record.

In relation to sovereign risk, the Company has maximum limits for public debt issued by European Union States and other States, also based on their corresponding ratings.

3.5.4 Information on the credit risk of financial instruments

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and of the portfolio of financial assets at amortised cost (Note 11) at 31 December 2020 and 2019:

	Thousands of euros			
	31/12/2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**37,712,925**	**1,677,854**	**1,012,938**	**40,403,717**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,241**	**2,241**
Allowances for impairment of assets	**52,154**	**132,330**	**460,616**	**645,100**
Of which: calculated collectively	52,154	120,060	363,511	535,725
Of which: calculated separately	-	12,270	97,105	109,375
Net amount	**37,660,771**	**1,545,524**	**550,081**	**39,756,376**

	Thousands of euros			
	31/12/2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**37,807,997**	**1,403,209**	**1,293,161**	**40,504,367**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,231**	**2,231**
Allowances for impairment of assets	**60,248**	**65,200**	**516,940**	**642,388**
Of which: calculated collectively	60,248	55,091	392,072	507,411
Of which: calculated separately	-	10,109	124,868	134,977
Net amount	**37,747,749**	**1,338,009**	**773,990**	**39,859,748**

Impairment adjustments to collectively calculated assets amount to 57 thousand euros at 31 December 2020 (65 thousand euros at 31 December 2019) due to country risk.

In relation to the maximum level of exposure to credit risk, the most significant sectors of activity are detailed in relation to non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and financial assets at amortised cost (Note 11), by transaction purpose:

	Thousands of euros	
	2020	**2019**
Public sector	7,453,249	6,114,085
Credit institutions	405,120	795,337
Real estate construction and development	1,033,184	1,203,767
Other production activities	10,525,004	11,118,667
Housing acquisition and refurbishment	19,052,798	19,553,933
Consumer and other household lending	807,713	816,234
Other sectors not classified	1,126,649	902,344
	40,403,717	**40,504,367**

With respect to the maximum level of exposure to credit risk, financial assets at amortised cost (Note 11) secured by collateral or credit enhancements are as follows:

	Thousands of euros	
	2020	**2019**
Mortgage guarantees	21,857,969	22,857,231
Pledges - financial assets	74,900	58,096
Off-balance sheet guarantees – public sector, credit institutions, mutual guarantee funds	3,175,311	1,826,296
Guarantees - public sector debt	1,620,857	1,722,143
	26,729,037	**26,463,766**

Guarantees received and financial guarantees granted break down as follows at 31 December 2020 and 2019:

	Thousands of euros	
	2020	**2019**
Value of collateral	21,535,458	22,303,745
Of which: guarantees risks on special watch	*1,124,234*	*981,695*
Of which: guarantees non-performing risks	*642,981*	*844,728*
Value of other collateral	7,344,364	6,995,125
Of which: guarantees risks on special watch	*713,748*	*495,054*
Of which: guarantees non-performing risks	*316,958*	*396,071*
Total value of the collateral received	**28,879,822**	**29,298,870**

	Thousands of euros	
	2020	**2019**
Loan commitments given (Note 27.3)	**3,288,448**	**2,966,973**
Of which: classified as non-performing	*5,732*	*8,048*
Amount recognised under liabilities on the balance sheet (Note 21)	4,898	6,896
Financial guarantees granted (Note 27.1)	**93,631**	**76,204**
Of which: classified as non-performing	*5,495*	*5,255*
Amount recognised under liabilities on the balance sheet (Note 21)	6,048	5,687
Other commitments given	**795,006**	**856,027**
Of which: classified as non-performing	*31,270*	*36,726*
Amount recognised under liabilities on the balance sheet (Note 21)	8,531	9,932

At December 2020 the LTV (loan to value, reflecting the relationship between the financial transaction balance and the value of the guarantee associated with that transaction) of the Ibercaja Group's mortgage portfolio stood at 51.14% (51.82% at December 2019).

The classification of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8), of fixed-income assets at fair value through other comprehensive income (Note 10) and financial assets at amortised cost (Note 11) that are impaired, distinguishing between those where impairment arises from payment default and those where it emerges from other factors, is as follows:

	Thousands of euros	
	2020	2019
Customer default	839,140	1,052,257
Other factors	173,798	240,904
	1,012,938	**1,293,161**

The main factors taken into account to calculate impairment for reasons other than non-payment are those reflected in Note 2.3.

There are generally no non-performing financial assets that are not impaired. The only exceptions to this rule are transactions where the Public Sector is the titleholder or which are secured through a cash guarantee and the amount involved is insignificant.

Note 11.4.1 includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

3.5.5 Information concerning risk concentration, refinancing and restructuring

3.5.5.1 Information concerning risk concentration

Below is a breakdown of the carrying amount of the distribution of customer loans by activity at 31 December 2020 and 2019:

	Thousands of euros								
	31/12/2020								
	Total	Of which: mortgage collateral	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (loan to value)					
				Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**733,879**	**53,579**	**-**	**5,408**	**17,753**	**29,207**	**396**	**815**
Other financial companies and individual entrepreneurs (financial business activity)	**1,631,822**	**4,033**	**1,620,429**	**1,093**	**2,740**	**200**	**1,620,429**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**7,582,830**	**2,369,709**	**31,675**	**734,812**	**622,044**	**450,185**	**259,672**	**334,671**
Real estate construction and development (including land)	978,430	942,023	-	79,388	153,749	236,948	206,002	265,936
Civil engineering	18,651	33	-	33	-	-	-	-
Other purposes	6,585,749	1,427,653	31,675	655,391	468,295	213,237	53,670	68,735
Large corporations	*1,459,380*	*20,584*	-	*10,349*	*1,732*	*8,022*	-	*481*
SMEs and individual entrepreneurs	*5,126,369*	*1,407,069*	*31,675*	*645,042*	*466,563*	*205,215*	*53,670*	*68,254*
Other households and non-profit institutions serving households	**20,663,018**	**19,141,646**	**29,340**	**5,858,906**	**7,413,127**	**5,039,182**	**539,079**	**320,692**
Homes	18,851,339	18,614,980	11,066	5,565,573	7,279,779	4,961,056	519,706	299,932
Consumption	783,435	118,191	12,163	87,511	23,870	12,441	4,721	1,811
Other purposes	1,028,244	408,475	6,111	205,822	109,478	65,685	14,652	18,949
Total	**30,611,549**	**21,568,967**	**1,681,444**	**6,600,219**	**8,055,664**	**5,518,774**	**2,419,576**	**656,178**
Memorandum items: refinancing, refinanced and restructured operations	**526,552**	**472,615**	**160**	**98,656**	**87,388**	**106,157**	**73,827**	**106,747**

	Thousands of euros							
	31/12/2019							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: mortgage collateral	Of which: other collateral	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**757,563**	**58,355**	**-**	**5,070**	**17,931**	**31,256**	**3,028**	**1,070**
Other financial companies and individual entrepreneurs (financial business activity)	**1,622,378**	**3,374**	**1,615,432**	**1,070**	**883**	**1,421**	**1,615,432**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**7,968,585**	**2,803,036**	**23,468**	**827,072**	**750,442**	**497,818**	**314,988**	**436,184**
Real estate construction and development (including land)	1,128,816	1,081,306	3	84,162	215,128	232,029	238,566	311,424
Civil engineering	21,840	36	-	36	-	-	-	-
Other purposes	6,817,929	1,721,694	23,465	742,874	535,314	265,789	76,422	124,760
Large corporations	*1,226,303*	*20,212*	*76*	*10,552*	*2,520*	*6,766*	*50*	*400*
SMEs and individual entrepreneurs	*5,591,626*	*1,701,482*	*23,389*	*732,322*	*532,794*	*259,023*	*76,372*	*124,360*
Other households and non-profit institutions serving households	**20,921,694**	**19,657,099**	**19,805**	**5,878,744**	**7,632,680**	**5,142,441**	**646,574**	**376,465**
Homes	19,374,025	19,127,294	6,710	5,588,720	7,500,874	5,058,499	626,565	359,346
Consumption	794,168	137,445	8,728	99,975	27,227	12,857	4,613	1,501
Other purposes	753,501	392,360	4,367	190,049	104,579	71,085	15,396	15,618
Total	**31,270,220**	**22,521,864**	**1,658,705**	**6,711,956**	**8,401,936**	**5,672,936**	**2,580,022**	**813,719**
Memorandum items: refinancing, refinanced and restructured operations	**745,056**	**671,738**	**133**	**120,625**	**122,113**	**156,026**	**106,042**	**167,065**

The carrying amount of the risks classified by business and geographic area are set out below, including loans and advances, debt securities, equity instruments, trading derivatives, hedge derivatives, shares and contingent risks.

- Total activity:

	Thousands of euros				
	31/12/2020				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**8,239,362**	**112,408**	**8,962**	**33,781**	**8,394,513**
Public administrations	**11,159,034**	**1,145,475**	**-**	**3,981**	**12,308,490**
Central government	10,282,826	1,145,475	-	3,981	11,432,282
Other public administrations	876,208	-	-	-	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**3,582,550**	**170,455**	**-**	**-**	**3,753,005**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,667,457**	**1,022,964**	**26,333**	**22,246**	**10,739,000**
Real estate construction and development (including land)	1,278,958	-	-	-	1,278,958
Civil engineering	26,628	-	-	-	26,628
Other purposes	8,361,871	1,022,964	26,333	22,246	9,433,414
Large corporations	*1,951,031*	*985,918*	*7,613*	*18,190*	*2,962,752*
SMEs and individual entrepreneurs	*6,410,840*	*37,046*	*18,720*	*4,056*	*6,470,662*
Other households and non-profit institutions serving households	**20,648,372**	**57,961**	**12,637**	**46,600**	**20,765,570**
Homes	18,736,241	57,137	11,481	46,479	18,851,338
Consumption	781,895	673	790	76	783,434
Other purposes	1,130,236	151	366	45	1,130,798
Total	**53,296,775**	**2,509,263**	**47,932**	**106,608**	**55,960,578**

	Thousands of euros				
	31/12/2019				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**4,749,638**	**502,009**	**7,473**	**13**	**5,259,133**
Public administrations	**10,732,786**	**1,113,967**	**-**	**-**	**11,846,753**
Central government	9,660,044	1,113,967	-	-	10,774,011
Other public administrations	1,072,742	-	-	-	1,072,742
Other financial companies and individual entrepreneurs (financial business activity)	**3,769,951**	**222,757**	**12,423**	**-**	**4,005,131**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,681,952**	**1,087,006**	**23,854**	**13,633**	**10,806,445**
Real estate construction and development (including land)	1,469,957	-	-	-	1,469,957
Civil engineering	19,767	-	-	2,073	21,840
Other purposes	8,192,228	1,087,006	23,854	11,560	9,314,648
Large corporations	*1,675,088*	*1,042,337*	*6,504*	*10,837*	*2,734,766*
SMEs and individual entrepreneurs	*6,517,140*	*44,669*	*17,350*	*723*	*6,579,882*
Other households and non-profit institutions serving households	**20,954,878**	**72,359**	**13,859**	**34,124**	**21,075,220**
Homes	19,261,281	67,470	12,377	33,705	19,374,833
Consumption	791,752	1,095	971	350	794,168
Other purposes	901,845	3,794	511	69	906,219
Total	**49,889,205**	**2,998,098**	**57,609**	**47,770**	**52,992,682**

▪ Activity in Spain:

	Thousands of euros								
	31/12/2020								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**8,008,760**	**65,951**	**-**	**27,063**	**21,584**	**-**	**-**	**116,004**	**8,239,362**
Public administrations	**158,489**	**58,542**	**8,762**	**63,996**	**20,787**	**86,295**	**14,870**	**464,467**	**11,159,034**
Central government (*)	-	-	-	-	-	-	-	-	10,282,826
Other public administrations	158,489	58,542	8,762	63,996	20,787	86,295	14,870	464,467	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**151,034**	**3,425,252**	**1,610**	**449**	**696**	**2,115**	**320**	**1,074**	**3,582,550**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**3,395,506**	**2,182,543**	**965,381**	**615,344**	**528,644**	**486,397**	**273,036**	**1,220,606**	**9,667,457**
Real estate construction and development (including land)	267,920	657,467	52,264	66,467	80,418	76,593	18,095	59,734	1,278,958
Civil engineering	1,441	24,768	2	-	-	267	-	150	26,628
Other purposes	3,126,145	1,500,308	913,115	548,877	448,226	409,537	254,941	1,160,722	8,361,871
Large corporations	*535,491*	*583,098*	*251,779*	*133,379*	*90,983*	*65,707*	*36,234*	*254,360*	*1,951,031*
SMEs and individual entrepreneurs	*2,590,654*	*917,210*	*661,336*	*415,498*	*357,243*	*343,830*	*218,707*	*906,362*	*6,410,840*
Other households and non-profit institutions serving households	**5,527,566**	**5,401,921**	**1,957,435**	**1,733,119**	**1,291,608**	**916,796**	**1,283,623**	**2,536,304**	**20,648,372**
Homes	4,534,543	5,118,429	1,840,461	1,646,431	1,228,761	828,019	1,206,575	2,333,022	18,736,241
Consumption	307,058	124,967	54,838	44,508	30,535	46,374	44,704	128,911	781,895
Other purposes	685,965	158,525	62,136	42,180	32,312	42,403	32,344	74,371	1,130,236
Total	**17,241,355**	**11,134,209**	**2,933,188**	**2,439,971**	**1,863,319**	**1,491,603**	**1,571,849**	**4,338,455**	**53,296,775**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

	Thousands of euros								
	31/12/2019								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,022,968**	**3,553,141**	**-**	**4,232**	**60,037**	**-**	**-**	**109,260**	**4,749,638**
Public administrations	**183,731**	**125,291**	**8,079**	**109,948**	**5,247**	**71,795**	**57,905**	**510,746**	**10,732,786**
Central government (*)	-	-	-	-	-	-	-	-	9,660,044
Other public administrations	183,731	125,291	8,079	109,948	5,247	71,795	57,905	510,746	1,072,742
Other financial companies and individual entrepreneurs (financial business activity)	**51,344**	**3,707,140**	**1,495**	**433**	**5,273**	**1,749**	**330**	**2,187**	**3,769,951**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**3,197,910**	**2,245,892**	**1,000,688**	**615,562**	**525,354**	**566,415**	**288,037**	**1,242,094**	**9,681,952**
Real estate construction and development (including land)	348,546	743,736	59,244	75,860	80,917	75,898	30,188	55,568	1,469,957
Civil engineering	2,273	16,886	13	-	80	321	-	194	19,767
Other purposes	2,847,091	1,485,270	941,431	539,702	444,357	490,196	257,849	1,186,332	8,192,228
Large corporations	*463,191*	*469,100*	*227,302*	*123,575*	*67,478*	*68,111*	*38,517*	*217,814*	*1,675,088*
SMEs and individual entrepreneurs	*2,383,900*	*1,016,170*	*714,129*	*416,127*	*376,879*	*422,085*	*219,332*	*968,518*	*6,517,140*
Other households and non-profit institutions serving households	**5,663,265**	**5,289,365**	**1,970,890**	**1,786,924**	**1,321,902**	**963,989**	**1,326,638**	**2,631,905**	**20,954,878**
Homes	4,810,810	5,047,076	1,860,728	1,702,736	1,270,680	881,341	1,251,635	2,436,275	19,261,281
Consumption	309,288	128,036	56,532	45,456	29,815	47,191	43,475	131,959	791,752
Other purposes	543,167	114,253	53,630	38,732	21,407	35,457	31,528	63,671	901,845
Total	**10,119,218**	**14,920,829**	**2,981,152**	**2,517,099**	**1,917,813**	**1,603,948**	**1,672,910**	**4,496,192**	**49,889,205**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

The concentration of credit quality risk in debt securities based on the counterparty's rating at 31 December 2020 and 2019 is detailed below:

	Thousands of euros			
	2020			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	-	-	154,612	7,719
A	18,008	5,473	4,287,913	5,619,781
BBB	10,001	3,129	2,221,418	2,816,381
BB	-	-	5,513	30,431
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**28,009**	**8,602**	**6,669,456**	**8,474,312**

	Thousands of euros			
	2019			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	48,340	-	153,743	7,936
A	20,312	5,612	4,929,037	4,690,054
BBB	10,131	3,327	2,545,886	2,439,855
BB	-	-	59,423	75,408
B	-	-	-	4,975
CCC	-	-	510	-
Unrated	-	-	-	-
Total	**78,783**	**8,939**	**7,688,599**	**7,218,228**

3.5.5.2 Information concerning refinancing and restructuring

The Group follows a policy aimed at utilising operations refinancing and restructuring as credit risk management instruments which, when implemented prudently and appropriately, contribute to improving risk quality, based on individualised analyses focused on providing economic viability to borrowers that, at some stage of the transaction, undergo transitory difficulties to meeting their payments commitments promptly at the time they fall due. The policy is aimed at:

- Ensuring the economic feasibility of borrowers and operations (grant of interest free periods, increase in timeframes, etc.).
- Improving as far as possible the Group's risk position through the delivery of additional effective guarantees and the review of existing guarantees.

Acceptance of transactions:

In general, refinancing/restructuring transactions must meet the following requirements:

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.
- Assessment of the borrower's/operation's compliance record.
- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. To this end, the following are considered effective guarantees:
  - Guarantees pledged over cash deposits, listed equity instruments and debt securities.
  - Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.
  - Personal guarantees (guarantee deposits, new holders etc.) fully covering the guaranteed risk.

Sanctions:

The branch network is not authorised to sanction refinancing or restructuring transactions. The transactions are authorised by a specific circuit other than the admission circuit, which is completely separate from the Commercial Network.

In 2012 Ibercaja adhered to the Code of Good Practice for the viable restructuring of debts secured by mortgages over habitual dwellings governed by Royal Decree 6/2012.

A breakdown of refinancing and restructuring balances at 31 December 2020 and 2019 can be seen below:

	Thousands of euros			
	2020		2019	
	Total	Of which: default/ not-performing	Total	Of which: default/ not-performing
Gross amount	**736,561**	**496,929**	**988,179**	**686,062**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**2,241**	**2,241**	**2,231**	**2,231**
Allowances for impairment of assets	**207,768**	**188,750**	**240,892**	**219,013**
Of which: collective	147,103	130,674	151,683	134,385
Of which: individual	60,665	58,076	89,209	84,628
Net amount	**526,552**	**305,938**	**745,056**	**464,818**
Value of the collateral received	**788,729**	**511,512**	**1,050,844**	**706,263**
Value of collateral	544,141	351,281	741,144	499,644
Value of other collateral	244,588	160,231	309,700	206,619

The reconciliation of the gross amounts of refinanced and restructured transactions at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Opening balance	**988,179**	**1,878,722**
(+) Refinancing and restructuring in the period	67,251	73,700
Memorandum items: impact recognised in the statement of profit and loss for the period	*13,862*	*19,473*
(-) Debt repayments	165,891	244,438
(-) Foreclosures	41,052	41,693
(-) Derecognitions (reclassification to written-off assets)	19,460	43,238
(+)/(-) Other changes (*)	(92,466)	(634,874)
Closing balance	**736,561**	**988,179**

(*) Includes transactions that are no longer classified as refinancing, refinanced or restructured as the requirements for reclassification from performing exposures under special vigilance to performing exposures have been met (Note 2.3).

On 31 December 2020, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	**1**	**815**	**5**	**1,069**	**578**	-	**673**	**1,211**
Other financial companies and individual entrepreneurs (financial business activity)	**2**	**20**	**1**	**29**	**29**	-	**15**	**34**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,216**	**95,376**	**1,031**	**205,267**	**160,439**	**766**	**122,962**	**177,681**
Of which: financing for real estate construction and development (including land)	*8*	*8,118*	*143*	*77,470*	*63,353*	*6*	*29,780*	*55,808*
Other household	**2,412**	**28,902**	**4,773**	**405,083**	**358,161**	**130**	**86,359**	**347,626**
Total	**3,631**	**125,113**	**5,810**	**611,448**	**519,207**	**896**	**210,009**	**526,552**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

	Thousands of euros							
	Of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	-	-	**5**	**1,069**	**578**	-	**673**	**396**
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**17**	**1**	**29**	**29**	-	**14**	**32**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**726**	**67,059**	**756**	**152,835**	**114,875**	**255**	**114,429**	**105,465**
Of which: financing for real estate construction and development (including land)	*7*	*7,978*	*125*	*57,739*	*43,761*	*6*	*28,882*	*36,835*
Other household	**1,499**	**20,563**	**2,963**	**255,357**	**220,861**	**50**	**75,875**	**200,045**
Total	**2,226**	**87,639**	**3,725**	**409,290**	**336,343**	**305**	**190,991**	**305,938**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

On 31 December 2019, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros – Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered: Real estate collateral	Maximum amount of the collateral that can be considered: Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	3	2,844	5	2,705	2,044	-	2,228	3,321
Other financial companies and individual entrepreneurs (financial business activity)	-	-	1	29	29	-	-	29
Non-financial companies and individual entrepreneurs (non-financial business activity)	1,368	107,573	1,489	295,351	183,715	50	150,450	252,474
Of which: financing for real estate construction and development (including land)	*12*	*8,748*	*201*	*122,567*	*75,119*	*-*	*49,683*	*81,632*
Other household	2,886	29,366	6,078	550,311	439,049	40	90,445	489,232
Total	4,257	139,783	7,573	848,396	624,837	90	243,123	745,056
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

	Thousands of euros – Of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered: Real estate collateral	Maximum amount of the collateral that can be considered: Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	2	1,866	2	874	213	-	2,228	512
Other financial companies and individual entrepreneurs (financial business activity)	-	-	-	-	-	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	808	69,954	1,039	215,474	118,122	-	138,548	146,880
Of which: financing for real estate construction and development (including land)	*9*	*8,464*	*170*	*102,120*	*56,134*	*-*	*48,327*	*62,257*
Other household	1,557	18,961	4,083	378,933	287,323	16	80,468	317,426
Total	2,367	90,781	5,124	595,281	405,658	16	221,244	464,818
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during financial years 2020 and 2019:

	Thousands of euros	
	2020	2019
Public administrations	-	-
Other legal persons and individual entrepreneurs	**7,269**	**11,611**
Of which: financing for real estate construction and development	364	771
Other individuals	**15,708**	**21,152**
Total	**22,977**	**32,763**

On 31 December 2020, the Group assessed the renegotiated transactions, and according to their better judgement identified and provided those that having not mediated renegotiation could have been past-due or impaired, for a global risk amount of 239,632 million euros (302,117 million euros on 31 December 2019).

3.5.6 Policies for the management of problematic assets

Ibercaja Banco, S.A. establishes specific policies relating to the management of assets of the real estate sector.

These policies are focused on favouring the compliance of the obligations of the borrowers and mitigate the risks to which the Group is exposed. In this sense, alternatives are searched for that allow for the completion and sale of the projects, analysing the renegotiation of the risks if it improves the credit position of the Group and with the basic purpose that the borrower can maintain his/her commercial activity. To do so, they keep in mind the previous experience with the borrower, the apparent willingness of payment and the improvement of the Group in terms of expected loss, seeking to increase the guarantees of the credits and not increase the customer's risk.

Additionally the Group supports the promoters once the promotions are finished, working together in the management and speeding up of sales.

In the case that the support measurements are not possible or sufficient, other alternatives are searched for such as the granting in payment or the purchase of assets, with legal claim and subsequent acquisition of real estate being the last option.

All those assets that form part of the Group's balance sheet are managed seeking their divestment or lease.

To do so, the Group has agreements with third parties or has instrumental companies, specialised in the management of urban projects, sale of real estate and lease of real estate assets. The Group has specific Units to implement these strategies and coordinate the actions of instrumental subsidiaries, the branch office network and the rest of actors involved. Additionally, the Group has the website www.ibercaja.es/inmuebles as one of the main tools with which they disclose to the public interested in these assets.

3.5.6.1 Credit investment linked to development and real estate activities and to retail mortgages

On 31 December 2020 and 2019, the details of the financing for the real estate construction and development and the hedging thereof is the following:

	Thousands of euros							
	Gross carrying amount		Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*)		Accumulated impairment		Net value	
	2020	2019	2020	2019	2020	2019	2020	2019
Financing for real estate construction and development (including land) (businesses in Spain)	**1,029,181**	**1,205,703**	**85,280**	**128,728**	**40,497**	**76,785**	**988,684**	**1,128,918**
Of which: default/non-performing	79,927	134,243	38,696	64,937	34,457	69,631	45,470	64,612
Memorandum items: written-off assets	**131,500**	**205,094**	**-**	**-**	**-**	**-**	**-**	**-**

(*) Excess of the gross exposure on the maximum recoverable amount of the effective collateral calculated according to Circular 04/2018. That is, the positive difference between the gross carrying amount of the financial assets and the maximum recoverable amount of the effective collateral.

	Thousands of euros	
	Carrying amount	
Memorandum items: Data from the public consolidated balance sheet	**2020**	**2019**
Loans to customers, excluding Public Administrations (businesses in Spain)	29,877,672	30,512,657
Total consolidated asset (total businesses)	58,400,790	55,422,015
Impairment loss and provisions for exposures classified as normal (total businesses)	198,237	141,815

The breakdown of the heading of the financing for the real estate construction and development (including land), on 31 December 2020 and 2019 is the following:

	Thousands of euros	
	Gross carrying amount	
	2020	2019
Without real estate collateral	**26,516**	**41,683**
With real estate collateral (breakdown as per the type of asset received in collateral)	**1,002,665**	**1,164,020**
Buildings and other completed constructions	283,471	341,916
Housing	*245,068*	*318,930*
Other	*38,403*	*22,986*
Buildings and other constructions under construction	638,685	712,869
Housing	*638,577*	*711,995*
Other	*108*	*874*
Land	80,509	109,235
Consolidated urban land	*71,917*	*105,398*
Other land	*8,592*	*3,837*
Total	**1,029,181**	**1,205,703**

Below a detail of the collateral received and financial guarantees granted in relation to the financing for property construction and development is shown (including undeveloped land) on 31 December 2020 and 2019.

Collateral received:

	Thousands of euros	
	2020	2019
Value of collateral	1,028,265	1,158,053
Of which: guarantees default/non-performing risks	*57,041*	*79,052*
Value of other collateral	408,851	380,462
Of which: guarantees default/non-performing risks	*18,533*	*20,847*
Total value of the collateral received	**1,437,116**	**1,538,515**

Financial guarantees granted:

	Thousands of euros	
	2020	2019
Financial guarantees granted related to real estate construction and development	**5,973**	**6,525**
Amount recognised under liabilities on the balance sheet	2,804	2,808

On 31 December 2020 and 2019, the breakdown of loans to households for housing acquisition, is the following:

	Thousands of euros			
	Gross amount		Of which: default/ non-performing	
	2020	2019	2020	2019
Housing acquisition loans	**18,692,949**	**19,158,732**	**416,727**	**596,978**
Without mortgage loan	224,210	231,885	9,824	9,949
With mortgage loan	18,468,739	18,926,847	406,903	587,029

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) on 31 December 2020 and 2019 is the following:

	Thousands of euros					
	2020					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	Total
Gross carrying amount	5,394,865	7,227,198	4,993,412	534,422	318,842	**18,468,739**
Of which: default/non-performing	49,009	96,534	133,142	57,881	70,337	**406,903**

	Thousands of euros					
	2019					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	Total
Gross carrying amount	5,399,679	7,431,020	5,069,678	645,985	380,485	**18,926,847**
Of which: default/non-performing	58,751	117,035	196,025	95,001	120,218	**587,030**

On 31 December 2020 95% of the housing acquisition loan with real estate collateral has an LTV lower than 80% (95% on 31 December 2019).

3.5.6.2 Foreclosed or received assets in payment for debts.

As at 31 December 2020 and 2019, the following information relates to assets repossessed or accepted as payment for debts:

	Thousands of euros			
	31/12/2020			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**444,900**	**(286,929)**	**(175,151)**	**157,971**
Buildings and other completed constructions	36,522	(18,012)	(9,201)	18,510
Housing	*14,540*	*(7,902)*	*(4,076)*	*6,638*
Other	*21,982*	*(10,110)*	*(5,125)*	*11,872*
Buildings and other constructions under construction	3,578	(2,711)	(886)	867
Housing	*3,218*	*(2,433)*	*(743)*	*785*
Other	*360*	*(278)*	*(143)*	*82*
Land	404,800	(266,206)	(165,064)	138,594
Consolidated urban land	*104,560*	*(64,873)*	*(32,475)*	*39,687*
Other land	*300,240*	*(201,333)*	*(132,589)*	*98,907*
Real estate assets acquired in mortgage loans to households for housing acquisition	**107,931**	**(47,816)**	**(23,797)**	**60,115**
Other foreclosed or received real estate assets in payment of debt	**66,696**	**(32,668)**	**(12,390)**	**34,028**
	619,527	**(367,413)**	**(211,338)**	**252,114**

(*) Amount before deducting the allowances for impairment loss

	Thousands of euros			
	31/12/2019			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**535,894**	**(306,974)**	**(180,591)**	**228,920**
Buildings and other completed constructions	63,644	(26,991)	(13,659)	36,653
Housing	*17,483*	*(8,008)*	*(3,931)*	*9,475*
Other	*46,161*	*(18,983)*	*(9,728)*	*27,178*
Buildings and other constructions under construction	12,261	(4,750)	(1,352)	7,511
Housing	*9,830*	*(3,681)*	*(1,055)*	*6,149*
Other	*2,431*	*(1,069)*	*(297)*	*1,362*
Land	459,989	(275,233)	(165,580)	184,756
Consolidated urban land	*172,131*	*(99,105)*	*(52,650)*	*73,026*
Other land	*287,858*	*(176,128)*	*(112,930)*	*111,730*
Real estate assets acquired in mortgage loans to households for housing acquisition	**62,194**	**(23,474)**	**(8,300)**	**38,720**
Other foreclosed or received real estate assets in payment of debt	**26,802**	**(15,585)**	**(5,306)**	**11,217**
	624,890	**(346,033)**	**(194,197)**	**278,857**

(*) Amount before deducting the allowances for impairment loss

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item as at 31 December 2020 and 2019 is as follows:

	Thousands of euros				
	31/12/2020				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets - Investment property	16,251	(2,204)	(565)	(4,049)	9,433
Other assets - Inventories	169,990	(34,789)	-	(92,831)	42,370
Non-current assets and disposal groups classified as held for sale	433,286	(118,384)	(133)	(114,458)	200,311
	619,527	**(155,377)**	**(698)**	**(211,338)**	**252,114**

	Thousands of euros				
	31/12/2019				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets - Investment property	12,500	(1,898)	(503)	(2,886)	7,213
Other assets - Inventories	188,479	(36,473)	-	(86,713)	65,293
Non-current assets and disposal groups classified as held for sale	423,911	(112,770)	(192)	(104,598)	206,351
	624,890	**(151,141)**	**(695)**	**(194,197)**	**278,857**

3.6 Exposure to operational risk

This is defined as the risk of loss resulting from a lack of adequacy or failure of internal processes, personnel and systems, or a loss arising from external events, and therefore encompasses sub-categories such as conduct risk, technological risk or model risk, among others.

3.6.1 Strategies and policies for the operational risk management

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Framework of operational risk management".

The Group currently has a management an assessment model for this risk, which basically contemplates the following points:

- General aspects: definition of operational risk, categorisation and assessment of risks.
- Methodologies applied for the identification, assessment and measuring of operational risks.
- Scope of application of the methodologies and personnel that participate in the management of this risk.
- Indicators, limits and tolerance ranges.
- Generation of stress scenarios.
- Models of support to the management (management, control and mitigation of the operational risk): information derived from the previous methodologies and implementation of measures directed at the mitigation of this risk.

The scope of application of the model of management and assessment model of the operational risk is extended both to business units and support of Ibercaja Banco, and the Group companies.

Its application and effective use in each of the units and subsidiary companies are developed in a decentralised manner. For its part, the Market, Operational and Reputational Risk Control Unit, together with other units and subsidiaries, coordinates risk measurement and carries out risk monitoring, analysis and communication.

3.6.2 Procedures for measurement, management and control

The Group, in applying the adopted model for the operational risk management, use the following methodologies combined, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and the existing controls in the processes and activities, together with the breakdown and analysis of risk indicators. During 2020 they reviewed and self-assessed 585 operational risks, concluding in this process, a low risk profile.
- Quantitative methodology, supported in the identification and analysis of the real losses fluctuations in the Group, which are recorded in the database established for that purpose (BDP).

The quantification of real losses recorded in the data base of losses in 2020 shows the total annual net losses (net of direct recoveries and insurance) for operational risk events came to €19,469 thousand, corresponding to 9,341 events, of which 420 events for €5,964 thousand euros derive from write-downs linked to floor clauses (return of interest totalling €5,040 thousand and legal costs of €924 thousand). If the provisions linked to these losses from interest rate floor clauses and other provisions associated with different losses, which were also extraordinary, are discounted, the total annual net loss is 6,936 thousand euros.

Stripping out the exceptional impact certain losses such as interest rate floor clauses, real operational losses were small in relation to capital requirements, consistently with the overall result of the qualitative assessment mentioned above.

Streamlining in processes of operational risk management and control resulting from the established policies and methodologies, allow the Entity to calculate from December 2010 the capital consumption for Operational Risk by standard method, in accordance with that established in Regulation (EU) No. 575/2013.

3.7 Exposure to the interest rate risk

This is defined as the current or future risk to the Company's capital or earnings as a result of adverse fluctuations in interest rates affecting the positions of its investment portfolio.

The sources of the interest rate risk are the gap, base or optionality risks. In particular, gap risk arises from the different timing of interest rate-sensitive balance sheet instruments, as a result of differences in the timing of their repricing or maturities. Basis risk derives from the different benchmark indices used for repricing, interest rate-sensitive asset and liability instruments. Optionality risk arises from embedded or explicit options that arise when either the Entity or the customer have the option of altering future cash flows if it benefits them.

3.7.1 Strategies and policies for the interest rate risk management

The aim of risk management is to contribute to the maintenance of the current and future profitability in the adequate levels, preserving the economic value of the Company.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Manual of policies and procedures for the management and control of interest rate risk".

3.7.2 Procedures for measurement and control

The Group manages the exposure to the risk that derives from the transactions of their portfolio, both at the time of its agreement and in its subsequent monitoring, and incorporate to its analysis horizon the assessment established for the business and the expectations respect to the interest rates, as well as the proposals of management and hedging, simulating different behaviour scenarios.

The Company's tools measure the effects of interest rate movements on the intermediation margin and the economic value, simulate scenarios depending on the assumptions used for interest rate behaviour and business performance, and help estimate the potential impact on capital and on results of abnormal fluctuations of the market, so that the results can be considered in the establishment and review of risk policies and limits and in the planning and decision-making process.

As to optionality risk, behavioural models are available that provide the key assumptions on the sensitivity and duration of demand savings transactions, as their maturity date is not contractually specified, and on early repayments on loans, early redemption of time deposits, and duration of non-performing assets, always based on historical experience for different scenarios.

In the same way, the effect that the variations in interest rates have on the financial margin and economic value is controlled by the establishment of limits to the exposure. The limits allow for maintaining the exposure to the interest rate risk within the levels compatible with the approved policies.

Below, the sensitivity profile is shown of the balance of the Group to the interest rate risk on 31 December 2020 and on 31 December 2019, indicating the carrying amount of those financial assets and liabilities affected by this risk, which appear classified depending on the estimated term until the review date of the interest rate or maturity.

On 31 December 2020:

	Millions of euros						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**13,326**	**7,740**	**15,641**	**36,707**	**14,523**	**4,643**	**9,880**
Financial assets with fixed interest rates and other assets without determined maturity	9,126	1,091	3,095	13,312	12,453	4,202	8,251
Financial assets at fixed rate hedged with derivatives	21	(-151)	1,256	1,126	1,133	-	1,133
Financial assets at variable interest rate	4,179	6,800	11,290	22,269	937	441	496
Liabilities	**8,207**	**8,348**	**10,601**	**27,156**	**24,074**	**18,380**	**5,693**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	7,602	1,364	8,564	17,530	25,212	19,456	5,756
Financial liabilities at fixed rate hedged with derivatives	518	1,300	2,036	3,854	(-1,144)	(1,076)	(68)
Financial liabilities at variable interest rate	87	5,684	1	5,772	6	-	6
Difference or Gap in the period	**5,119**	**(608)**	**5,040**	**9,551**	**(9,551)**	**(13,737)**	**4,186**
Difference or accumulated Gap	**5,119**	**4,511**	**9,551**	**9,551**	**(9,551)**	**(4,186)**	
Average gap	5,119	4,664	1,118	5,934			
% of total assets	9,99	9,1	2,18	11,58			

On 31 December 2019:

	Millions of euros						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**10,533**	**8,642**	**16,439**	**35,614**	**12,675**	**2,592**	**10,083**
Financial assets with fixed interest rates and other assets without determined maturity	5,702	1,184	2,490	9,376	9,360	1,965	7,395
Financial assets at fixed rate hedged with derivatives	71	(19)	1,299	1,351	2,357	399	1,958
Financial assets at variable interest rate	4,760	7,477	12,650	24,887	958	228	730
Liabilities	**10,850**	**3,658**	**12,284**	**26,792**	**21,497**	**15,578**	**5,919**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	10,634	1,808	8,923	21,365	22,313	16,052	6,261
Financial liabilities at fixed rate hedged with derivatives	110	1,404	3,357	4,871	(813)	(474)	(339)
Financial liabilities at variable interest rate	106	446	4	556	(3)	-	(3)
Difference or Gap in the period	**(317)**	**4,984**	**4,155**	**8,822**	**(8,822)**	**(12,986)**	**4,164**
Difference or accumulated Gap	**(317)**	**4,667**	**8,822**	**8,822**	**(8,822)**	**(4,164)**	**-**
Average gap	(318)	3,420	3,419	5,594			
% of total assets	(0,66)	7,08	7,08	11,58			

Sensitive balances will be considered those whose maturity or repricing occurs in the next twelve months. This period is established as a reference to quantify the effect of the variation of the interest rates on the annual intermediation margin of the Group.

The Gap that appears in the box represents the difference between the sensitive assets and liabilities in each period, i.e., the net balance exposed to changes in prices. The average gap of the period is 5,933.7 billion euros, 11.58% of the asset (-5,593.5 million euros, -11.58% of the asset on 31 December 2019).

With data on 31 December 2020, the impact on the interest margin of the company before a raise of 200 basis points in the interest rates is 160.03 million euros, 40.45% on the interest margin of the next 12 months and before a decrease of 200 basis points is (-69.98) million euros, 17.69% on the interest margin of the next 12 months (in December of 2019, 90.38 million euros and 21.88% before increases and (-64.58) million euros and 15.63% before decreases) under the assumption of maintenance of size and structure of the balance and that the activity of the interest rates occurs instantly and are equal on all points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

Meanwhile, the impact on the economic value of the Company in the event of a 200 basis points rise in interest rates is 141.58 million euros, 2.27% on the equity economic value and in the event of a 200 basis points decrease it is (-47.73) million euros, (-0.77 %) on the equity economic value (in December of 2019, 28.80 million euros and (-0.46%) in the event of increases and 157.36 million euros and 2.54% in the event of decreases) under the assumption that the activity of the interest rates occur instantly and are equal on all the points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

3.8 Exposure to liquidity risk

It is defined as the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

3.8.1 Strategies and policies for the liquidity risk management

The management and control of the liquidity risk are governed by the principles of financial autonomy and balance equilibrium, guaranteeing the continuity of the business and the availability of sufficient liquid resources to fulfil the payment commitments associated with the cancellation of the liabilities on their respective maturity dates without compromising the capacity of answering before strategic opportunities of market.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management of liquidity risk”.

The strategies for attracting resources in the retail segments and the use of alternative sources of short-, medium- and long-term liquidity, allow the Group to have the necessary resources to attend the solvent credit demand derived from the commercial activity and maintain the positions of treasury within the parameters of management established in the Framework of risk appetite and in the Liquidity manual.

3.8.2 Procedures for measurement and control

The measurement of the liquidity risk considers the estimated treasury flows of the assets and liabilities, as well as the guarantees or additional instruments that it has to ensure alternative sources of liquidity that could be required.

Likewise, the evolution established for the business and the expectations respect to the interest rates are incorporated, as well as the proposals of management and hedging, simulating different behaviour scenarios. These procedures and analysis techniques are reviewed with the necessary frequency to ensure their correct operation.

Progress is made in the short-, medium- and long-term to know the needs of financing and the compliance of the limits, that have in mind the most recent macroeconomic tendencies, for its incidence in the evolution of the different assets and liabilities of the balance sheet, as well as in the contingent liabilities and derived products. In the same way, the liquidity risk is controlled via the establishment of tolerance ranges compatible with the approved policies.

In addition, the Company is prepared to affront possible crisis, both internal and of the markets in which they operate, with action plans that guarantee sufficient liquidity at the lowest cost possible.

At 31 December 2020, the Company's available liquidity amounted to 14,959 million euros (11,468 million euros at 31 December 2019), coupled with an issuance capacity of 8,380 million euros (7,307 million euros at 31 December 2019). Total availability stood at 23,339 million euros (18,775 million euros at 31 December 2019), 4,564 million euros up on the close of last year. During 2020, wholesale maturities were outstanding for a nominal amount of 981 million euros: covered bonds (427 million euros), securitisation bonds owned by third parties (54 million euros), subordinated bonds (500 million euros). In addition, they have carried out repurchases of issuances for 34 thousand euros, instrumented in Securitisation bonds.

The collateral policy with the ECB includes pledged assets with a discounted value of 6,278 million euros as at 31 December 2020 (31 December 2019: 6,609 million euros), of which it has drawn down 5,400 million euros, leaving it with 892 million euros (31 December 2019: 4,959 million euros) available to meet its liquidity needs.

In addition to the policy mentioned, the Company has very different sources of financing. There is a large base of retail deposits of €32,256 million (€29,386 million as at 31 December 2019), of which 85% had stable balances. The Bank also has financing collateralised by securities in the amount of 6,056 million euros (5,603 million euros at 31 December 2019), 394 million euros of which is transacted with central counterparties. In addition, wholesale issues of a total €3,327 million euros (€3,808 million at 31 December 2019), characterised by diversification of maturities, and deposits from the Group's financial institutions amounting to €796 million (€736 million at 31 December 2019), and deposits from other customers of €3,242 million (€2,794 million at 31 December 2019), among others.

The Company's balance sheet does not have major exposures of liquidity risk in their assets or in their financing sources.

In relation to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that cause the reimbursement depending on reversals in the credit qualification of Ibercaja Banco. At the end of 2020, there was no amount affected by the reversal of a qualification scale.
- Liability derivatives for 67 million euros, that have required the contribution of additional guarantees for 70 million as well as asset derivatives for 23 million euros, for those that have received additional guarantees for 23 million euros. In addition, those transacted through the clearinghouse required additional collateral of 50 million euros.
- Financing collateralised by securities of 633 million euros, which required the provision of additional collateral of 177 million euros in cash (collateral includes both repurchase agreements and reverse repurchase agreements).
- Financing of the BEI of 405 million, which requires a contribution of guarantees of 446 million euros in fixed income.

Ibercaja Banco has signed framework agreements of compensation or “netting”, and their appendices of guarantee exchange, with all the entities that operate in OTC (over the counter, for its letters in English) derivatives and in simultaneous transactions. Their signature is a prerequisite for those entities with which this type of transaction will be started. Ibercaja Banco participates as a direct member in the central chambers of compensation of simultaneous transactions LCH Clearnet and MEFFClear, and in Eurex for the operation with some classes of derivatives of interest rates, being a normal market practice extended among the participants after regulation EMIR goes into effect.

Below a breakdown is offered of the available liquidity:

	Thousands of euros	
	2020	**2019**
Cash and central banks	7,319,717	3,671,499
Available in policy	891,981	4,982,938
Eligible assets not included in the policy	6,421,078	2,432,048
Other marketable assets not eligible by the Central Bank	326,665	381,397
Accumulated available balance	**14,959,441**	**11,467,882**

On 31 December 2020, the capacity to issue covered bonds was 8,380 million euros (7,307 million euros on 31 December 2019).

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group as at 31 December 2020 amounts to 468% (307% as at 31 December 2019). The breakdown of liquid assets at 31 December 2020 under the criteria established for calculating the LCR ratio is as follows:

	Thousands of euros					
	31/12/2020			31/12/2019		
	Balance sheet figure	**Weighting (%)**	**Weighted balance**	**Balance sheet figure**	**Weighting (%)**	**Weighted balance**
Cash and central banks	6,958,365	100	6,958,365	3,350,643	100	3,350,643
Tier 1 fixed-income	7,053,254	100	7,053,254	4,293,282	100	4,293,282
Central government sovereign debt	*5,175,852*	*100*	*5,175,852*	*4,033,129*	*100*	*4,033,129*
Regional government sovereign debt	*494,132*	*100*	*494,132*	*645,317*	*100*	*645,317*
Foreign government debt	*225,300*	*100*	*225,300*	*210,580*	*100*	*210,580*
SAREB/ICO	*8,698*	*100*	*8,698*	*1,740,939*	*100*	*1,740,939*
FADE/FROB/State-backed bonds	*190,332*	*100*	*190,332*	-	*100*	-
Reverse repurchase agreement for Tier 1 fixed-income assets	*1,612,849*	*100*	*1,612,849*	*1,625,780*	*100*	*1,625,780*
Fixed-income repos	*(653,909)*	*100*	*(653,909)*	*(3,962,463)*	*100*	*(3,962,463)*
NCC1 covered bonds	-	93	-	-	93	-
TIER 1 ASSETS	**14,011,619**		**14,011,619**	**7,643,925**		**7,643,925**
Non-financial entity NCC1 bonds	-	85	-	-	85	-
NCC2 covered bonds	128,265	85	109,025	132,917	85	112,980
TIER 2A ASSETS	**128,265**		**109,025**	**132,917**		**112,980**
NCC1 securitisations	-	75	-	-	75	-
Non-financial entity NCC 2/3 bonds	17,502	50	8,751	21,773	50	10,887
NCC3 covered bonds	-	70	-	26,931	70	18,852
Disposable equities	118,640	50	59,320	123,918	50	61,959
TIER 2B ASSETS	136,142		68,071	**172,622**		**91,698**
LIQUID ASSETS	**14,276,026**		**14,188,715**	**7,949,464**		**7,848,603**

The LCR ratio data for the Ibercaja Group are:

	Thousands of euros					
	31/12/2020			31/12/2019		
	Balance sheet figure	**Weighting (%)**	**Weighted balance**	**Balance sheet figure**	**Weighting (%)**	**Weighted balance**
TIER 1 ASSETS (70% limit)	14,011,619	100	14,011,619	7,643,925	100	7,643,925
TIER 2 ASSETS	128,265	85	109,025	132,917	85	112,980
TIER 2B ASSETS	136,142	50	68,071	172,622	53	91,698
LIQUID ASSETS	**14,276,026**		**14,188,715**	**7,949,464**		**7,848,603**
Stable deposits	*27,468,797*	*5*	*1,373,440*	*24,982,087*	*5*	*1,249,104*
Non-stable deposits	*4,428,694*	*10*	*442,869*	*4,197,591*	*10*	*419,759*
RETAIL CUSTOMER DEPOSITS	31,897,491	6	1,816,309	29,179,678	6	1,668,863
Unsecured wholesale financing	4,148,392	35	1,436,388	3,422,802	36	1,218,068
Additional requirements	3,837,971	7	261,672	3,562,482	6	223,310
GROSS OUTFLOWS			**3,514,369**			**3,110,241**
INFLOWS - Maximum allowed inflows (75% outflows)	880,402	55	483,274	1,033,408	53	554,308
NET OUTFLOWS			**3,031,095**			**2,555,933**
LIQUIDITY COVERAGE RATIO (LCR)			**468.11%**			**307.07%**

Below the breakdown by terms of the contractual maturities of assets and liabilities is presented (liquidity gap) on 31 December 2020 and 31 December 2019:

	Thousands of euros						
	On demand	Up to 1 month	Between one and three months	Between three months and one year	Between one and five years	After 5 years	Total
ASSETS							
Deposits in credit institutions	71,500	3,052	45,258	-	-	132,789	252,599
Loans to other financial institutions	-	21,188	1,501	152	624	-	23,465
Temporary acquisitions of securities and securities lending	-	1,443,721	177,136	106,391	-	-	1,727,247
Loans (including matured, non-performing, written-off and foreclosed)	-	633,358	989,195	2,302,452	8,993,056	18,153,486	31,071,547
Securities portfolio settlement	-	3,000	209,611	215,877	2,394,921	4,756,794	7,580,202
Hedging derivatives	-	(6,444)	10,569	40,084	63,434	3,585	111,228
Trading derivatives	-	-	-	-	-	-	
Interest margin	-	52,151	55,590	283,205	-	-	390,946
Total on 31 December 2020	**71,500**	**2,150,026**	**1,488,861**	**2,948,161**	**11,452,035**	**23,046,654**	**41,157,236**
Total on 31 December 2019	**39,720**	**2,497,835**	**1,920,971**	**3,209,299**	**9,256,178**	**24,498,431**	**41,422,434**
LIABILITIES							
Wholesale issues	-	3,052	231,097	331,895	2,441,194	320,189	3,327,426
Deposits from credit entities	5,473	41,489	-	600	2,290	2,377	52,229
Deposits from other financial institutions and bodies	772,880	302	175	7,590	120,475	-	901,422
Deposits from large non-financial companies	73,926	1	-	2,200	-	-	76,127
Financing from the rest of the customers	32,042,075	445,892	623,779	1,937,405	447,335	2,066	35,498,552
Funds for brokered loans	-	14,407	15,714	109,795	276,265	107,244	523,424
Financing with secured securities	-	655,634	-	-	5,400,000	-	6,055,634
Other net outflows	-	34,839	54,176	284,190	67,273	55,700	496,178
Hedging derivatives	-	185	1,782	11,884	34,677	(15,773)	32,755
Formalised loans pending settlement	-	438,065	-	-	-	-	438,065
Commitments available for third parties	3,288,448	-	-	-	-	-	3,288,448
Financial guarantees issued	11,070	2,803	23	86	4,413	1,081	19,477
Total on 31 December 2020	**36,193,873**	**1,636,669**	**926,745**	**2,685,645**	**8,793,922**	**472,884**	**50,709,739**
Total on 31 December 2019	**31,459,544**	**4,953,445**	**1,346,034**	**5,405,378**	**2,692,473**	**1,308,072**	**47,164,946**
2020 gap period	**(36,122,373)**	**513,356**	**562,115**	**262,515**	**2,658,113**	**22,573,770**	
2019 gap period	**(31,419,824)**	**(2,455,610)**	**574,937**	**(2,196,079)**	**6,563,705**	**23,190,359**	
Accumulated gap (without demand savings) 2020	**-**	**513,356**	**1,075,471**	**1,337,987**	**3,996,100**	**26,569,870**	
Accumulated gap (without demand savings) 2019	**-**	**(2,455,610)**	**(1,880,673)**	**(4,076,752)**	**2,486,953**	**25,677,312**	

Includes maturities of principal and interests and does not take assumptions of a new business.

The maturity of the demand deposits is not determined contractually. It has been entered in the first time slot (demand) even though for the most part, these deposits are stable.

The financing of the rest of the customers include the implicit derivative in the structured deposits.

Loan commitments amounted to €3,288 million (€2,967 million at 31 December 2019). While these commitments are available immediately for the customers, and therefore would have "demand" nature in accordance with IFRS 7, in the practice of cash flow outputs they are distributed in all the time slots.

In relation with the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily have to represent an actual obligation of settlement or of liquidity needs, which will depend on if they meet the conditions so that the amount of the committed guarantee should be settled.

The Group only hopes to produce a cash outflow in relation to financial guarantee contracts that have qualified as non-performing and special watch. The amount that is expected to be settled of these contracts is recorded under "Provisions for contingent risks and commitments", in the heading Provisions (Note 21), for an amount of 19,477 million euros (22,515 million euros on 31 December 2019).

Long-term wholesale financing maturities are shown in the following boxes.

On 31 December 2020:

	Thousands of euros						
	On demand	**Up to 1 month**	**1 to 3 months**	**Between 3 months and 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	-	850,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	225,000	300,000	1,435,470	165,000	2,125,470
Securitisations	-	3,052	6,097	31,895	155,724	155,189	351,956
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,052**	**231,097**	**331,895**	**2,441,194**	**320,189**	**3,327,426**
Financing with long-term secured securities	**-**	**-**	**-**	**-**	**5,400,000**	**-**	**5,400,000**
Maturities in the period	**-**	**3,052**	**231,097**	**331,895**	**7,841,194**	**320,189**	**8,727,426**
Accumulated maturities	**-**	**3,052**	**234,148**	**566,043**	**8,407,237**	**8,727,426**	

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

On 31 December 2019:

	Thousands of euros						
	On demand	**Up to 1 month**	**1 to 3 months**	**Between 3 months and 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	500,000	350,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	216,667	210,000	1,119,444	1,006,026	2,552,137
Securitisations	-	3,556	6,544	31,598	171,264	192,989	405,951
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,556**	**223,211**	**741,598**	**1,640,708**	**1,199,015**	**3,808,088**
Financing with long-term secured securities	**-**	**-**	**-**	**1,650,000**	**-**	**-**	**1,650,000**
Maturities in the period	**-**	**3,556**	**223,211**	**2,391,598**	**1,640,708**	**1,199,015**	**5,458,088**
Accumulated maturities	**-**	**3,556**	**226,766**	**2,618,365**	**4,259,073**	**5,458,088**	**-**

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

The diversification policy at the time of the maturities of the wholesale issues, will permit the Company to cover the maturities of the next financial years, maintaining ample liquidity. Thus, keeping in mind the available liquidity (14,959 billion euros), the Company could cover the total of the maturities of the long-term wholesale financing (3,327 billion euros). Additionally, it has an issuance capacity of 8,380 billion euros (total availability of 23,339 billion euros).

3.9 Exposure to other risks

3.9.1 Exposure to market and counterparty risk

3.9.1.1 Strategies and policies for the market and counterparty risk management

a) Market risk

This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Bank manages the market risk, trying to obtain an adequate financial profitability in relation to the assumed risk level, keeping in mind certain levels of overall exposure, exposure due to segmentation rates (portfolios, instruments, ratings), structure of the portfolio and portfolio/risk objectives. In their management and control they apply analysis of sensitivity and simulation of stress scenarios for the estimation of their impact in the profits and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, as documented in the "Capital Markets Department Policy Manual".

For the market risk management, they have policies on identification, measuring, monitoring, control and mitigation as well as policies on transactions in that relative to their trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approving of new products, relationships with intermediaries and delegation of duties.

b) Counterparty risk

The possibility of default by counterparties in financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Manual for Lines of Risk" of Ibercaja Banco.

For the management of the counterparty risk, the Company has policies for identification, measuring, monitoring, control and mitigation. Additionally the "Manual of Lines of Risk of Ibercaja Banco" establishes the criteria, methods and procedures for the granting of lines of risks, the proposal of limits, the process for formalisation and documentation of transactions, as well as the procedures for monitoring and controlling the risks for financial institutions, public administrations with rating and listed and/or qualified companies with rating, with the exception of promoting entities.

The lines of risk are established essentially depending on the ratings assigned by the credit qualification agencies, of the reports that these agencies issue and of the expert analysis of their financial statements.

For the granting of transactions related with the counterparty risk to the entities previously mentioned, it will be the Capital and Balance Sheet Management Unit and the Governing Bodies in charge of managing the assumption of risk, attending to the fixed limits for the lines of credit.

The Company uses specialised tools for the management, control and measuring of the counterparty risk, with the aim of considering the risk consumption of each product and gather the risk consumption at the Group level under one application.

3.9.1.2 Procedures for measurement and control

a) Market Risk

The portfolios exposed to Market Risk are characterised for their high liquidity and for the absence of materiality in the trading activity, which implies that the Market Risk assumed by the trading activity is insignificant as a whole.

The Company monitors the progression of the expected loss of the management portfolio given a trust level of 99% and a time horizon (1 day or 10 days) as a result of the variations of the risk factors that determine the price of the financial assets via the VaR indicator (Value at risk).

The VaR calculation is carried out with different methodologies:

- The parametric VaR assumes normalcy of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a trust level of 99% and a time horizon (1 day or 10 days).
- The diversified parametric VaR keeps in mind the diversification offered by the correlations of the risk factors (interest rates, exchange rates, shares listing, etc.). It is the standard measure.
- The non-diversified parametric VaR assumes the lack of diversification among those factors (correlations equal to 1 or -1 according to the case), and is useful in stress or change periods of the risk factors correlations.
- The Historic Simulation VaR uses the relative variations made in the last year of the risk factors to generate the scenarios in which the loss potential of the portfolio is evaluated given a trust level of 99% and a time horizon.

- The Shortfall VaR measures, given a calculated VaR at 99% and with a time horizon of 1 day, the expected loss in 1% of the worst results beyond the VaR. It provides an average of the losses in case of breakage of the VaR.
- In any case, the impact in absolute terms of the VaR is relativised regarding capital.

Thus, at 31 December 2020, the measurement of VaR presents the following values:

Thousands of euros Confidence level: 99%	Parametric diversified VaR	Parametric VaR vs *PR.*	Parametric non-diversified VaR	Parametric non-diversified VaR vs *PR.*	Historical Simulation VaR	Historical Simulation VaR vs PR.	Shortfall VaR	Shortfall VaR vs PR.
Time horizon: 1 day	(5,422)	0.16%	(9,831)	0.29%	(4,411)	0.13%	(5,430)	0.16%
Time horizon: 10 days	(17,147)	0.51%	(31,089)	0.93%				

The calculation on 31 December 2019 of the VaR, presented the following values:

Thousands of euros Confidence level: 99%	Parametric diversified VaR	Parametric VaR vs *PR.*	Parametric non-diversified VaR	Parametric non-diversified VaR vs *PR.*	Historical Simulation VaR	Historical Simulation VaR vs PR.	Shortfall VaR	Shortfall VaR vs PR.
Time horizon: 1 day	(29,832)	0.90%	(51,035)	1.53%	(71,550)	2.15%	(85,077)	2.55%
Time horizon: 10 days	(94,337)	2.83%	(161,387)	4.84%				

Likewise, and supplementing the VaR analysis, stress tests have been performed that analyse the impact of different scenarios of the risk factors on the value of the portfolio being measured.

b) Counterparty risk

The limits authorised by the Board of Directors are established by investment volume weighted by the borrower's credit rating, the term of the investment and the instrument type.

Additionally, the legal limits are respected for the concentration and grand exposures in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the consumed risks are kept within the established limits at all times. They incorporate controls regarding the variations produced in the ratings, and in general of the borrower's solvency.

Among the techniques for counterparty risk mitigation appear the compensation or netting master agreements, the guarantee agreements, the reduction of portfolios in the case of adverse credit events, the reduction of the lines of risk in the case of decreases in the rating or negative news of some company and the timely monitoring of the companies' financial information.

With those entities with whom they have agreed on a compensation of risks and an agreement on guarantee contribution, in accordance with the requirements demanded by the Bank of Spain, the risk may be computed by the net resulting position.

3.9.2 Exchange rate risk management

It is defined as the possibility of incurring in losses derived from the negative fluctuations in the exchange rates of the currencies in which the assets, liabilities and transactions are denominated off the Company's balance sheet.

The Company does not maintain significant positions in foreign currency in a speculative nature. They do not hold open positions in foreign money that is not speculative of a significant amount either.

The Company's policy is to limit this type of risk, mitigating it generally speaking, at the time it presents itself via the agreement on symmetrical active or passive transactions or via financial derivatives that allow their coverage.

3.9.3 *Exposure to sovereign debt*

Below, the following information is detailed regarding the exposure to sovereign debt, which includes all the positions with public entities, on 31 December 2020 and 2019:

- Breakdown of the carrying amount of the exposure per country:

	Thousands of euros	
	2020	**2019**
Spain	11,149,836	10,730,565
Italy	1,025,440	1,031,382
Portugal	89,445	52,617
France	23,494	22,760
United States	-	-
Other	10,694	6,646
Total gross amount	**12,298,909**	**11,843,970**
(Impairment losses)	*(821)*	*(2,229)*
Total net amount	**12,298,088**	**11,841,741**
Of which: from the insurance company	4,893,693	5,257,410

- Breakdown of the carrying amount of the exposure per portfolio in which the assets are recorded:

	Thousands of euros	
	2020	**2019**
Financial assets held for trading	-	-
Financial assets at fair value through profit or loss	7,416	7,504
Financial assets at fair value through other comprehensive income	4,838,244	5,723,384
Financial assets at amortised cost	7,453,249	6,113,082
	12,298,909	**11,843,970**
Of which: from the insurance company	4,893,693	5,257,410

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

- Breakdown of the term to residual maturity of the exposure per portfolio in which the assets are recorded:

	Thousands of euros					
	2020					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	1,347	6,069	-	**7,416**
Financial assets at fair value through other comprehensive income	51,287	458,161	835,536	717,024	2,776,236	**4,838,244**
Financial assets at amortised cost	9,330	251,571	264,504	1,885,920	5,041,924	**7,453,249**
Total	**60,617**	**709,732**	**1,101,387**	**2,609,013**	**7,818,160**	**12,298,909**
of which: from the insurance company	57,254	458,161	807,711	724,223	2,846,344	4,893,693

	Thousands of euros					
	2019					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	-	5,612	1,892	**7,504**
Financial assets at fair value through other comprehensive income	306,219	504,136	1,027,786	823,322	3,061,921	**5,723,384**
Financial assets at amortised cost	134,545	95,109	489,323	396,816	4,997,289	**6,113,082**
Total	**440,764**	**599,245**	**1,517,109**	**1,225,750**	**8,061,102**	**11,843,970**
of which: from the insurance company	180,313	504,136	982,417	812,324	2,778,220	5,257,410

- Other information

  - Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets designated at fair value through profit or loss and the portfolio of financial assets at fair value through other comprehensive income matches the carrying amount indicated above.

    Note 26 specifies the valuation methodology of the portfolio of financial assets at amortised cost, in which it is observed that the fair value detailed does not differ significantly from the carrying amount. The fair value associated to the sovereign risk is obtained via valuation techniques from level 1 (the description of them is given in Note 26).

  - A 100-basis point shift in the interest rate would have an effect on fair value of (-5.85%) (-6.76% in 2019).

3.9.4 Reputational risk management

Reputational risk is defined as the unfavourable impact that an event may cause in the corporate reputation of the entities that form part of the Group. It is associated to a negative perception on behalf of the interest groups (customers, employees, company in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that affects the capacity of the Group to maintain the existing business relationships or establish new ones.

The management of this risk aims at protecting one of the main intangible assets, corporate reputation, by preventing events that may have an adverse effect.

Reputational risk has a wide relationship with the rest of the risks due to the amplifying effect that it can have on them. In the majority of the occasions, reputational risk appears due to the materialisation of other risks that could affect any of the entities of the Group, especially with the regulatory risk or regulatory incompliance (imposing sanctions, especially in the case that they were presented to the public). To do so, the policies and procedures directed at ensuring the compliance of the applicable regulations, whether internal or external, are added.

Additionally, and as a key function of control, to mitigate the risk of suffering possible negative impacts derived from regulatory incompliance, the Company and different financial institutions of the Group have a verification function for regulatory compliance, with supervisory powers in areas especially relevant such as the prevention of money laundering and terrorism financing, the protection of the investor in the sale of financial instruments and lending of investment services (MIFID), the behaviour regulations in the area of Stock Market, the regulations on communication of transactions suspected of abusing the market, etc.

The Group grants, therefore, the maximum relevancy to the management of the corporate reputation as a method to prevent, avoid and/or manage possible reputational risks, and for its positive impact on the creation of value. Reputation metrics are constructed and regularly measured so as to monitor the perception of the Company by the general public, customers and employees and the Group's evolving footprint in social media. The results are the basis for identifying strong points, improvement areas, possible focuses for reputational risk and to elaborate the action plans to improve the reputation.

In 2020, the Company continued to measure its reputational risk, identifying strengths and areas for improvement and continuing action plans to enhance its reputation involving the Company's main areas.

4. Appropriation of profit and earnings per share

4.1 Appropriation of profit

The proposed appropriation of the profit of Ibercaja Banco, S.A. from 2020, which the Board of Directors will propose for its approval to the General Shareholders' Meeting, and that which was approved from 2019 are the following:

	Thousands of euros	
	2020	**2019**
Distribution		
To dividends:	3,849	17,500
To retained earnings:		
Legal reserve	-	-
Voluntary reserve	*4,122*	*54,693*
Profit/(loss) for the year	**7,971**	**72,193**

As a consequence of the economic impacts generated by COVID-19, and with the aim of preserving the regulatory capital of credit institutions, the European Central Bank issued a recommendation on 27 March 2020 urging European banks under its supervision, including Ibercaja Banco, to refrain, at least until 1 October 2020, from distributing dividends or entering into irrevocable commitments to distribute dividends for 2019 and 2020, as well as from share buy-backs to remunerate shareholders. This recommendation was updated on 27 July 2020, extending the limitation until 1 January 2021.

Subsequently, on 15 December 2020, the European Central Bank again amended its recommendation, urging banks to be very prudent in deciding on dividend amounts or in repurchasing shares to remunerate shareholders until 30 September 2021. It also urges credit institutions that intend to implement dividend or share buy-back measures to remunerate shareholders to contact their joint supervisory teams, in the framework of the supervisory dialogue, to discuss the prudence of such measures.

The General Shareholders' Meeting of Ibercaja Banco held on 30 March 2020 approved the distribution of a dividend out of the profit for 2019 for the amount of 17,500 thousand euros. However, due to the situation described above, the General Shareholders' Meeting signed a resolution on 3 April 2020, whereby the payment of the amount of the profit for the year earmarked for dividends was conditioned to a new resolution of this governing body, which should take place once the uncertainties caused by the pandemic situation had disappeared. On 7 October 2020, the Extraordinary General Meeting of Ibercaja Banco, S.A., held in writing and without a meeting, once again authorised, bearing in mind that the distribution of dividends was approved by the Ordinary General Meeting held on 30 March, the distribution to shareholders of the dividend for 2019 for the amount of 17,500 thousand euros which was paid on 13 October 2020.

Additionally, and following the recommendations of the European Central Bank mentioned above, the Board of Directors will propose to the General Shareholders' Meeting that they agree on distributing a dividend paid from profits from 2020 amounting to 3,849 million euros.

4.2 Earnings per share

Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year by the weighted average number of outstanding shares, excluding the average number of treasury shares held, during that period.

Diluted earnings per share: for its calculation, both the amount of profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all dilutive effects inherent in potential ordinary shares (share options, warrants and convertible debt).

Basic and diluted earnings per share at 31 December 2020 and 2019 are detailed below:

	31/12/2020	31/12/2019
Earnings per share numerator		
Profit/(loss) attributed to the parent (thousands of euros)	23,602	83,989
Adjusted profit (thousands of euros)	23,602	83,989
Earnings per share denominator		
Average weighted number of shares	214,427,597	737,865,930
Basic and diluted earnings per share (euros)	**0.11 €**	**0.11 €**

As at 31 December 2020 and 2019 there are no dilutive effects on the earnings per share calculation.

5. Information on the Board of Directors and Senior Management

Under the provisions of the Bank of Spain Circular 4/2017, the "key management personnel and executives" at Ibercaja Banco, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any member of the Board of Directors and Senior Management. By virtue of their positions, this group of persons is considered a "related party" and, as such, subject to the disclosure requirements described in this Note.

Persons who have certain kinship or personal relationships with "key management personnel and executives" are also considered related parties, along with controlling companies, with significant influence or significant voting rights from key personnel or any of the persons in their family environment. The transactions carried out by the Ibercaja Banco Group with related parties are disclosed in Note 43.

5.1 Remuneration to the Board of Directors

The remunerations and other benefits received in 2020 by the members of the Board of Directors of the Company, in their status as Directors, or Secretary of the Board of Directors, is detailed below by item individually:

		Thousands of euros						
Members of the Board of Directors	**Position**	**Remuneration Fixed**	**Remuneration Variable**	**Attendance fees**	**Life insurance premiums**	**Remuneration for membership on board committees**	**Other items**	**Total**
José Luis Aguirre Loaso	Chairman	360.9	-	28.0	13.8	-	6.7	409.4
Jesús Bueno Arrese	First Deputy Chairman	-	-	42.0	31	-	4.3	77.3
Victor Iglesias Ruiz	Chief Executive Officer	395.2	139.2	28.0	1.6	-	5.5	569.5
Jesús Solchaga Loitegui	Member	-	-	28.7	-	30.4	4.2	63.3
Gabriela González-Bueno Lillo	Member	-	-	17.5	6.5	19.0	1.8	44.8
Vicente Cóndor López	Member	-	-	44.8	4.8	45.6	3.0	98.2
Jesús Tejel Giménez	Member	-	-	41.3	3.4	26.6	5.5	76.8
Félix Longás Lafuente	Member	-	-	27.3	3.7	-	6.7	37.7
Emilio Jiménez Labrador	Member	-	-	42.7	-	-	0.6	43.3
Enrique Arrufat Guerra	Member	-	-	18.2	4.9	-	6.7	29.8
María Pilar Segura Bas	Member	-	-	23.1	2.3	-	5.5	30.9
Jesús Barreiro Sanz	Non-Director Secretary	-	-	52.5	5.1	-	6.7	64.3

The remunerations and other benefits received in 2019 by the members of the Board of Directors of the Company, in their status as Directors, or Secretary of the Board of Directors, is detailed below by item individually:

Members of the Board of Directors	Position	Thousands of euros: Remuneration – Fixed	Remuneration – Variable	Attendance fees	Life insurance premiums	Remuneration for membership on board committees	Other items	Total
José Luis Aguirre Loaso	Chairman	358.0	-	26.6	12.6	-	6.7	403.9
Jesús Bueno Arrese	First Deputy Chairman	-	-	42.7	27.8	-	4.2	74.7
Victor Iglesias Ruiz	Chief Executive Officer	389.6	118.7	26.6	1.5	-	5.5	541.9
Jesús Solchaga Loitegui	Member	-	-	20.3	-	30.4	5.5	56.2
Gabriela González-Bueno Lillo	Member	-	-	31.5	5.9	45.6	1.8	84.8
Vicente Cóndor López	Member	-	-	43.4	4.4	45.6	3.0	96.4
Jesús Tejel Giménez	Member	-	-	26.6	3.2	-	5.5	35.3
Félix Longás Lafuente	Member	-	-	19.6	3.5	-	6.7	29.8
Emilio Jiménez Labrador	Member	-	-	28.0	-	-	0.6	28.6
Enrique Arrufat Guerra	Member	-	-	16.8	4.3	-	6.7	27.8
María Pilar Segura Bas	Member	-	-	18.2	2.2	-	5.4	25.8
Jesús Barreiro Sanz (1)	Non-Director Secretary	-	-	52.5	4.7	-	6.7	63.9
Jorge Simón Rodríguez (2)	Member	-	-	7.7	1.9	-	0.4	10.0
Juan María Pemán Gavín (2)	Member	-	-	21.7	2.3	-	0.4	24.4

(1) Director of the Company who resigned as a member on 29 August 2019. However, he continues to hold the position of Secretary to the Board of Directors and its committees as a non-director secretary.
(2) Company Director who resigned from his/her position on 29 August 2019

With respect to the attendance allowances to be received by the proprietary director appointed by the shareholder foundation Fundación Ordinaria Caja Badajoz, it is noted that:

- Generally, the attendance allowances are allocated, for the purposes of the above information, to the proprietary director appointed at the request of the mentioned shareholder foundation, although in the application of the sectoral legislation applicable to him, and inasmuch as the director is part of their governance and management bodies, they have been directly paid to the shareholder foundation.

In the section "Remuneration for membership on board committees", the gross amounts accrued by the Chairmen of the internal committees of the Board of Directors are calculated.

In the section "Other concepts" the insurance premiums other than life insurance (health and accident) are included.

The Company does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

5.2 Remuneration of Senior Management

For the purposes of preparing the financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee).

As of 31 December 2020, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management.

The remunerations accrued by Senior Management are shown in the following table, as was previously defined, for 2020 and 2019:

Thousands of euros	Short-term remuneration 2020	Short-term remuneration 2019	Post-employment benefits 2020	Post-employment benefits 2019	Total 2020	Total 2019
Senior Management	2,626	2,417	184	150	**2,810**	**2,567**

Remunerations for pensions or life insurance premiums were not registered in the year for former members of Senior Management.

5.3 Duties of loyalty of the Directors

As of 31 December 2020, with respect to the requirements of articles 229 and 230 of the Corporate Enterprises Act, the members of the Ibercaja Banco Board of Directors, as well as the persons related thereto referenced in article 231 of the aforementioned Law, have confirmed that they do not carry out, on their own account or the account of others, activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company's interests.

5.4 Transactions with significant shareholders

During 2020 and 2019, there have been no transactions outside the ordinary course of business or other than at arm's length with significant shareholders, except:

- Service level agreement (legal, fiscal, technological, marketing, communication, etc. council) formalised with Fundación Bancaria Ibercaja for the amount of 142,867 euros (247,794 euros as of 31 December 2019).
- Rental of Ibercaja Banco property used by Fundación Bancaria Ibercaja to carry out its activities for the amount of 149,559 euros (134,630 euros as at 31 December 2019).
- Service level agreement (use and management of installations, artistic assets, etc.) by Fundación Bancaria Ibercaja to Ibercaja Banco for the amount of 1,028,627 euros (860,437 euros as at 31 December 2019).

All the transactions to be formalised with the shareholder foundations are previously reported by the Audit and Compliance Committee and subject to the approval of the Board of Directors.

6. Cash and cash balances at central banks and other demand deposits

The balances in this consolidated balance sheet heading as at 31 December 2020 and 2019 were as follows:

	Thousands of euros	
	2020	**2019**
Cash	239,019	227,234
Cash balances at central banks	7,079,491	3,444,265
Other demand deposits	254,099	257,703
	7,572,609	**3,929,202**

The average effective interest rate on debt instruments classified in this portfolio during 2020 was (-0.32%) (-0.57% during 2019).

7. Financial assets and liabilities held for trading

7.1 Breakdown of the balance and maximum credit risk - debit balances

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	4,869	7,268
Rest of the countries in the European Monetary Union	518	1,562
Rest of the world	116	133
	5,503	**8,963**
By counterparty classes		
Credit institutions	2,138	5,115
Resident public administrations	-	-
Other resident sectors	3,365	3,848
	5,503	**8,963**
By type of instruments		
Debt securities	-	-
Derivatives not traded in organised markets	5,503	8,963
	5,503	**8,963**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

7.2 Breakdown of the balance - credit balances

The financial liabilities included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	4,001	7,163
Rest of the countries in the European Monetary Union	436	714
Rest of the world	1,193	1,592
	5,630	**9,469**
By counterparty classes		
Credit institutions	5,553	9,469
Other resident sectors	77	-
Other non-resident sectors	-	-
	5,630	**9,469**
By type of instruments		
Derivatives not traded in organised markets	5,630	9,469
Of which: segregated embedded derivatives of hybrid financial instruments	-	-
	5,630	**9,469**

7.3 Financial derivatives held for trading

The details, by product type, of the fair and notional value of the financial derivatives held for trading as at 31 December 2020 and 2019 are shown below:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2020	2019	2020	2019
Not matured foreign currency purchases and sales	**400**	**157**	**-**	**-**
Security/index options	**-**	**-**	**377**	**387**
Interest rate options	**5**	**12**	**494**	**707**
Other interest rate transactions	**5,098**	**8,794**	**4,759**	**8,375**
Interest rate swaps (IRSs)	5,098	8,794	4,759	8,375
	5,503	**8,963**	**5,630**	**9,469**

	Thousands of euros	
	Notional	
	2020	2019
Not matured foreign currency purchases and sales	**26,148**	**40,882**
Security/index options	**7,550**	**10,259**
Interest rate options	**-**	**-**
Security/index embedded derivatives	**-**	**-**
Other interest rate transactions	**152,396**	**239,538**
Interest rate swap embedded derivatives	-	-
Retail market derivatives	84,845	127,797
Distribution of derivatives	67,551	111,741
	186,094	**290,679**

In addition to the balances detailed in the previous table, the notional value of the securities options (credit balances) derived from the return guarantee granted by the Group to Investment Funds commercialised by it amounts to 811,107 thousand euros as at 31 December 2020 (1,025,238 thousand euros as at 31 December 2019).

8. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	2019
By geographical areas		
Spain	827,953	309,683
Rest of the countries in the European Monetary Union	-	40,145
Rest of Europe	28,009	28,288
Total gross amount	**855,962**	**378,116**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	(2,241)	(2,231)
Total net amount	**853,721**	**375,885**
Of which: equity instruments related to the insurance activity	*824,170*	*284,905*
Of which: debt securities related to the insurance activity	*28,009*	*68,433*
By counterparty classes		
Credit institutions	28,009	68,433
Other resident sectors	827,953	309,683
	855,962	**378,116**
By type of instruments		
Debt securities	28,009	78,783
Credits and loans	3,783	14,428
Shares	-	-
Ownership interests in Investment Funds	824,170	284,905
	855,962	**378,116**

The Group classifies financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities ("Unit linked") measured at fair value, which make up almost the entire balance.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2020, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), has decreased the value of the subordinated debt it holds in this entity by 10,350 thousand euros, with a charge to "Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net" in the consolidated income statement. As at 31 December 2020, the decrease in the fair value of this financial instrument amounts to 20,371 thousand euros, reducing the carrying amount of this asset to zero (carrying amount of 10,350 thousand euros as at 31 December 2019).

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 0.24% (0.38% during 2019).

9. Financial assets at fair value through profit or loss

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	5,473	5,612
Rest of the countries in the European Monetary Union	3,129	3,327
	8,602	**8,939**
By counterparty classes		
Credit institutions	1,186	1,435
Resident public administrations	5,473	5,612
Non-resident public administrations	1,943	1,892
Other resident sectors	-	-
Other non-resident sectors	-	-
	8,602	**8,939**
By type of instruments		
Debt securities	8,602	8,939
Ownership interests in Investment Funds	-	-
	8,602	**8,939**

The Group classifies to this portfolio the fixed-income assets that are managed jointly with insurance contract liabilities ("Unit linked") measured at fair value.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

10. Financial assets at fair value through other comprehensive income

10.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	5,205,938	6,185,832
Rest of the countries in the European Monetary Union	1,306,002	1,326,637
Rest of Europe	165,522	208,201
Rest of the world	352,478	373,759
Total gross amount	**7,029,940**	**8,094,429**
(Impairment losses)	(6,612)	(7,999)
Total net amount	**7,023,328**	**8,086,430**
Of which: equity instruments related to the insurance activity	*30,417*	*27,285*
Of which: debt securities related to the insurance activity	*6,504,697*	*6,939,326*
By counterparty classes		
Credit institutions	616,258	630,981
Resident public administrations	4,418,272	5,303,196
Non-resident public administrations	419,972	420,188
Other resident sectors	497,111	564,268
Other non-resident sectors	1,078,327	1,175,796
Total gross amount	**7,029,940**	**8,094,429**
By type of instruments		
Debt securities:	6,676,068	7,696,598
Public sector debt	*4,264,454*	*5,042,960*
Other public administrations	*153,817*	*260,808*
Foreign government debt securities	*419,972*	*419,616*
Issued by financial institutions	*603,447*	*625,411*
Other fixed-income securities	*1,234,378*	*1,347,803*
Other equity instruments:	353,872	397,831
Shares in listed Spanish companies	*74,373*	*67,878*
Shares in non-listed Spanish companies	*136,796*	*184,649*
Shares in listed foreign companies	*84,606*	*103,281*
Shares in non-listed foreign companies	*45*	*45*
Ownership interests in Investment Funds	*48,583*	*33,234*
Ownership interests in Venture Capital Funds	*9,469*	*8,744*
Total gross amount	**7,029,940**	**8,094,429**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2019, the Company, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), decreased the value of the interest it held in this entity by 7,147 thousand euros, with a charge to consolidated equity. At 31 December 2019, the decrease in the fair value of this ownership interest amounted to 48,629 thousand euros and the ownership interest has been fully impaired since then.

The entirety of losses from impairment related to the hedge against credit risk of debt securities, which are reversible, are detailed in the table above.

This heading includes a balance of 113,717 thousand euros (160,440 thousand euros at 31 December 2019) relating to the shareholding in Caser. In this respect, on 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"), which represents 4.45% of the share capital and voting rights of this company. On 25 June 2020, Ibercaja obtained the relevant regulatory authorisations to formalise the aforementioned sale and purchase, which was completed for a final price of 53 million euros. The recording of this transaction has entailed a reclassification between equity items, from "Other accumulated comprehensive income" to "Other reserves" in the amount of 32 million euros. Ibercaja holds a 9.5% stake in Caser.

The positive impact of this sale on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio was estimated at approximately 24 basis points.

Additionally, Ibercaja formalised an agreement for a modifying novation of its non-life insurance distribution contract on the same date with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.)

This novation has meant for Ibercaja, in addition to the full maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities as well as the collection of the variable payment for the total fulfilment of the Business Plan of the previous agency contract, which is settled with the signing of this new agreement.

The accounting policy applied in the Condensed Consolidated Interim Financial Statements as at 30 June 2020 was to recognise 53 million euros under “Other operating income” in the consolidated income statement, in accordance with a reasonable interpretative approach to the applicable standard (IFRS 15) supported by external expert reports and with the external auditor's agreement.

However, the application of the standard to this specific case is of a certain technical complexity, with different interpretations being admitted, so that, following the interpretation of the Spanish Securities and Exchange Commission, only 15 million euros has been recognised in the consolidated profit and loss account at year-end (see Note 36). The remaining amount of the initial fixed fee already paid, i.e. 55 million euros, is being accrued in the consolidated profit and loss account in accordance with the provisions of the aforementioned standard.

Finally, the signing of this contract will result in additional profit-sharing payments of up to 50 million euros over the next 10 years. Such receipts shall be recorded as revenue on an accruals basis.

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 2.01% (1.80% during 2019), which includes the effect of the revenue reversals from risk hedging for interest rate risk.

10.2 Impaired debt securities

At 31 December 2020 and 2019 there were no impaired debt securities.

10.3 Credit risk hedges and others

The changes in the impairment losses recognised to cover the credit risk of the debt instruments included in this portfolio in 2020 and 2019 are presented below:

	Thousands of euros	
	2020	**2019**
Opening balance	**7,999**	**10,874**
Transfer charged to profit for the year	10,903	8,745
Reversal of provisions taken to income statement	(9,603)	(9,987)
Amounts used	(3,257)	(1,956)
Exchange differences and other movements	570	323
Closing balance	**6,612**	**7,999**
Of which:		
- Individually determined	-	1,748
- Collectively determined	6,612	6,251

The impairment losses indicated in this Note are recognised in the consolidated income statement under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income)”.

11. Financial assets at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Debt securities (Note 11.2)	8,474,312	7,218,228
Loans and advances	31,252,513	32,550,540
Credit institutions (Note 11.3)	311,651	643,792
Customers (Note 11.4)	30,940,862	31,906,748
	39,726,825	**39,768,768**

11.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	2019
By geographical areas		
Spain	39,304,955	38,947,449
Rest of the countries in the European Monetary Union	70,310	73,007
Rest of the world	996,660	1,390,700
Total gross amount	**40,371,925**	**40,411,156**
(Impairment losses)	(645,100)	(642,388)
Total net amount	**39,726,825**	**39,768,768**
Of which: debt securities related to the insurance activity	*160,465*	*186,262*
Of which: loans and advances related to the insurance activity	*28,428*	*43,811*
By counterparty classes		
Credit institutions	377,111	726,904
Resident public administrations	6,726,092	5,422,601
Non-resident public administrations	727,157	691,484
Other resident sectors	32,387,036	33,349,874
Other non-resident sectors	154,529	220,293
Total gross amount	**40,371,925**	**40,411,156**
By type of instruments		
Debt securities	8,474,475	7,218,577
Credits and loans	29,633,919	30,284,184
Reverse repurchase agreements	1,727,248	1,722,144
Other	536,283	1,186,251
Total gross amount	**40,371,925**	**40,411,156**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument, except for:

- The asset corresponding to the current value of the fees outstanding on financial guarantees, registered under "Other" (in the breakdown by type of instruments), amounts to 1,456 thousand euros as at 31 December 2020 (1,703 thousand euros as at 31 December 2019). In Note 27.1, the nominal value of the financial guarantees is broken down, which implies the maximum level of exposure to the credit risk.

  This item also includes the balances of "Other financial assets" detailed in notes 11.3 and 11.4.

- The assets transferred to securitisation funds that were not derecognised from the balance, in accordance with that stipulated in Note 2.8, shall be registered under heading "Credits and loans" (in the breakdown by type of instruments) and as at 31 December 2020 they amounted to 2,441,430 thousand euros (2,746,243 thousand euros as at 31 December 2019), with their breakdown detailed in Note 27.5. The maximum level of exposure to credit risk is collected by the value of all the positions of the Group in the mentioned securitisation funds, which amounts to 2,249,870 thousand euros as at 31 December 2020 (2,514,856 thousand euros as at 31 December 2019). The amount of the bonds issued by the securitisation funds that were subscribed by third parties outside to the Group amounts to 326,522 thousand euros as at 31 December 2020 (377,655 thousand euros as at 31 December 2019), with their breakdown detailed in Note 19.4.

11.2 Debt securities

The breakdown by financial assets included in the debt securities category as at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Debt securities	**8,474,475**	**7,218,577**
Impaired assets	-	-
Total gross amount	**8,474,475**	**7,218,577**
(Impairment losses)	(163)	(349)
Total net amount	**8,474,312**	**7,218,228**

This heading includes, among others, SAREB bonds, with an irrevocable guarantee from the Spanish central government, whose nominal value at 31 December 2020 was 1,653,300 thousand euros (1,702,200 thousand euros at 31 December 2019).

In 2020, the Group sold a debt securities portfolio for a nominal value of 1,381,770 thousand euros, of which 300,000 thousand euros was sold in the form of a forward sale. This sale was made in response to the extraordinary circumstances of the COVID-19 pandemic and the unusual scale of the challenges involved. This extraordinary sale transaction is consistent with the business model under which the assets concerned are managed (Maintenance of financial assets to receive their contractual cash flows, Note 2.2.4) in accordance with IFRS 9 and the Group's policies and methodological manuals. The gain or loss on the cash sale of securities amounted to 114,619 thousand euros and was recognised under "Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost" in the consolidated income statement (Note 34).

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 0.66% (0.88% during 2019).

11.3 Credit institutions

The breakdown of the financial assets included in the "credit institutions" category at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Time or at notice:	**106,391**	**106,391**
Reverse repurchase agreements	106,391	106,391
Other accounts	-	-
Other financial assets:	**205,394**	**537,498**
Cheques payable by credit institutions	1,218	1,152
Cash guarantees	167,513	395,853
Other items	36,663	140,493
Impaired assets	**-**	**-**
Valuation adjustments	**(134)**	**(97)**
Total gross amount	**311,651**	**643,792**
(Impairment losses)	**-**	**-**
Total net amount	**311,651**	**643,792**

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 0.06% (0.05% during 2019).

11.4 Customers

The breakdown by financial assets included in the Loans and advances to customers category as at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Credits and loans	**29,633,919**	**30,284,184**
Commercial loans	450,769	578,278
Secured loans	20,754,757	21,397,683
Other term loans	6,240,819	5,883,115
Finance leases	463,997	525,452
Receivables on demand and others	633,133	542,924
Impaired assets	1,010,697	1,290,930
Valuation adjustments	79,747	65,802
Reverse repurchase agreements	**1,620,857**	**1,615,753**
Other financial assets	**331,023**	**648,850**
Financial transactions pending settlement	165	9,007
Cash guarantees	170,244	230,902
Financial guarantee fees	1,456	1,828
Other items	159,158	407,113
Total gross amount	**31,585,799**	**32,548,787**
(Impairment losses)	(644,937)	(642,039)
Total net amount	**30,940,862**	**31,906,748**

On 27 June 2019, Ibercaja Banco, S.A. entered into a contract for the sale of a loan book of mostly NPLs with a nominal value of 534 million euros to Melf Investment Holding II, S.A.R.L. The negative impact of the operation, 27 million euros, is registered under heading “Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss” of the profit and loss account (Note 34).

Also, on 24 December 2019, Ibercaja Banco, S.A. arranged the sale to DSSV, S.A.R.L. of a loan book in doubtful status for a overall nominal debt amount of 73 million euros. The negative impact of the operation, 15 million euros, is registered under heading “Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss” of the profit and loss account (Note 34).

Finance leases in which the Group is the lessor are described below:

- The interest rate is variable.

- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise this purchase option, its value is recorded as a debt claim together with the rest of the minimum payments to be made by the lessee.

Details of finance leases for the year are as follows:

- At 31 December 2020, the gross investment totals 463,997 thousand euros (525,452 thousand euros at 31 December 2019).

- The present value of future minimum lease payments receivable during the non-cancellable part of the lease period (assuming that any existing rights to extend the lease or purchase options are not exercised) at 31 December 2020 is 162,993 thousand euros within one year, 264,216 thousand euros in one to five years and 35,547 thousand euros after more than five years.

- Unaccrued interest income totals 22,373 thousand euros in 2020 (25,470 thousand euros in 2019).

- The residual value of these leases amounts to 36,732 thousand euros at 31 December 2020 (41,410 thousand euros at 31 December 2019).

- Impairment adjustments to finance leases amount to 18,190 thousand euros at 31 December 2020 (10,604 thousand euros at 31 December 2019).

"Valuation adjustments" at 31 December 2020 included an amount of 31,262 thousand euros corresponding to the adjustment to the amortised cost of the covered assets pending accrual after the interruption of the macro-hedges described in Note 12.2 (42,600 million euros at 31 December 2019).

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 1.24% (1.38% during 2019).

11.4.1. Overdue, impaired and unimpaired assets

There follows a breakdown of credit to customers considered to be impaired because of credit risk at 31 December 2020 and 2019, classified according to the period elapsed since the maturity of the oldest unpaid amount of each transaction at those dates:

	Thousands of euros					
	Not yet due	Up to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
Balances as at 31 December 2020	142,193	48,278	45,422	50,962	723,842	**1,010,697**
Balances as at 31 December 2019	209,976	102,602	54,770	44,413	879,169	**1,290,930**

The detail of the impaired assets by counterparty classes is as follows:

	Thousands of euros	
	2020	2019
Resident public administrations	1.246	2.741
Other resident sectors	1.005.184	1.283.201
Other non-resident sectors	4.267	4.988
	1.010.697	**1.290.930**

In general, the matured assets are not considered impaired until the length of service of the default surpasses 90 days. The detail of the unimpaired matured assets by counterparty classes and length of service as at 31 December 2020 and 2019 is as follows:

	Thousands of euros 2020			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	68	73	-	141
Other resident sectors	23,903	4,923	3,768	32,594
Other non-resident sectors	49	13	11	73
	24,020	**5,009**	**3,779**	**32,808**

	Thousands of euros 2019			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	41	51	-	92
Other resident sectors	34,839	12,939	9,993	57,771
Other non-resident sectors	79	18	9	106
	34,959	**13,008**	**10,002**	**57,969**

11.5 Credit risk hedges and others

The changes in the gross balance of financial assets included in this category in 2020 and 2019 are presented below:

	Thousands of euros 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**
Transfers:	(337,589)	283,275	54,314	-
from stage 1 to stage 2:	*(765,894)*	*765,894*	-	-
from stage 1 to stage 3	*(51,474)*	-	*51,474*	-
from stage 2 to stage 3	-	*(94,279)*	*94,279*	-
from stage 3 to stage 2	-	*89,769*	*(89,769)*	-
from stage 2 to stage 1	*478,109*	*(478,109)*	-	-
from stage 3 to stage 1	*1,670*	-	*(1,670)*	-
Increases	10,529,728	327,290	39,446	10,896,464
Decreases	(10,225,782)	(335,920)	(182,082)	(10,743,784)
Transfers to write-offs	-	-	(191,911)	(191,911)
Other movements	-	-	-	-
Gross balance at 31 December	**37,683,374**	**1,677,854**	**1,010,697**	**40,371,925**

	Thousands of euros 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**36,671,116**	**1,551,944**	**2,272,336**	**40,495,396**
Transfers:	(22,846)	(10,419)	33,265	-
from stage 1 to stage 2:	*(654,619)*	*654,619*	-	-
from stage 1 to stage 3	*(54,766)*	-	*54,766*	-
from stage 2 to stage 3	-	*(110,484)*	*110,484*	-
from stage 3 to stage 2	-	*128,666*	*(128,666)*	-
from stage 2 to stage 1	*683,220*	*(683,220)*	-	-
from stage 3 to stage 1	*3,319*	-	*(3,319)*	-
Increases	10,724,637	154,302	68,170	10,947,109
Decreases	(9,655,890)	(292,618)	(828,006)	(10,776,514)
Transfers to write-offs	-	-	(254,835)	(254,835)
Other movements	-	-	-	-
Gross balance at 31 December	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**

The changes in impairment losses recognised to cover the credit risk of financial assets included in this category in 2020 and 2019 are presented below:

	Thousands of euros 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	-	*10,109*	*124,634*	*134,743*
- Collectively determined	*60,248*	*55,091*	*392,306*	*507,645*
Changes through profit or loss:	**(67,638)**	**122,431**	**169,384**	**224,177**
Increases in origination	31,715	-	-	31,715
Changes due to changes in credit risk	(64,041)	129,221	199,225	264,405
Changes in calculation method	-	-	-	-
Other	(35,312)	(6,790)	(29,841)	(71,943)
Changes other than through profit or loss:	**59,544**	**(55,301)**	**(225,708)**	**(221,465)**
Transfers:	59,544	(55,301)	(4,243)	-
from stage 1 to stage 2:	*(19,448)*	*19,448*	-	-
from stage 1 to stage 3:	*(354)*	-	*354*	-
from stage 2 to stage 3:	-	*(16,947)*	*16,947*	-
from stage 3 to stage 2	-	*21,253*	*(21,253)*	-
from stage 2 to stage 1	*79,055*	*(79,055)*	-	-
from stage 3 to stage 1	*291*	-	*(291)*	-
Existing provisions utilised	-	-	(198,823)	(198,823)
Other movements	-	-	(22,642)	(22,642)
Balance at 31 December	**52,154**	**132,330**	**460,616**	**645,100**
Of which:				
- Individually determined	-	*12,270*	*97,105*	*109,375*
- Collectively determined	*52,154*	*120,060*	*363,511*	*535,725*

	Thousands of euros			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which:				
- Individually determined	-	*9,171*	*436,856*	*446,027*
- Collectively determined	*55,379*	*76,180*	*539,394*	*670,953*
Changes through profit or loss:	**(93,348)**	**61,001**	**166,552**	**134,205**
Increases in origination	34,561	-	-	34,561
Changes due to changes in credit risk	(105,082)	70,908	194,409	160,235
Changes in calculation method	-	-	-	-
Other	(22,827)	(9,907)	(27,857)	(60,591)
Changes other than through profit or loss:	**98,217**	**(81,152)**	**(625,862)**	**(608,797)**
Transfers:	98,217	(81,152)	(17,065)	-
from stage 1 to stage 2:	*(20,554)*	*20,554*	-	-
from stage 1 to stage 3:	*(360)*	-	*360*	-
from stage 2 to stage 3:	-	*(17,680)*	*17,680*	-
from stage 3 to stage 2	-	*31,822*	*(31,822)*	-
from stage 2 to stage 1	*115,848*	*(115,848)*	-	-
from stage 3 to stage 1	*3,283*	-	*(3,283)*	-
Existing provisions utilised	-	-	(591,357)	(591,357)
Other movements	-	-	(17,440)	(17,440)
Balance at 31 December	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	-	*10,109*	*124,868*	*134,977*
- Collectively determined	*60,248*	*55,091*	*392,072*	*507,411*

The balance of provision utilisation in 2020 relates mainly to provisions covering transactions derecognised from the consolidated balance sheet amounting to 191,911 thousand euros (252,587 thousand euros in 2019). The balance of utilisations in 2019 additionally includes the provisions derecognised from the balance sheet for the loan portfolio, mostly non-performing loans, sold to Melf Investment Holding II, S.A.R.L. amounting to 305,035 thousand euros as well as the loan book sold to DSSV, S.A.R.L. amounting to 22,446 thousand euros.

"Other" includes releases generated by the write-downs of provisions for operations cancelled due to collections during the period. Write-downs of provisions in operations that have been removed from the balance sheet are included in the concept of "Use of provisions".

The concept of "Other movements" includes the transfer of the non-performing loan allowance that the credit transaction had which were paid through the awarding or granting in payment for the overall or partial satisfaction of the debt, in accordance with the criteria described in Note 2.18.

The detail of the impaired losses by counterparty classes is as follows:

	Thousands of euros	
	2020	2019
Resident public administrations	821	2,229
Other resident sectors	641,948	637,581
Other non-resident sectors	2,331	2,578
	645,100	**642,388**

The various items recognised in 2020 and 2019 under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost" in the consolidated income statements for those years are presented below:

	Thousands of euros	
	2020	2019
Impairment losses credited to allowances for assets	224,177	134,205
Recovery of written-off assets	(5,831)	(8,326)
	218,346	**125,879**

The movement of the consolidated Loans and receivables derecognised in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Balances as at the start of the year	**818,454**	**732,549**
Use of the Accumulated impairment balance	132,495	173,485
Contractually required interests	24,506	33,248
Direct write-down to the profit and loss account	-	-
Main cash payment to the counterparties	(5,618)	(8,106)
Interest cash payment to the counterparties	(213)	(220)
Forgiveness	(66,975)	(53,640)
Limitation period	(384)	(4,406)
Foreclosure of tangible assets	(2,524)	(4,178)
Debt refinancing or restructuring	-	-
Sales	(268,615)	(38,527)
Other items	-	(11,751)
Balance at the close of the year	**631,126**	**818,454**

“Sales” in 2020 mainly includes the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. In 2019 this item included the sale of a portfolio of mainly non-performing loans for a total of 38 million euros to Melf Investment Holding II, S.A.R.L.

The accrued interest pending payment, registered in memorandum accounts, associated with impaired financial assets, amounts to 51,073 thousand euros as at 31 December 2020 (62,950 thousand euros as at 31 December 2019).

11.6 Impact of COVID-19 on classification and impairment of financial instruments (IFRS 9)

11.6.1. Measures implemented to mitigate the impacts of COVID-19

On 18 March 2020, Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published. On 1 April, Royal Decree-Law 11/2020 of 31 March was published, adopting urgent additional measures in the social and economic sphere to deal with COVID-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it.

One of the measures developed by these Royal Decrees is aimed at ensuring the protection of mortgage debtors in a situation of economic vulnerability, establishing a moratorium on the payment of their mortgage on their principal residence, loans secured by real estate used for economic activity, those secured by housing that was intended for rental and in which the debtor has ceased to receive rent due to the COVID-19 situation, as well as loan and credit contracts without mortgage collateral, including consumer loans. Banks could enter into such transactions until 29 September 2020.

It should be noted that, after the close of the 2020 financial year and prior to preparing these consolidated annual accounts, Royal Decree-Law 3/2021 of 2 February was published, adopting measures to reduce the gender gap and other matters in the Social Security and economic fields, which includes the measure to extend the application period for moratoriums, in line with the extension of the effects of the pandemic. In this way, the beneficiaries of any moratoriums, whether legal or under a sector understanding, are allowed to take advantage of them for a maximum cumulative duration of nine months, including those who had initially requested a moratorium for a shorter period. The deadline to apply for these moratoriums is extended to 31 March 2021.

Another of the measures adopted in Royal Decree-Law 8/2020 addressed the difficult economic situation that companies and the self-employed would have to face as a result of the health crisis by creating a 100 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their liquidity needs. This line has been managed by the Official Credit Institute (ICO) and its objective is to facilitate granting sufficient liquidity to maintain employment and alleviate the economic effects of COVID-19. Institutions may enter into such transactions until 1 June 2021, provided that they do not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

Similarly, on 3 July 2020, Royal Decree-Law 25/2020 was published, approving the creation of a 40 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their needs for new investments. Institutions may enter into such transactions until 1 June 2021, provided that they do not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

In addition, the publication of Royal Decree-Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in the area of taxation, in addition to extending the application period for these publicly-guaranteed financing transactions until 1 June 2021, lays down an extension of the maturity and grace periods of these transactions for all debtors who so request. Specifically, the maturity of these transactions will be extended by a maximum of three years, provided that the total maturity of the guaranteed transaction does not exceed eight years from the date of the initial formalisation of the transaction, and the grace period for the repayment of the principal of the guaranteed transaction will be increased by a maximum of twelve additional months, if the total grace period, taking into account the initial grace period, does not exceed twenty-four months.

Lastly, the Group adhered to the Sector Understanding on the deferral of financing operations for customers affected by the coronavirus crisis, approved by the Board of the Spanish Confederation of Savings Banks (CECA) and published on 16 April 2020. The purpose of this agreement is to establish the framework and general criteria for certain debtors affected by this health crisis to defer payment of mortgage loans or credits and personal loans or credits. Entities could enter into such transactions until 30 September 2020.

On 15 December 2020, CECA issued an addendum to the abovementioned Sector Understanding, adapting the term of the Sector Understanding until 30 March 2021, the latest date for submission of applications under this Sector Understanding, in line with the new provisions contained in the EBA/GL/2020/15 Guidelines.

In this context, the Group has been granting its customers both moratoriums under the aforementioned Royal Decrees (legal moratoriums) and moratoriums under the sector agreement (sectoral moratorium), as well as transactions with guarantees from the COVID-19 ICO line, in order to reach a larger number of those affected by the health crisis.

The detail of these transactions as at 31 December 2020 is as follows:

	Thousands of euros 31/12/2020								
	Total data						Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Balance granted	of which: legal moratoriums	of which: extended moratoriums	of which: expired moratoriums	Outstanding balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,353	688,112	607,058	232,826	348,039	340,073	241,165	89,479	9,429
Consumer finance	372	4,179	3,987	1,649	3,059	1,120	1,034	72	14
Other operations	939	49,130	41,414	14,813	24,194	24,936	20,783	3,651	502
Total	**8,664**	**741,421**	**652,459**	**249,288**	**375,292**	**366,129**	**262,982**	**93,202**	**9,945**

	Thousands of euros 31/12/2020						
	Total data				Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Amount granted	Amount guaranteed	Outstanding balance	Stage 1	Stage 2	Stage 3
COVID-19 ICO Guarantees	**17,082**	**1,829,587**	**1,089,024**	**1,454,067**	**1,272,178**	**179,493**	**2,396**
Self-employed	3,619	80,685	57,417	73,451	72,766	607	78
SMEs	12,804	1,417,729	856,006	1,111,003	953,368	155,398	2,237
Other corporations	659	331,173	175,601	269,613	246,044	23,488	81

In addition to these support operations established in legal and sector-wide frameworks, the Group, in its desire to help its customers overcome this crisis, has renegotiated certain financial leasing operations whose holders had accredited correct compliance with their financial obligations and who, as a result of COVID-19, are experiencing temporary financial difficulties. At 31 December 2020, the Group had granted 285 transactions of this type, with an outstanding balance of 2,170 thousand euros.

All the operations described above have been carried out in accordance with the provisions of the regulations of the Royal Decrees, as well as the guidelines and sector understandings.

The characteristics of the financial instruments under which these mitigation measures have been implemented are as follows:

- **Legal moratoriums:** entails the suspension of the mortgage debt for a period of three months and the consequent non-application, during the period of validity of the same, of the early maturity clause that, where applicable, was included in the mortgage loan contract. During the period of validity, the Entity may not demand payment of the mortgage instalment, nor of any of the items comprising it (amortisation of the capital or payment of interest), either in full or as a percentage. At 31 December 2020, legal moratorium measures affecting 7,695 transactions had been formalised, bringing the outstanding risk of transactions with this type of moratorium in force to 39,743 thousand euros. In accordance with IFRS 9, these measures have resulted in a non-substantial modification of the contract and therefore the affected assets have not been derecognised, although the Group has recognised the adjustment to the carrying amount of these assets as a result of the change in cash flows under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement was not significant.

- **Sectoral moratorium:** this applies both to those individuals who do not have transactions with defaults of more than two bills or instalments on 14 March 2020 and who, as a result of the health crisis, have been economically affected, and to those individuals who, fulfilling these requirements and whose legal moratorium has expired, request it, thus linking a legal moratorium with a sectoral moratorium. In this moratorium, the repayment of the principal of the loan is deferred for the term of the loan, although the customer will pay interest on the outstanding principal during this period. The term of the moratorium is a maximum of 12 months for mortgage loans or credits, and a maximum of 6 months for personal loans or credits. In the case of customers who are granted this moratorium after having exhausted the legal moratorium granted, the maximum term of the sectoral moratorium shall be reduced by the term of the legal moratorium. At 31 December 2020, the Group had formalised sector moratorium measures affecting 3,645 transactions, of which 2,676 transactions were formalised after the customer had exhausted the legal moratorium granted, with the outstanding risk of transactions with this type of moratorium in force amounting to 326,386 thousand euros.

- **COVID-19 ICO Lines**: Royal Decree-Law 8/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 100 billion euros in guarantees for financing granted by credit institutions to meet their needs arising from invoice management, working capital requirements, financial or tax obligations, payment of employee salaries or other liquidity needs that allow them to maintain economic activity. Companies and the self-employed have access to these guarantees, through the formalisation of new financing operations or the renewal of existing ones. Until 31 December 2020, the lines of guarantees that have been activated by the Government total the 100 billion euros set out in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers on 24 March, 10 April, 5 May, 19 May 2020 and 16 June. Of these total amounts, 67.5 billion euros have been earmarked for SMEs and the self-employed, 25 billion euros to other companies, 4 billion euros for issuing promissory notes, 2.5 billion euros for SMEs and the self-employed in the tourism sector and related activities, 500 million euros for the self-employed and companies for the acquisition or financial or operational leasing of road transport motor vehicles for professional use and 500 million euros for CERSA (Compañía Española de Reafianzamiento, S.A.)

  Additionally, Royal Decree-Law 25/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 40 billion euros in guarantees for financing granted by credit institutions to mainly meet their financial needs arising from new investments. Companies and the self-employed have access to these guarantees, through formalising new financing operations. Until 31 December 2020, the Government has activated two lines of guarantees, some of which will be managed by the ICO, for a total of 11.3 billion euros, approved by the Council of Ministers on 28 July 2020 and 24 November 2020, with a total of 5 billion euros for SMEs and the self-employed and 3 billion euros for other companies, 2.55 billion euros to guarantee financing operations for companies and the self-employed that are in the execution phase of an insolvency agreement within an insolvency proceeding (but are up to date with their obligations under the agreement and can prove this by means of a court or administrator's report), 250 million euros to guarantee promissory notes issued on the MARF (Mercado Alternativo de Renta Fija) by companies that could not benefit from the tranche available under the first line as they were in the process of renewing their promissory note programme, and 500 million euros to meet the investment and liquidity needs of SMEs and the self-employed in the sector of tourism, hotel and catering and related activities.

  The number of operations formalised by the Group for the self-employed, SMEs and other companies amounted to 17,082 euros with an outstanding balance of 1,454,067 thousand euros and an ICO guarantee amount of 1,089,024 thousand euros.

The Group considers that the COVID-19 ICO guarantees form a substantial part of the secured financing (full guarantee), as they are in any case new operations or renewals of existing credit lines with substantial modifications to the original terms and conditions. Therefore, the accounting treatment applied to them is based on the following assumptions in line with the specifications of IFRS 9: (i) the fee paid by the Group to the ICO is incorporated as an incremental cost in the calculation of the effective interest rate of the operation, and (ii) the flows expected to be obtained as a result of the execution of the guarantee are taken into account in the calculation of the expected loss on the transaction.

11.6.2. Effect on rating by credit risk stages

In the current economic context arising from the COVID-19 health crisis, banking regulators and supervisors around the world have recommended making appropriate use of the flexibility implicit in the regulatory framework, without undermining the adequate identification and hedging of credit risk. In line with these guidelines and recommendations, the Group has adapted its criteria for classifying financial instruments by stage according to their credit risk. The aim is to avoid automatisms and to allow greater flexibility in the application of expert judgement for the credit risk classification of operations, including those affected by legal and sectoral moratoriums, those that have been subject to a guarantee from the COVID-19 ICO line, and the treatment of refinancing. Following on from this, the existence of liquidity difficulties of borrowers with a good payment behaviour would not automatically lead to the amendments of the operations motivated by the COVID-19 crisis being identified as refinancing or restructuring at the time they are granted. These transactions may remain classified as normal as long as there are no reasonable doubts about their repayment and there has been no significant increase in their credit risk.

The Group has considered these guidelines and recommendations in its criteria for determining whether there is a significant increase in risk in its lending exposures. Furthermore, based on the recommendations of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), and in order to distinguish between exposures affected by temporary liquidity constraints (according to ESMA) and those that are actually affected by a situation of significantly increased risk, the Group refutes the presumption that there is a significant increase in risk in the case of operations affected by legal and sectoral moratoria, for the entire duration of the moratorium. However, those operations affected by sectoral moratoriums more than three months old and for which a low capacity to overcome this crisis is determined, based on the credit risk monitoring carried out by the Group, will be considered to have produced a significant increase in risk, with their consequent classification at Stage 2.

In addition, based on the results of the credit risk monitoring analyses of its loan portfolio described in Note 11.6.3, the Group has considered the classification at Stage 2 of those exposures in companies (not individually significant, since these are analysed by means of an individualised expert analysis) belonging to economic sectors especially affected by the health crisis or which, within the credit risk monitoring carried out by the Group, have been determined to have a low capacity to overcome this crisis.

11.6.3. Impact on credit risk impairment hedges

The prospective assessment of impairment cannot be carried out mechanically and with a vision reduced to a very short period of time. The incorporation of the effect of forecasts of future economic conditions in the estimation of credit risk hedges should be made on the basis of reasonable and substantiated information so as not to undermine the reliability of the estimates. Therefore, in estimating the estimated credit risk loss, the Group has taken into consideration not only the macroeconomic scenarios for 2020, but also the projections for the coming years, giving more weight to long-term projections.

Therefore, during the 2020 financial year, the European Central Bank has published various estimates of the macroeconomic scenario for the 2020-2022 period in the European Union, focusing on the estimated change in GDP, inflation and unemployment, together with a more optimistic scenario and a stressed scenario, based how the pandemic evolves. Similarly, the Bank of Spain has made various projections of the above variables adapted to Spain, incorporating a scenario of gradual recovery of activity (central), together with a scenario of early recovery (optimistic) and a scenario of risk (stressed).

In this context, the Group, in its process of recalibrating the credit risk models, has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment coverage models. To this end, the probability of occurrence of each scenario used (Note 2.3) has been reweighted by raising the probability of occurrence of the central scenario that the Group has estimated on the basis of the latest macroeconomic information and which is in line with the Bank of Spain's published projections.

The main projected variables considered as at 31 December 2020 are as follows:

	2020	2021	2022
GDP growth			
Base Scenario	(11.4%)	6.2%	6.3%
Optimistic scenario	(11.4%)	8.6%	5.6%
Pessimistic scenario	(11.5%)	1.7%	5.8%
Unemployment rate			
Base Scenario	16.8%	18.4%	16.3%
Optimistic scenario	16.8%	17.5%	15.1%
Pessimistic scenario	16.9%	19.3%	18.5%
Interest rate			
Base Scenario	(0.4%)	(0.4%)	(0.4%)
Optimistic scenario	(0.4%)	(0.4%)	(0.4%)
Pessimistic scenario	(0.4%)	(0.6%)	(0.7%)
House price growth			
Base Scenario	(2.3%)	(1.8%)	(2.4%)
Optimistic scenario	(2.3%)	(0.8%)	(2.7%)
Pessimistic scenario	(2.3%)	(9.7%)	(2.9%)

Given the exceptional nature of the macroeconomic situation caused by COVID-19, in which unprecedented rates of falls and rebounds in the historical series of many variables have been observed and are estimated, the Group has considered, on the basis of the communications made by supervisors and supranational bodies to mitigate the treatment of short-term procyclicality in institutions' credit risk models, that, for those variables in which very distant peaks and troughs are reached, it is more prudent to draw up scenarios using the net effect of the variables.

The weighting of the scenarios for 2020 and 2019 is as follows:

	2020	2019
Optimistic scenario	10%	20%
Base scenario	70%	60%
Pessimistic scenario	20%	20%

In addition, the Group analysed its loan portfolio taking into account the different types and segmentation of customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), their characteristics (companies, individuals, self-employed, etc.) as well as the sector to which each borrower belongs (CNAE). Following this analysis, it was concluded that there are economic sectors particularly impacted by the COVID-19 crisis, such as air transport, hotels, restaurants and tourism, for which the Group has to be particularly prudent in determining credit risk coverage.

Based on the new macroeconomic scenarios arising as a result of COVID-19, the credit risk monitoring measures implemented and the expert analysis of individually-significant borrowers and the particular impact that this crisis may have on certain sectors, the Group has made a non-recurring provision of 90 million euros in 2020. These have been recorded for accounting purposes under the heading “Impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification - Financial assets at amortised cost”, 52 million of which has been recorded as a post model adjustment to cover the increase in credit risk of customers who are not in default at year-end 2020, but who, due to the persistent deterioration of the current macroeconomic situation, are expected to transition to Stage 2 in 2021, as the potential effect of the transitions between stages is not captured by the internal models. The allocation of this subsequent adjustment to the stage and purpose model is explained on the basis of the progress of the transitions between stages of the moratorium and COVID-19 ICO operations observed in the Group during 2020 and on the basis of the loan portfolio change projections used in the Group's Business Plan.

The breakdown by stage and by purpose of the additional non-recurring provision incurred by the Group due to the health crisis is presented below:

	Thousands of euros			
	31/12/2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgages to individuals	1,092	29,665	12,624	43,381
Self-employed and SMEs	234	31,962	2,706	34,902
Large corporations	70	8,021	805	8,896
Other segments	88	1,840	1,017	2,945
Total	**1,484**	**71,488**	**17,152**	**90,124**

The Group closely monitors the trend of both the sectors and the most relevant individual borrowers that could be affected by this crisis, in order to adapt its credit risk coverage to the different scenarios that may arise.

12. Derivatives - hedge accounting (assets and liabilities) and fair value changes of the hedged items in a portfolio with interest rate risk hedging

12.1 Derivatives - Hedge accounting

The breakdown, by product type, of the fair value of the financial derivatives designated as hedging instruments in fair value hedge and cash flow transactions at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2020	2019	2020	2019
Interest rate swaps (IRSs)	142,020	137,210	216,202	233,888
	142,020	**137,210**	**216,202**	**233,888**

The carrying amount shown in the previous table represents the maximum level of exposure to credit risk with respect to the financial instruments included therein, except for the derivative assets contracted in which there are netting or compensation agreements, and that also have a collateral agreement consisting of the formalisation of deposits for an amount equivalent to the net fair value of the derivative transactions, so that in the event of non-payment of the derivative operations by one of the parties, the other party is not required to satisfy the obligations associated with the deposit.

The Company has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The breakdown of the carrying amount of the financial instruments associated with these agreements and asset and liability deposits that are generated with the counterparties (for both the hedging and trading derivatives that are detailed in Note 7.3), is as follows:

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2020	2019
Derivative assets	25,283	30,080
Derivative liabilities	46,378	71,702

	Thousands of euros	
	Deposits subject to derivative offset arrangements	
	2020	2019
Deposits recognised under assets	70,217	82,117
Deposits recognised under liabilities	23,010	26,790

The purpose of all fair value hedges carried out by the Company is to hedge the risk of changes in the fair value of debt instruments, assets or liabilities issued at a fixed rate, due to changes in the reference interest rate. This risk is established in the increase of the fair value of the financial liabilities against reference interest rate decreases and decreases in the fair value of the financial assets in the event of their increases. To mitigate this risk, the Group arranges interest rate swaps, the value of which varies similarly and symmetrically to the changes in value of the hedged items.

The purpose of the cash flow hedges is to stabilise the impact on net interest income of interest associated with inflation-indexed public debt, eliminating the underlying risk of the benchmark index. To hedge this risk, interest rate swaps were arranged on the market that convert the issue's inflation-indexed floating rate into a fixed rate.

In the event of ineffectiveness in fair value or cash flow hedges, the Bank mainly considers the following causes:

- Possible economic events affecting the Bank (e.g: default).
- Due to changes and possible differences with respect to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items, respectively.
- Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging instrument.

Note 3 analyses the nature of the Group's main risks covered by these financial instruments.

A breakdown of the maturities of the notional amounts of the hedging instruments used by the Group at 31 December 2020 and 2019 is shown below:

	Thousands of euros					
	2020					
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Fair value hedges	**-**	**227,948**	**6,000**	**3,058,900**	**1,485,000**	**4,777,848**
Interest rate swaps (IRSs)	**-**	**227,948**	**6,000**	**3,058,900**	**1,485,000**	**4,777,848**
Average interest rate	-	0.08%	4.00%	0.85%	1.52%	0.49%
Cash flow hedges	**-**	**-**	**200,000**	**-**	**423,500**	**623,500**
Interest rate swaps (IRSs)	-	-	200,000	-	423,500	623,500
Average interest rate	-	-	-	-	-	-

	Thousands of euros					
	2019					
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Fair value hedges	**-**	**62,800**	**1,866,667**	**2,667,337**	**2,145,897**	**6,742,701**
Interest rate swaps (IRSs)	-	62,800	1,866,667	2,667,337	2,145,897	6,742,701
Average interest rate	-	4.88%	0.33%	0.03%	1.51%	0.54%
Cash flow hedges	**-**	**-**	**-**	**200,000**	**415,000**	**615,000**
Interest rate swaps (IRSs)	-	-	-	200,000	415,000	615,000
Average interest rate	-	-	-	-	-	-

A breakdown of the hedging instruments used by the Group at 31 December 2020 and 2019 is shown below:

	Thousands of euros			
	2020			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**4,777,848**	**122,347**	**135,747**	**(49,019)**
Interest rate swaps (IRSs)	4,777,848	122,347	135,747	(49,019)
Cash flow hedges	**623,500**	**19,673**	**80,455**	**8,551**
Interest rate swaps (IRSs)	623,500	19,673	80,455	8,551

	Thousands of euros			
	2019			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**6,742,701**	**118,466**	**149,653**	**(144,058)**
Interest rate swaps (IRSs)	6,742,701	118,466	149,653	(144,058)
Cash flow hedges	**615,000**	**18,744**	**84,235**	**8,524**
Interest rate swaps (IRSs)	615,000	18,744	84,235	8,524

A breakdown of the items hedged the Group at 31 December 2020 and 2019 is shown below:

	Thousands of euros					
	2020					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**1,142,031**	**3,441,265**	**112,988**	**(86,809)**	**48,655**	**-**
Transactions with clients	-	175,716	-	(3,842)	(599)	-
Loans	-	2,315,549	-	(74,059)	11,291	-
Fixed Income	1,142,031	-	112,988	-	26,408	-
Deposits taken (Money Market)	-	-	-	-	2,475	-
Equities	-	-	-	-	5,619	-
Savings demand deposit hedge	-	950,000	-	(8,908)	3,461	-
Cash flow hedges	**701,929**	**-**	**-**	**-**	**-**	**8,551**
Fixed Income	701,929	-	-	-	-	8,551

	Thousands of euros					
	2019					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**1,450,908**	**4,894,576**	**142,762**	**(103,438)**	**144,625**	**-**
Transactions with clients	-	182,478	-	(3,243)	(2,232)	-
Loans	-	2,133,108	-	(85,350)	19,555	-
Fixed Income	1,450,908	-	142,762	-	128,179	-
Deposits taken (Money Market)	-	1,628,990	-	(2,475)	578	-
Equities	-	-	-	-	409	-
Savings demand deposit hedge	-	950,000	-	(12,370)	(1,864)	-
Cash flow hedges	**695,965**	**-**	**-**	**-**	**-**	**8,524**
Fixed Income	695,965	-	-	-	-	8,524

The following table shows the impact on the consolidated income statement and consolidated statement of other comprehensive income of the hedging relationships designated by the Group at 31 December 2020 and 2019:

	Thousands of euros			
	2020			
	Change in value of hedging instrument recognised in other comprehensive income	**Ineffectiveness recognised in profit or loss**	**Amount reclassified from equity to profit or loss**	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**364**	**-**	**-**
Transactions with clients	-	205	-	-
Loans	-	(20)	-	-
Fixed Income	-	(212)	-	-
Deposits taken (Money Market)	-	162	-	-
Equities	-	(499)	-	-
Cash flow hedges	**27**	**-**	**-**	**11,802**
Fixed Income	27	-	-	11,802

	Thousands of euros			
	2019			
	Change in value of hedging instrument recognised in other comprehensive income	**Ineffectiveness recognised in profit or loss**	**Amount reclassified from equity to profit or loss**	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**567**	**-**	**-**
Transactions with clients	-	81	-	-
Loans	-	230	-	-
Fixed Income	-	(41)	-	-
Deposits taken (Money Market)	-	297	-	-
Equities	-	-	-	-
Cash flow hedges	**(764)**	**-**	**-**	**4,411**
Fixed Income	(764)	-		4,411

At 31 December 2020 and 2019, there were no accounting hedges that failed the effectiveness test.

12.2 Fair value changes of the hedged items in a portfolio with interest rate risk hedging

As explained in Note 2.4, these gains or losses arising from changes in the fair value of the interest rate risk of the financial instruments effectively hedged in fair value macro-hedging transactions are charged or credited under these headings of the consolidated balance.

The breakdown of adjustments to financial assets and liabilities via macro-hedges at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2020	2019	2020	2019
Mortgage loans	-	-	-	-
Financial liabilities	-	-	37,593	37,617
	-	**-**	**37,593**	**37,617**

With respect to the assets affecting the micro-hedges, Banco Grupo Cajatres, S.A.U. signed an option contract on interest rates in 2012, for which it would pay the positive difference between the floor rate and Euribor rate at 12 months (or zero if this difference is negative) on the current notional in each period in 2013-2026. The starting and maximum notional value of the option amounted to 2.672 billion euros, covering the cost of the floor value included in the mortgage loans in the portfolio on interest rate variations. In 2015 the Group decided to interrupt the micro-hedge. The change to the amortised cost of the hedged assets on the hedge interruption date, for an amount of 140.9 million euros, is accrued over the initially designated hedging period. At 31 December 2020, the adjustment pending accrual amounts to 31.2 million euros (42.6 million euros at 31 December 2019) and has been recorded since the interruption of the hedge under the heading "Financial assets at amortised cost - Customers" on the asset side of the balance sheet (Note 11.4). The cancellation of the derivative with the counterparty was made on the same day.

The nominal amount of financial liabilities corresponding to own issues, covered bonds, deposits and transactions with customers, covered by interest rate swaps (IRSs), amounted to 450,897 thousand euros at 31 December 2020 (450,897 thousand euros at 31 December 2019).

At 31 December 2020 and 2019, there were no accounting hedges that failed the effectiveness test.

13. Investments in joint ventures and associates

13.1 Investments in associates

This heading of investments in associates in the consolidated balance sheets as at 31 December 2020 and 2019 is broken down as follows:

	Thousands of euros	
	2020	**2019**
Equity instruments	76,820	81,783
(Impairment losses)	-	(129)
Total net amount	**76,820**	**81,654**

The balance of "Investments in subsidiaries, joint ventures and associates – Associates" of the consolidated balance sheets as at 31 December 2020 and 2019 included goodwill associated with these investments. The breakdown of this goodwill, based on the entity in which they originated, is shown below:

	Thousands of euros	
Company	**2020**	**2019**
Henneo	11,149	11,149
Total net amount	**11,149**	**11,149**

The movement of the impairment losses of the associated entities in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Opening balance	**129**	**129**
Transfers	**-**	**-**
Transfer charged to profit for the year	-	-
Recovered amount credited to profit for the year	-	-
Recovered amount credited to profit for the previous years	**-**	**-**
Amounts used	**(129)**	**-**
Other movements	**-**	**-**
Closing balance	**-**	**129**

13.2 Investments in joint ventures

Appendices I and II show a breakdown of the investments in joint ventures held by the Group at 31 December 2020 and 2019, with related details.

There are no impairment losses or goodwill associated with these investments.

14. Assets under insurance or reinsurance contracts

As at 31 December 2020 and 2019, the entirety of the budget under this heading of consolidated balances corresponds to the profit-sharing of the reinsured policies.

The reconciliation between the opening and closing balances under this heading in 2020 and 2019 is as follows:

	Thousands of euros
Balances as at 31 December 2018	**719**
Transfers	(180)
Balances as at 31 December 2019	**539**
Transfers	(110)
Balances as at 31 December 2020	**429**

15. Tangible assets

Movements in this consolidated balance sheet heading in 2020 and 2019 are as follows:

	Thousands of euros			
	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances as at 1 January 2019	**1,290,488**	**481,999**	**53,831**	**1,826,318**
Additions (*)	95,001	19,521	42,669	157,191
Disposals due to sales or through other means	(31,636)	(106,166)	(14,362)	(152,164)
Other transfers and other movements	(4,514)	15,625	5,578	16,689
Balances as at 31 December 2019	**1,349,339**	**410,979**	**87,716**	**1,848,034**
Additions	44,679	14,257	39,364	98,300
Disposals due to sales or through other means	(56,013)	(39,314)	(33,973)	(129,300)
Other transfers and other movements	(6,894)	1,466	(3,554)	(8,982)
Balances as at 31 December 2020	**1,331,111**	**387,388**	**89,553**	**1,808,052**
Accumulated depreciation				
Balances as at 1 January 2019	**(697,365)**	**(121,687)**	**(8,738)**	**(827,790)**
Disposals due to sales or through other means	30,223	31,708	3,733	65,664
Allowances recognised in profit or loss	(36,704)	(7,163)	(8,730)	(52,597)
Other transfers and other movements	(229)	49	-	(180)
Balances as at 31 December 2019	**(704,075)**	**(97,093)**	**(13,735)**	**(814,903)**
Disposals due to sales or through other means	49,862	12,312	8,651	70,825
Allowances recognised in profit or loss	(39,069)	(6,658)	(9,124)	(54,851)
Other transfers and other movements	716	(856)	280	140
Balances as at 31 December 2020	**(692,566)**	**(92,295)**	**(13,928)**	**(798,789)**
Impairment losses				
Balances as at 1 January 2019	**(512)**	**(56,025)**	**-**	**(56,537)**
Transfer charged to profit for the year (Note 40)	(115)	(1,532)	-	(1,647)
Recovered amount credited to profits (Note 40)	-	1,078	-	1,078
Applications and other movements	427	7,258	-	7,685
Balances as at 31 December 2019	**(200)**	**(49,221)**	**-**	**(49,421)**
Transfer charged to profit for the year (Note 40)	(386)	(2,488)	-	(2,874)
Recovered amount credited to profits (Note 40)	-	1,403	-	1,403
Applications and other movements	484	2,112	-	2,596
Balances as at 31 December 2020	**(102)**	**(48,194)**	**-**	**(48,296)**
Net tangible assets				
Balances as at 31 December 2019	**645,064**	**264,665**	**73,981**	**983,710**
Balances as at 31 December 2020	**638,443**	**246,899**	**75,625**	**960,967**

(*) At 31 December 2019, the cost of property, plant and equipment for own use includes the right-of use assets corresponding to the leased tangible assets in which the Group acts as the lessee, amounting to 78,657 thousand euros, of which 15,643 thousand euros had been depreciated at that date.

As at 31 December 2020, fully-amortised assets still in use amounted to 441,570 thousand euros (427,194 at 31 December 2019).

In 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. availed themselves of the possibility offered by Article 9 of Law 16/2012 to update the tax value of property, plant and equipment, and certain buildings for own use and property investments were accordingly updated.

The amount of the tax update in Ibercaja Banco, S.A. amounted to 17.888 million euros, generating a share of 5% to be paid for this update, for an amount of 894 thousand euros. Given the revaluation of assets as a consequence of a tax law not permitted in the IFRS-EU, the carrying amount of the assets did not incur any variation in consolidated terms.

At Banco Grupo Cajatres, S.A.U., the amount of the tax update amounted to 36.094 million euros, generating a share of 5% to be paid for this update, for an amount of 1.805 million euros. However, given that the fiscally revaluated assets had already been revaluated for accounting purposes in 2010 when the Institutional Protection Scheme founded the Company, there was no increase in their carrying amount since the new tax value did not surpass the carrying amount before the update in any case.

In the Ibercaja Banco, S.A. individual financial statements of 2016, the information required by section 12 of article 9 of Law 16/2012 is set forth on the updated elements that were found in the Company equity.

15.1 Property, plant and equipment for own use

The breakdown, according to its nature, of the parties that include the balance under this heading of the consolidated balance as at 31 December 2020 and 2019 is the following:

	Thousands of euros			
	Cost	Accumulated depreciation	Impairment losses	Net balance
Computer equipment and installations	225,058	(189,901)	-	35,157
Furniture, vehicles and other installations	398,986	(348,671)	-	50,315
Buildings	639,715	(149,860)	(200)	489,655
Construction in progress	6,923	-	-	6,923
Use rights under lease	78,657	(15,643)	-	63,014
Of which: Branch offices	*53,113*	*(13,298)*	-	*39,815*
Of which: Sale & lease-back	*25,467*	*(2,281)*	-	*23,186*
Of which: Other	*77*	*(64)*	-	*13*
Balances as at 31 December 2019	**1,349,339**	**(704,075)**	**(200)**	**645,064**
Computer equipment and installations	238,430	(196,531)	-	41,899
Furniture, vehicles and other installations	388,009	(335,069)	-	52,940
Buildings	607,998	(129,673)	(102)	478,223
Construction in progress	8,230	-	-	8,230
Use rights under lease	88,444	(31,293)	-	57,151
Of which: Branch offices	*61,878*	*(25,908)*	-	*35,970*
Of which: Sale & lease-back	*26,096*	*(5,241)*	-	*20,855*
Of which: Other	*470*	*(144)*	-	*326*
Balances as at 31 December 2020	**1,331,111**	**(692,566)**	**(102)**	**638,443**

No third party termination benefits were received in 2020 for asset impairment, and there were no pending termination benefits to be received as at 31 December 2019.

There are no significant material asset acquisition commitments for its own use or restrictions on its ownership as at 31 December 2020 and 2019.

15.2 Investment property

The rental income coming from the Group's investment properties amounted to 4,141 thousand euros (5,376 thousand euros in 2019) (Note 36), other related expenses amounted to 1,591 thousand euros (1,977 thousand euros in 2019) (Note 37) and operating expenses for depreciation and amortisation were incurred during 2020 for 6,658 thousand euros (7,163 thousand euros in 2019) (Note 15).

84% of the net carrying amount of the investment properties (89% in 2019) is based on appraisals made by experts with recognised professional capacity and recent experience in the location and category of the investment properties subject to assessment. The appraisals of these properties were performed out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The following table displays a classification by type of asset of the investment properties. The carrying amount (excluding impairment losses) of these assets, which was valued by an independent surveyor, is as follows:

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2020	2019	2020	2019
Investment property	**295,093**	**313,886**	**270,098**	**260,213**
Residential	83,884	24,483	82,739	17,839
Commercial and industrial	206,325	284,513	182,475	237,484
Agricultural	4,884	4,890	4,884	4,890

The fair value calculated by independent appraisals for the assets amounts to 288,222 thousand euros at 31 December 2020 (287,772 thousand euros at 31 December 2019).

Appraisals of rental assets have a level 2 in the fair value hierarchy (Note 18).

There are no significant commitments for the acquisition or maintenance of investment properties, nor restrictions on their ownership as at 31 December 2020 and 2019.

15.3 Property, plant and equipment assigned under operating lease

The Group includes the assets associated with renting contracts under this heading, which amount to 75,625 thousand euros at 31 December 2020 (73,981 thousand euros at 31 December 2019). In 2020, the rental income coming from these assets amounted to 15,350 thousand euros (14,276 thousand euros in 2019) (Note 36) and operating expenses due to depreciation amounted to 9,124 thousand euros (8,730 thousand euros in 2019) (Note 37).

15.4 Impairment losses

In 2020, 386 thousand euros of impairment losses on property, plant and equipment for own use and 1,085 thousand euros of impairment losses on investment property were recognised (impairment losses of 115 thousand euros and 454 thousand euros in 2019, respectively) (Note 40).

16. Intangible assets

16.1 Goodwill

The breakdown of the parties that include the balance of this heading of the consolidated balance as at 31 December 2020 and 2019 is the following:

	Thousands of euros	
Company	**2020**	**2019**
Banco Grupo Cajatres, S.A.U.	128,065	128,065
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	16,869
	144,934	**144,934**

On 23 May 2013, the market was notified that Ibercaja Banco, S.A.U., Banco Grupo Cajatres, S.A. and its respective shareholder savings banks had agreed the inclusion of the banks through a share exchange process and subsequent merger by absorption of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U.

On 25 July 2013, after satisfaction of the conditions precedent and the required administrative exemptions and authorisations having been secured, Ibercaja Banco became the owner of 100% of the share capital of Banco Grupo Cajatres, S.A. To this end, Ibercaja Banco carried out a 325.5 million euro capital increase subscribed for by the shareholders of Banco Grupo Cajatres, S.A. in exchange for all that bank’s share capital. The new shareholders thereby obtained a joint holding of 12.20% in the share capital of Ibercaja Banco.

As a result of the difference between the consideration for the business acquired and the total at the acquisition date of the fair value of the assets and liabilities and the amount of the non-controlling interests, goodwill in the amount of 128,065 thousand euros was recognised in the consolidated financial statements. This goodwill takes into consideration, among other factors, the future results, the expected synergies of the combination of the acquirer and the acquiree and other intangible assets that do not qualify for separate recognition.

The goodwill associated with the company Caja Badajoz Vida y Pensiones, S.A de Seguros was established as a consequence of the acquisition of 50% of this entity on 3 September 2014 that was not owned by the Group at the close of 2013.

This acquisition took place as part of the reorganisation of the Group's insurance business as a result of the takeover of Banco Grupo Cajatres, S.A.U. in 2013. In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (absorbed company) was merged by absorption into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Absorbing Company).

For the purposes of distributing the goodwill of that referred to in Note 2.16.1, in accordance with IAS 36 Impairment of Assets, the Group considered that there was only one cash-generating unit coinciding with the entirety of its balance, since the goodwill is controlled at the highest level for the purposes of internal management and there are no differentiated operational segments, in accordance with that indicated in Note 27.8. Ibercaja Banco has therefore been considered to be the cash-generating unit to which the goodwill is allocated.

The Group determines the recoverability of goodwill at the end of each reporting period in accordance with paragraph 96 of that IAS by comparing the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

The Group calculated the value in use by the cash-generating unit which constitutes Ibercaja Banco at the close of the year based on the valuation made by an independent expert (Deloitte Financial Advisory, S.L.U.) It was concluded that there was no need to record any impairment of the same.

In accordance with IAS 36, value in use has been calculated using discounted cash flows. The projected flows are the potentially distributable dividends based on the expected profit in an explicit 5-year projected scenario, net of compliance with the minimum solvency requirements defined by the supervisor. These flows have been discounted using market rates adjusted to the estimated cost of capital in accordance with the capital asset pricing model (CAPM) (Note 2.16).

The main criteria used to calculate value in use are as follows:

- Cash flows estimated from the Company's business plan
  - The net interest margin recovered as a result of a slight steepening of the yield curve.
  - Increase in asset management fees (unit trusts and pension plans) due to the rise in balances, which is explained by the strategy of transferring customers' savings from demand accounts.
  - Increase in bank fees, mainly those related to means of payment.
  - Reduction of the personnel and general expenses, as a consequence of the different rationalisation plans set in place by the Bank.
  - Normalisation of the allowance for asset impairments from 2023 after leaving behind the impact of COVID-19.

It should be noted that the projections for previous years have been reasonably met with the results obtained in those years. However, on occasions, the downward deviations from the projections for previous years arose mainly from differences between the actual rates and the rate curve used or from some extraordinary event that could not have been known at the time the projection was made (e.g. the sale of a loan portfolio or foreclosure, since they are made when there is a perceived appetite in the market and the market is not always able to anticipate it). With the exception of these cases, the Entity's projections do not usually show other significant downward deviations. However, in some cases, these downward deviations have been offset by upward deviations in other income statement headings, either due to improved income statement performance or to the use of levers to offset negative impacts. Nevertheless, the preparation of the projections has taken into account the strategic line set by the Entity, so that it follows a continuous and clearly defined path.

Additionally, the economic consequences of COVID-19, together with the measures adopted by the government to contain its spread, add further uncertainty to the projections of distributable flows, due to doubts about future changes in the main macroeconomic variables, and the Group has therefore been extremely prudent in its estimates.

Based on the above, it can be concluded that the impact of the COVID-19 contingency has had a negative impact on the Group's profit generation in the first year of the projection. This negative impact is the result of the expected loss from the credit impairment of the portfolios until 2021, where the largest rebound in NPLs could be reached, and from the expected development of the pandemic and its macroeconomic effects, which the Group expects to leave behind in 2023.

In any event, the Group expects these provisions to revert, depending on how the situation evolves, to pre-pandemic levels, which has justified the accounting and prudential relaxation measures approved by the supervisors, as the true and fair view of a large part of the banking assets in the long term is not being called into question.

These effects should be contrasted with an interest margin generation capacity similar to that projected in the previous business plan, a context of low interest rates and the new conditions of the European Central Bank's TLTRO III programme, which, together with the increase in concessions guaranteed by the ICO, offset the lower accrual of interest income from doubtful investments.

- Discount rate

  The discount rate has been calculated on the basis of the capital asset pricing model (CAPM). In this formula, the following has been taken into consideration: a risk-free rate of 3.1%, which, given the current sovereign debt rate environment, has been estimated from the normalisation of the Spanish 10-year bond; a beta adjusted by the Blume methodology of comparable listed companies taking the average monthly data of the last 5 years of 1.16, and a market risk premium of 5.4%. Taking these factors into consideration, the discount rate calculated on the basis of profit after tax is 9.8%, while the discount rate calculated on the basis of profit before tax is 14%.

- Rate of growth in perpetuity of the cash flow starting in 2025.

  The rate has been set at 1.7%, a level similar to Spain's long-term growth estimates.

A sensitivity analysis of the valuation to reasonably possible changes in the key valuation variables (perpetual growth rate of cash flows, discount rate, credit cost adjustments due to the effect of changes in government measures to combat COVID-19 and the time window of the cash flow projection) has been performed, noting that in no case would the calculated value in use be lower than the carrying amount of the cash-generating unit, which would imply impairment of the goodwill. The discount rate should vary around 119 bp so that, after incorporating the effects at the recoverable amount that are a consequence of this change to other variables, the cash-generating unit's value in use is equal its carrying amount.

16.2 Other intangible assets

The detail of this heading is as follows:

	Thousands of euros			
	Cost	Accumulated depreciation	Impairment losses (Note 40)	Net balance
Computer software	162,637	(105,148)	(673)	56,816
Trade mark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	45,031	(34,108)	-	10,923
Other	-	-	-	-
Balances as at 31 December 2019	**215,168**	**(146,756)**	**(673)**	**67,739**
Computer software	195,140	(109,978)	(673)	84,489
Trademark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	45,031	(37,228)	-	7,803
Other	-	-	-	-
Balances as at 31 December 2020	**247,671**	**(154,706)**	**(673)**	**92,292**

The "Trademark" includes the estimated value of the brands of the now extinct savings banks that gave rise to Banco Grupo Cajatres, S.A. (CAI, Caja Círculo and Caja Badajoz).

The cost of the asset "Customer relationships with Banco Grupo Cajatres, S.A.U." includes the net present value that, at the time of the acquisition of this entity, implies the saving of costs that the demand deposits and term of the this entity represent with respect to other alternative financing sources.

Movements in this consolidated balance sheet heading throughout 2020 and 2019 are as follows:

	Thousands of euros				
	Computer software	Trade mark	Customer relationships of Banco Grupo Cajatres	Other	Total
Cost					
Balances as at 1 January 2019	**138,484**	**7,500**	**45,031**	**1,616**	**192,631**
Additions	23,427	-	-	-	23,427
Disposals due to sales or through other means	-	-	-	(1,616)	(1,616)
Other transfers and other movements	726	-	-	-	726
Balances as at 31 December 2019	**162,637**	**7,500**	**45,031**	**-**	**215,168**
Additions	32,821	-	-	-	32,821
Disposals due to sales or through other means	(318)	-	-	-	(318)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2020	**195,140**	**7,500**	**45,031**	**-**	**247,671**
Accumulated depreciation					
Balances as at 1 January 2019	**(94,824)**	**(7,500)**	**(29,833)**	**(858)**	**(133,015)**
Disposals due to sales or through other means	-	-	-	890	890
Allowances recognised in profit or loss	(10,324)	-	(4,275)	(32)	(14,631)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2019	**(105,148)**	**(7,500)**	**(34,108)**	**-**	**(146,756)**
Disposals due to sales or through other means	117	-	-	-	117
Allowances recognised in profit or loss	(4,947)	-	(3,120)	-	(8,067)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2020	**(109,978)**	**(7,500)**	**(37,228)**	**-**	**(154,706)**
Impairment losses					
Balances as at 1 January 2019	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances as at 31 December 2019	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances as at 31 December 2020	**(673)**	**-**	**-**	**-**	**(673)**
Net intangible assets					
Balances as at 31 December 2019	**56,816**	**-**	**10,923**	**-**	**67,739**
Balances as at 31 December 2020	**84,489**	**-**	**7,803**	**-**	**92,292**

At 31 December 2020, fully-amortised intangible assets still in use amounted to 113,642 thousand euros (113,560 thousand euros at 31 December 2019).

17. Other assets

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	**2019**
Accruals and deferred income	35,938	50,614
Inventories	216,901	236,774
Transactions in transit	2,052	3,601
Other	9,434	3,368
Total gross amount	**264,325**	**294,357**
(Impairment losses)	(108,799)	(101,490)
Total net amount	**155,526**	**192,867**

Impairment analysed in the above table relates entirely to Inventories.

Movements in Inventories during 2020 and 2019 are as follows:

	Thousands of euros		
	Foreclosed assets	**Other assets**	**Total**
Cost			
Balances as at 1 January 2019	**219,900**	**83,237**	**303,137**
Additions	2,018	1,531	3,549
Disposals due to sales or through other means	(64,607)	-	(64,607)
Other transfers and other movements	(5,305)	-	(5,305)
Balances as at 31 December 2019	**152,006**	**84,768**	**236,774**
Additions	562	-	562
Disposals due to sales or through other means	(17,367)	(3,068)	(20,435)
Other transfers and other movements	-	-	-
Balances as at 31 December 2020	**135,201**	**81,700**	**216,901**
Impairment losses			
Balances as at 1 January 2019	**(137,697)**	**(13,043)**	**(150,740)**
Transfer charged to profit for the year (Note 40)	(5,083)	-	(5,083)
Recovered amount credited to profits (Note 40)	40	-	40
Applications and other movements	56,027	(1,734)	54,293
Balances as at 31 December 2019	**(86,713)**	**(14,777)**	**(101,490)**
Transfer charged to profit for the year (Note 40)	-	(840)	(840)
Recovered amount credited to profits (Note 40)	752	-	752
Applications and other movements	(6,870)	(351)	(7,221)
Balances as at 31 December 2020	**(92,831)**	**(15,968)**	**(108,799)**
Net inventories			
Balances as at 31 December 2019	**65,293**	**69,991**	**135,284**
Balances as at 31 December 2020	**42,370**	**65,732**	**108,102**

In inventories, all foreclosed assets consist of real estate.

The valuations of the above assets have been restated principally in the last year. The valuations have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets valued. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The breakdown of the inventory-related expenses for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Costs to sell inventories sold during the year	12,745	20,100
Impairment losses on inventories (Note 40)	88	5,043
Impairment write-downs	840	5,083
Reversals of impairment write-downs	(752)	(40)
Total net amount	**12,833**	**25,143**

18. Non-current assets and disposal groups classified as held for sale

At 31 December 2020 and 2019, this consolidated balance sheet item breaks down as follows:

	Thousands of euros	
	2020	**2019**
Foreclosed assets	**314,769**	**310,949**
Residential	273,984	263,154
Industrial	29,751	36,337
Agricultural	11,034	11,458
Other assets	**64,806**	**63,798**
Residential	39,983	37,766
Industrial	21,692	22,901
Agricultural	3,131	3,131
Total gross amount	**379,575**	**374,747**
(Impairment losses)	(117,202)	(107,538)
Total net amount	**262,373**	**267,209**

Movements in this consolidated balance sheet heading in 2020 and 2019 are as follows:

	Thousands of euros		
	Foreclosed assets	**Other assets**	**Total**
Cost			
Balances as at 1 January 2019	**365,816**	**64,612**	**430,428**
Additions	75,321	969	76,290
Disposals due to sales or through other means	(136,816)	(1,783)	(138,599)
Other transfers and other movements	6,628	-	6,628
Balances as at 31 December 2019	**310,949**	**63,798**	**374,747**
Additions	82,664	2,410	85,074
Disposals due to sales or through other means	(78,844)	(1,402)	(80,246)
Other transfers and other movements	-	-	-
Balances as at 31 December 2020	**314,769**	**64,806**	**379,575**
Impairment losses			
Balances as at 1 January 2019	**(140,137)**	**(1,701)**	**(141,838)**
Net transfer charged to profit for the year (Note 42)	(15,691)	(1,266)	(16,957)
Applications and other movements	51,230	27	51,257
Balances as at 31 December 2019	**(104,598)**	**(2,940)**	**(107,538)**
Net transfer charged to profit for the year (Note 42)	(18,862)	1	(18,861)
Applications and other movements	9,002	195	9,197
Balances as at 31 December 2020	**(114,458)**	**(2,744)**	**(117,202)**
Net non-current assets held for sale			
Balances as at 31 December 2019	**206,351**	**60,858**	**267,209**
Balances as at 31 December 2020	**200,311**	**62,062**	**262,373**

The Group has a Realisation Plan for non-current assets held for sale, which includes the Sales financing policy. The Plan entails the collaboration of the real estate agent network, the disclosure of specific information on the Company's web page and the existence of a unit dedicated to the disposal of assets foreclosed as payment for debts.

According to the Group's historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since the majority relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the market situation.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan, and
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

In 2020, the Group financed 15.39% of sales (17.09% in 2019).

Loans granted during the year to finance sales of this type of assets amount to 7,676 thousand euros (14,373 thousand euros at 31 December 2019) and the accumulated amount of loans granted is 567,113 thousand euros (559,437 thousand euros at 31 December 2019).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance appraised by an independent appraiser is indicated.

	Thousands of euros			
	carrying amount (without impairment losses)		**Of which: appraised by an independent appraiser**	
	2020	**2019**	**2020**	**2019**
Non-current assets held for sale	**379,575**	**374,747**	**354,173**	**360,519**
Residential	313,967	300,920	297,666	293,828
Industrial	51,443	59,238	43,203	52,963
Agricultural	14,165	14,589	13,304	13,728

The fair value calculated by independent appraisals for the assets amounts to 400,420 thousand euros at 31 December 2020 (403,978 thousand euros at 31 December 2019).

The Group has a corporate policy that ensures the professional competence, independence and objectivity of external appraisal companies, in accordance with the provisions of the regulations, which require appraisal companies to meet the requirements of neutrality and credibility so that the use of their estimates does not undermine the reliability of their appraisals. This policy establishes that all the appraisal companies with which the Group works must be registered with the Official Register of the Bank of Spain and their appraisals must be carried out in accordance with the methodology established in Order ECO/805/2003 of 27 March.

The appraisal techniques are used generally by all appraisal companies depending on the type of real estate asset. By regulatory requirement, these companies generally employ observable market data and other factors that market participants would consider in setting the price, limiting as much as possible the use of subjective considerations and unobservable or unverifiable data.

In order to determine the appraisal value, the necessary verifications are carried out to ascertain the characteristics and real situation of the object of the appraisal, which, in accordance with the provisions of the aforementioned Order, are as follows:

- The physical identification of the property, by means of its location and ocular inspection by a competent technician, verifying whether its surface area and other characteristics match the description in the documentation used to carry out the valuation, as well as the existence of visible easements and its apparent state of construction or conservation.
- The state of occupation of the property and the use or exploitation for which it is intended.
- In the case of housing, the public protection regime.
- The architectural heritage protection regime.
- The suitability of the property for the urban planning in force, and, if applicable, the existence of the right to the urban development that is being valued.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. Generally speaking, the residual method has been used to value land and the construction work underway, the discounted cash flow method for assets for rent and the comparison method for finished buildings and elements thereof. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer's industrial margin, to arrive at the price of the land. In those cases where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate (dynamic residual method).

  The following steps are used to calculate the residual value using the dynamic calculation procedure: the cash flows are estimated, the discount rate is chosen and the calculation formula is applied. The following shall be taken as cash flows: the collections and, where applicable, the credit deliveries expected to be obtained from the sale of the property to be developed; and the payments expected to be made for the various costs and expenses during construction or refurbishment, including payments for the credits granted. These charges and payments will be applied on the dates foreseen for the marketing and construction of the property.

  The following requirements must be met for the use of the residual method:

  - The existence of adequate information to determine the most likely property development to be carried out under the applicable planning regime or, in the case of land with completed buildings, to check whether it complies with the planning regime.
  - The existence of sufficient information on construction costs, necessary development costs, financial costs, if any, and marketing costs to enable an estimate to be made of the normal costs and expenses for an average developer and for a development of similar characteristics to the one to be developed.
  - The existence of market information allowing for the calculation of the most likely selling prices of the elements included in the development or in the building at the dates foreseen for their commercialisation.
  - The existence of sufficient information on the performance of similar developments.

  In order to be able to apply the residual method using the dynamic calculation procedure, it will also be necessary to have information on the construction or renovation periods, the marketing of the property and, where appropriate, the urban development management and the execution of the development.

- Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and/or present rent, taking into account the return required on each type of asset.

  The calculation of the present value requires the valuer to estimate the cash flows, estimate the reversion value, choose the discount rate and apply the calculation formula.

  For the use of the updating method, at least one of the following requirements must be met:

  - There must be a rental market that is representative of comparable properties. In order to presume such an existence, there will be a need to have at least six pieces of rental income data on comparable properties that adequately reflect the current situation of this market and to have sufficient data on rental transactions or offers to identify suitable parameters to perform the homogenisation of rents on comparable properties.

  - The existence of a lease on the property under valuation.

  - The valued real estate is producing or is likely to produce income as real estate linked to an economic activity and there is also sufficient accounting data from the operation or adequate information on average structural ratios of the relevant branch of activity.

- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties, the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

  The following general rules are used to calculate the value by comparison:

  - The qualities and characteristics of the appraised property that influence its value are established. In the case of buildings of an historic or artistic nature, in order to establish these qualities and characteristics, the particular value of the elements of the building that give it that nature is also considered.

  - The real estate market segment of comparable properties is analysed and, on the basis of concrete information on actual transactions and firm offers, corrected where necessary, current cash purchase prices for these properties are obtained.

  - A representative sample of the prices obtained after the previous analysis is selected from among the prices corresponding to the comparable properties, to which the necessary homogenisation procedure is applied. In the selection process, those prices that are abnormal must first be compared in order to identify and eliminate both those from transactions and offers that do not meet the conditions required in the definition of the market value of the goods concerned and, in the case of a valuation for the purpose foreseen in the aforementioned Order, those that may include speculative elements.

  - The comparable properties are homogenised using the criteria, coefficients and/or weightings that are appropriate for the property in question.

  - The value of the property, net of marketing costs, is assigned on the basis of the homogenised prices, after deduction of the easements and limitations of ownership that apply to it and that have not been taken into account in the application of the preceding rules.

In order to use the comparison method, the following requirements must be met:

- There must be a representative market for comparable properties.

- Sufficient data on transactions or bids to be able, in the area concerned, to identify appropriate parameters to perform the homogenisation of comparable properties.

- Sufficient information on at least six transactions or offers of comparable properties that adequately reflect the current state of that market.

Thus, assets for rent and finished buildings and building items have a level 2 in the fair value hierarchy, while land and buildings under construction have a level 3.

The valuations were carried out by the following appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

19. Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	**2019**
Deposits	**44,460,275**	**40,857,849**
Central banks (Note 19.1)	5,371,202	1,628,990
Credit institutions (Note 19.2)	1,207,820	4,304,232
Customers (Note 19.3)	37,881,253	34,924,627
Debt securities issued (Note 19.4)	**1,340,670**	**1,480,421**
Other financial liabilities (Note 19.5)	**826,435**	**1,110,050**
	46,627,380	**43,448,320**

19.1 Deposits - Central Banks

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2020 and 2019 is shown below:

	Thousands of euros	
	2020	**2019**
European Central Bank	5,400,000	1,650,000
Valuation adjustments	(28,798)	(21,010)
	5,371,202	**1,628,990**

On 6 June 2019, the European Central Bank announced a new programme of targeted longer-term refinancing operations (TLTRO III). On 30 April 2020, the Governing Council of the European Central Bank made a number of amendments to the terms and conditions of these financing operations in order to further support the provision of credit to households and businesses to mitigate the economic effects of the health crisis. With the maturity of the TLTRO II programme (1,650,000 thousand euros), the Group tendered 5,400,000 thousand euros in the TLTRO III programme maturing in 2023.

For institutions that meet a certain volume of eligible loans between 1 March 2020 and 31 March 2021, the interest rate may be (-1%) for the period from June 2020 to June 2021. Furthermore, these conditions were extended on 10 December 2020, establishing, in addition to the above, that, if a certain volume of eligible loans is met between 1 October 2020 and 31 December 2021, the (-1%) interest rate may be applied for the period between June 2021 and June 2022.

Institutions shall have the option to repay the financing early one year after the settlement of each transaction, on a quarterly basis but no earlier than 29 September 2021.

In accordance with point B5.4.4 of IFRS 9 on the application of the effective interest rate method to financial assets and liabilities at amortised cost, the Group has opted to accrue interest in accordance with the specific periods of adjustment to market rates, so that interest for the period from June 2020 to June 2022 (i.e. -1%) will be recognised in the consolidated income statement, assuming that the threshold of eligible loans giving rise to the extra-rate is met. This compliance is estimated considering the performance of the eligible loan book to date and the projections estimated in the Group's Business Plan, the degree of compliance with which is reviewed periodically.

The average effective interest rate on debt instruments classified in this caption during 2020 was (-0.93%) (-0.52% at 31 December 2019).

19.2 Deposits - Credit institutions

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2020 and 2019 is shown below:

	Thousands of euros	
	2020	2019
On demand	**9,975**	**10,301**
Other accounts	9,975	10,301
Time or at notice	**1,198,312**	**4,294,052**
Fixed-term deposits	526,295	670,535
Assets sold under repurchase agreements	632,633	3,611,022
Other accounts	39,384	12,495
Valuation adjustments	**(467)**	**(121)**
	1,207,820	**4,304,232**

The average effective interest rate on debt instruments classified in this caption during 2020 was 0% (0.17% during 2019).

19.3 Deposits - Customer

The breakdown of the balance under this heading in the consolidated balance sheets at 31 December 2020 and 2019, based on the geographical location, nature and counterparties of the transaction concerned, is indicated below:

	Thousands of euros	
	2020	2019
Geographic location		
Spain	37,751,833	34,796,186
Rest of the world	129,420	128,441
	37,881,253	**34,924,627**
By nature		
Demand deposits	33,014,125	28,509,031
Current Accounts	*25,291,671*	*21,514,545*
Savings accounts	*7,634,909*	*6,961,871*
Other demand deposits	*87,545*	*32,615*
Term deposits	4,688,146	6,009,517
Fixed-term deposits	*3,017,862*	*4,113,508*
Non-marketable mortgage covered bonds and bonds issued (Note 44.1)	*1,625,470*	*1,842,137*
Hybrid deposits	-	-
Other term deposits	*44,814*	*53,872*
Assets sold under repurchase agreements	13,001	197,319
Valuation adjustments	165,981	208,760
	37,881,253	**34,924,627**
By counterparties		
Resident public administrations	1,430,828	1,158,839
Other resident sectors	36,321,005	33,637,347
Non-resident public administrations	13	13
Other non-resident sectors	129,407	128,428
	37,881,253	**34,924,627**

The average effective interest rate on debt instruments classified in this caption during 2020 was 0.08% (0.13% during 2019).

The item "Non-marketable mortgage covered bonds and bonds issued" (in the breakdown by nature) includes unique mortgage covered bonds issued under Law 2/1981 (25 March) governing the Mortgage Market in the amount of 1,625,470 thousand euros (1,842,137 thousand euros at 31 December 2019). The mortgage covered bonds were issued at variable or fixed rates of interest. The fixed-interest issues are hedged for interest-rate risk by means of interest rate swaps.

19.4 Debt securities issued

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	**2019**
Nominal value of mortgage covered bonds (Note 44.1)	3,000,000	3,900,000
Treasury shares	(2,507,121)	(3,319,808)
Nominal value of other securities linked to transferred financial assets	326,522	377,655
Nominal value of subordinated bonds	500,030	500,030
Valuation adjustments	21,239	22,544
	1,340,670	**1,480,421**

During 2020, mortgage covered bonds matured in the nominal amount of 1.116 million euros. (1,180 thousand euros at 31 December 2019, Note 44.1).

A breakdown of the security issues associated with financial assets transferred is as follows:

					Thousands of euros	
					Amount subscribed	
Type	**Nominal interest**	**Issuance date**	**Maturity date**	**Nominal value of issue**	**2020**	**2019**
TDA2 securitisation bonds	Variable	13.10.2005	(*)	904,500	63,926	74,817
TDA3 securitisation bonds	Variable	12.05.2006	(*)	1,007,000	62,069	71,293
TDA4 securitisation bonds	Variable	18.10.2006	(*)	1,410,500	78,928	88,513
TDA5 securitisation bonds	Variable	11.05.2007	(*)	1,207,000	42,413	47,964
TDA6 securitisation bonds	Variable	25.06.2008	(*)	1,521,000	13,766	15,054
TDA ICO-FTVPO securitisation bonds	Variable	15.07.2009	(*)	447,200	65,420	80,014
TDA7 securitisation bonds	Variable	18.12.2009	(*)	2,070,000	-	-
					326,522	**377,655**

(*) These bonds are redeemed as the mortgage loans that have been assigned to the relevant securitisation fund are repaid.

The average effective interest rate on debt instruments classified in this caption during 2020 was 0.14% (0.21% during 2019).

Details regarding each issue of subordinated bonds are as follows:

			Thousands of euros	
			Nominal amount	
Issue	**Nominal interest**	**Maturity**	**2020**	**2019**
15 June 2007	Mixed	15 June 2022	30	30
28 July 2015	Fixed	28 July 2025 (*)	-	500,000
23 January 2020	Fixed	23 July 2030 (*)	500,000	-
			500,030	**500,030**

(*) The Group reserves the right to redeem these issues once five years have elapsed as from the issue date. Early redemption by the issuer is also possible within five years as from the issue date for causes deriving from a change in the tax treatment of the product and/or its treatment as an equity instrument. Such redemption must be authorised by the competent regulator.

On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback offer in cash to all holders of the subordinated obligations issue called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". Once this offer was concluded, Ibercaja accepted the purchase of Obligations for a nominal amount of 281,900 thousand euros, the settlement of which took place on 23 January 2020. Subsequently, Ibercaja met the selling interest of other investors who had not participated in the public offering, repurchasing an additional 77,700 thousand euros during the first half of this financial year.

Finally, on 28 July 2020, as anticipated in its "Other Relevant Information" communication to the CNMV on 3 June 2020, having obtained the necessary authorisations, the Group proceeded to carry out the early redemption of the remaining amount (140,400 thousand euros) of its issue of subordinated obligations called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". The nominal amount of 100 thousand euros has been paid for each outstanding security plus accrued and unpaid interest up to the aforementioned date (excluded), in accordance with the terms and conditions of the issuance prospectus.

On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an issue of subordinated obligations with a par value of 500 million euros and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2.882%. The disbursement and closure of this issue took place on 23 January 2020.

The new bonds qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

These issues are subordinated and come behind all common creditors with respect to debt seniority.

Issues of subordinated bonds have been authorised by the competent Regulator to be classified as eligible own funds.

Interest accrued on the subordinated liabilities amounts to 19,387 thousand euros at 31 December 2020 (25,408 thousand euros at 31 December 2019).

The average effective interest rate on debt instruments classified in this caption during 2020 was 3.36% (4.79% during 2019).

Below follows a reconciliation of the carrying value of the liabilities originating from financing activities according to changes that generate cash flows and those that do not:

	Thousands of euros	
	2020	**2019**
Opening balance	**508,997**	**586,614**
Cash flows	-	(77,801)
Subordinated bond issuance by Ibercaja Banco, S.A.	*500,000*	-
Redemption of subordinate bonds issued by Ibercaja Banco, S.A.	*(500,000)*	*(72,801)*
Redemption of preference shares	-	*(5,000)*
No impact on cash flows	1,329	184
Valuation adjustments	*1,329*	*184*
Closing balance	**510,326**	**508,997**

19.5 Other financial liabilities

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	**2019**
Bonds payable	37,836	45,180
Guarantees received	29,076	4,958
Collection accounts	539,751	604,955
Special accounts	37,714	40,795
Financial guarantees	2,234	3,056
Other items	179,824	411,106
	826,435	**1,110,050**

"Other items" include deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repos or reverse repos. The balance also includes lease liabilities amounting to 58,496 thousand euros (63,756 thousand euros during 2019, Note 2.10).

The Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The carrying value of financial instruments covered by these agreements and deposits payable and receivable generated with the counterparties are as follows:

	Thousands of euros Instruments subject to offset arrangements.	
	2020	**2019**
Assets under repos	-	-
Liabilities under repos	182	4,376

	Thousands of euros Deposits subject to repo offset arrangements.	
	2020	**2019**
Deposits recognised under assets	1,060	3,270
Deposits recognised under liabilities	1,000	-

19.6 Information on average payment period for suppliers. Additional Provision Three. "Disclosure requirement" of Law 15/2010 of 5 July

Pursuant to Final Provision Two of Law 31/2014, of 3 December, amending Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on measures to combat late payment in commercial transactions, and in connection with the information to be included in the notes to the financial statements on the deferral of payments to suppliers in commercial transactions, calculated in accordance with the Spanish Institute of Accounting and Auditing's Ruling of 29 January 2016, the information for 2020 and 2019 is as follows:

	2020	**2019**
	Days	
Average supplier payment period	25	20
Ratio of settled transactions	23	19
Ratio of transactions pending payment	102	96
	Thousands of euros	
Total payments made	566,606	630,686
Total payments outstanding	15,859	10,862

20. Liabilities under insurance or reinsurance contracts

At 31 December 2020 and 2019, the balances in this consolidated balance sheet heading were as follows:

	Thousands of euros	
	2020	**2019**
Technical reserves for:		
Unearned premium reserves (non-life)	-	-
Life insurance:	6,573,738	7,393,305
Unearned premium reserve and current risks	*22,475*	*22,856*
Mathematical reserves	*6,551,263*	*7,370,449*
Benefits pending payment	92,728	71,710
Profit sharing and returned premiums	4,396	5,026
Life insurance in which the investment risk is borne by the policyholders	851,005	314,496
	7,521,867	**7,784,537**

There is no accepted reinsurance at 31 December 2020 or 31 December 2019.

The reconciliation between the opening and closing balances under this heading in 2019 and 2020 is as follows:

	Thousands of euros
Balances as at 31 December 2018	**7,514,769**
Transfers	26,394
Transfers	*1,153,535*
Reversals	*(1,127,141)*
Other movements	243,374
Balances as at 31 December 2019	**7,784,537**
Transfers	(377,745)
Transfers	*1,186,574*
Reversals	*(1,564,319)*
Other movements	115,075
Balances as at 31 December 2020	**7,521,867**

On 17 December 2020, the Directorate General of Insurance and Pension Funds published by means of a Resolution the new biometric tables to be applied by insurance companies, as well as the technical guide on supervisory criteria related to them.

The main objective of this Resolution was to declare the admissibility of these new tables and the inadmissibility of certain previous tables, establishing their application in calculating new premiums, accounting provisions and the valuation of liabilities under Solvency II, distinguishing between the various types of insurance (mortality, individual and group survival insurance).

In addition, and with regard to survival insurance, this resolution provides that institutions may choose between full adaptation to the tables in 2020 or progressive adaptation over time, complying with a timetable set by the supervisor. This timetable requires at least 25% of the difference in tables to be collected by the end of 2021 and each year thereafter additional quarters are to be computed, so that by the end of 2024 the institutions are fully adapted to the new tables.

Ibercaja Vida has estimated the total impact of the change of tables at 15,198 thousand euros, coming entirely from the survival insurance of its portfolio. At the end of 2020 an accumulated provision for this item amounting to 6,079 thousand euros had been recorded. Therefore, at the end of 2020, 40% of the impact of the change of tables has been included in its accounts, which is much higher than the minimum percentage laid down in the Resolution of the Directorate General of Insurance and Pension Funds for 2021, taking advantage of the adaptation period.

In the aforementioned Resolution, the Directorate General for Insurance and Pension Funds published two tables with different applications:

- Tables second-order or realistic: these are biometric tables based on actually observed historical mortality. They shall be applied in the calculation of the best estimate in the area of solvency.
- First order tables: these incorporate prudential surcharges determined by the supervisor on the second-order tables and are the tables to be applied for the quantification of accounting provisions.

Furthermore, Ibercaja Vida has analysed the adequacy of the new tables by comparing its actual experience with those that would be obtained in application of the new realistic, i.e. second-order, tables. The results obtained are shown in the following table:

	Products	Actual Claims	Realistic Mortality Table	Estimated Claims	%
Death Risk Insurance	Savings Insurance Risk Insurance	1,216	PASS M/F 2020 2nd Order	1,653	73.56%
Insurance with Survival Risk	Rent Insurance (Individual and Group)	1,969	PER M/F 2020 Ind 2nd Order PER M/F 2020 Col 2nd Order	1,939	101.55%

(*) Data at 31 December 2020

As can be seen, in Death Risk Insurance there is a high sufficiency in the biometric hypotheses used in the calculation of the best estimate, since the real behaviour of the insured group (real deaths) is 73.56% of the behaviour obtained with the realistic mortality tables (second order). In other words, the company's mortality rate is lower than that determined by the realistic second-order table published by the supervisor.

In addition, sufficiency in Insurance with Survival Risk is verified because the real mortality of the insured group is 101.55% of the realistic longevity tables (second order). In other words, the company's mortality rate is slightly higher (in insurances where the risk is life extension) than that determined by the realistic second-order table published by the supervisor.

However, as explained above, the provision booked at year-end 2020 has been calculated using the first-order tables, which represent a significant surcharge compared to the second-order tables. Therefore, once the adequacy of the second order tables has been verified with the company's experience, there is a very high probability that the provisions booked will cover future commitments, even if they are subject to some uncertainty.

20.1 Risk management under insurance contracts

The Group is exposed to market (interest rate, concentration, spread and variable income), liquidity, counterparty, operational and underwriting (life) risks under insurance contracts arranged and related transactions.

Ibercaja Vida has policies describing the management and control strategies applied to each of the abovementioned risks. These policies meet the Solvency II requirements that came into force on 1 January 2016 and have been approved by the Board of Directors.

Additionally, the Three Lines of Defence Model has been deployed in the Entity to assure effective risk management and supervision.

In addition, and with a risk-based approach, Ibercaja Vida has defined its Risk Appetite Framework (RAF), the main objective of which is to identify the risks to which the company is exposed and to determine tolerance limits for each of these risks, by establishing metrics with established compliance thresholds. This system makes it possible to monitor that the company is at all times within the threshold or risk appetite set by its Board of Directors.

In addition, and at least once a year, Ibercaja Vida carries out a Self-Assessment of its Risks and Solvency to obtain a prospective vision of the company's risks and solvency in different scenarios.

Market, liquidity, counterparty and operational risks affecting this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 on Risk Management.

Insurance business risk relates to life underwriting, which is the risk of incurring losses due to an increase in the value of liabilities as a result of a departure from the assumptions (mortality, longevity, policy lapse, expenses, etc.) on the basis of which they were contracted. This risk spans a number of sub-risks, the most significant being:

- Mortality Risk: the risk of incurring losses due to an increase in mortality rates in relation to forecasts.

- Survival/Longevity Risk: risk of incurring losses due to an increase in the survival of insured parties in relation to forecasts.

- Surrender/Portfolio Downside Risk: the risk of incurring losses due to variance in surrender rates in relation to forecasts.

Among others, the Company applies the following procedures to manage these life insurance underwriting risks to which it is exposed:

- Application of prudent mortality and survival tables to manage the risk associated with each product and generally accepted in the industry.
- Limits on taking out the insurance.
- Medical selection when taking out the insurance.
- Updating pricing and withholding platform.
- Ongoing monitoring of matching flows in portfolios subject to matching adjustment.
- In addition, risk diversification is an essential technique to reduce Ibercaja Group's overall exposure. To this end, Ibercaja Vida spreads its business strategy among various products, thus increasing the diversification of underwriting risks.

The main actuarial assumptions used in measuring the mathematical provisions of the various forms of insurance in the portfolio for 2020 and 2019 are detailed below:

	2020						
			Profit sharing				
	Coverage type	Tables used	With or without profit sharing	Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.28%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.32%
Life annuities	Mixed	GR95/PER2000P/ PER2020I1º	No profit sharing	-	Individual	Single premium	2.17%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.62%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.77%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P/PER2020C1º	With/without profit sharing	8	Group	Single premium	4.30%
Other groups	Mixed	GK80/GK95	With profit sharing	33	Group	Regular/single premium	1.28%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,500	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	34	Group	Regular premiums	-

	2019						
			Profit sharing				
	Coverage type	Tables used	With or without profit sharing	Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.32%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.31%
Life annuities	Mixed	GR95/PER2000P	No profit sharing	-	Individual	Single premium	2.21%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.57%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.59%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P	With/without profit sharing	6	Group	Single premium	4.29%
Other groups	Mixed	GK80/GK95	With profit sharing	99	Group	Regular/single premium	1.45%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,350	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	34	Group	Regular premiums	-

20.2 Classification of insurance risk

The Group has a policy of diversifying insurance risks and there are mechanisms in place to detect any type of risk concentration. It is common practice to use treaty reinsurance to mitigate the risk of concentration or accumulation of guarantees above the maximum acceptance levels.

Set out below are the premiums issued classified based on their characteristics:

	Thousands of euros	
	2020	**2019**
Life insurance premiums	73,606	75,209
Savings insurance premiums	883,695	862,247
	957,301	**937,456**
Premiums under individual policies	952,777	932,421
Premiums under group policies	4,524	5,035
	957,301	**937,456**
Regular premiums	372,128	400,540
Single premiums	585,173	536,916
	957,301	**937,456**
Premiums for policies with no profit-sharing	402,703	675,027
Premiums for policies with profit-sharing	4,460	4,822
Premiums for policies where the investment risk is assumed by the policyholder	550,138	257,607
	957,301	**937,456**

The premiums under the insurance contracts detailed in the table above are presented in the income statement item “Income from assets under insurance or reinsurance contracts”, which amounted to 960,230 thousand euros at 31 December 2020 (940,528 thousand euros at 31 December 2019). This heading also reflects income from reinsurance amounting to 2,929 thousand euros at 31 December 2020 (3,072 thousand euros at 31 December 2019).

According to the Directorate General of Insurance, individual insurance policies are those in which, despite a group policy being formalised, the premium payment obligations and inherent rights pertain to the insured. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2020 amounting to 960,461 thousand euros (940,798 thousand euros in 2019) relate to the technical reserves associated with such contracts.

20.3 Sensitivity to insurance risk

Ibercaja Vida monitors its risk exposure by applying the standard formula determined in the Solvency II regulations, obtaining a solvency ratio of 220% at 31 December 2020, with the regulatory minimum being 100% (210% at 31 December 2019).

In addition, as explained above, Ibercaja Vida has established a Risk Appetite Framework (RAF) which defines the risk accepted in the company and establishes a series of first level metrics to monitor compliance with this appetite. In addition, in each of the risk management policies approved by the company, a series of second-level metrics or early warnings are determined that enable deviations to be anticipated and measures to be taken.

Among other sensitivity analyses, these metrics measure impacts on economic value and margin in the light of variations in the risk-free curve. The results achieved as at 31 December 2020 are as follows:

- A progressive increase of +100 basis points in the discount curve would mean a reduction in economic value of 9% and a reduction in one-year earnings of 3%.

- A progressive decrease of +50 basis points in the discount curve would generate a 5% increase in the economic value and a 1% increase in the one-year result.

As most of the insurer's portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the economic value and income statement.

21. Provisions

The breakdown of movements in 2020 and 2019 indicating the purpose of the provisions recognised in the consolidated balance sheet at 31 December 2020 and 2019, is as follows:

	Thousands of euros				
	Pensions and other post-employment defined benefit obligations	Other long term employee remuneration	Lawsuits and litigation for outstanding taxes	Commitments and guarantees given	Other provisions
Balances as at 1 January 2019	**124,265**	**1,931**	**9,027**	**33,465**	**180,123**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	603	333	26,298	50,568
Staff costs (Note 38)	2,225	-	-	-	-
Reversal of provisions taken to income statement	-	-	-	(37,271)	(3,201)
Provisions utilised	(317)	(2,068)	(1,430)	-	(67,452)
Other movements	(2,565)	-	-	23	1,136
Balances as at 31 December 2019	**123,610**	**466**	**7,930**	**22,515**	**161,174**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	432	434	17,307	23,450
Staff costs (Note 38)	2,359	-	-	-	151,041
Reversal of provisions taken to income statement	-	-	-	(20,435)	(35,424)
Provisions utilised	(311)	(776)	(584)	-	(13,539)
Other movements	(6,535)	-	-	90	(40,106)
Balances as at 31 December 2020	**119,125**	**122**	**7,780**	**19,477**	**246,596**

The composition of the provisions items "Pensions and other post-employment defined benefit commitments" and "Other long-term employee remuneration" is broken down in Note 38 "Staff costs". Other movements discloses the variation of exterior commitments implemented through pension plans and insurance policies without breaking down the financial and actuarial components and the benefits paid, with the information provided in the aforementioned Note.

The caption "Provision – Commitments and guarantees given" reflects impairment losses associated with financial guarantees (Note 27.1) and other off-balance-sheet exposures (Note 27.3) granted by the Group.

Post-employment benefits and other long-term commitments

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term remuneration commitments, carried as provisions in the balance sheet at 31 December 2020 and 2019, are analysed below:

	Thousands of euros	
	2020	2019
Liabilities		
Early retirement agreement	-	-
Externalised post-employment benefits	112,168	116,743
Non-externalised post-employment benefits	6,957	6,867
Fund for labour-related costs of the restructuring plan	122	466
	119,247	**124,076**

The net balance in the consolidated balance sheet for defined benefit plans breaks down as follows:

	Thousands of euros	
	2020	**2019**
Commitments relating to:		
Post-employment benefits (Note 38.2)	(29,314)	(30,141)
Other long-term remuneration - pre-retirement (Note 38.3)	(122)	(466)
(Shortfall)/Surplus	**(29,436)**	**(30,607)**
Impact of limit on assets	(638)	(568)
Net asset (liability) on balance sheet:	**(30,074)**	**(31,175)**
Assets linked to pensions (*)	84,845	89,215
Net pension assets (**)	4,328	3,686
Net pension (provision)	(119,247)	(124,076)

(*) Financial assets at the subsidiary Ibercaja Vida, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The costs recognised in the consolidated income statement for employee benefits are as follows:

	Thousands of euros	
	2020	**2019**
Defined benefit plans	(2,359)	(2,225)
Contributions to defined contribution plans	(15,339)	(15,030)
Interest expense and similar charges (net)	36	13
Transfers to provisions (*)	(412)	(519)
Actuarial gains (-) losses on long-term employee benefits	(20)	(84)
	(18,094)	**(17,845)**

(*) Includes annual provision for training, educational assistance for children, etc.

The amounts recognised in the consolidated statement of changes in equity are as follows:

	Thousands of euros	
	2020	**2019**
Actuarial gains/(losses) on post-employment benefits	849	(9,704)
Limitation on assets	(70)	(180)
	779	**(9,884)**

The main financial and actuarial assumptions used in measuring the commitments are as follows:

	2020	**2019**
Technical interest rate	0.00% - 0.66%	0.00% - 1.09%
Expected return on assets	0.22% - 0.66%	0.59% - 1.09%
Annual pension revision rate	0.00% - 2.00%	0.00% - 2.00%
Annual salary increase rate	2.00%	2.00%
Growth in Social Security contribution bases	1.00%	1.00%
Retirement age	63 - 67 years	63 - 67 years
Mortality tables	PER 2000P - PER 2000C	PERM/F 2000P
Life expectancy		
Employees retiring in FY 2018/2016		
Men	22.66	22.54
Women	27.15	27.03
Employees retiring in FY 2037/2036		
Men	24.95	24.84
Women	29.21	29.12

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality AA corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the financial statements. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the post-employment obligations is 11.50 years and the weighted average discount rate was 0.32%.

Other provisions

- A significant portion of these provisions relates to the labour cost of the redundancy plans for 2014, 2015, 2017 and 2020 pending disbursement (207,379 thousand euros at 31 December 2020 and 75,350 thousand euros at 31 December 2019). During 2020, the funds associated with this item were released for 19,011 thousand euros, due to the expiry of a contingency linked to these labour costs from Cajatres.

- With regard to the possible impact of the refund of the amounts perceived as a result of the application of the so-called interest rate floor clauses, either as a result of the hypothetical cancellation by the courts of the floor clauses, either through the application of Royal Decree Law 1/2018, of 20 January, on measures to protect consumers regarding floor clauses, the Company has reserves to cover a hypothetical legal risk deriving from the potential elimination of the floor clauses in mortgages which would cover, where applicable, the maximum estimated amount of 21 million euros.

  At 31 December 2020, 653 million euros of the 752 million-euro balance drawn down on loans containing interest rate floor clauses relates to loans in which the entity has negotiated or traded with its customers a resolution whereby, in exchange for eliminating or reducing the amount of the floor rate, the customer has waived the right to claim from the Group the amounts charged under the floor clause.

  On 11 April 2018, in a judgment handed down by the full court, when analysing one of these resolutions, the Supreme Court considered it to be valid, as it was a genuine transaction, where both parties, reducing their original claims, resolved in a free and informed manner to reach an agreement to avoid litigation on the possible unfairness of the interest rate floor clause. Both parties renounced claiming the consequences of the possible abuse of the floor clause due to lack of transparency, and therefore, given that all the resolutions are in keeping with the same pattern and were adapted with equal or greater transparency than the one analysed by the S.C., the Group considers that all the agreements it entered into with its customers are valid.

  On 26 June 2018, when analysing an Ibercaja Banco resolution, similar to the one examined by the Supreme Court in its judgment of 11 April 2018, the court of first instance and preliminary investigations 3 of Teruel called on the Court of Justice of the European Union (“CJEU”) to provide a preliminary ruling (Case C-452/18), calling into question the doctrine established by the Supreme Court in its Plenary Judgment of 11 April 2018.

  On 9 July 2020, the CJEU delivered its judgment in case C-452/18. The CJEU affirms, contrary to the opinion of Court 3 of Teruel and in line with that stated by the Advocate General in his conclusions issued on 30 January 2020, that it is possible for a bank and a customer to sign a novation or settlement agreement on a potentially abusive interest rate floor clause, by virtue of which the customer sees the rate of the floor clause reduced and for its part waives the right to claim against the bank for the alleged unfairness of the initial floor clause, provided that the customer gives his free and informed consent.

  Subsequently, on 5 November 2020, when ruling on an appeal in cassation lodged by the Company, the Spanish Supreme Court, applying the CJEU ruling of 11 July, considered that, given that the novation agreement signed by the customer with Ibercaja was a pre-established contract and its clauses were general conditions, there was a need to examine the transparency of its clauses. In doing so, it considered that the clause modifying the interest rate was transparent and therefore valid, but the clause containing the reciprocal waiver of the exercise of actions was not, as it was a generic waiver not limited exclusively to the floor clause. This changed the criterion laid down by the Spanish Supreme Court in its judgment of 11 April 2018 in relation to the novation agreements signed by the Company, and ordered it to return to the plaintiff the interest charged in excess due to the application of the interest rate floor clause from the time it began to operate in the contract until the date of the novation, and from that date onwards, the Entity could continue to charge the customer the floor clause.

In addition, it should be noted that the new limitation period for actions that do not have a special term is applicable, which has changed from 15 years to 5 years (Art. 1964 of the Civil Code), except in Catalonia, which maintains the 10-year period due to its foral regulation, which means that those who have not claimed the floor clause of their novated loan will have their claim action barred if more than five years have elapsed since the novation contract. This assertion is supported by the case law of the CJEU, and in its judgment of 16 July 2020, the European Court ruled on the length of the limitation period for actions to enforce the restitutionary effects of the declaration of invalidity of an unfair term, stating that "a period of five years 'does not appear' to make it impossible in practice or excessively difficult to exercise the rights conferred by Directive 93/13" (CJEU of 16 July 2020, para. 87), especially when the CJEU, in other cases, has considered three-year limitation periods to be in line with the principle of effectiveness (CJEU of 15 April 2010, Barth, C-542/08, para. 28) and two years (CJEU of 15 December 2011, Banca Antoniana Popolare Veneta, Case C-42772010, para. 25).

- On 14 December 2017, the Spanish Supreme Court, in the face of disparate criteria from the various provincial courts, declared in a unification of doctrine, that the Mortgage Loan Reference Index (IRPH) was valid and not abusive, given that it is an official index and as such cannot be subject to a transparency analysis.

  On 16 February 2018, the 38th Court of First Instance of Barcelona made a reference to the CJEU for a preliminary ruling (Case C125/18), calling into question the criterion laid down by the Court of Justice in its judgment of 14 December 2017.

  On 3 March 2020, the CJEU ruled in Case C-125/18, in which it clarified that a clause that fixes the interest rate on the basis of an official reference rate is subject to the Consumer Directive 93/13, and therefore, a national judge can examine whether the reference rate has been informed to the consumer in a transparent manner, unless this official rate is applied to the loan contract by application of a mandatory rule, as is the case, for example, in the Spanish case, with agreed loans (VPO). The CJEU also states that for such a clause fixing the interest rate to be transparent, it must not only be comprehensible on a formal and grammatical level, but also enable the average consumer, who is reasonably well informed and reasonably observant and circumspect, to be able to understand how the method of calculation of that interest rate actually works and thus to assess, on the basis of precise and comprehensible criteria, the potentially significant economic consequences of that clause on his financial obligations. And finally, the CJEU states that in the event that the national court concludes that the clause is void because of lack of transparency, it is possible for the national court to replace the original index with a legal index applicable in the absence of an agreement to the contrary by the parties to the contract, provided that the mortgage loan contract could not survive after the unfair term has been removed and that the annulment of the contract in its entirety would leave the consumer exposed to particularly harmful consequences.

  After this ruling, the various provincial courts maintained different criteria. Some considered the interest rate clauses that include the IRPH to be transparent and, therefore, not abusive, and others, conversely, considered them to be non-transparent and declared the interest rate clause abusive; however, the latter agree that the loan contract cannot survive without this clause and included very different criteria in the contract, some courts replaced it with the Euribor, others with the IRPH credit institutions.

  Recently, in November 2020, the Spanish Supreme Court has issued five rulings related to the IRPH, four of them referring to free loans, and one of them related to an agreed loan. In the first four cases, the Court concluded that, despite the fact that the IRPH clause is not transparent, since the customer was not informed of the past performance of the index, it is not considered to be abusive, since, from the point of view of contractual good faith, the clause does not create an imbalance in the obligations of the contract for the consumer, and, therefore, since it was agreed by the Entity with the customer in good faith, it cannot be declared abusive. In relation to the fifth ruling, concerning a VPO loan, the SC stated that this clause, whose interest rate is imposed by the application of a regulation, cannot be considered abusive, since the Entity acted in good faith, limiting itself to applying the interest rate to the loan that is imposed for these loans by law.

In the case of the Entity, the largest loan book referenced to IRPH comes from agreed or VPO loans, where the interest rate is mandatorily imposed by the government and, therefore, the clause of these loans is outside the scope of application of the Consumer Directive, as has been affirmed by the CJEU ruling.

The remaining IRPH-linked loan book is scarce and many of these loans have already been repaid, thus leaving a very small outstanding portfolio. As a result, the number of claims received for this legal contingency has been very low.

Based on this background and given that current case law on this matter is in favour of considering the IRPH clause as a non-abusive clause, the Entity has considered it appropriate not to provision any amount for this legal risk, as it considers the probability that the Entity will have to part with resources that include economic benefits to settle this obligation to be remote, in accordance with the provisions of point 14 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

- The CJEU in its Judgment of 16 July 2020, while recalling that an unfair term must be deemed not to have been included without further modification, permits that not all the sums paid have to be refunded where the limitation derives from provisions of national law which impose on the consumer the obligation to pay all or part of those costs. In this regard, the most relevant pronouncements on this issue are contained in paragraphs 54 and 55 of the Judgment, through which the Court recognises that, once the costs clause has been declared unfair, national law can be applied to regulate the distribution of the costs of mortgage creation and cancellation in the absence of an agreement between the parties. In these paragraphs, in particular, the Court expressly mentions the possibility of not refunding to the consumer amounts imposed on him by national law (such as Stamp Duty).

  In short, in our opinion, the CJEU upholds the interpretation made by the Supreme Court in such a way that it will be up to the national judge to determine, in the absence of an agreement as the clause has been eliminated, which of the costs borne by the consumer were imposed on him by the provisions of national law. And these national provisions are those that the Supreme Court has been applying in its case law (see, for example, Judgment 49/2019, of 23 January) so, in our opinion, the Supreme Court will not be forced to change its jurisprudential doctrine in this regard by the doctrine contained in the aforementioned CJEU Judgment.

  In view of the foregoing, i.e. that there should be no change in the Spanish Supreme Court's jurisprudential position on the payment of mortgage origination fees as a result of the CJEU Ruling of 16 July 2020, the Entity understands that it does not have to re-estimate the provisions set up for this contingency, as the situation, following the CJEU Ruling, has not changed adversely for the Entity, especially when the CJEU Ruling admits that the action to claim the restitution of amounts derived from the application of the expenses clause has, in accordance with our legal system, a limitation period of 5 years. Provisions made at 31 December 2020 for this contingency, based on the information available at that date, amount to 5,365 thousand euros.

  With regard to appraisal expenses, it should be noted that the SC, after the close of the 2020 financial year and prior to the preparation of these consolidated financial statements, has established as a criterion that this expense must be borne by the Company, as the property was appraised for mortgage purposes and in favour of the Company, unless the loan was formalised after the entry into force of Law 5/2019 of 15 March, regulating real estate credit contracts, which imperatively establishes that this cost must be borne by the borrower. In this sense, the estimated impact of this judgement is low.

- The remainder of the balance relates to the coverage of other ordinary business risks.

  At 31 December 2019, the Group estimated a probable impact of 10 million euros as a result of the repurchase of the subordinated debt, which could not materialise until January 2020 (Note 19.4). Once the subordinated debt had been repurchased, the Group drew down the fund set up for this contingency, thus mitigating the impact recognised under "Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost" in the consolidated income statement (Note 34).

22. Other liabilities

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	**2019**
Personnel expense apportionment	9,882	18,091
Transactions in transit	4,320	7,007
Contribution to Deposit Guarantee Fund (Note 1.8.2)	46,229	41,486
Other	152,841	106,644
	213,272	**173,228**

At 31 December 2020 and 2019, "Other" mainly includes supplier expenses that have been accrued by the Group.

23. Shareholders' funds and non-controlling interests

23.1 Shareholders' equity

The breakdown of shareholders' equity at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Capital	214,428	214,428
Equity instruments issued other than capital	350,000	350,000
Retained earnings	602,663	545,893
Legal reserve	*59,215*	*59,215*
Goodwill reserve	*12,807*	*12,807*
Voluntary reserves	*511,313*	*454,543*
Capitalisation reserves	*19,328*	*19,328*
Revaluation reserves	3,297	3,305
Other reserves	1,966,640	1,941,402
Legal reserve	*13,671*	*13,671*
Accumulated reserves or losses on investments in jointly-controlled entities and associates	*(33,603)*	*(43,089)*
Other reserves	*1,986,572*	*1,970,820*
Of which: from the application of IFRS 9	*(115,872)*	*(115,872)*
Of which: from the issue of equity instruments other than capital	*(49,870)*	*(32,720)*
Profit/(loss) for the year	23,602	83,989
Total	**3,160,630**	**3,139,017**

In 2019 capital was reduced by 1,929,848 thousand euros in order to set up a restricted voluntary reserve for this amount. This reduction was achieved by reducing the nominal value of all the shares into which the share capital was divided by 90%, and then grouping the number of outstanding shares by exchanging each 10 pre-existing shares of ten euro cents in nominal value for a new share of one euro at nominal value. The reduction in capital affected all the Company's shares equally, and there was no disparity in treatment between them.

In addition, part of the legal reserve was allocated to the creation of a voluntary reserve of 200 million euros. The legal reserve after the transaction amounted to 73 million euros.

In addition, in connection with this restructuring of the Bank's equity, a capitalisation reserve amounting to 19 million euros was set up, with a charge to voluntary reserves, in accordance with Article 25 of the Corporate Income Tax Law.

The equity instruments issued other than capital correspond to an issue of preference shares and have been authorised by the competent supervisor for classification as Tier 1 eligible capital (Note 1.7.2).

Accrual and payment of the dividend of these instruments is recognised in "Other reserves" of equity. As at 31 December 2020, this dividend payment amounts to 24,500 thousand euros (24,500 thousand euros as at 31 December 2019).

23.1.1 Capital

Share capital at 31 December 2020 consists of 214,427,597 shares (214,427,597 shares at 31 December 2019), with a par value of 1 euro each, fully subscribed and paid out, of the same class and series. The Bank's shares are represented by registered certificates.

The shareholders of Ibercaja Banco, S.A. are as follows:

	Thousands of euros	
	31/12/2020	**31/12/2019**
Fundación Bancaria Ibercaja	88.04%	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.73%	4.85%
Cajacírculo Fundación Bancaria	3.33%	3.45%
Fundación Ordinaria Caja de Badajoz	3.90%	3.90%

In 2020, 513,958 Ibercaja Banco shares were transferred from Fundación Caja de Ahorros de la Inmaculada de Aragón and Cajacírculo Fundación Bancaria to Fundación Bancaria Ibercaja, in accordance with the terms of the settlement agreement reached between the aforementioned shareholder foundations in relation to the payment of the price adjustment made by SAREB as payment of the compensation arising from the Integration Agreement between Ibercaja Banco and Banco Grupo Cajatres.

23.1.2 Reserves

Appendix II includes a breakdown by company of the balance in "Accumulated reserves or losses on investments in jointly-controlled entities and associates" and the other accumulated reserves.

23.1.2.1 Legal reserve

In accordance with the consolidated text of the Corporate Enterprises Act, companies that record profits for the financial year must transfer 10% of the profits to the legal reserve until the balance in the reserve reaches at least 20% of share capital. The legal reserve may not be used to offset losses unless it exceeds the aforementioned limit and no other sufficient reserves are available for such purpose.

The legal reserve may be used to increase the share capital provided that the remaining reserve balance does not fall below 10% of the balance of share capital after the increase.

23.1.2.2 Goodwill reserve

The goodwill reserve is recognised pursuant to the previous Article 273.4 of the Corporate Enterprises Act, (eliminated in financial statements for periods commencing on or after 1 January 2016) and is not available for distribution. Law 22/2015 of 20 July on the Auditing of Accounts stipulates that in periods commencing on or after 1 January 2016, the goodwill reserve will be reclassified to voluntary reserves and will be unrestricted as from that date in an amount that exceeds the goodwill recognised on the assets side of the balance sheet.

23.1.2.3 Revaluation reserves

The revaluation reserves are the result of the accounting restatement carried out on the first-time adoption of IFRS-EU and may not be distributed, directly or indirectly, unless the capital gain has been realised, this being understood as when:

a) The part of the restated assets corresponding to the reserve has been depreciated.

b) The restated assets have been transferred or written off the balance sheet.

23.2 Non-controlling interests

The Group had no non-controlling interests in 2020 or 2019.

24. Other accumulated comprehensive income

24.1 Actuarial gains/(losses) on defined benefit pension plans

At 31 December 2020, cumulative actuarial losses on defined benefit pension plans amount to €23,741 thousand (€24,286 thousand at 31 December 2019).

24.2 Hedging derivatives. Cash flow hedge reserve (effective portion)

At 31 December 2020, the amount of gains taken to equity for cash flow hedges amounted to 8,551 thousand euros (31 December 2019: gains of 8,524 thousand euros).

24.3 Financial assets at fair value through other comprehensive income

This heading on the consolidated balance sheets reflects the net amount of changes in fair value of assets which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4).

A breakdown of valuation adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26) is as follows:

	Thousands of euros				
	2020				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	(10,432)	210,904	201,601	9,303	-
Unlisted equity instruments	44,305	142,967	-	113,717	29,250
Listed fixed income	39,091	6,669,457	6,350,334	319,123	-
Total	**72,964**	**7,023,328**	**6,551,935**	**442,143**	**29,250**

	Thousands of euros				
	2019				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	3,152	206,897	197,261	9,636	-
Unlisted equity instruments	69,296	190,934	-	160,440	30,494
Listed fixed income	45,509	7,688,599	7,447,877	240,722	-
Total	**117,957**	**8,086,430**	**7,645,138**	**410,798**	**30,494**

25. Tax position

25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporate Income Tax Consolidated Group (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore Corporate Income Tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatres, as from the tax period starting 1 January 2014, Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

25.2 Years open to inspection

The Group and its companies are subject to inspection by the tax authorities for Corporate Income Tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2016 onwards. In this respect, in July 2020, tax audits were initiated in relation to the 2013 to 2017 tax years, both inclusive, for the Corporate Income Tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Furthermore, in relation to the Corporate Income Tax of the tax consolidation group of Banco Grupo Cajatrés, a company absorbed by Ibercaja Banco in 2013, and of several of its companies, in July 2020 notification was received that inspection proceedings were commencing regarding supplementary tax returns and requests for rectification filed for 2011 to 2013. These proceedings are currently underway.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

25.3 Reconciliation of book and tax income

The reconciliation of consolidated profit before taxes for 2020 and 2019 and Corporate Income Tax expense is as follows:

	Thousands of euros	
	2020	2019
Consolidated profit (loss) before tax	**53,470**	**128,637**
Corporate Income Tax at the 30% tax rate	16,041	38,591
Effect of permanent differences	(1,958)	1,296
Other adjustments on consolidation	(174)	(129)
Tax deductions and tax credits	(1,163)	(1,062)
Write-off of deferred tax assets	19,210	-
Corporate income tax expense for the year	**31,956**	**38,696**
Adjustments to prior-year tax expense	(2,088)	5,952
Total corporate income tax expense	**29,868**	**44,648**
Of which: current tax expense	*41,977*	*8,618*
Of which: deferred tax expense	*(12,109)*	*36,030*

The item "Effect of permanent differences" includes 5,494 thousand euros (6,111 thousand euros at 31 December 2019) relating to the straight-line reversal over five years of impairment losses on shareholdings that were tax deductible in periods prior to 2013, under Royal Decree-Law 3/2016 of 2 December.

In 2020, the Group derecognised tax credits associated with tax loss carryforwards generated by a subsidiary of the Group prior to its entry into the tax group for the amount of 19,210 thousand euros.

In 2020, pursuant to the provisions of Transitional Provision 16 of the Corporate Income Tax Law, in line with the wording used in Royal Law Decree 3/2016 of 2 December, which adopts tax measures that pursue the consolidation of public finances and other urgent social matters, the Bank has included 22,867 thousand euros in its taxable basis to reverse impairment losses on debt securities in the equity of entities that were tax deductible from the Corporate Income Tax base during the tax periods prior to 1 January 2013. Furthermore, as a result of the sale and settlement of Companies during the year, it will no longer be necessary to include income of 2,130 thousand euros. As at 31 December, no amount remains to be included in the taxable basis in this respect.

Corporate Income Tax expense decreased by 31,007 thousand euros in 2020 due to the deferred taxes related to the origination and reversal of temporary differences (increase of 49,641 thousand euros in 2019).

Years prior to 2015, income was generated that qualified for the then-applicable tax credit for reinvestment of extraordinary profits, the relevant reinvestment commitment having been fulfilled. The following table shows the extraordinary gains that resulted in the tax credit:

	Thousands of euros	
Year income obtained	**Income**	**Year of reinvestment**
1998	3,498	2001
1999	190	2001
2001	6,001	2002
2002	6,017	2002
2003	4,181	2003
2004	6,707	2004
2005	4,486	2007
2006	14,633	2005-2007
2007	3,380	2007
2008	101,953	2007-2011
2009	1,598	2008-2012
2010	4,403	2009-2010
2011	17,729	2010-2011
2012	1,406	2012
2013	1,165	2012-2013
2014	9,229	2013-2014

Note: data for 2010 and prior years relate to operations of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja).

25.4 Deferred tax assets and liabilities

Based on tax legislation in force in Spain, there are certain timing differences and tax credits that should be taken into account when calculating consolidated corporate income tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	Deferred tax liabilities	**Deferred tax assets**
Balance at 1 January 2019	**1,365,093**	**178,968**
Prior-year restatement and other	(15,639)	(6,756)
Generated during the year	25,295	2,044
Applied during the year	(50,186)	(6,678)
Change in deferred tax assets and liabilities applied to equity	2,145	9,035
Balance at 31 December 2019	**1,326,708**	**176,613**
Prior-year restatement and other	(16,142)	(1,364)
Generated during the year	82,890	339
Applied during the year	(59,875)	(4,211)
Change in deferred tax assets and liabilities applied to equity	2,044	(4,216)
Balance at 31 December 2020	**1,335,625**	**167,161**

In accordance with the provisions of transitional provision thirty-nine of the Corporate Income Tax Law, as amended by Royal Decree-Law 27/2019, of 28 December, the income or expense recorded directly in reserves as a result of the first application of Circular 4/2017 that have tax effects will be included in equal parts in the taxable basis of each of the first three years starting on or after 1 January 2018. The amount included in the taxable basis for 2020 for this item was 10,733 thousand euros. As at 31 December 2020, there are no amounts still to be recognised for this reason.

Below follows a breakdown of the Group's deferred tax assets and liabilities by type of temporary difference and tax credit:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Impairment of financial assets	691,219	713,660	631	1,511
Pension commitments and other provisions	81,926	55,763	-	-
Fixed assets	13,322	13,407	110,900	113,273
Foreclosed assets	1,468	2,193	-	-
Other adjustments	92,655	69,796	33,248	35,231
Total temporary differences with a balancing item in income statement	**880,590**	**854,819**	**144,779**	**150,015**
Temporary differences with a balancing item in equity	**21,936**	**19,892**	**22,382**	**26,598**
Tax credit for tax-loss carryforwards	417,124	435,075	-	-
Tax credit for deductions pending application	15,975	16,922	-	-
Total tax credits	**433,099**	**451,997**	**-**	**-**
	1,335,625	**1,326,708**	**167,161**	**176,613**

Below follows a breakdown of corporate income tax relating to each item included in the statement of recognised income and expense:

	Thousands of euros	
	2020	2019
Actuarial losses and gains on defined benefit pension plans	(234)	2,965
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	3,755	(7,906)
Items that will not be reclassified to profit or loss	**3,521**	**(4,941)**
Debt instruments at fair value through other comprehensive income	2,751	(2,276)
Valuation gains/(losses) taken to equity	*(1,106)*	*(11,477)*
Transferred to the income statement	*3,857*	*9,201*
Cash flow hedges	(12)	327
Other recognised income and expenses	-	-
Items that may be reclassified to profit or loss	**2,739**	**(1,949)**
	6,260	**(6,890)**

No significant temporary differences associated with investments in subsidiaries, branches and associates or interests in joint arrangements have arisen which could give rise to deferred tax liabilities not recognised on the balance sheet.

Under current tax and accounting regulations, certain temporary differences must be taken into account when quantifying the relevant corporate income tax expense on continuing operations.

In 2013, Royal Decree-Law 14/2013 classed as assets guaranteed by Spain's Central Government those tax assets generated by impairment losses on loans or other assets as a result of the possible insolvency of debtors unrelated to the taxpayer; this status was subsequently extended to impairment losses on public corporations and on provisions for or contributions to pension plans and, if applicable, pre-retirement plans (“monetisable tax assets”).

Monetisable tax assets may be converted into debt claims against the tax administration in the event that the taxpayer records book losses or the entity is liquidated or declared to be insolvent by a court. They may also be exchange for government securities once 18 years have elapsed as from the last day of the tax period in which the assets were recognised in the accounts. In order to maintain the Central Government’s guarantee, the assets are subject to an annual charge of 1.5% of their amount as from 2016 (Note 37).

In 2020, the net amount of deferred tax assets and liabilities related to temporary differences amounted to 735,365 thousand euros (698,098 thousand euros at 31 December 2019). There are no deductible temporary differences, losses or tax credits for which deferred tax assets have not been recognised on the balance sheet.

As noted above, a portion of deferred tax assets arising from temporary differences are enforceable against the public authorities in the above circumstances (monetisable assets), meaning that recoverability is not dependent on the existence of future taxable profits, so the recognition of the relevant amounts is justified. As at 31 December 2020, deferred tax assets amounted to 629 million euros (643 million euros at 31 December 2019).

In addition, at 31 December 2020 there are deferred tax assets for tax-loss carryforwards and for unused tax credits amounting to 433,099 thousand euros (451,997 thousand euros at 31 December 2019). The vast majority of these tax assets result from the prior-year losses, which were extraordinary and non-recurring, due basically to the write-down of real estate assets in 2012 and of renegotiated assets in 2013, as disclosed in the financial statements for those years.

The tax credits described in the preceding paragraph were recorded for accounting purposes on the premise that future tax benefits might be obtained that will allow the tax-loss carryforwards to be offset in a reasonably short period of time. According to applicable regulations, there is no time limit for offsetting these deferred tax assets.

According to Ibercaja Banco's business plan, which has provided the basis for the valuation of the Bank at 31 December 2020, sufficient future taxable profits will be generated to enable the recovery of these deferred tax assets and therefore the Company considers that there is convincing objective evidence for the recognition of the deferred tax assets. Note 16.1 describes the justification of the basic assumptions used in determining the business plan considered by the Company, as well as the justification of the significant deviations therefrom in previous years that could jeopardise its fulfilment.

According to the business plan estimates referred to above, in 2020 the estimated period for recovering these deferred tax assets is no more than 15 years.

26. <u>Fair value of financial assets and liabilities</u>

26.1 Breakdown

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2020 and 2019 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the appraisal system (levels 1, 2 and 3):

	Thousands of euros				
	2020				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	7,572,609	7,572,609	-	7,572,609	-
Financial assets held for trading	5,503	5,503	-	5,503	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	853,721	853,721	824,170	-	29,551
Financial assets at fair value through profit or loss	8,602	8,602	8,602	-	-
Financial assets at fair value through other comprehensive income	7,023,328	7,023,328	6,551,935	442,143	29,250
Financial assets at amortised cost	39,726,825	43,033,735	6,548,679	3,636,832	32,848,224
Derivatives - Hedge accounting	142,020	142,020	-	142,020	-
Total financial assets	**55,332,608**	**58,639,518**	**13,933,386**	**11,799,107**	**32,907,025**
Financial liabilities held for trading	5,630	5,630	-	5,253	377
Financial liabilities at amortised cost	46,627,380	47,206,444	-	47,206,444	-
Derivatives - Hedge accounting	216,202	216,202	-	216,202	-
Total financial liabilities	**46,849,212**	**47,428,276**	**-**	**47,427,899**	**377**

	Thousands of euros				
	2019				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	3,929,202	3,929,202	-	3,929,202	-
Financial assets held for trading	8,963	8,963	-	8,963	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	375,885	375,885	284,905	-	90,980
Financial assets at fair value through profit or loss	8,939	8,939	8,939	-	-
Financial assets at fair value through other comprehensive income	8,086,430	8,086,430	7,645,138	410,798	30,494
Financial assets at amortised cost	39,768,768	42,611,057	5,057,476	3,717,483	33,836,098
Derivatives - Hedge accounting	137,210	137,210	-	137,210	-
Total financial assets	**52,315,397**	**55,157,686**	**12,996,458**	**8,203,656**	**33,957,572**
Financial liabilities held for trading	9,469	9,469	-	9,082	387
Financial liabilities at amortised cost	43,448,320	43,830,956	-	43,830,956	-
Derivatives - Hedge accounting	233,888	233,888	-	233,888	-
Total financial liabilities	**43,691,677**	**44,074,313**	**-**	**44,073,926**	**387**

The criteria used to determine fair value have been as follows:

- Level 1: using prices quoted on active markets for financial instruments.
- Level 2: using prices quoted on active markets for similar instruments or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: using valuation techniques in which some significant inputs are not based on observable market data.

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.

- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.

- Equity instruments measured at fair value: In general, provided that directly or indirectly observable market data is available, their fair value is obtained from listed prices or transactions in active markets for similar instruments. If sufficient market information is not available, fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.

- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early amortisation of 1,39% of the total has been taken into account. This percentage is based on the Group’s historical data and is used in internal management.

  The impact of a 100 basis point rise in the interbank interest rate curve would bring about a (-2.06%) reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the expected losses and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.

- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on the evolution of market interest rates. The longer the residual life of the instrument, the greater the variation.
- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins remain constant, the fair value coincides with the carrying value only on repricing dates. On all other dates, there is an interest rate risk for the flows that have already been calculated.

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. During 2020 and 2019 there were no financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

	Thousands of euros	
	2020	**2019**
Level 1	(776)	156
Level 2	915	1,237
Level 3	(10,587)	(3,815)
	(10,448)	**(2,422)**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, separately revealing changes during the year attributable to the following:

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2020	**-**	**90,980**	**30,494**	**387**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(10,475)	91	-
Purchases	-	-	150	-
Sales	-	(40,313)	(1,485)	-
Issues	-	-	-	-
Settlements and maturities	-	(10,641)	-	(10)
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 31 December 2020	**-**	**29,551**	**29,250**	**377**

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2019	**4**	**102,463**	**184,246**	**153**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(3,935)	(7,089)	45
Purchases	-	-	260	342
Sales	-	-	(2,945)	-
Issues	-	-	-	-
Settlements and maturities	(4)	(7,548)	-	(153)
Transfers from or to Level 3 in or outside the portfolios described	-	-	(143,978)	-
Balance at 31 December 2019	**-**	**90,980**	**30,494**	**387**

Financial liabilities and assets held for trading with Level 3 fair values are related, respectively, to embedded derivatives in structured deposits arranged with customers and to derivatives arranged with counterparties to cover the risk of those embedded derivatives. As shown in the table included at the beginning of this Note, the values of both derivatives offset each other since they have the same features and almost the same nominal values. The Group measures both derivatives according to the quotations offered by the counterparty.

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Private Equity Venture Capital Association).

Considering the amount of these investments, the Group believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine the value would not have a significant impact on the results, total assets or equity of the Group.

26.2 Impact of COVID-19 on fair value hierarchy levels

The events outlined above related to COVID-19 have had a significant impact on the financial markets at certain times during the 2020 financial year, and especially in the first half of the financial year, in the weeks following COVID-19 being declared a global pandemic. With the announcement of tightening measures affecting most of the world's economies, there was a decline in liquidity, a widening of bid-ask spreads in some financial instruments and some loss of convergence among the various price contributors.

Subsequently, market conditions have been normalising. Certain assets have recovered some of their accumulated losses, liquidity has recovered and volatility has declined in most markets from the highs reached in the weeks following COVID-19 being declared a global pandemic. At year-end 2020, no significant reduction in the price sources used to value financial instruments has been observed.

As a result, during 2020, the Group has not identified any significant changes in the fair value hierarchy levels of the financial assets in its portfolio.

27. Other significant information

27.1 Contingent risks

The following table breaks down financial guarantees granted at 31 December 2020 and 2019 in accordance with the maximum risk assumed by the Group:

	Thousands of euros	
	2020	2019
Guarantees and other sureties	**737,212**	**768,899**
Financial guarantees	93,631	76,204
Guarantees and other sureties	643,581	692,695
Irrevocable letters of credit	**23,018**	**25,571**
Irrevocable documents issued	23,018	25,551
Irrevocable documents confirmed	-	20
Assets associated with third-party obligations	**234**	**234**
	760,464	**794,704**

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties.

The income obtained from collateral instruments is recorded under the headings "Fee and commission income" and "Interest income" (in the amount relating to the restatement of the commission values) in the consolidated income statement and are calculated by applying the rate established contractually based on the nominal amount of the guarantee.

Provisions recorded to cover these guarantees, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the heading "Provisions - Commitments and guarantees given" in the balance sheet (Note 21).

At 31 December 2020 and 2019, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

	Thousands of euros	
	2020	2019
Assets under repos	617,298	2,663,926
Assets associated with Bank of Spain policy (*)	2,570,266	2,210,195
Other	-	511,664
	3,187,564	**5,385,785**

(*) There is an additional 3,707,465 million euros (4,399,276 million euros in 2019) relating to own securitisation bonds and mortgage covered bonds that are also associated with the Bank of Spain policy obtained to secure monetary policy operations in the Eurosystem.

27.3 Contingent commitments

At 31 December 2020 and 2019, the limits on financing contracts granted and the undrawn balances were as follows:

	Thousands of euros			
	2020		2019	
	Limit granted	Undrawn balance	Limit granted	Undrawn balance
Drawable by third parties	**6,408,498**	**3,288,448**	**5,906,818**	**2,966,973**
Available immediately	3,677,218	2,296,459	2,831,634	1,924,342
Available subject to conditions	2,731,280	991,989	3,075,184	1,042,631
Securities subscribed pending disbursement	**-**	**1,268**	**-**	**1,268**
Documents in clearing houses	**-**	**126,905**	**-**	**136,259**
	6,408,498	**3,416,621**	**5,906,818**	**3,104,500**

The amounts available relate to variable interest operations.

Provisions recorded to cover these exposures, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the caption "Provisions - Commitments and guarantees given" in the balance sheet (Note 21).

27.4 Third-party funds managed and marketed by the Group and securities depository

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2020 and 2019 are indicated in the following table:

	Thousands of euros	
	2020	2019
Collective Investment Institutions	16,234,844	14,708,533
Pension funds	5,907,074	5,668,503
Insurance products	101,968	113,853
Discretionary portfolio management (*)	4,602,628	5,044,760
	26,846,514	**25,535,649**
Of which: managed by the Group	25,814,364	24,744,802

(*) Mainly includes discretionary managed Collective Investment Institutions.

Set out below is a breakdown of the securities deposited by third parties with the Group at 31 December 2020 and 2019:

	Thousands of euros	
	2020	2019
Fixed Income	6,715,953	7,584,401
Equities	1,745,355	2,826,839
	8,461,308	**10,411,239**

27.5 Securitisation of assets

As at 31 December 2020 and 2019 there are no outstanding securitisations whose loans have been derecognised in the consolidated balance sheet (Note 2.8).

In addition, the Group has securitised assets by assigning loans from its portfolio to a securitisation fund in which, due to the agreed transfer terms, the Company has continued to bear the substantial risks and rewards of the securitised assets and therefore these assets have been retained in full in the balance sheet. Details of the balances recorded in relation to these operations are set out below:

	Thousands of euros	
	2020	2019
Assets transferred to TDA Ibercaja 2, FTA in 2005	137,840	162,491
Assets transferred to TDA Ibercaja 3, FTA in 2006	197,836	227,274
Assets transferred to TDA Ibercaja 4, FTA in 2006	305,692	349,489
Assets transferred to TDA Ibercaja 5, FTA in 2007	313,746	353,239
Assets transferred to TDA Ibercaja 6, FTA in 2008	491,065	547,365
Assets transferred to TDA Ibercaja ICO-FTVPO, FTH in 2009	93,950	116,089
Assets transferred to TDA Ibercaja 7, FTA in 2009	901,301	990,296
	2,441,430	**2,746,243**

Note 11.1 provides details concerning the Company's exposure in securitisation funds and the amount of securitisation fund liabilities that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitised assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2020 and 2019, which are backed by the transferred assets mentioned above, is as follows:

	Thousands of euros	
	2020	2019
Liabilities issued by TDA Ibercaja 2, FTA in 2005	136,906	162,223
Liabilities issued by TDA Ibercaja 3, FTA in 2006	192,725	225,239
Liabilities issued by TDA Ibercaja 4, FTA in 2006	298,965	347,407
Liabilities issued by TDA Ibercaja 5, FTA in 2007	259,101	341,852
Liabilities issued by TDA Ibercaja 6, FTA in 2008	466,713	538,936
Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009	91,057	113,558
Liabilities issued by TDA Ibercaja 7, FTA in 2009	813,562	917,807
	2,259,029	**2,647,023**

27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2020 amount to 6,709 thousand euros (11,359 thousand euros at 31 December 2019).

27.7 Environment

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimise possible environmental impacts, and complies with current environmental legislation. During 2020 and 2019, no significant environment-related investments were made and no significant environment-related contingencies are considered to exist.

27.8 Segmentation

The ultimate decision-making body responsible for defining the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments, as the results of its activities are not examined on an independent basis by Management, for the following reasons:

- The types of products marketed by the Group's insurance companies are, in part, substitutes for bank savings products and are subject to similar risks.
- The use of the commercial network of Ibercaja Banco, S.A. as the majority distribution channel for the products of the Group's insurance companies affects the relationship of dependence between the two sectors.
- The existence of a common customer base and the linkage of the two brands from the consumer's point of view mean that operational risk is interrelated between the two sectors of banking and insurance.
- All strategic, commercial and regulatory analysis is carried out at the Group level.

Nevertheless, in accordance with applicable regulations, information on the distribution of the Group's revenues by geographical area and product type have been included in this Note.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

The breakdown of the Group's ordinary revenue (which includes interest income, dividend income, fees and commissions received, gains on financial assets and liabilities and other operating income) by type of product or service is as follows.

	Thousands of euros			
	Ordinary revenue from third-party customers		Gross margin excl. gains on financial assets and liabilities	
	2020	2019	2020	2019
Banking	1,056,949	978,775	774,872	805,030
Insurance	1,099,097	1,095,595	106,933	113,368
Other	-	-	-	-
	2,156,046	**2,074,370**	**881,805**	**918,398**

The reconciliation between total ordinary income and gross income excluding gains and losses on financial transactions is shown below:

	Thousands of euros	
	2020	2019
Ordinary revenue from third-party customers	**2,156,046**	**2,074,370**
(Interest expense)	99,125	116,315
Share of profit of entities accounted for using the equity method	579	431
(Fee and commission expenses)	16,636	18,636
(Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss)	128,856	8,261
(Net gains or (-) losses on financial assets and liabilities held for trading)	1,149	1,220
(Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss)	(10,476)	(3,718)
(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)	-	747
(Net gains or (-) losses from hedge accounting)	(364)	567
(Net exchange differences)	852	1,104
(Other operating expenses)	78,581	72,473
(Liability expenses covered by insurance or reinsurance contracts)	960,461	940,798
Gross margin excl. gains on financial assets and liabilities	**881,805**	**918,398**

28. Interest income

The breakdown of the balance under this consolidated income statement heading in 2020 and 2019, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2020	**2019**
Financial assets held for trading	-	-
Non-trading financial assets mandatorily valued at fair value through profit or loss	181	420
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	111,533	131,258
Financial assets at amortised cost	493,287	536,531
Interest rate hedging derivatives	(11,026)	(19,709)
Other assets	1,008	751
Interest income from liabilities	37,815	14,310
	632,798	**663,561**

"Interest income from liabilities" includes interest income from the application of negative interest rates on liquidity auctions under the European Central Bank's TLTRO programme amounting to 33,173 thousand euros (31 December 2019: 13,306 thousand euros; Note 19.1).

29. Interest expense

The breakdown of the balance under this consolidated income statement heading in 2020 and 2019, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2020	**2019**
Financial liabilities at amortised cost	109,398	146,915
Interest rate hedging derivatives	(59,367)	(78,143)
Insurance contracts	31,568	32,078
Other liabilities	3,114	3,748
Interest expense from assets	14,412	11,717
	99,125	**116,315**

"Other liabilities" includes interest expense arising from the contribution made to the Deposit Guarantee Fund amounting to 505 thousand euros (727 thousand euros at 31 December 2019) (Note 1.8). In addition, as at 31 December 2020, it also includes 1,369 thousands of euros in interest expense on lease liabilities (Note 2.10) (1,410 thousand euros as at 31 December 2019).

30. Dividend income

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of financial assets at fair value through portfolio other comprehensive income amounting to 5,208 thousand euros at 31 December 2020 (12,652 thousand at 31 December 2019).

31. Share of profit of entities accounted for using the equity method

Appendix II provides a breakdown by company of the balance under this consolidated income statement heading in 2020 and 2019.

32. Fee and commission income

Fee and commission income accrued in 2020 and 2019, classified in accordance with the item generating the fees and commissions, is reflected in the following table:

	Thousands of euros	
	2020	2019
Contingent risk fees	8,581	10,102
Contingent commitment fees	3,421	3,653
Foreign currency exchange fees	90	267
Collection and payment services fees	113,084	117,601
Securities services fees	38,992	61,501
Non-bank financial product marketing fees	206,590	195,389
Other fees	20,013	23,862
	390,771	**412,375**

33. Fee and commission expenses

Expenses for fees and commissions accrued in 2020 and 2019, classified in accordance with the item generating the fees and commissions, are reflected in the following table:

	Thousands of euros	
	2020	2019
Fees and commissions assigned to other entities	5,792	7,597
Fees for securities transactions	2,605	1,791
Other fees	8,239	9,248
	16,636	**18,636**

34. Gains/(losses) on financial assets and liabilities

The breakdown of the balance under this consolidated income statement heading in 2020 and 2019, based on the financial instrument portfolios from which the balances originate, is as follows:

	Thousands of euros	
	2020	2019
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**128,856**	**8,261**
Financial assets at fair value through other comprehensive income	12,856	30,669
Financial assets at amortised cost	125,366	(23,757)
Financial liabilities at amortised cost	(9,366)	477
Other	-	872
Net gains/(losses) on financial assets and liabilities held for trading	**1,149**	**1,220**
Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**(10,476)**	**(3,718)**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**-**	**747**
Net gain/(loss) from hedge accounting	**(364)**	**567**
Adjustments to hedged instruments (fair value hedge)	48,655	144,625
Hedge derivative (fair value hedge)	(49,019)	(144,058)
	119,165	**7,077**

At 31 December 2020, the heading "Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost" includes, among others, the impact of the sale of the national public debt securities portfolio explained in Note 11.2, which gave rise to a positive result of 114,619 thousand euros.

The impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. on 30 January 2020, is also included. The transaction resulted in a positive result of 3 million euros.

At 31 December 2019, this heading mainly included the impact of the sale of NPLs and the non-performing loan book, as explained in Note 11.4.

The heading "Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss - Financial liabilities at amortised cost" mainly reflects the impact of the subordinated obligations repurchase transaction described in Note 19.4. The Group had to pay a premium of an average cost of 2.14% to the holders of the issue who took part in the buy-back offer. The final impact of this repurchase resulted in a negative result of 9 million euros as at 31 December 2020.

Lastly, at 31 December 2020, "Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss" mainly reflects the impact of the 10,350 thousand euros reduction in the value of SAREB's subordinated debt (Note 8).

35. Exchange differences

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Translation into euro of monetary items denominated in foreign currency	1,376	1,194
Foreign currency trading	(524)	(90)
	852	**1,104**

No gain or loss was obtained on the cancellation of exchange differences recorded in consolidated equity, in accordance with the provisions of Note 2.5.3.

36. Other operating income

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Income from investment property (Note 15.2)	4,141	5,376
Income from other operating leases (Note 15.3)	15,350	14,276
Sales and income from provision of services	4,416	5,344
Other items	23,115	12,077
	47,022	**37,073**

The heading "Other items" mainly includes the initial recognition of 15 million euros, as part of the 70 million euros already received by Ibercaja Mediación, for the signing of the novation agreement modifying Caser's non-life insurance distribution contract (see Note 10).

37. Other operating expenses

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Operating expenses on investment properties (Note 15.2)	1,591	1,977
Contribution to National Resolution Fund (Note 1.8.1)	11,094	10,350
Contribution to Deposit Guarantee Fund (Note 1.8.2)	53,269	48,520
Other items	12,627	11,626
	78,581	**72,473**

At 31 December 2020, "Other items" includes the charge of 3,361 thousand euros (3,211 thousand euros at 31 December 2019) for converting deferred tax assets into debt claims against the Spanish tax administration (Note 25.4).

38. Staff expenses

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Wages and salaries	263,920	270,066
Social security contributions	68,660	71,018
Defined benefit plans	2,359	2,225
Contributions to defined contribution plans	15,339	15,030
Severance payments	151,072	-
Other staff costs	1,218	2,605
	502,568	**360,944**

In December 2020, the management of Ibercaja Banco and employee representatives, as part of a redundancy programme, reached an agreement that envisaged a redundancy programme that would affect a maximum of 750 employees, establishing voluntary redundancy as a preferential selection criterion, either for reasons of age or due to the closure of the work centre. The departures of the participating employees will be staggered and will take place until June 2022. In accordance with point 165 of IAS 19 “Employee benefits” and the conditions established in IAS 37 “Provisions” for the recognition of restructuring costs, this plan has led to staff expenses amounting to 151,041 thousand euros being recognised in the income statement for 2020. Note 21 includes the outstanding liabilities associated with this agreement.

38.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2020 and 2019 is as follows:

	31/12/2020			31/12/2019		
	Men	Women	Total	Men	Women	Total
GR. 1 Senior Management	9	3	12	9	3	12
GR. 1 Levels I to V	1,403	754	2,157	1,374	734	2,108
GR. 1 Levels VI to X	1,180	1,610	2,790	1,185	1,620	2,805
GR. 1 Levels XI to XIII	145	177	322	151	203	354
GR. 2 and Cleaning service	23	3	26	23	3	26
	2,760	**2,547**	**5,307**	**2,741**	**2,563**	**5,304**

At 31 December 2020 and 2019, the entire workforce is based in Spain.

The average number of Group employees in 2020 and 2019 is as follows:

	2020	2019
GR. 1 Senior Management	12	12
GR. 1 Levels I to V	2,143	2,093
GR. 1 Levels VI to X	2,804	2,813
GR. 1 Levels XI to VIII	386	432
GR. 2 and Cleaning service	26	27
	5,371	**5,377**

At 31 December 2020, the average number of Group employees with a disability of 33% or more is 57 (50 employees at 31 December 2019).

38.2 Staff costs - post-employment benefits

Net figures recognised in the balance sheet for defined benefit post-employment plans at December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Present value of obligations financed	(254,922)	(265,205)
Fair value of plan assets	225,608	235,064
(Shortfall)/Surplus	**(29,314)**	**(30,141)**
Impact of limit on assets	(638)	(568)
Net asset (liability) on balance sheet:	**(29,952)**	**(30,709)**
Assets linked to pensions (Note 21) (*)	84,845	89,215
Net pension assets (Note 21) (**)	4,328	3,686
Net pension (provision) (Note 21)	(119,125)	(123,610)

(*) Financial assets at the subsidiary Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan obligations during 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Initial value of obligations financed	**(265,205)**	**(256,700)**
Cost of services for the current year	(2,359)	(2,225)
Interest expense	(282)	(634)
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	(4,522)	(23,796)
Gains/(losses) due to experience	(1,526)	(2,411)
Benefits paid	18,972	20,561
Transfers and other	-	-
Final present value of obligations	**(254,922)**	**(265,205)**

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan assets during 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Initial fair value of plan assets	**234,496**	**230,264**
Interest income	318	645
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Yield on plan assets excluding interest (expense)/income	-	-
Gains/(losses) on changes in financial assumptions	877	15,528
Gains/(losses) due to experience	6,018	970
Change in asset limit, excluding interest expense	(68)	(175)
Employer contributions	1,991	7,510
Member contributions	-	-
Benefits paid	(18,662)	(20,246)
Transfers and other	-	-
Final fair value of plan assets	**224,970**	**234,496**

The breakdown of the main types of plan assets at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Shares	13,74%	12,26%
Debt instruments	82,51%	83,02%
Constructions	-	-
Demand deposits	3,75%	4,72%
Other assets	-	-
Total	**100,00%**	**100,00%**

The analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

	Thousands of euros					
	2021	2022	2023	2024	2025	2026-2030
Probable post-employment benefits	16,807	16,213	15,623	14,998	14,351	61,364

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of post-employment plan obligations to changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(5.51%)	6.12%
Pension increase rate	50 bp	5.67%	(5.20%)
Salary increase rate	50 bp	0.17%	(0.16%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

The value of the obligation and the fair value of the assets for the purposes of the post-employment defined benefit plan for the current year and the previous four are as follows:

	2020	2019	2018	2017	2016
Present value of obligations financed	(254,922)	(265,205)	(256,700)	(264,016)	(294,053)
Fair value of plan assets	225,608	235,064	230,652	253,395	270,289
Surplus/(Shortfall)	**(29,314)**	**(30,141)**	**(26,048)**	**(10,621)**	**(23,764)**
Impact of limit on assets (Note 21)	(638)	(568)	(388)	(386)	(235)
Net asset (liability) on balance sheet:	**(29,952)**	**(30,709)**	**(26,436)**	**(11,007)**	**(23,999)**
Insurance contracts related to pensions (Note 21)	84,845	89,215	93,264	105,483	112,416
Net pension assets (Note 21)	4,328	3,686	4,565	4,261	3,405
Net pension assets (Provision) (Note 21)	(119,125)	(123,610)	(124,265)	(120,751)	(139,820)

38.3 Staff costs - long-term remuneration for early retirees

The net figures recognised in the balance sheet for long-term remuneration payable to early retirees under defined benefit plans at December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Present value of obligations financed	**(122)**	**(466)**
Fair value of plan assets	-	-
Net liability on balance sheet:	**(122)**	**(466)**
Assets linked to pensions	-	-
Net pension assets	-	-
Net pension (provision) (Note 21)	(122)	(466)

The reconciliation of opening and closing balances reflecting the present value of obligations under defined benefit plans for early retirees during 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Initial value of obligations financed	**(466)**	**(1,931)**
Cost of services for the current year	-	-
Interest expense	-	-
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:	-	-
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	-	(84)
Gains/(losses) due to experience	(20)	-
Benefits paid	364	1,549
Transfers	-	-
Final present value of obligations	**(122)**	**(466)**

The analysis of the expected termination of other non-discounted long-term employee remuneration in the coming 10 years is as follows:

	Thousands of euros					
	2021	2022	2023	2024	2025	2026-2030
Probable long-term staff obligations	122	-	-	-	-	-

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of the obligations due to other long-term early retiree remuneration in the event of changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(0.04%)	0.04%
Pension increase rate	50 bp	-	-

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

39. Other administration expenses

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Buildings, installations and office equipment	26,484	30,744
Equipment maintenance, licences, works and computer software	22,239	21,776
Communications	10,864	12,096
Advertising and publicity	5,003	6,493
Charges and taxes	20,221	19,766
Other management and administration expenses	68,209	81,040
	153,020	**171,915**

The item "Charges and taxes" includes the Tax on Deposits in Credit Institutions amounting to 11,242 thousand euros at 31 December 2020 (10,117 thousand euros in 2019).

- Other information

Fees payable to PricewaterhouseCoopers Auditores, S.L. for auditing the 2020 annual accounts of Ibercaja Bank and its group companies (including the audit of interim financial statements) amount to 1,067 thousand euros (1,133 thousand euros in 2019).

In addition, the audit firm received fees amounting to 503 thousand euros (326 thousand euros in 2019) for other audit work and 561 thousand euros (1,142 thousand euros in 2019) for other services.

The fees accrued for non-audit services provided by the audit firm during the year relate mainly to limited reviews of the Group's interim consolidated financial statements and other services requested of the auditor.

In 2020 and 2019, no services have been provided by other companies that use the PricewaterhouseCoopers brand.

40. Impairment or reversal of impairment on non-financial assets

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Tangible assets (Note 15)	**1,471**	**569**
Property, plant and equipment	386	115
Investment property	1,085	454
Intangible assets (Note 16)	**-**	**-**
Goodwill	-	-
Other intangible assets	-	-
Other (Note 17)	**88**	**5,043**
	1,559	**5,612**

41. Gains/(losses) on derecognition of non-financial assets, net

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(3,066)	(6,576)
Gains/(losses) on disposal of shareholdings	19	32
Other gains/(losses)	-	-
	(3,047)	**(6,544)**

42. Profit or loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Impairment gains/(losses) on other non-current assets for sale (Note 18)	(18,861)	(16,957)
Gains/(losses) on disposal of other non-current assets for sale	(969)	(6,775)
	(19,830)	**(23,732)**

43. Related parties

The balances recorded on the consolidated balance sheets at 31 December 2020 and 2019 and in the consolidated income statements for 2020 and 2019 are as follows:

	Thousands of euros									
	2020					2019				
	Shareholder	Associates	Associates entities	Other related parties (*)	Related individuals (**)	Shareholder	Associates	Jointly cont. entities	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and receivables	80,002	2,462	-	-	8,936	143,433	2,808	5,782	-	8,767
Counterparties under insurance contracts	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Deposits	103,790	12,305	1,004	478,163	22,484	147,107	14,383	689	367,753	19,758
Liabilities under insurance contracts linked to pensions	-	-	-	-	-	-	-	-	-	-
Provisions	-	3	-	-	-	-	2	-	-	-
PROFIT / (LOSS)										
Expenses										
Interest expense	79	345	-	-	4	111	-	2	-	10
Fees, commissions and other expenses	1,086	-	-	-	2	909	-	-	-	2
Income										
Interest income	-	-	29	68	63	-	28	104	405	69
Fees, commissions and other income	292	-	-	-	4	382	-	-	-	5
Dividends	17,500	-	-	-	-	17,500	-	-	-	-
OTHER										
Contingent liabilities	-	3,288	14	-	4	1	3,809	-	-	5
Commitments	-	6	6,000	-	719	-	69	4,418	-	406

(*) Investment funds and companies and pension funds.
(**) Senior management, Board of Directors, relatives to the second degree and their related entities.

The financial operations included have been carried out in accordance with the usual operating processes of the Group's parent entity and at arm's length. Arm's length terms are also applied in other operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable uncontrolled price method.

44. Other disclosure requirements

44.1 Information on the mortgage market

In accordance with Royal Decree 716/2009, of 24 April, whereby certain aspects of Law 2/1981, of 25 March, governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2010, of 29 June, the Board of Directors approved the "Loan and discount risk management policy and procedure manual" drawn up by the Company to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation companies authorised by the Bank of Spain.
- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by the borrower and the borrower's solvency, and the existence of other additional guarantees.
- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

The General Shareholders' Meeting of Ibercaja Banco, S.A. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 31 December 2020, the figure was 29.54% (36.51% at 31 December 2019).

Mortgage covered bonds are securities especially guaranteed by the issuer where the entire mortgage loan book arranged in its favour guarantees compliance with its payment commitments.

The level of over collateralisation or backing of mortgage covered bonds by the total mortgage portfolio is 409.76% at 31 December 2020 (340.11% at 31 December 2019).

At that date 99.48% of transactions in the mortgage portfolio have been formalised through loans (99.43% at 31 December 2019). Of these, instalments are collected on a monthly basis for 97.69% (97.50% at 31 December 2019). The transactions formalised at variable interest rates are 99.45% of the total (99.53% at 31 December 2019) and of these, 80.34% are tied to Euribor (82.31% at 31 December 2019).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage covered bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitizations written off the balance sheet):

	Thousands of euros	
	Nominal value	
	2020	2019
Total loans	**21,956,512**	**22,911,795**
Mortgage participations issued	**995,475**	**1,139,991**
Of which: loans recognised on asset side of balance sheet	995,475	1,139,991
Mortgage transfer certificates issued	**1,445,955**	**1,606,253**
Of which: loans recognised on asset side of balance sheet	1,445,955	1,606,253
Mortgage loans pledged in guarantee for financing received	**-**	**-**
Loans backing mortgage bonds issues and covered bond issues	**19,515,082**	**20,165,551**
Non-eligible loans	3,842,758	4,420,677
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	3,477,412	3,946,110
Other non-eligible loans	365,346	474,567
Eligible loans	15,672,324	15,744,874
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	15,672,324	15,744,874
Non-computable amounts	13,247	16,092
Computable amounts	15,659,077	15,728,782
Memorandum items	**Updated value**	
Loans backing mortgage bond issues	-	-

Note 3.5.4 sets out the carrying amount of mortgage backed loans and its reconciliation with mortgage market information.

- Information on eligible loans and mortgages:

	Thousands of euros				
	2020				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15.672.324**
Residential	4,275,966	6,195,817	4,262,679	-	14.734.462
Other properties	524,909	364,098	48,855		937,862

	Thousands of euros				
	2019				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15.744.874**
Residential	4,252,019	6,296,233	4,182,029	-	14.730.281
Other properties	554,869	419,121	40,603		1,014,593

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

	Thousands of euros			
	2020		2019	
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
Total	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Origin of operations	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Originated by the Entity	13,339,039	10,252,575	13,663,715	10,106,878
Subrogated from other entities	349,447	334,967	394,539	377,953
Other	5,826,596	5,084,782	6,107,297	5,260,043
Currency	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Euro	19,513,236	15,672,324	20,163,463	15,744,874
Other currencies	1,846	-	2,088	-
Payment status	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Payment normality	18,824,638	15,558,535	19,235,732	15,606,856
Other situations	690,444	113,789	929,819	138,018
Average residual period to maturity	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Up to 10 years	2,547,022	1,826,748	2,726,453	1,929,909
More than 10 years and up to 20 years	7,362,897	6,270,273	7,402,721	6,174,767
More than 20 years and up to 30 years	8,949,357	7,221,455	8,914,821	6,897,928
More than 30 years	655,806	353,848	1,121,556	742,270
Interest rate	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Fixed interest rate	156,439	75,462	135,984	59,763
Variable interest rate	17,431,077	14,052,888	18,520,574	14,490,121
Mixed interest rate	1,927,566	1,543,974	1,508,993	1,194,990
Holders	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Legal entities and individual entrepreneurs (business activities)	2,717,982	1,254,242	3,097,908	1,372,245
Of which: real estate construction and development (including land)	*1,132,046*	*266,928*	*1,316,248*	*292,666*
Other household	16,797,100	14,418,082	17,067,643	14,372,629
Type of collateral	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Finished assets/buildings	18,777,153	15,347,661	19,314,007	15,394,792
Homes	18,091,717	14,896,076	18,539,543	14,890,977
Of which: state-subsidised housing	*1,223,772*	*1,145,526*	*1,390,668*	*1,295,392*
Offices and commercial premises	336,552	240,021	388,633	264,558
Other buildings and constructions	348,884	211,564	385,831	239,257
Assets/buildings under construction	352,045	187,679	391,409	198,093
Homes	67,461	2,063	94,033	3,273
Of which: state-subsidised housing	*2,029*	*1,046*	*3,197*	*1,196*
Offices and commercial premises	-	-	-	-
Other buildings and constructions	284,584	185,616	297,376	194,820
Land	385,884	136,984	460,135	151,989
Consolidated urban land	150,640	2,117	192,372	1,493
Other land	235,244	134,867	267,763	150,496

- Nominal value of mortgage covered bonds issued by the Company:

	Thousands of euros	
	Nominal value	
	2020	2019
Mortgage covered bonds (Note 19.4)	**3,000,000**	**3,900,000**
Ibercaja April II 2010	-	100,000
Ibercaja September 2012	-	800,000
Ibercaja October 2016	500,000	500,000
Ibercaja September 2018 I	750,000	750,000
Ibercaja September 2018 II	750,000	750,000
Ibercaja December 2018	1,000,000	1,000,000
AYT mortgage covered bonds (Note 19.3)	**825,470**	**1,042,137**
AYT 9 Single Covered Bond (15 years)	-	216,667
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	225,000	225,000
AYT Global 2022 Single Covered Bond Series III	19,444	19,444
AYT Cajas Global 2023 Covered Bond Series X	75,000	75,000
AYT Cajas Global 2027 Covered Bond Series XIII	165,000	165,000
TDA mortgage covered bonds (Note 19.3)	**800,000**	**800,000**
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000
TDA Single Covered Bond Series A4	300,000	300,000

- Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	2020		2019	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	-	-	-	-
Of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**4,625,470**	-	**5,742,137**	-
Of which: recognised under liabilities	*2,125,470*	-	*2,552,137*	-
Debt securities. Issued through public offering	-	-	-	-
Debt securities. Other issues (Note 19.4)	3,000,000	-	3,900,000	-
Residual maturity up to one year	-	-	900,000	-
Residual maturity greater than one year and up to two years	750,000	-	-	-
Residual maturity greater than two years and up to three years	500,000	-	750,000	-
Residual maturity greater than three years and up to five years	750,000	-	1,250,000	-
Residual maturity greater than five years and up to ten years	1,000,000	-	1,000,000	-
Residual maturity greater than ten years	-	-	-	-
Deposits	1,625,470	-	1,842,137	-
Residual maturity up to one year	525,000	-	216,667	-
Residual maturity greater than one year and up to two years	19,444	-	525,000	-
Residual maturity greater than two years and up to three years	75,000	-	19,444	-
Residual maturity greater than three years and up to five years	841,026	-	75,000	-
Residual maturity greater than five years and up to ten years	165,000	-	1,006,026	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**995,475**	**88**	**1,139,991**	**99**
Issued through public offering	-	-	-	-
Other issues	995,475	88	1,139,991	99
Mortgage transfer certificates issued	**1,445,955**	**102**	**1,606,253**	**114**
Issued through public offering	-	-	-	-
Other issues	1,445,955	102	1,606,253	114

None of the issues has been made through a public offering and all are denominated in euros. The Company does not issue mortgage bonds and nor does it have replacement assets assigned to them.

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias) (eligible and non-eligible):

	Thousands of euros			
	2020		2019	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance	**15,744,874**	**4,420,677**	**16,396,385**	**5,012,268**
Write-offs in the year	**1,411,541**	**848,548**	**1,691,972**	**989,843**
Due principal received in cash	926,654	546,507	867,698	462,768
Repaid early	399,653	230,607	406,513	194,630
Subrogated by other entities	9,236	129	1,665	635
Other write-offs	75,998	71,305	416,096	331,810
Additions in the year	**1,338,991**	**270,629**	**1,040,461**	**398,252**
Originated by the Entity	992,397	237,174	804,708	354,343
Subrogated from other entities	451	-	1,429	-
Other additions	346,143	33,455	234,324	43,909
Closing balance	**15,672,324**	**3,842,758**	**15,744,874**	**4,420,677**

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias). Available balances:

	Thousands of euros	
	2020	2019
Total	**506,587**	**645,714**
Potentially eligible	487,222	624,197
Non-eligible	19,365	21,517

At 31 December 2020 and 2019, the Company had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

44.2 Customer service

As it does every year, the Ibercaja Group's Customer Service Department prepares a report in compliance with the requirement of article 17.1 of Order ECO/734/2004 of 11 March on Customer Service Departments and Services and the Customer Ombudsman of Financial Institutions and the requirement of article 25 of the Regulations for the Defence of the Ibercaja Group's Customers. This annual report is presented and submitted for the consideration of the Board of Directors and contains a summary of its activity throughout the year, a statistical analysis of the complaints, claims and suggestions dealt with and the decisions adopted, as well as a number of recommendations and suggestions arising from its study and analysis and from its work within the group as one of the units responsible for ensuring adequate risk control, compliance with laws, regulations and the requirements of supervisors and the internal policies and procedures of the Institution, as well as a unit that promotes prudent business conduct in the Ibercaja Group.

For these purposes, the Ibercaja Group comprises the following entities: Ibercaja Banco, S.A.; Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Gestión, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A; Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U.; Ibercaja Pensión, Sociedad Gestora de Fondos de Pensiones, S.A.; and Ibercaja Mediación de Seguros, S.A.U.

In accordance with the regulations and law just discussed, the Customer Service at the Ibercaja Group will present a statistical report to the Board of Directors of Ibercaja Banco S.A. regarding complaints and claims handled, the decisions taken, the general criteria followed when reaching these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a) Claims processed

In 2020, the Customer Care Service (CCS) of the Ibercaja Group handled a total of 15,615 cases, which can be classified into two groups:

- Claims and grievances regarding mortgage arrangement costs and other clauses included in mortgage loan contracts: 6.340.

- Other claims, grievances and suggestions: 9,275, divided into 5,546 claims, 3,687 complaints and 42 suggestions.

b) Special out-of-court procedure for resolving claims relating to interest rate floor clauses under the terms of Royal Legislative Decree 1 of 20 January 2018

Since February 2017, the Ibercaja Group's Customer Care Service has also been responsible for resolving claims regarding interest rate floor clauses within the framework of Royal Decree Law 1 of 20 January 2017, through the Floor Clause Claims Service (SERS). This service is voluntary for consumers and compulsory for Ibercaja, and consumer customers who do not use this procedure and go to court are not entitled to legal costs if Ibercaja agrees to their claims before the response to the lawsuit. In 2020, a total of 622 complaints were handled, about 14% of which were favourable.

The average time taken to resolve complaints and claims in 2020 was around 21 days for both procedures, which is within the current regulations. The service's efforts to resolve all complaints and claims within the set deadlines are evident.

General criteria contained in the decisions

The decisions have been issued with the utmost regard for good corporate governance and banking practices, transparency and consumer protection, taking into account the views formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. Moreover, all decisions were reached on the basis of the contractual documents signed with the customers.

45. Financial statements of Ibercaja Banco, S.A. for the years ended 31 December 2020 and 2019

Set out below are the balance sheets at 31 December 2020 and 2019, together with the income statements, statements of recognised income and expense, total statements of changes in equity and statements of cash flow of the parent entity for the years ended 31 December 2020 and 2019, all such statements drawn up in accordance with Bank of Spain Circular 4/2017, as discussed in Note 1.2 to the individual annual accounts of Ibercaja Banco at 31 December 2020.

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

ASSETS	31/12/2020	31/12/2019
Cash and cash balances at central banks and other demand deposits	**7,387,451**	**3,710,877**
Financial assets held for trading	**4,953**	**6,097**
Derivatives	4,953	6,097
Debt securities	-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**1,542**	**22,547**
Equity instruments	-	-
Debt securities	-	10,350
Loans and advances	1,542	12,197
Customers	*1,542*	*12,197*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through profit or loss	**-**	**-**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income	**437,288**	**1,053,432**
Equity instruments	311,733	360,456
Debt securities	125,555	692,976
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*71,059*	*561,476*
Financial assets at amortised cost	**39,858,274**	**39,937,627**
Debt securities	8,386,550	7,124,375
Loans and advances	31,471,724	32,813,252
Credit institutions	*282,362*	*579,467*
Customers	*31,189,362*	*32,233,785*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*3,126,292*	*4,967,409*
Derivatives - Hedge accounting	**142,020**	**137,210**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**-**	-
Investments in subsidiaries, joint ventures and associates	**899,019**	**995,891**
Subsidiaries	807,964	903,175
Joint ventures	38,226	38,226
Associates	52,829	54,490
Tangible assets	**758,550**	**783,263**
Property, plant and equipment	561,217	567,677
For own use	*561,217*	*567,677*
Assigned under operating lease	-	-
Investment property	197,333	215,586
Of which: assigned under operating lease	*40,616*	*32,342*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**130,224**	**118,531**
Goodwill	38,420	51,226
Other intangible assets	91,804	67,305
Tax assets	**1,301,762**	**1,275,150**
Current tax assets	6,046	6,168
Deferred tax assets	1,295,716	1,268,982
Other assets	**192,998**	**218,648**
Insurance contracts linked to pensions	92,310	98,470
Inventories	338	820
Rest of other assets	100,350	119,358
Non-current assets and disposal groups classified as held for sale	**62,245**	**64,898**
TOTAL ASSETS	**51,176,326**	**48,324,171**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

LIABILITIES	31/12/2020	31/12/2019
Financial liabilities held for trading	**3,729**	**4,888**
Derivatives	3,729	4,888
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**47,061,417**	**44,238,959**
Deposits	45,213,080	41,901,746
Central banks	*5,371,202*	*1,628,990*
Credit institutions	*1,207,848*	*4,305,679*
Customers	*38,634,030*	*35,967,077*
Debt securities issued	1,021,094	1,232,325
Other financial liabilities	827,243	1,104,888
Memorandum items: subordinated liabilities	*510,326*	*508,997*
Derivatives - Hedge accounting	**216,202**	**233,888**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**37,593**	**37,617**
Provisions	**369,532**	**295,053**
Pensions and other post-employment defined benefit obligations	99,268	105,622
Other long-term employee remuneration	122	466
Lawsuits and litigation for outstanding taxes	6,235	6,385
Commitments and guarantees given	19,523	22,727
Other provisions	244,384	159,853
Tax liabilities	**143,546**	**146,321**
Current tax liabilities	-	-
Deferred tax liabilities	143,546	146,321
Other liabilities	**183,383**	**181,841**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**48,015,402**	**45,138,567**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

EQUITY	31/12/2020	31/12/2019
Shareholders' equity	**3,126,166**	**3,115,698**
Capital	214,428	214,428
Paid-in capital	*214,428*	*214,428*
Called-up capital	-	-
Memorandum items: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	350,000	350,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	*350,000*	*350,000*
Other equity items	-	-
Retained earnings	562,518	507,825
Revaluation reserves	2,327	2,327
Other reserves	1,988,922	1,968,925
(Treasury shares)	-	-
Profit/(loss) for the year	7,971	72,193
(Interim dividends)	-	
Other accumulated comprehensive income	**34,758**	**69,906**
Items that will not be reclassified to profit or loss	24,571	63,651
Actuarial gains/(losses) on defined benefit pension plans	*(5,802)*	(6,870)
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*30,373*	*70,521*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	10,187	6,255
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*8,551*	*8,524*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*1,636*	*(2,269)*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,160,924**	**3,185,604**
TOTAL EQUITY AND LIABILITIES	**51,176,326**	**48,324,171**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,780,315**	**3,509,793**
Financial guarantees granted	**94,627**	**77,200**
Other commitments given	**798,930**	**859,952**

IBERCAJA BANCO, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
Interest income	**499,320**	**531,276**
Financial assets at fair value through other comprehensive income	2,501	9,658
Financial assets at amortised cost	460,154	511,482
Other	36,665	10,136
(Interest expense)	**84,632**	**110,047**
(Expenses on share capital repayable on demand)	**-**	**-**
INTEREST MARGIN	**414,688**	**421,229**
Dividend income	**144,539**	**197,270**
Fee and commission income	**274,203**	**305,063**
(Fee and commission expenses)	**10,137**	**11,419**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**127,534**	**5,281**
(Financial assets at amortised cost)	125,366	(22,178)
(Remaining financial assets and liabilities)	2,168	27,459
Net gains or (-) losses on financial assets and liabilities held for trading	**1,148**	**1,220**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	1,148	1,220
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**(10,364)**	**(3,189)**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	(10,364)	(3,189)
Gains/(losses) on financial assets and liabilities at fair value through profit or loss, net	**-**	**-**
Net gains or (-) losses) from hedge accounting	**(364)**	**567**
Net exchange differences	**852**	**1,104**
Other operating income	**45,379**	**50,074**
(Other operating expenses)	**71,902**	**66,746**
GROSS INCOME	**915,576**	**900,454**
(Administration expenses)	**627,778**	**504,717**
(Staff expenses)	490,353	349,058
(Other administration expenses)	137,425	155,659
(Amortisation and depreciation)	**68,410**	**72,692**
(Provisions or (-) reversal of provisions)	**(15,399)**	**36,496**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)	**209,387**	**122,981**
(Financial assets at fair value through other comprehensive income)	(164)	(197)
(Financial assets at amortised cost)	209,551	123,178
(Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures and associates)	**32,600**	**(681)**
(Impairment or (-) reversal of impairment on non-financial assets)	**506**	**301**
(Tangible assets)	388	298
(Intangible assets)	-	-
(Other)	118	3
Gains/(losses) on derecognition of non-financial assets, net	**(3,735)**	**(11,597)**
Negative goodwill recognised in profit or loss	**-**	**-**
Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**(2,158)**	**(2,003)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(13,599)**	**150,348**
Expense or (-) income from taxes on income from continuing operations	**(21,570)**	**78,155**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**7,971**	**72,193**
Profit/(loss) after tax from discontinued activities	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**7,971**	**72,193**

IBERCAJA BANCO, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(Thousands of euros)

	2020	2019
PROFIT/(LOSS) FOR THE YEAR	**7,971**	**72,193**
OTHER COMPREHENSIVE INCOME	**142**	**6,252**
Items that will not be reclassified to profit or loss	**(3,790)**	**20,362**
Actuarial gains/(losses) on defined benefit pension plans	1,525	(13,860)
Non-current assets and disposal groups of items held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(8,854)	35,894
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Corporation tax relating to items not to be reclassified	3,539	(1,672)
Items that may be reclassified to profit or loss	**3,932**	**(14,110)**
Hedges of net investment in foreign operations (effective portion)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Currency translation	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	39	(1,091)
Valuation gains/(losses) taken to equity	*39*	*(1,091)*
Transferred to the income statement	-	-
Transferred to initial carrying amount of hedge items		
Other reclassifications	-	-
	-	-
Hedging instruments (undesignated items)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications		
Debt instruments at fair value through other comprehensive income	5,578	(19,066)
Valuation gains/(losses) taken to equity	*17,111*	*1,276*
Transferred to the income statement	*(11,533)*	*(20,342)*
Other reclassifications	-	-
Non-current assets and disposal groups of items held for sale	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Corporation tax relating to items that may be reclassified to profit or loss	(1,685)	6,047
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,113**	**78,445**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(Thousands of euros)

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit/(loss) for the year	(Interim dividends)	Other accumulated comprehensive income	Total
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,971**	**-**	**142**	**8,113**
Other changes in equity	**-**	**-**	**-**	**-**	**54,693**	**-**	**19,997**	**-**	**(72,193)**	**-**	**(35,290)**	**(32,793)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	72,193	-	35,290	-	(72,193)	-	(35,290)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(15,293)	-	-	-	-	(15,293)
III. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

	Thousands of euros											
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity items**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(Treasury shares)**	**Profit/(loss) for the year**	**(Interim dividends)**	**Other accumulated comprehensive income**	**Total**
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**72,193**	**-**	**6,252**	**78,445**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**238,280**	**-**	**1,910,772**	**-**	**(255,780)**	**-**	**1,706**	**(34,870)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	255,780	-	(1,706)	-	(255,780)	-	1,706	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,370)	-	-	-	-	(17,370)
III. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**

IBERCAJA BANCO, S.A.

STATEMENTS OF CASH FLOWS FOR THE THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
H) CASH FLOWS FROM OPERATING ACTIVITIES	**3,726,127**	**2,936,079**
Profit/(loss) for the year	**7,971**	**72,193**
Adjustments to obtain cash flows from operating activities	**368,547**	**293,178**
Amortisation and depreciation	68,410	72,692
Other adjustments	300,137	220,486
Net increase/decrease in operating assets	**326,277**	**383,942**
Financial assets held for trading	1,144	(465)
Non-trading financial assets mandatorily measured at fair value with with changes through profit or loss	10,655	10,737
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	529,297	835,180
Financial assets at amortised cost	(174,352)	(489,244)
Other operating assets	(40,467)	27,734
Net increase/(decrease) in operating liabilities	**2,966,270**	**2,063,978**
Financial liabilities held for trading	(1,159)	(259)
Financial liabilities at fair value through profit or loss		-
Financial liabilities at amortised cost	2,840,293	2,176,501
Other operating liabilities	127,136	(112,264)
Corporation tax credit/(payments)	**57,062**	**122,788**
I) CASH FLOWS FROM INVESTING ACTIVITIES	**(7,228)**	**(10,607)**
Payments	**(84,680)**	**(54,214)**
Tangible assets	(50,895)	(30,076)
Intangible assets	(32,456)	(23,098)
Investments in subsidiaries, joint ventures and associates	-	(81)
Other business units	-	-
Non-current assets and liabilities classified as held for sale	(1,329)	(959)
Other payments related to investing activities	-	-
Receipts	**77,452**	**43,607**
Tangible assets	22,446	42,030
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	1,671	33
Other business units	-	-
Non-current assets and liabilities classified as held for sale	53	1,544
Other receipts related to investing activities	53,282	-
J) CASH FLOWS FROM FINANCING ACTIVITIES	**(42,000)**	**(123,805)**
Payments	**(542,000)**	**(123,805)**
Dividends	(17,500)	(17,500)
Subordinated liabilities	(500,000)	(81,805)
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(24,500)	(24,500)
Receipts	500,000	**-**
Subordinated liabilities	500,000	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other receipts related to financing activities	-	-
K) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
L) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**3,676,899**	**2,801,667**
M) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**3,700,577**	**898,909**
N) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,377,476**	**3,700,576**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	239,018	227,232
Cash equivalents at central banks	7,079,491	3,444,265
Other financial assets	58,967	29,079
Less: bank overdrafts repayable on demand	-	-

APPENDIX I

INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies:

Company	Address	Country of residence	Shareholding (%) 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
Badajoz Siglo XXI, S.A.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
CAI Inmuebles, S.A. (in liquidation)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Cerro Goya, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	98.70%	1.30%	98.70%	1.30%
Cerro Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.77%	0.23%	99.77%	0.23%
Ibercaja Gestión de Inmuebles, S.A.	Pº Constitución, 10, entlo. izda., Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Gestión, S.G.I.I.C., S.A.	Pº Constitución, 4, 3ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Leasing y Financiación, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Pensión, E.G.F.P., S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Vida, S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Cajaragón, S.A.U.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	100.00%	-	100.00%	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	100.00%	-	100.00%
Residencial Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Connect, S.L.	C/ Bari, 49, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%

Jointly-controlled entities:

Company	Address	Country of residence	Shareholding (%) 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
Aramón Montañas de Aragón, S.A.	Pza. Aragón, 1, Zaragoza	Spain	50.00%	-	50.00%	-
Ciudad del Corredor, S.L. (*)	C/ Gran Vía, 15, Of. 1-3, Madrid	Spain	-	-	-	50.00%
Corredor del Iregua, S.L.	Avda. Pío XXI, 1, Bajo, Logroño	Spain	-	50.00%	-	50.00%
Montis Locare, S.L. (*)	Pza. Aragón, 11, Zaragoza	Spain	-	-	47.73%	-

(*) Write-offs due to dissolution and/or liquidation.

Associates:

Company	Address	Country of residence	Shareholding (%) 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
C y E Badajoz Servicios Sociosanitarios, S.A.	Avda. Juan Carlos I, 17, entpta., Badajoz	Spain	33.00%	-	33.00%	-
Centro de Transportes Aduana de Burgos, S.A.	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	25.45%	-	25.45%	-
Cerro de Mahí, S.L.	Pza. Roma, F-1, 1ª planta, of. 5, Zaragoza	Spain	-	33.33%	-	33.33%
Concessia Cartera y Gestión de Infraest., S.A.	C/ Severo Ochoa, 3, of 4B, Las Rozas Madrid	Spain	30.15%	-	30.15%	-
Districlima Zaragoza, S.L.	Avda. Ranillas, 107, Zaragoza	Spain	35.00%	-	35.00%	-
Henneo (formerly Grupo Heraldo)	Pº Independencia, 29, Zaragoza	Spain	39.94%	-	39.94%	-
Northwind Finco, S.L	C/ Vía de los Poblados, 3, Ed.1, Parque Empresarial Cristalia, Madrid	Spain	-	20.00%	-	20.00%
Nuevos Materiales de Construcción, S.A.	C/ San Norberto, 26, Madrid	Spain	21.93%	-	21.93%	-
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Camino Molinos, 32, Zaragoza	Spain	31.29%	-	31.29%	-
Rioja Nueva Economía, S.A.	Gran Vía Rey Juan Carlos I, 9, Logroño	Spain	43.20%	-	43.20%	-
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Pol. Ind. Los Llanos, s/n, Teruel	Spain	23.42%	-	23.42%	-
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	C/ Los Enebros, 74, Teruel	Spain	22.17%	-	22.17%	-
Solavanti, S.L.	Avda. Academia Gral. Militar, 52, Zaragoza	Spain	-	20.00%	-	20.00%
Turolense del Viento, S.L.(*)	C/ Los Enebros, 74, Ed. Galileo, 2ª planta, Teruel	Spain	-	-	-	20.00%
Viacajas, S.L.	C/ Alcalá, 27, Madrid	Spain	16.13%	-	16.13%	-

(*) Write-offs due to dissolution and/or liquidation.

APPENDIX II

FINANCIAL INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies:

Company	Date of financial statements	Contribution to consolidated earnings		Contribution to consolidated reserves		Non-controlling interests	
		2020	2019	2020	2019	2020	2019
Badajoz Siglo XXI	Dec-20	(907)	(1,387)	(17,912)	(16,530)	-	-
CAI Inmuebles, S.A. (in liquidation)	Dec-20	3	1,813	(10,633)	(12,440)	-	-
Cerro Goya, S.L.	Dec-20	(937)	(341)	(770)	(2,706)	-	-
Cerro Murillo, S.A.	Dec-20	(59,668)	(91,181)	183,356	286,058	-	-
Ibercaja Cajaragón, S.A.U.	Dec-20	(2)	(500)	4,564	5,178	-	-
Ibercaja Banco, S.A.	Dec-20	(47,304)	57,749	2,129,848	1,931,000	-	-
Ibercaja Gestión, S.A.	Dec-20	27,985	22,240	10,339	10,358	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec-20	25	22	262	240	-	-
Ibercaja Leasing y Financiación, S.A.	Dec-20	3,235	3,332	26,274	22,975	-	-
Ibercaja Mediación de Seguros, S.A.	Dec-20	35,619	25,679	2,189	9,370	-	-
Ibercaja Pensión, S.A.	Dec-20	10,695	11,130	9,528	9,461	-	-
Ibercaja Vida, S.A.	Dec-20	61,753	74,883	201,304	202,763	-	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-20	859	1,998	35,991	34,189	-	-
Residencial Murillo, S.A.	Dec-20	(8,355)	(21,933)	31,760	53,675	-	-
Ibercaja Connect, S.L.	Dec-20	22	54	103	98	-	-

Company	Date of financial statements	Financial information					
		2020			2019		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val. adj.	Profit/(loss)
Badajoz Siglo XXI	Dec-20	40,950	(4,261)	(907)	40,950	(2,880)	(1,382)
CAI Inmuebles, S.A. (in liquidation)	Dec-20	64	(10,630)	2	64	(13,005)	2,375
Cerro Goya, S.L.	Dec-20	2,748	(4)	(835)	5,024	(1,917)	(363)
Cerro Murillo, S.A.	Dec-20	206,385	(35,591)	(57,272)	206,385	10	(35,600)
Espacio Industrial Cronos, S.A.	-	-	-	-	-	88	(88)
Ibercaja Cajaragón, S.A.U.	Dec-20	58,041	5,247	700	58,041	6,030	(783)
Ibercaja Banco, S.A.	Dec-20	214,428	2,588,525	7,971	214,428	2,898,983	72,193
Ibercaja Gestión, S.A.	Dec-20	2,705	(13,575)	27,902	2,705	(7,987)	22,176
Ibercaja Gestión de Inmuebles, S.A.	Dec-20	120	264	25	120	242	22
Ibercaja Leasing y Financiación, S.A.	Dec-20	3,006	26,524	2,982	3,006	25,954	5,331
Ibercaja Mediación de Seguros, S.A.	Dec-20	60	(33,370)	35,598	60	(13,653)	25,693
Ibercaja Pensión, S.A.	Dec-20	11,010	843	10,841	11,010	416	11,209
Ibercaja Vida, S.A.	Dec-20	135,065	184,718	57,449	135,065	178,444	70,388
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-20	40,051	29,478	746	40,051	27,719	1,970
Residencial Murillo, S.A.	Dec-20	197,306	(7,756)	(29,133)	197,306	15,400	(23,155)
Ibercaja Connect, S.L.	Dec-20	480	103	22	480	98	54

Jointly-controlled entities:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2020	2019	2020	2019	2020	2019
Aramón Montañas de Aragón, S.A. (*)	1,398	418	(28,852)	(29,416)	29,705	28,161
Other companies	-	(719)	-	(11,000)	-	-

Company	Thousands of euros Financial information 2020 Aramon, Montañas de Aragón, S.A. (*)	2020 Other	2019 Aramon, Montañas de Aragón, S.A. (*)	2019 Other
Current assets	3,906	-	3,709	-
Non-current assets	118,140	-	118,585	-
Cash and cash equivalents	4,300	-	400	-
Current liabilities	12,340	-	11,587	-
Non-current liabilities	31,685	-	32,285	-
Current financial liabilities	3,050	-	4,734	-
Non-current financial liabilities	28,329	-	29,624	-
Ordinary income	46,100	-	42,871	-
Dividends paid	-	-	-	-
Total recognised income and expense	2,143	-	275	(1,437)
Profit/(loss) from ordinary activities	*2,143*	-	*275*	*(1,437)*
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other recognised income and expense	-	-	-	-
Depreciation	1,703	-	626	-
Amortisation and depreciation	10,507	-	10,552	-
Interest income	2	-	-	-
Interest expense	1,384	-	1,619	-
Corporation tax expense/(income)	4,006	-	50	-

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Associates:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2020	2019	2020	2019	2020	2019
Concessia Cartera y Gestión de Infraestructuras, S.A. (*)	(84)	712	145	37	5,268	5,955
Henneo (formerly Grupo Heraldo) (*)	(2,716)	(582)	(522)	259	28,181	31,097
Other companies	1,981	602	(4,374)	(2,969)	43,371	44,602

Company	Thousands of euros Financial information 2020 Concessia Cartera y Gestión de Infra. , S.A. (*)	2020 Henneo (formerly Grupo Heraldo)(*)	2020 Other	2019 Concessia Cartera y Gestión de Infra. , S.A. (*)	2019 Henneo (formerly Grupo Heraldo)(*)	2019 Other
Current assets	4,177	56,137	-	7,201	56,022	-
Non-current assets	14,478	44,995	-	13,730	44,942	-
Current liabilities	171	31,581	-	112	31,585	-
Non-current liabilities	1,027	16,043	-	1,027	11,950	-
Ordinary income	461	92,763	-	64	98,491	-
Dividends paid	-	-	-	-	-	-
Total recognised income and expense	(308)	4,712	3,158	2,269	-	12,986
Profit/(loss) from ordinary activities	*(308)*	*4,712*	*3,158*	*2,269*	*2,290*	*12,986*
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-
Other recognised income and expense	-	-	-	-	-	-

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

APPENDIX III

INFORMATION ON HOLDINGS IN COMPANIES AND INVESTMENT AND PENSION FUNDS MANAGED BY THE GROUP ITSELF

	Shareholding (%)			
	2020		2019	
	Not related to Unit Linked schemes	Related to Unit Linked schemes	Not related to Unit Linked schemes	Related to Unit Linked schemes
IBERCAJA ALL STAR FI	0.00%	6.27%	0.00%	2.05%
IBERCAJA ALPHA FI	0.48%	0.09%	0.22%	2.94%
IBERCAJA BEST IDEAS FI	0.00%	12.14%	0.00%	6.04%
IBERCAJA BOLSA ESPAÑA FI	0.00%	11.22%	0.00%	10.86%
IBERCAJA BOLSA EUROPA FI	1.47%	2.26%	0.00%	2.30%
IBERCAJA BOLSA INTERNACIONAL FI	1.55%	31.63%	0.03%	13.66%
IBERCAJA BOLSA USA FI	0.00%	1.54%	0.00%	1.36%
IBERCAJA BP HIGH YIELD 2023, FI	3.33%	0.00%	0.44%	0.00%
IBERCAJA BP RENTA FIJA FI	0.00%	9.92%	0.00%	3.06%
IBERCAJA CAPITAL GARANTIZADO FI	0.00%	1.44%	0.00%	1.42%
IBERCAJA COLECTIVOS FONDO DE PENSIONES	0.00%	0.86%	0.00%	0.90%
IBERCAJA CONSERVADOR 1 FI	-	-	0.01%	1.90%
IBERCAJA CRECIMIENTO DINAMICO FI	0.00%	8.22%	0.00%	2.76%
IBERCAJA DEUDA CORPORATIVA 2024 FI	0.05%	0.00%	-	-
IBERCAJA DIVIDENDO FI	0.20%	1.55%	0.20%	0.86%
IBERCAJA DOLAR FI	0.00%	2.99%	0.00%	0.97%
IBERCAJA EMERGENTES FI	1.74%	6.14%	0.00%	2.49%
IBERCAJA EMERGING BONDS FI	0.00%	14.14%	0.00%	3.28%
IBERCAJA EUROPA STAR FI	0.01%	21.11%	0.00%	9.70%
IBERCAJA FINANCIERO FI	0.00%	0.78%	0.00%	0.29%
IBERCAJA FLEXIBLE EUROPA 50 80 FI	0.00%	0.29%	0.00%	0.25%
IBERCAJA FONDTESORO CORTO PLAZO FI	-	-	0.00%	0.14%
IBERCAJA GESTION EQUILIBRADA FI	0.03%	0.00%	0.04%	0.00%
IBERCAJA GLOBAL BRANDS FI	0.67%	8.78%	0.00%	3.72%
IBERCAJA HIGH YIELD FI	0.00%	8.72%	0.00%	2.78%
IBERCAJA HORIZONTE FI	0.00%	2.73%	0.00%	3.30%
IBERCAJA JAPON FI	0.00%	0.18%	0.00%	0.70%
IBERCAJA MEGATRENDS FI	0.00%	8.49%	0.00%	5.07%
IBERCAJA MIXTO FLEXIBLE 15 FI	0.14%	5.49%	0.00%	0.95%
IBERCAJA OBJETIVO 2026 FI	0.00%	0.00%	0.00%	0.00%
IBERCAJA OBJETIVO 2028 FI	0.83%	0.00%	-	-
IBERCAJA OPORTUNIDAD RENTA FIJA FI	0.00%	16.08%	0.00%	5.32%
IBERCAJA PETROQUIMICO FI	0.00%	0.37%	0.00%	0.26%
IBERCAJA PLUS FI	0.00%	0.42%	0.00%	0.37%
IBERCAJA RENTA FIJA 2026 FI	0.13%	0.00%	-	-
IBERCAJA SANIDAD FI	0.40%	5.08%	0.00%	1.95%
IBERCAJA SECTOR INMOBILIARIO FI	0.00%	0.00%	0.00%	0.25%
IBERCAJA SELECCION RENTA FIJA FI	0.00%	0.88%	0.00%	0.94%
IBERCAJA SMALL CAPS FI	0.01%	7.78%	0.01%	1.46%
IBERCAJA TECNOLOGICO FI	0.60%	5.14%	0.00%	0.33%
IBERCAJA UTILITIES FI	0.00%	0.00%	0.00%	0.00%
INVERSIONES FAJERO 2010 SICAV SA	0.05%	0.00%	0.05%	0.00%

APPENDIX IV

ANNUAL BANKING REPORT

On 27 June 2014, the Official State Gazette published Act 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with Article 87 and Transitional Provision 12 of Act 10/2014, credit institutions are required to publish, as an appendix to their audited financial statements and for each country in which they operate, the following information on a consolidated basis for the last completed financial year:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of equivalent full-time employees
d) Gross profit/(loss) before tax
e) Corporate income tax
f) Grants and public aid received

Accordingly, all this information is set out below.

a) Name, nature and geographical location of the activity

Ibercaja Banco is a credit institution. Its registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Companies Registry of Zaragoza at volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also entered on the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.es, where its bylaws and other public information can be viewed.

Ibercaja Banco, S.A. engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and that, together with it, make up the Ibercaja Banco Group. The Bank is therefore required to draw up the Group's consolidated annul accounts, as well as its own individual annual accounts.

The consolidated Group carries out all its activity in Spain.

b) Business volume

Information on consolidated business volume is as follows, by country. Business volume for these purposes means gross income, as shown on the Group's consolidated income statement at the end of 2020.

	Thousands of euros
	31/12/2020
Spain	1,001,822
	1,001,822

c) Number of equivalent full-time employees

Equivalent full time employees by country were as follows at year-end 2020:

	Thousands of euros
	31/12/2020
Spain	5,307
	5,307

d) Gross profit/(loss) before tax

	Thousands of euros
	31/12/2020
Spain	53,470
	53,470

e) Corporate income tax

	Thousands of euros
	31/12/2020
Spain	29,868
	29,868

f) Grants and public aid received

No grants or public aid were received by Ibercaja Banco, S.A. or any Group company in 2020.

Other information

The return on the Group's assets during the year, calculated as net profit divided by the total balance sheet, was 0.04%.

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CONSOLIDATED DIRECTORS' REPORT
FOR 2020

Ibercaja Banco, S.A. and subsidiaries

EL BANCO DEL vamos

CONTENTS

1 LETTER FROM THE CHAIRMAN AND CEO

Letter from the Chairman and CEO

102-2, 102-4, 102-5, 102-6, 102-9, 102-14, 102-15, 102-3, 103-1, 103-2

In 2020, COVID-19 **pandemic caused** an unprecedented upset **to the international economy and financial markets** never before witnessed in recent history. Firstly, the drastic widespread halt in non-essential activity in March, April and May, and then the restrictions on mobility and the concentration of people decreed to check successive outbreaks subsequently caused a very severe recession in most of the advanced economies.

In particular, the **Spanish economy**, with a specific higher weight of the sectors most affected by this crisis (tourism, hospitality, passenger transport and leisure) saw its GDP shrink by 11% in one year, as compared with an average of 6.8% in the eurozone. Of the leading global powers, only China ended the year with an aggregate positive GDP.

Governments and **central banks**, faced with the exceptional nature of this situation and unlike the 2008-2012 crisis, acted quickly and decisively. In the **monetary aspect**, the liquidity injections and the interest rate reductions facilitated the availability of financing for all economic players, at costs even negative for the public authorities. On the **tax front**, the design of public expenditure programmes, transfers to vulnerable homes, employment protection mechanisms at companies with drastic falls in billings and public guarantees for loans to companies, SMEs and self-employed workers has considerably cushioned the impact of the crisis on the income of families and companies.

Therefore, the **Spanish banking sector** has faced a highly adverse context, with the responsibility of protecting the health and safety of employees and customers, while still providing a service considered to be essential and thereby ensuring the continuity of economic activities and the finances of individuals and companies in our country. Also the sector has been highly actively involved in the implementation of actions, many of them in public-private collaboration, to support more vulnerable groups during the pandemic.

Despite the severity of this recession, the banking sector has much more robust levels of **solvency and risk and liquidity quality** than those of the previous recession. However, the sector's profitability challenge is still pending, since the pressure on margins in a negative interest rate climate is accompanied by the need to recognise provisions faced with the abrupt deterioration of the economic climate and its potential effect on the quality of loan portfolios, based on the expected rise in the non-payments of receivables (individuals and, especially, companies).

In this unprecedented scenario, in 2020, Ibercaja focused its management on **three main procedural planes.**

Firstly, the Bank has continued to attend to its customers at all times as an **essential service**, keeping virtually all its branches open, even during the strict lockdown period, and keeping its automatic ATM network operative without interruptions and reinforcing its *call centre*. All of the foregoing, of course, while implementing the most rigorous prevention recommendations to protect the health of customers and employees as an unrenounceable priority. Likewise, the Bank has introduced new functions in its digital assets, such as the Start-up Mode in the APP and the recent renewal of digital banks for individuals and companies, offering an adequate response to the growing use of these digital channels by customers.

Likewise, Ibercaja has deployed an ample range of **measures to protect the most vulnerable groups** during the pandemic. Furthermore, it applied moratoria (public and sectoral) on loans to families whose earnings were affected by the paralysation of the economy, brought forward retirement and unemployment benefits and, lastly, arranged financing for SMEs and self-employed workers in the form of Spanish Official Credit Institute COVID loans (liquidity and investment) partially guaranteed by the State. Furthermore, the “Let's go” solidarity platforms were promoted in different autonomous communities and provinces with the mobilisation of donations totalling almost 1 million euros.

Secondly, faced with the scale of the crisis, the Bank strengthened its **financial soundness**, increasing the CET 1 *fully loaded* capital ratio to 12.6%, recognising 90 million euros in provisions due to the crisis caused by the pandemic, reducing the default rate to 3.2% and individually monitoring, on an on-going basis, the loan transactions affected by the crisis in terms of the ability of customers (individuals and companies) to meet their payment obligations.

Alongside this, the Bank achieved **significant commercial achievements** in the priority growth segments, particularly in asset management, with the volume administered in investment funds already exceeding 5.5% of the Spanish market share at year-end.

Thirdly, Ibercaja completed the **2018 – 2020 strategic cycle**, attaining the goals set in the solvency areas (the reduction of non-performing assets, digitalisation, people management models, institutional projection and progress in geographical growth pledges (Madrid and the Mediterranean Arc) and customer segments (business banking, personal banking and private banking).

With such a complicated scenario in all areas, Ibercaja's **corporate purpose** (“Help people build their life story because it will be our story”) has acquired an even more pragmatic meaning. Undoubtedly, the banking and social function being exercised by the Bank for the last 145 years is being revalidated and reinforced during this pandemic and, likewise, it will continue to be in force to contribute to the most speedy and integrating economic and social recovery possible.

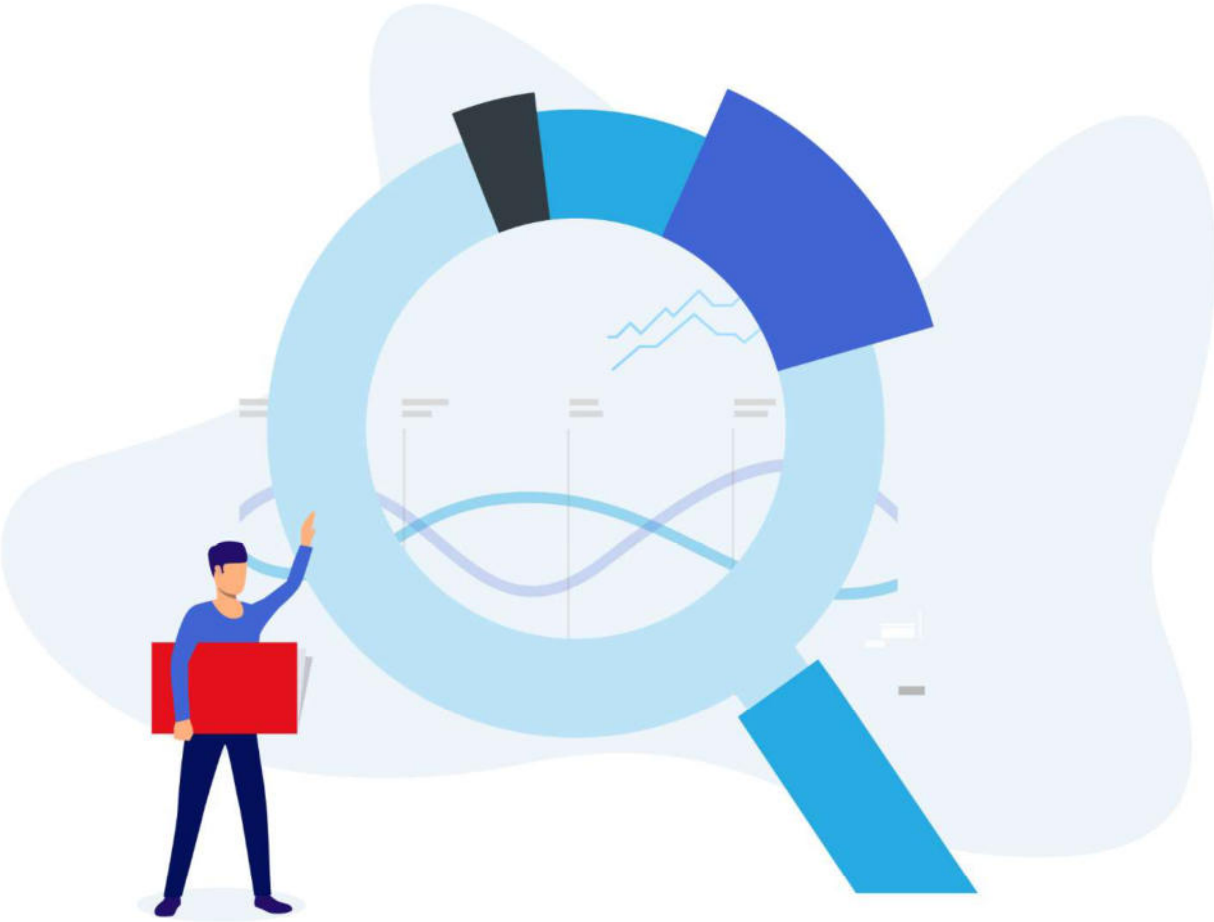
In order to crystallise and systematise this firm rooted commitment to society, in December Ibercaja's Board of Directors approved the Bank's **Sustainability Policy**. The challenge that Ibercaja has thus taken on is to ensure that its business objectives promote sustainable development, mitigating climate change and promoting a more just and inclusive society. In the coming years, these principles of economic, social and environmental sustainability will be deployed in all areas of the Bank's management, among others, in the setting up of business strategies, governance and global risk management.

Despite the difficulties, the Bank will continue to move towards the future with a clear defined roadmap, which will take form in the new **2021 – 2023 Strategic Plan**, the reference guide to reinforce Ibercaja's competitiveness as an independent retail banking project, with a profitable sustainable business model and a distinguishing utility for people, companies, institutions and society as a whole.

José Luis Aguirre Loaso
CHAIRMAN

Víctor Iglesias Ruiz
CHIEF EXECUTIVE OFFICER

2 MAIN FIGURES: ECONOMIC, SOCIAL AND SUSTAINABILITY IMPACT



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ECONOMIC IMPACT
IBERCAJA 2020

RELEVANT FIGURES
ENTITY'S RESULTS

Solvency and Liquidity

12.6% (+124 bp)
FULLY LOADED CET1

17.3% (+181 bp)
FULLY LOADED TOTAL CAPITAL

25.6%
AVAILABLE LIQUIDITY/TOTAL ASSETS

Asset Quality

-21.7%
NON-PERFORMING ASSETS

3.2% (-76 bp)
CREDIT DELINQUENCY RATE

5.1% (-71 bp)
NPA RATIO

62.2%
COVERAGE OF PROBLEM ASSETS

Commercial Activity

+7.9%
RETAIL RESOURCES

+4.9%
ASSET MANAGEMENT AND INSURANCE

+18.2%
CREDIT CONTRACTS

Results

€24 million
NET RESULT

€90 million
COVID PROVISIONS

€143 million (+11.5%)
PBT EX COVID-19

€341 million (-0.2%)
RECURRING INCOME BEFORE WRITE-DOWNS

-5.4% vs. 2019
RECURRING OPERATING EXPENSES

NATIONAL DIMENSION

€58,401 million
TOTAL ASSETS

1,031
BRANCH OFFICES

5,307 (5,055 parent)
EMPLOYEES

1,287
ATMs

€1.6 million
CARDS

842,486
DIGITAL CUSTOMERS

76%
DIGITAL TRANSACTIONS

2.5%
SHARE OF CREDIT AND HOUSEHOLDS

3.5%
SHARE OF CUSTOMER RESOURCES

5.0%
ASSET MANAGEMENT AND INSURANCE SHARE

Intermediary market shares

7 POSITION — **5.5%** INVESTMENT FUNDS

5 POSITION — **5.9%** PENSION PLANS

7 POSITION — **3.6%** LIFE INSURANCE

10 POSITION — **2.8%** LEASING OUTSTANDING INVESTMENT

RECOGNITION

iberCaja

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SOCIAL IMPACT
IBERCAJA 2020

WE CONTRIBUTE TO SOCIETY AND OUR ENVIRONMENT

+€12.5 million
INVESTMENT IN SOCIAL ACTION
by Fundación Ibercaja

Almost 1 million
BENEFICIARIES
of social action

136
LOCATIONS SERVED
by Ibercaja as the only entity present

WE ARE A FAMILY RESPONSIBLE COMPANY

5,307
EMPLOYEES
in the Ibercaja Group

Certification
efr

30%
MANAGERIAL POSITIONS HELD BY WOMEN

192
UNIVERSITY STUDENTS
carried out internships in Ibercaja Banco

WE ADVANCE IN INNOVATION AND DIGITALISATION

76%
TRANSACTIONS
through digital banking

RECOGNITION
EMPRESA RSA+ 2021

WE STAY CLOSE TO OUR CUSTOMERS: FAMILIES AND BUSINESSES

1,031
BRANCH OFFICES
on national territory

+350,000
SMES AND THE SELF-EMPLOYED
trust Ibercaja

216
MANAGERS
who specialise in companies
Customer rating 9.6/10

1 in 4
BRANCH OFFICES
in municipalities of less than 1,000 residents

WE LOOK AFTER THE ENVIRONMENT

Objective:
CARBON NEUTRAL IN 2020

100%
GREEN ENERGY
at the Headquarters

9,138 Tn
CO_2 AVOIDED
by purchasing green energy

ISO 14001
CERTIFICATION
in environmental management

1,714.29 Tn
CO_2 OFFSET
with our sustainable products

WE ARE COMMITTED TO SUSTAINABILITY

Global Compact — We are signatories of the United Nations Global Compact

UNEP Finance Initiative — Principles for Responsible Banking — We are signatories to the United Nations Principles for Responsible Banking

TCFD — Adherence to TCFD recommendations

€5,795.38 million
MANAGED UNDER
socially responsible INVESTMENT

Committed to sustainability and the OBJETIVOS SUSTAINABLE DEVELOPMENT

3 | KEYS TO THIS DOCUMENT

Keys to this document

102-21, 102-4, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-54

THIS CONSOLIDATED DIRECTORS' REPORT INCLUDES THE MOST SIGNIFICANT INFORMATION REGARDING IBERCAJA BANCO AND ITS SUBSIDIARIES IN 2020.

SCOPE

*Our intention is to provide stakeholders with more **enhanced and more complete information** in a **transparent** manner.*

For the first time, the Consolidated Directors' Report includes, **in a single document**, all **significant financial and non-financial information on the Ibercaja Group**, encompassing what used to be included in the Directors' Report and the Annual Report. Accordingly, our intention is to provide stakeholders with more enhanced and more complete information in a transparent manner and in a single document. This report, as a whole, presents a global vision of the Bank's strategic lines, activities, business model, financial results and sustainable commitment (environmental, social and staff-related, human rights, corruption and bribery issues). Its contents are made public with free access on the corporate web page *(www.ibercaja.com).*

The **Appendix *"Requirements of Law 11/2018 on non-financial information and diversity"*** includes information pursuant to **Law 11/2018** amending the Spanish Commercial Code, the consolidated Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Law 22/2015, of 20 July, in relation to **non-financial information and diversity**. This **statement** has been prepared taking into account the **European Commission** guidelines on non-financial reporting and their supplement **on climate-related information**, as well as the recommendations provided by the CNMV to the Bank. The contents identified in this Appendix form the Consolidated Statement of Non-financial Information.

The **reporting scope** coincides with that of the consolidated financial statements, which is 100% of the consolidation scope of the Ibercaja Banco Group, except for those aspects indicated in the final table of the "Requirements of Law 11/2018 on Non-Financial Information and Diversity" Appendix.

The objective of this Report is also to address those aspects necessary for its consideration as a **Sustainability Report**, according to the criteria of the **Global Reporting Initiative (GRI)**, in line with the **"essential"** conformity option, whose directives have oriented Ibercaja's annual reports since 2005 and, in turn, serve as a **"Progress Report"**, in accordance with the reporting requirements of the **Global Compact,** relating to the 10 Principles of the United Nations Global Compact. It also includes the first **implementation report** of the **United Nations Responsible Banking Principles**, signed by the Bank in 2019, together with the progress made in the report **on climate-related information**, in line with the recommendations of the **TCFD** (Task Force on Climate-Related Financial Disclosures), of which Ibercaja Banco became a member in August 2019.

MATERIALITY

Ibercaja performs a **materiality study** to identify the priority financial, economic, social and environmental matters for its stakeholders and for its business and thereby determine what information must be reported and its correct dimensioning. Significant aspects are deemed to be those matters that have a high probability of generating a significant impact, both at the business and in the valuations and decisions of the stakeholders.

> In accordance with the Global Reporting Initiative *"Materiality is the principle that determines which matters are sufficiently important for it to be essential to report on them. Significant matters are those that may reasonably be considered important to reflect the organisation's economic, environmental and social impacts or influence the decisions of stakeholders".*

With this approach, in 2015 the first materiality study was drawn up to **identify those aspects that influence the ability to create value for Ibercaja** and that are of interest to the people and/or groups with which it is related. This materiality analysis was valid during the 2015-2017 Strategic Plan, ending with the 2017 Annual Report.

In 2018, coinciding with the launch of the 2018-2020 Strategic Plan, a thorough review of the materiality analysis was conducted, to identify the material issues to be included, in line with this strategic cycle.

This analysis has made it possible to create a **new materiality matrix** in which the most relevant aspects are identified, both for Ibercaja Banco and for its stakeholders and which, therefore, are an essential part of this report.

METHODOLOGY

THE REVIEW OF THE MATERIALITY MATRIX WAS CARRIED OUT IN 4 PHASES:

1. Review of material issues

Based on the material issues identified in the previous matrix, a **review** was conducted, performing an inventory **of all those aspects that require this rating for Ibercaja** and which have served as a starting point to consult the stakeholders.

The following points have been taken into account for this review:

- Entity's internal documentation: strengths, contents of the Strategic Plan, former materiality, previous annual reports, etc.
- Legislation/Regulations: analysis of regulatory requirements and recommendations.
- External documentation: relevant issues in the financial sector, international standards, trend reports, Sustainable Development Goals, etc.

The material issues identified after this analysis were as follows:

1) Corporate governance of the Entity
2) Solvency/ profitability/ financial strength
3) Ethical conduct and integrity
4) Risk management and compliance
5) Transparency in customer relations and communication
6) Business model and customer support
7) IT security and data protection
8) Digital transformation and multichannel
9) Respect for Human Rights
10) Diversity and work-life balance
11) Talent attraction and retention
12) Social action / community support projects
13) Financial products with high social and/or environmental value
14) Environmental management
15) Relations with suppliers and collaborators

2. Assessment of material issues

Once the material issues had been identified, **internal and external enquiries** were made, through personalised on-line surveys, to determine those aspects that are most important for the main stakeholders and for Ibercaja, and which will be the basis of the materiality matrix.

3. Preparation of the materiality matrix

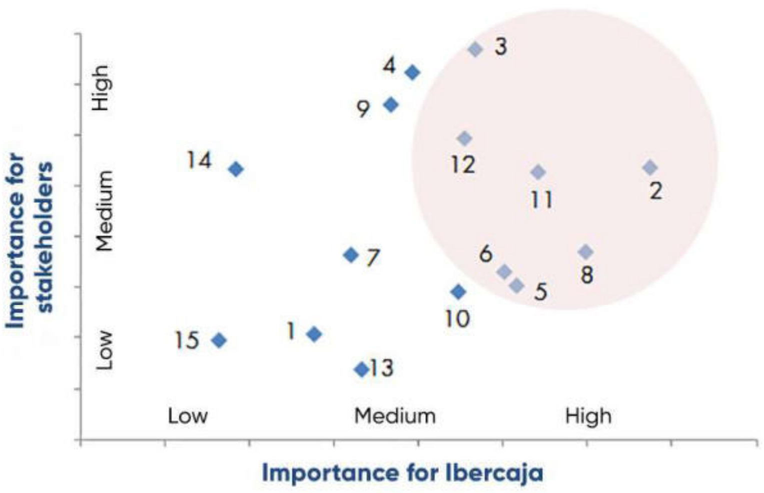
The **results obtained** in the previous point **were transferred to a matrix**, to **identify those matters that are most important for the stakeholders and for Ibercaja**; these aspects focus the contents of this Annual Report, with the aim of responding in an appropriate manner to the requests of the stakeholders consulted.

4. Interrelation with GRI standards

As a last step, **the relationship between material issues and the GRI Standards** was identified, so as to determine the content needed to address each matter.

RESULTS OF THE MATERIALITY MATRIX

1	The Entity's Corporate Governance policy
2	Solvency/profitability/financial strength
3	Ethical conduct and integrity
4	Risk management and regulatory compliance
5	Transparency in customer relations and communication
6	Business model and customer advice
7	Computer security and data protection
8	Digital transformation and multichannel
9	Respect for Human Rights
10	Diversity and work-life balance
11	Attracting and retaining talent
12	Social action/community support projects
13	Financial products with high social and / or environmental value
14	Environmental management
15	Relations with suppliers and collaborators



RELATIONSHIP WITH GRI STANDARDS AND IDENTIFICATION OF MATERIAL ISSUES

MATERIAL ISSUES IDENTIFIED	RELATED GRI STANDARDS
The Entity's Corporate Governance policy	Governance strategy
Solvency/profitability/financial strength	Economic performance Market presence
Ethical conduct and integrity	Ethics and integrity Governance Unfair competition Anti-corruption Audit
Risk management and regulatory compliance	Governance Anti-corruption Strategy Socio-economic compliance
Transparency in customer relations and communication	Organisation profile Customer privacy Customer health and safety Marketing and labelling
Business model and customer advice	Customer health and safety Customer privacy Marketing and labelling Product portfolio
Computer security and data protection	Customer privacy Customer health and safety
Digital transformation and multichannel	Strategy
Respect for Human Rights	Evaluation of human rights
Diversity and work-life balance	Diversity and equal opportunities Labour/management relations
Attracting and retaining talent	Employment Labour/management relations Teaching and training Occupational health and safety
Social action/community support projects	Local communities Socio-economic compliance Evaluation of human rights
Financial products with high social and / or environmental value	Local communities Organisation profile Environmental dimension
Environmental management	Materials; Energy; Waters, Emissions; Effluents and Waste Environmental compliance
Relations with suppliers and collaborators	Social evaluation of suppliers Environmental evaluation of suppliers Procurement practices Participation of stakeholders

As reflected in the materiality matrix, the following **material issues** were identified, which form the basis of this Report:

- **Solvency/profitability/financial strength**
- **Ethical conduct and integrity**
- **Transparency in customer relations and communication**
- **Business model and customer advice**
- **Digital transformation and multichannel**
- **Attracting and retaining talent**
- **Social action/community support projects**

The materiality matrix remained in force during the 2018-2020 Strategic Plan and communication channels with stakeholders remain open to meet their expectations.

RIGOUR

Throughout the process of compiling and presenting the information, **Ibercaja has had in mind the principles of balance, precision, clarity, periodicity and reliability**, necessary to guarantee the maximum quality of the information contained therein.

EXTERNAL REVIEW BY THE AUDITOR

The contents of the Consolidated Directors' Report 2020 have been subject to an independent external review process by the auditor, PricewaterhouseCoopers Auditores, S.L. as follows:

- PricewaterhouseCoopers Auditores, S.L. has issued an independent verification report, with a limited assurance scope, on the non-financial information and diversity indicators that comply with Law 11/2018, and on the indicators that comply with the GRI Standards in line with the "essential" conformity option, and with the Financial Services Sectoral Supplement of Guide G4 of the GRI. This Report is included in the "Independent Verification Report" Appendix of this document.

  PricewaterhouseCoopers Auditores, S.L. has issued an Auditor's Report on Information related to the Internal Control over Financial Reporting (ICFR) System, which is included as an Appendix to the Annual Corporate Governance Report.

4 PRESENTATION OF THE GROUP AND ITS CONTEXT

4.1 Description, shareholding and organisational structure

102-1, 102-2, 102-3, 102-5, 102-45

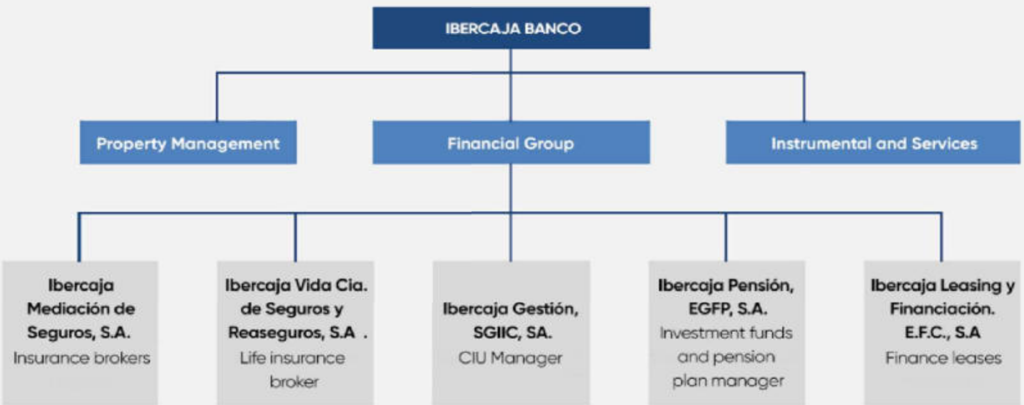
IBERCAJA IS A NATIONAL BANKING ENTITY SPECIALISED IN THE BUSINESS OF INDIVIDUALS AND COMPANIES, WHOSE OBJECTIVE IS TO GENERATE VALUE FOR ITS CUSTOMERS, SHAREHOLDERS AND SOCIETY IN GENERAL.

The **Group primarily engages in retail banking and carries out practically all of its business in Spain**. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

The majority shareholder of Ibercaja Banco is Fundación Bancaria Ibercaja, which owns 88.04% of its capital. As a result of the acquisition in June 2013 of Banco Grupo Caja3, the following are also shareholders of Ibercaja: **Fundación Caja Inmaculada** (4.73%), **Fundación Caja Badajoz** (3.90%) and **Fundación Bancaria Caja Círculo** (3.33%).

From an organisational standpoint, **the Bank is the parent of a group of subsidiaries,** the most notable of which-due to their wide range of banking products and high levels of profitability- belong to the Financial Group, which comprises companies specialising in investment funds, pension plans, bancassurance and leasings and rentals.

THE KEY COMPANIES THAT MAKE UP THE SCOPE OF CONSOLIDATION ARE:



4.2 Purpose, mission, vision and values

102-2, 102-16, 102-40, 102-42

IBERCAJA IS AN ENTITY GUIDED BY ITS PURPOSE. THE BANK'S MISSION, VISION AND VALUES CONSTITUTE THE AXIS ON WHICH ITS CORPORATE PURPOSE IS BASED, SETTING THE ENTITY'S COURSE SINCE ITS FOUNDATION. THESE AXES FORM THE BASE OF ITS CORPORATE CULTURE, ITS WORK PHILOSOPHY, THE WAY OF RELATING TO CUSTOMERS, EMPLOYEES, INVESTORS AND SOCIETY IN GENERAL.

Corporate purpose

Ibercaja's corporate purpose is the Bank's reason for being, the Organisation's guide, that which gives meaning to the daily work of its employees and impregnates its strategy. It is summarised **in "Helping people to build the story of their lives, because it will be our story"**, that is, working by and for people, helping and supporting them in all their decisions throughout their life, building their life stories and walking together, with a mutual commitment.

This purpose is reflected in the Bank's mission and vision, which are based on the corporate values that have set the Entity's course since its foundation. They set the axes of its strategy and business model, enabling it to establish a strong relationship with customers, employees, investors and society in general.

Ibercaja continues to work on **"activating" its Purpose** (defined in 2018), to make it visible, known, shared and internalised by the whole Organisation, and which fulfils its function of mobilising action.

Mission

Ibercaja's mission reflects how the Institution should act in order to achieve its Purpose: **to improve the lives of families and companies**, helping them to manage their finances with the objective of providing the client with an efficient service and personalized and quality advice, which will help them to achieve their own objectives.

MISSION

CONTRIBUTE **TO IMPROVE THE LIFE** OF FAMILIES AND COMPANIES, **HELPING THEM TO MANAGE** THEIR FINANCES BY OFFERING A **PERSONALISED GLOBAL FINANCIAL SERVICE** SO THEY CAN ATTAIN THEIR OWN OBJECTIVES

Since its origins, Ibercaja has been committed to society and works on generating resources that are partly returned to society through shareholder foundations.

Ibercaja understands that, in the carrying out its activity, its contribution to society and the environment makes the company stronger and more sustainable. Therefore, it accepts the triple challenge of generating business, social and environmental benefits so as to drive the transition towards a more sustainable economy.

Vision

The **vision** directs the Entity's steps towards the future, towards what we want to be, towards **our goal**: **To be an excellent bank.** Our commitment with our stakeholders and with the transition towards a more sustainable, social and environmental economy is the centre of the daily work of Ibercaja.

Values

Ibercaja's corporate values define its business culture and have guided its path since the beginning. They are the basis of the entity's ethical commitments, which are reflected in its **Code of Ethics**.

Corporate Brand

The **brand** the Bank's internal and external identification is one of Ibercaja's most valuable intangible assets: it represents our identity, our values and our corporate purpose, and makes them visible at every point of contact with customers and society.

The **communication concept: *"El Banco del vamos"***, (the "let's go" bank) created in 2018, responds to our brand DNA, the result of our 145 years of history, and helps to convey our Corporate Purpose.

This concept is developed in all institutional and commercial actions, our positioning and communication style. It helps us to show ourselves as a Bank that is close, transparent, honest in the information we offer, proactive, committed and dynamic, that will always have people and the important moments of their lives as the centre of its attention.

Let's go is always going together

In 2020, following the end of the State of Alarm, an **institutional campaign** was carried out under the slogan ***"Let's go is always going together"***, to notify the different stakeholders of the measures implemented from the Bank to help customers and the Company to overcome the difficult situation caused by the pandemic, grouped into five main lines:

1. **Let's go is helping you with your loans and payments**
2. **Let's go is helping you to receive an advance on your earnings**
3. **Let's go is being where you are**
4. **Let's go is helping you to know more to decide better**
5. **Let's go is helping those that most need it**

Ibercaja sustainable

To support our **positioning in sustainability** and grant greater possible visibility to the project, both internally and externally, a **specific brand image** was designed with its own identity, tied to the Ibercaja brand:

A symbol that represents:

- **UNIVERSALITY.** The circle is the absolute symbol of unity. It also represents the Circular Economy.
- **SDG.** The symbology of sustainability par excellence.
- **THE PLANET.** The place that includes everything: people, peace, equality, hope and the objectives to ensure a better place full of equilibrium.
- **DIVERSITY.** The different colours, aside from referring to the 17 SDG, remind us that we are diverse and that we must join together to achieve a better world.

This image will help to make **Ibercaja's effort and pledge** for sustainability more visible, in the conviction that, in our way of doing banking, we can help to achieve a better world for future generations.

4.3 Economic and financial environment

103-1

COVID-19 HAS CAUSED AN HISTORICAL RECESSION OF THE SPANISH ECONOMY, WHICH FACES ITS RECOVERY IN A CLIMATE MARKED BY UNCERTAINTY.

World economic scenario

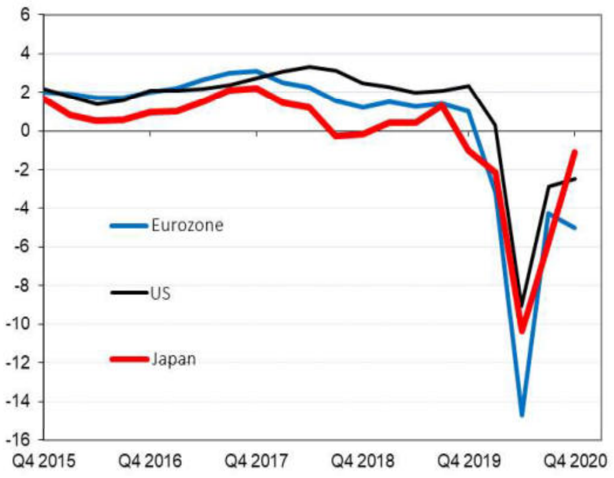
The **global economy** has suffered an historical contraction due to the measures to restrict mobility and non-essential activities to contain the expansion of COVID-19. The IMF considers that **the GDP at global level could dip to 4.3%.** The recovery of the economic cycle is tied to the rate and effectiveness of the vaccination commenced in the last few days of the year. In any case, it does not seem that pre-COVID levels can be attained quickly and the reactivation will be asymmetrical by country and sector.

The main economies have experienced severe drops, depending on their economic structure, public aid and effective health control. **China**, where the pandemic began, is the exception, with **year-on-year growth of 2.3%** which, although it is the lowest in decades, exceeds the most optimistic forecasts.

The **reduction in the Japanese GDP** for the whole of the fiscal year is estimated at around **5%**, dragged down by consumption and private investment, while exports displayed the best rate. The Bank of Japan adopted a very flexible monetary policy and the Government maintains almost unlimited tax stimulation, while it undertakes reforms in immigration and natality to favour growth.

The fall in the US economy, **3.5%**, is lower than that of the eurozone, in a shaky year in the healthcare and political arena, following the end of the Republican Administration in a climate of unprecedented tension. The employment market, although it has recovered part of the jobs destroyed, shows worrying signs and a new package of fiscal stimulation will be required to reactivate the economy.

GDP TRENDS BY COUNTRY (YEAR-ON-YEAR % RATE)



The **contraction of the GDP in the eurozone amounted to 6.8%**, with a marked dispersion among countries. Those of the South are more affected, due to their dependence on the tertiary sector, especially in the tourism and leisure sector. The second wave of cases, from October, has once again depressed economic activity and made the prospects of recovery go cold. This was accompanied by a delay in the Brexit agreement as a factor of uncertainty at the end of the year. Hopes, aside from vaccination campaigns, are pinned on the European Recovery Fund, amounting to 750,000 million euros, encompassed within the 2021-2027 budget, which will be channelled through transfers and loans to Governments, mainly to finance investment related to digital and ecological transformation.

Monetary policy and financial markets

At its meeting on 10 December, the **ECB** stated its intention **to maintain financial conditions** enabling governments to implement **expansive policies** and for **credit to flow to the real economy**. Noteworthy among the measures adopted in the year were **the extension of the PEPP** to 1.85 billion euros, with a timescale set for March 2022, and the announcement of **new rounds of liquidity** for banks through TLTROs III.

Following the March crash, **stock markets have reacted unevenly**. In Europe, the German Dax managed to end the year positively (+3.6%), while the French CAC 40 (-7.1%), el FTSE 100 in the United Kingdom (-14.3%) and the Spanish Ibex 35 (-15.5%) closed in the red. The US indexes reached historical maximums, as a result of the high weight of the technological sector, whose demand for services was strengthened by the crisis. Gains totalled 43.6% and 16.3% on the Nasdaq and the S&P 500, respectively.

Public debt was significantly strained during the outset of the pandemic, a tendency which was reversed following the commitment to support the economy of central banks. The IRR of the 10-year Spanish bond was close to 0% and the **12-month Euribor** hit **minimum lows of less than -0.50%.**

The Spanish economy

The **drop in the Spanish GDP, 11%**, is more marked than that of our surrounding countries. This was due to an initial more severe lockdown, faced with the uncontrolled expansion of the virus, the high contribution to the GDP of the sectors related with leisure and tourism, the high rate of structural unemployment, which limits consumption, and a fragmented production fabric, with low productivity and which was more vulnerable faced with shocks of this type.

Domestic demand drains 9.1 p.p. from growth. Household consumption fell by 12.6% on 2019 and investment shrunk by 12.4%, with construction being especially affected, and only the progress of public expenditure (4.5%) acted as a counterweight. In turn, the **foreign sector axed 1.9 p.p.** from growth, due to the important fall-off in the exportation of tourism-related services.

GDP TREND IN SPAIN (YEAR-ON-YEAR % RATE)

On the **employment market**, following the significant destruction of jobs in March and April, unemployment reached **16.1%** according to the LFS of the fourth quarter. The number of unemployed workers stood at 3.7 million and the number of temporarily laid off workers brushed 800.000.

The performance of **inflation** has been conditioned by the drop in the price of oil, weak demand, the strength of the euro and the changes in the consumption patterns caused by mobility restrictions. The y-o-y variation in the HCPI (-0.3% on average in the year) was negative.

The key to overcoming the delicate year-end situation is to improve the epidemiological situation, through prevention and vaccines, to the extent that it is possible to gradually normalise the activities most affected while waiting for the European recovery funds to begin to flow from the second half of 2021.

Banking and regulatory environment

The soundness **of the Spanish banking system** has significantly improved since the 2008 crisis. The quality of its balance sheet and the solvency levels, significantly higher than the regulatory requirements, means that, with the support of the Government and the regulatory authorities, it has become a key player in responding to the economic crisis, **playing an essential role in the containment of the negative effects of the pandemic and the recovery of activity**. The channelling of the credit flow towards economic players and the payment moratoria in the mortgage and consumer loan instalments, together with other campaigns in which banks participate, is preventing a solvency crisis at companies and individuals.

For the first time since 2008, **loans to households and companies in the system** accounted for **year-on-year growth of 2.4%**, due to the acceleration of that granted to production activities (+8.1), under the protection of the Spanish Official Credit Institute (ICO) facilities, partially backed by the State and created to provide liquidity to the companies most affected by the pandemic. On the contrary, household loans reported a contraction of 1.2%, due to the fall in housing (-1.3%) and consumption (-2.7%).

The system's **retail deposits rose by 9.2%** in the last twelve months. The significant progression affects both homes (+7.4%) and companies (+15.0%). The uncertainty generated by the healthcare crisis has boosted the savings rate of families and, in turn, companies have stored up liquidity to face the consequences of a drop in activity and a decline in demand. The **investment funds** have overcome the market collapse in March, recovering their net worth and reporting positive net contributions for the whole of the year.

Doubtful assets maintained their downward trend reporting a fall of 2.7% until November. The ratio of non-performing loans to the private sector of deposit institutions as a whole stood at 4.50% (-29 bp vs. December 2019). The deterioration of the economic situation does not translate into an increase in the index, due to support measures: moratoriums and liquidity lines guaranteed by the State. However, **the increased asset impairment provisions**, anticipating the negative impact of the pandemic on the credit rating, **led to a notable drop in banking sector earnings**.

In the **regulatory area**, the ECB adopted an **ample package of measures** so that the credit institutions under its supervision provide financing to the real economy that helps to mitigate the economic effects of the coronavirus. Noteworthy, among others, was the relaxation of solvency and liquidity demands, the flexibilisation of the handling of doubtful loans backed by public guarantees or affected by the moratoria granted in the context of COVID-19, and the review of the capital requirements banking regulations, known as *Quick Fix.*

4.4 Corporate governance

102-15, 102-16, 102-17, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32, 102-35, 102-36, 103-1, 103-2, 103-3, 405-1

IBERCAJA'S GOVERNANCE STRUCTURE CARRIES OUT ITS FUNCTIONS EFFICIENTLY GUIDED BY THE RULES AND CODES OF GOOD CORPORATE GOVERNANCE.

Ibercaja Banco's **governance model** consists of the **General Shareholders' Meeting** and the **Board of Directors**, which in turn has six committees.

The Ibercaja Group's governing bodies, along with their composition and their internal rules, are governed by the **Bylaws** and the **Regulations of the Board of Directors**, the contents of which are compliant, among other regulations, with the law on the organisation, supervision and solvency of credit institutions, the Corporate Enterprises Act, the Audit Act, the guidelines issued by international bodies such as the EBA or the ESMA, and the Code of Good Governance of Listed Companies, which is taken as a benchmark of best practices in this field.

The **composition, independence** and manner of action of the governing bodies, the **codes of conduct and internal rules** of mandatory compliance, the established **monitoring systems**, the **communication policy and transparency**, the fight against fraud and corruption and confidentiality in the handling of information all form the **basis of Ibercaja's corporate governance**.

GENERAL SHAREHOLDERS' MEETING

The **General Shareholders**' Meeting is the most senior decision-making body at the Bank and its resolutions are binding on the Board of Directors. The General Meeting has the broadest of authorities to govern the Bank and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Bank's own Bylaws.

BOARD OF DIRECTORS

Meanwhile, the **Board of Directors has the broadest of authorities to manage, administer and represent the Bank** and, except for those matters reserved for the General Shareholders' Meeting, it is the supreme decision-making body at the Bank. The Board has six committees: Executive Committee, Nominations Committee, Remuneration Committee, Audit and Compliance Committee, Large Risk and Solvency Committee and Strategy Committee.

THE COMPOSITION OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2020 WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
First Deputy Chairman	Mr. Jesús Máximo Bueno Arrese	Proprietary
CEO	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Ms. Gabriela González-Bueno Lillo	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary
Member	Mr Vicente Cóndor López	Independent
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Luis Enrique Arrufat Guerra	Proprietary
Member	Ms. Maria Pilar Segura Bas	Other external directors

9.09	36.37	45.45	9.09	17
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

EXECUTIVE COMMITTEE

The **powers delegated** by the Board of Directors to the Executive Committee are expressly set out in the **Board of Directors' Regulations**:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions which, under the Policies and Procedures Manual to manage lending risk approved by the Board of Directors, fall within its competencies. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.

- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.), except in those cases in which the decision falls to the CEO or to the plenary Board of Directors' Meeting, since it involves employees that report directly to the CEO.

- Shall hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.

- When appropriate, shall grant the authority that is necessary or advisable to execute the resolutions adopted.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE EXECUTIVE COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
Member	Mr Vicente Cóndor López	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary

16.67	**50.00**	**33.33**	**0.00**	**23**
% of Executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for **proposing nominations** to the Board of Directors. In particular, it is responsible for: assessing the suitability of directors, establishing a representation target for the under-represented sex on the Board, making proposals to the Shareholders' Meeting for the appointment, re-election or removal of independent directors, reporting on proposals for the appointment and removal of senior managers and persons with key functions and the basic terms of their contracts, and examining and organizing the succession of the Chairman and Chief Executive Officer.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE NOMINATIONS COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Ms. Maria Pilar Segura Bas	Other External Directors
Member	Ms. Gabriela González-Bueno Lillo	Independent

0.00	0.00	75.00	25.00	2
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

REMUNERATION COMMITTEE

The Remuneration Committee has the duty of **reporting, advising and proposing matters regarding compensation for directors,** general managers and similar personnel, as well as for the persons whose professional activity has a significant impact on the Bank’s risk profile.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE REMUNERATION COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Ms. Maria Pilar Segura Bas	Other External Directors
Member	Ms. Gabriela González-Bueno Lillo	Independent

0.00	0.00	75.00	25.00	1
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

AUDIT AND COMPLIANCE COMMITTEE

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to report to the General Shareholders' Meeting on issues raised by shareholders on matters within its competence, to **supervise the effectiveness of the Entity's internal control, internal audit and risk management systems**, including tax risks, to supervise the process of preparation and presentation of regulated financial information, to propose the appointment or re-election of the auditor, to establish appropriate relations with the external auditor to receive information on matters relating to its independence and to receive annual written confirmation from the external auditor of its independence vis-à-vis the Entity or its Group, issuing the corresponding report.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE ENTITY'S AUDIT AND COMPLIANCE COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary
Member	Mr Vicente Cóndor López	Independent

0.00	**40.00**	**60.00**	**0.00**	**12**
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

LARGE RISK AND SOLVENCY COMMITTEE

The Committee has the primary duty of advising **the Board as to the overall current and future risk appetite** of the Bank and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by the senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE LARGE RISK AND SOLVENCY COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Vicente Cóndor López	Independent
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Ms. Maria Pilar Segura Bas	Other External Directors
Member	Mr. Jesús Solchaga Loitegui	Independent

% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings
0.00	20.00	60.00	20.00	13

STRATEGY COMMITTEE

The Strategy Committee has the core function of reporting to the Board of Directors on the Company's strategic policy while ensuring there is specific organisation in place for implementing this strategy. The committee regularly **evaluated the Strategic Plan** approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented **quarterly follow-up measures regarding the development of the budget** and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE STRATEGY COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Luis Enrique Arrufat Guerra	Proprietary
Member	Mr. Emilio Jiménez Labrador	Proprietary

% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings
0.00	60.00	40.00	0.00	10

Information on the **composition of the different governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and which is available on the website of the Bank under the section titled "Shareholders and investors - Corporate Governance and Remuneration Policy".

Likewise, Ibercaja has a management team comprising the following people at 31 December 2020:

Suitability of the members of the Board of Directors

All members of the Board of Directors must **meet** requirements in order to be appointed and hold the position of director, in line with **current regulations** and those included in the **Entity's internal governance rules**.

Ibercaja has a **policy to assess the suitability and diversity** of the members of the Board of Directors and key function holders at the Bank, in keeping with EBA/GL/2017/12 Guidelines and European Central Bank (ECB) Guidelines, on the assessment of suitability, establishing the criteria and systems that will be taken into account to assess the suitability of the members of the Board of Directors, general or similar managers, heads of internal control and other key function holders for the Entity's day-to-day operations.

To **assess the suitability of the aforementioned key posts** and positions which, in any case, must take place prior to their appointment, the following will be taken into account:

- Their commercial and professional repute
- Their knowledge and experience
- In the case of Board members, good governance aspects will also be considered, using indicators such as the ability to devote the amount of time required, independence of mind and the absence of significant conflicts of interest

Care shall likewise be taken to ensure that the selection criteria take into **account the diversity** of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular, on the grounds of gender, ethnic origin, age or disability). In particular, the Entity will ensure that the selection processes are not implicitly biased so as to hinder the selection of women aimed at including women that meet the sought-after professional profiles among the potential candidates.

In the event that during the performance of their respective functions any of the persons subject to the scope of the Policy is affected by a situation that modifies the criteria taken into account for the favourable assessment of their suitability for the performance of the position, the Entity will adopt the appropriate measures and notify the competent supervisory authority within a maximum period of 15 working days.

Nevertheless, the Entity periodically promotes **training sessions** aimed at the members of the Board of Directors, whose content in various areas is determined according to the training needs of the directors, regulatory developments affecting credit institutions and relevant economic and social issues.

Performance assessment - self-assessment of the Board and committees

Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions assigns responsibility to the **Board of Directors** for the **oversight, control and periodic assessment of the effectiveness of the corporate governance system**. The European Banking Authority (EBA) Guidelines on internal governance (EBA/GL/2017/11) and the Bank of Spain's guidelines on the internal capital adequacy assessment process at credit institutions provide for the management body to periodically assess the individual and collective efficiency and effectiveness of its corporate governance activities, practices and procedures, as well as the functioning of the delegated committees. This obligation is stipulated in the Corporate Enterprises Act for listed companies and in the CNMV'S Code of Good Governance. These legal obligations and good practices are included in the Bank's Board of Directors' Regulations, which stipulate that one of the Board's duties is to annually prepare a self-assessment report of its performance and that of its internal committees Every three years said performance assessment is performed by an external party.

Remuneration of Governing Bodies and Senior Management

The **position of member** of the Board of Directors is **remunerated**, in accordance with article 34 of the Bylaws.

The maximum amount of the annual remuneration of all the directors is approved by the General Shareholders' Meeting and remains in force until their modification is approved. Unless otherwise agreed by the General Shareholders' Meeting, the distribution of the remuneration among the directors will be established by agreement of the Board of Directors, following a favourable report from the internal committee of the Board with competence in terms of remuneration, taking into consideration the functions and responsibilities attributed to each director.

In particular, the **Board of Directors shall determine the CEO's remuneration** and the terms and conditions of his or her contract with the Entity, in accordance with the current regulations and this remuneration policy.

The remuneration policy of the members of the Board of Directors and senior management staff (Management Committee) is aimed at establishing a remuneration scheme **appropriate to the dedication and responsibility assumed**, all in accordance with the provisions of current legislation, and promoting sound and effective risk management, which does not imply an assumption of excessive risks.

The setting of the global and specific objectives of the variable remuneration (which, in no case, can exceed 40% of the fixed remuneration) is linked to prudent risk management, with the following being some of its **main characteristics** in relation to the *ex ante* adjustments:

- **Depends on and is adapted to the individual performance** of employees and the results of the Entity, considering the impact of the underlying economic cycle and the present and future risks.
- **Flexibility and alignment with the Entity's strategic interests,** without limiting its ability to reinforce its solvency.
- **Setting of certain upper and lower limits** that clearly mitigate risks associated with their potential impact on the income statement and on the Entity's own funds.

The quantitative data on remuneration of directors and those of Senior Management are provided in the Annual Corporate Governance Report (sections C.1.6 and C.1.7).

Conflicts of interest of the administrative, management and supervisory bodies

The members of the administrative, management and supervisory bodies of Ibercaja Banco **comply with the requirements established in the Corporate Enterprises Act**, and no conflicts of interest have been disclosed between persons, their private interests and other duties, and their activity at the Entity.

No conflicts of interest of the Entity's directors that could affect the performance of their position as provided in article 229 of the Corporate Enterprises Act have been reported. In those specific situations in which a director considers that a potential conflict of interest could be involved, the director has refrained from intervening in the deliberations and participating in the voting.

Internal Rules and Control Bodies

103-1, 103-2, 103-3, 417-1

Ibercaja has established internal rules and control bodies to ensure full and rigorous compliance **with the Entity's good governance measures**, including **the following**:

- **Internal Code of Conduct** for security market activities applicable to the governing bodies, management and employees of the Entity that operate or whose professional activities are related with the securities market or can have access to significant Company information.
- **Body to report suspicious activities** involving market abuse.
- Ibercaja Group **Customer Protection Rules**.
- **Code of ethics**, which include a memorandum of operating conduct and security that affects all the Bank's employees.
- **Style Manual for customer service**, which contains general customer services criteria.
- **Retail savings product marketing manual**, in accordance with MiFID regulations.
- **Conflicts of interest policy**, prepared in accordance with MiFID regulations, whose purpose is to objectively manage conflicts of interest that may arise between the Ibercaja Group and its customers.
- **Anti-money Laundering and Counter-Terrorism Financing Prevention Committee** (Internal Control Body-ICB) that has been commissioned the functions established in the anti-money laundering and counter-terrorism financing regulations.
- **Data Processing Officer** (DPO) of the Group and Privacy Office, whose duty is to ensure compliance with the personal data protection regulations.
- **Control body for the criminal risk prevention system.**

Control functions

The Group has an internal control system in place to oversee the financial and operational risks inherent in its business activities. The **General Secretary's Office and Control area** brings together the **second line of defence**, formed by the Risk Control Department and the Regulatory Compliance Department. The General Secretary of the Bank is also the Chief Risk Officer.

The **Risk Control Department** verifies compliance with the risk limits approved by the Board of Directors and the **Regulatory Compliance Department** supervises observance of the laws that govern the Group's business activities. Ibercaja also has an **Internal Audit Department** that reviews the proper functioning of the risk control systems, while verifying compliance with established policies, procedures and standards. The Board of Directors' **Audit and Compliance Committee** checks the effectiveness of the internal audit and control and of the risk management systems.

The head of the Risk Control Department reports regularly to the Large Risk and Solvency Committee, while the heads of the Regulatory Compliance Department and the Internal Audit Department report regularly to the Audit and Compliance Committee. The chairmen of the committees, as well as the CRO, report to the plenary session of the Board of Directors within the scope of their respective areas of concern.

Commitment to privacy

103-1, 103-2, 103-3

All processes and actions of the Ibercaja Group are conducted with the utmost possible respect and protection for the privacy and security of personal data.

The Ibercaja Group's Privacy Office and Data Protection Officer (corporate DPO) promote **maximum respect for privacy**, above general standards, with a medium-term view aimed at anticipating future regulatory duties. Some of the key milestones that have been achieved are:

- **The necessary regulatory modifications to ensure maximum respect for the protection of the personal data** of our customers, employees and suppliers.
- **Establishment of mandatory lines of action** to ensure that only the data essential for each transaction are processed.
- **Strengthening the protection of minors**.
- **Adapting the privacy policy to legal requirements and the Spanish Data Protection Agency's mandates,** giving every person the maximum control over the data that the Bank has or collects from them.
- **Promoting the privacy of all people who make up the Group,** implementing new controls, verifying that monitoring systems at work are in line with the most stringent privacy standards, approving a specific privacy policy for employees and making them aware of their rights.
- **Implementation of new procedures for the exercise of GDPR** rights that improve efficiency and resource allocation.
- **Establishing a strict procedure for the approval of suppliers that may have access to personal data.**

4.5 Business Model and Strategic Plan

103-3

IBERCAJA'S BUSINESS MODEL, WITH A STRONG RETAIL PROFILE, COMBINES UNIVERSALITY WITH SPECIALISATION BY SEGMENTS.

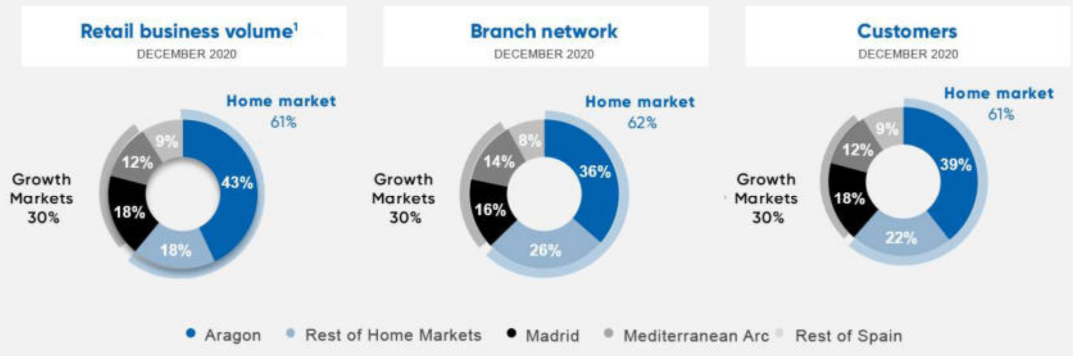
4.5.1 Business positioning and markets in which it operates

102-2, 102-4, 102-6, 103-1, 103-2

The Group, with a balance sheet of **58,401 million euros**, is the **tenth largest in terms of asset volume in the Spanish banking system**. It primarily engages in retail banking**,** focusing on the financing of households, particularly first home mortgages and SMEs, savings management and other financial services. The eminently retail nature of the business is reflected in the structure of the balance sheet, where loans to individuals and small and medium-size enterprises account for almost 90% of loans and advances to customers, and retail deposits 78.4% of borrowings. At the national level, it has a market share of **2.5% in loans to households and non-financial companies**, reaching 3.8% in the home purchase segment for individuals (source: Bank of Spain), and **3.5% in customer funds** (source: Bank of Spain, INVERCO and ICEA).

The Bank has a **leadership position in its traditional area of operation** (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where **61% of customers are concentrated** and **where it obtains 61% of retail turnover**. The market share in this territory, 30% in private sector deposits and 23% in credit, reaches 42% and 32% in Aragón, respectively (source: Bank of Spain). It also has a **significant presence in other areas of major economic significance such as Madrid and the Mediterranean coast** (Catalonia and Valencia), which account for 18% and 12% of the Bank's customers and 18% and 12% of its revenue.

DISTRIBUTION OF BUSINESS MODEL, NETWORK AND CUSTOMERS BY AREA OF OPERATION



[1] RETAIL BUSINESS VOLUME IN NORMAL SITUATION: LOANS AND ADVANCES TO CUSTOMERS EX REVERSE REPURCHASE AGREEMENTS AND DOUBTFUL ASSETS + RETAIL DEPOSITS + ASSET MANAGEMENT AND INSURANCE

At December 2020, the **Bank** had **1,031 branches**, 4.5% of the Spanish banking system, of which 280 are rural. Two branches were opened and 55 were closed during the year. Their closure, in line with a policy of economic streamlining, was compatible in every case with the commitment to guarantee business continuity, conserve customer proximity and maintain the Bank's presence in small towns and villages.

The **distribution of branches by Autonomous Community is as follows**: 375 points of sale in Aragón, 160 in the Community of Madrid, 94 in Extremadura, 64 in La Rioja, 78 in Castilla y León, 88 in Cataluña, 59 in Castilla-La Mancha, 53 in the Community of Valencia, 29 in Andalucía and 31 in other Autonomous Communities.

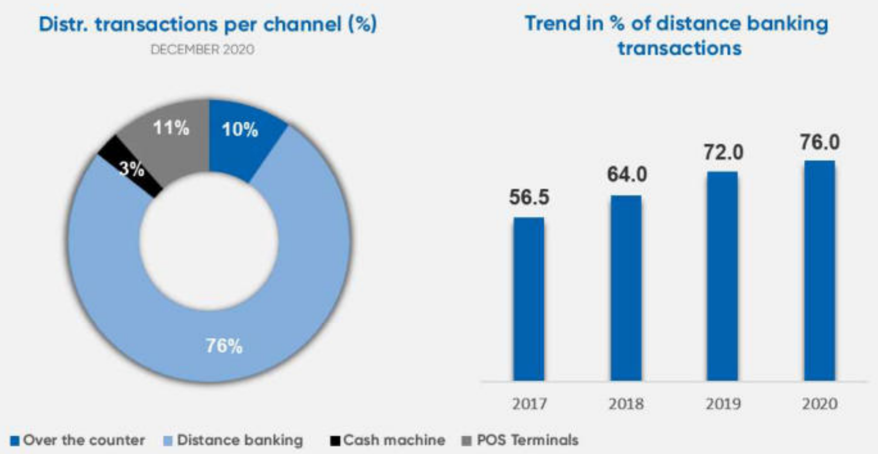
DISTRIBUTION OF IBERCAJA BANCO'S BRANCH NETWORK

EL BANCO DEL vamos

The **Group** has a total of **5,307 employees (5,055 at the parent).** In December 2020, Management of Ibercaja Banco and the employee's representatives, as part of a redundancy programme enforceable until 30 June 2022, reached an agreement that envisaged a compensated lay-off plan. It affected a maximum of 750 employees, establishing voluntary participation as a preferential selection criteria, either due to age or due to the closure of the centre of employment. Employee terminations will take place on a staggered basis.

The branch network is complemented by remote channels so that customers can carry out transactions in the most practical and simple remote environment, whether over the Internet or by mobile phone. The situation created by the healthcare crisis has accelerated the use of virtual services and digital assets. The digitalisation strategy being deployed by Ibercaja in recent years has enabled it to respond to the greater demand for *online* services, at the same time maintaining the quality service. **Digital banking accounted for 76% of transactions performed in 2020, as compared with 72% in 2019**. The **number of digital banking customers** that have used any of the various channels in the last month totalled **842,486**, with growth of over 10% since December 2019.

DISTRIBUTION OF THE NUMBER OF TRANSACTIONS PER CHANNEL AND PERFORMANCE OF DISTANCE BANKING



4.5.2 Goals and Strategies

102-2, 102-9

In the last three years, the Bank has used the **"Plan+ 2020 Strategic Plan"** as a guideline, whose objective is to make Ibercaja the best financial institution in the country in terms of satisfied customers and commercial efficiency, anticipating the needs of its stakeholders and supporting the transition towards a sustainable economy.

*To address this challenge, **THREE MAJOR PROGRAMMES** were defined: **Customer**, **Value and Transformation** Drivers with the guidelines to compete successfully in an environment of rapid changes in consumer habits, technology, the economic and business context and the regulatory framework.*

THE BALANCE OF THE PLAN+ 2020 THAT HAS JUST ENDED IS HIGHLY SATISFACTORY.

A **high percentage of the financial and operating targets** established for 2020 **were fully attained**, mainly those related to the strength of the balance sheet and the increased solvency. Profitability goals were especially affected by the COVID-19 crisis, leading to an increase in the cost of risk and a negative rates climate (the 12-month Euribor during the 2020 Plan was 0.67%).

	2017	OBJECTIVE 2020	REAL 2020	
SOLVENCY				
CET1 fully loaded	10.5%	>11.5%	12.6%	✓
Total capital fully loaded	12.7%	>15.0%	17.3%	✓
PROFITABILITY				
ROTE	5.3%	>9.0%	0.9%	✗
RORWA	0.6%	1.2%	0.1%	✗
Recurring cost-to-income ratio	69.8%	<55.0%	62.5%	✗
ASSET QUALITY				
Cost of risk	70 bp	35 bp	71 bp	✗
Non-performing assets ratio	11.9%	6.5%	5.1%	✓
Texas Ratio	86%	<55%	42%	✓
Coverage ratio	52%	54%	62%	✓

The **stock market flotation**, goal of the Strategic Plan for 2020, **had to be postponed as a result of the impact of the health crisis on financial markets.** As part of the measures to reduce the economic consequences of the pandemic, the modification to the Savings Bank and Banking Foundations Law was approved, extending the period until December 2022, so that the latter comply with the divestment target envisaged by Law.

CUSTOMER PROGRAMME

Within the **Customer programme**, cornerstone of the_business model transformation, different initiatives have been **implemented**:

- **Deployment throughout the network of the Commercial and Management System,** which will contribute to the simplified integrated management of customers focused on attraction.
- **Promotion of remote channels,** including new features into mobile banking (Digital On Boarding, payment service through Apple Pay, Samsung Pay and Google Pay and the aggregation of accounts from other banks). Furthermore, the web page was renewed www.ibercaja.es, to offer solutions that are better suited to the financial needs of individuals, and the new digital banking for Individuals and Companies was implemented.
- **Reform of the office network organisational model** with three main measures:
    - *Grouping together of head and satellite branches*. The head office is responsible for supervision and control functions and tasks, in addition to the management of small businesses, professionals and the self-employed. Meanwhile, the satellite branch is focused on other commercial tasks. The new organisation will make it possible to increase levels of specialisation, optimise staffing, share services, encourage support between branches, and improve commercial capacity and control levels, among other benefits.
    - *Implementation of the remote-digital management model*. The 48 digital personal banking managers provide a virtual personalised service to almost 29,000 customers.
    - *Start-up of the mobile branch*. Created initially in La Rioja, it serves the rural areas effectively and prevents the financial exclusion of small towns. It is located on a bus, providing the same technical support as the rest of the network, which makes frequent routes in 27 La Rioja towns, giving customers the same service as any other branch.

VALUE PROGRAMME

The **Value programme** seeks to ensure that our business is geared towards the most profitable opportunities. It relates to the reduction of unproductive assets, the development of risk management processes, the more efficient allocation of prices and capital and the optimisation of information systems, all with a view to increasing the Bank's profitability and solvency. The most important **achievements** are summarised as:

- During the term of the Plan+ 2020, **important steps were taken to reduce non-performing assets**. Accordingly, a new model was implemented to recover irregular investment and the SIREC tool was developed, which allows tasks to be identified that make debt recovery more efficient. Also, in the wholesale area, three portfolios were sold, both doubtful receivables and foreclosed properties, amounting to 1,248 million euros. The improvement in internal processes combined with wholesale sales allowed the NPA ratio to drop by almost seven percentage points in three years.
- **Deployment in the management of the RAROC methodology** to set prices based on risk-adjusted returns and capital consumption.
- **Progress in the design of the internal IRB models** with the objectives of achieving an integrated management of the organization's risks, improving the Bank's competitive position and allowing sectorial comparison in standardised terms.
- The quality of the information supports the Bank's credibility before the regulators, rating agencies and investors. To optimise it, **information systems** were strengthened and the Data Governance framework was established, which involves a modification of organisational structure, the definition of roles, responsibilities, data policies and principles and the adaptation of technological architecture.

TRANSFORMATION DRIVERS PROGRAMME

The **Transformation Driver programme**, the third pillar of the Plan, encompasses technology, processes and people.

- The **technology** at the heart of most initiatives, taken to facilitate internal processes, boost efficiency, opens up business opportunities and improve the customer experience. At the same time, significant progress was made in the cybersecurity and risk management area and in the renewal of technological infrastructure to provide the Entity with new capacity.
- The **optimisation of processes**, with the aim of streamlining less profitable tasks and concentrating efforts on tasks that have an impact on the customer, has had four main lines of action: reorganisation of administrative processes, simplification of operational processes, digitalisation and self-service plan.

- The **people**, their capacity and commitment are crucial in any project. The People Area has worked to encourage professional and personal growth of Group employees, with measures to promote the development of talent and boost skills. The following are of note:
    - The *roll-out of the Inspirational Leadership Model*, a framework for people who lead teams to exercise a uniform and consistent leadership aligned with Ibercaja's strategy.
    - The Bank has obtained the *Family Responsible Company (FRC) Certification*, which endorses the organisation's involvement in generating a culture based on efficiency, flexibility and commitment to people. With this achievement, Ibercaja takes an important step forward in terms of equality and balance of personal, family and professional life.

*Ibercaja made progress in a series of projects that evidence the **Group's commitment to sustainable development** and **value creation** through its activity.*

In 2019, the Bank formed a **cross-cutting Sustainable Finance team**, involving all business areas, to work on the Bank's **Sustainability Roadmap** and incorporate ESG aspects into strategy, decision-making and risk management. Likewise, it has signed the United Nations Principles for Responsible Banking and the New Deal for Europe "CEO's call to action" initiative, together with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). Likewise, on 11 December 2020, the Board of Directors approved the **Sustainability Policy**, which establishes the Bank's procedural framework in the area of sustainability.

The **new Strategic Plan with a 2023 horizon** is already under way and its main **challenge is to improve profitability**. The management objectives for the current period are framed within two major programmes: "Customer" and "Productivity and Efficiency". The Plan will be presented in the first half of 2021.

4.5.3 Impact of the COVID-19 crisis

On 11 March 2020, the World Health Organisation classified COVID-19 as an international pandemic. To cope with this situation in Spain, under Royal Decree 463/2020, of 14 March. a State of Alarm was declared, with diverse restrictions on mobility and on the exercise of non-essential activities, which was extended until 22 June. In light of a new outbreak, in October, pursuant to Royal Decree 926/2020, of 25 October, a State of Alarm was once again declared, which is expected to end in May 2021.

In this context of a healthcare crisis, global and Spanish economic activity was severely affected. Through different Royal Decrees, the **Government** has established **legislative moratoria** for individuals and professionals which, under certain requirements, temporarily suspend payment commitments as receivables. Likewise, **credit facilities** were implemented, partially guaranteed by the State, through the ICO, to guarantee company liquidity and production. **Member banks of the Confederación Española de Cajas de Ahorro (CECA)** provided a **sectoral moratoria**, in which Ibercaja participated to extend the scope of the mortgage moratoria approved by the Government. In turn, the **ECB** adopted **measures to grant liquidity to the system, to favour credit and to make an expansive tax policy possible for European governments**. The **EU** approved the **European Recovery Fund** which, through transfers and loans, will support the economies most affected during the coming years.

Below are details of the **most relevant impacts of the crisis** on strategic guidance, objectives, activities and results of the Bank, the support provided to customers, as well as other organisational and management measures.

IMPACT ON STRATEGIC ORIENTATION AND OBJECTIVES

Since the Bank is in the last year of the Plan+ 2020, the year that has just ended has consolidated the initiatives launched in 2018, hence **a strategic reorientation was not required.**

The Bank Transformation Roadmap established in the Plan+ 2020 to comply with the main milestones defined therein have enabled Ibercaja to have the necessary means and resources to face this crisis in much more favourable conditions than the previous crisis in 2008.

Among the **15 strategic initiatives** of the Plan+ 2020, those that were priority for the Bank's transformation (IRB models, pricing, data governance, digital transformation and IT governance and architecture), have continued to be developed, focusing more efforts and resources on them so that they can be completed in the periods envisaged despite the circumstances.

The Bank has exceeded in its objectives of strengthening solvency and those related with asset quality, both with regard to the reduction of non-performing assets and to the hedging rates, set in the Strategic Plan. However, the attainment of profitability indicators and the cost of the risk were affected by the outbreak of the pandemic, which altered the macro-economic framework and the negative interest rate climate, removed from that envisaged in the Plan+ 2020.

ORGANISATIONAL MEASURES ADOPTED BY IBERCAJA TO MITIGATE THE EFFECTS OF COVID-19

Ibercaja has **endeavoured**, at all times, **to guarantee the continuity** of customer care, **protect the health of employees and customers** and decisively back individuals, companies and, in general, the most vulnerable groups.

Ibercaja has ***protected the health of employees and customers.***

Following the approval on 14 March of Royal Decree 463/2020, the Bank implemented various procedures and protocols within its continuity strategy. The bodies were activated that intervene in the Business Continuity Plan, together with the Pandemic Contingency Plan to achieve the best possible isolation of staff and preserve the Bank's critical functions.

HEALTH AND SAFETY MEASURES:

- Certification of healthcare and informative management processes.
- Creation of a database to manage and centralise information relating to the health crisis.
- Reinforcement of the medical service.
- Distribution to all employees of individual protection equipment.
- Testing for the detection of the virus.
- COVID enquiry and psychological support lines for employees.
- Care and individual monitoring of the evolution of employees affected by coronavirus.
- Disinfection of work centres in certain circumstances.

ORGANISATIONAL MEASURES:

- Implementation of teleworking for most employees at central services.
- Reduction, at the worst moments of the crisis, through rotations of 50% of the workforce of the branch network in face-to-face work and redistribution of spaces and limited capacity.
- Fitting out of the Cogullada Data Processing Centre as a centre earmarked to separate critical teams that, due to their specific operations, require additional means aside from remote working.
- Reinforcement during the State of Alarm of a team of professionals from Ibercaja Connect's telephone service, a company committed to giving support to digital banking, attending to the demand for information on the Bank and to accompanying customers in the digitalisation process. The number of calls received in 2020 exceeded 928,000, up 51% on 2019. In 2020, this *call centre* renewed the Aenor certification, in line with the UNE-EN ISO 18295 Standard, which it obtained in 2019, and it was the first centre belonging to a financial entity in Spain to achieve it.
- Launch of Ibercaja Próxima aimed at individuals. This service has the accompaniment of a digital adviser that helps the customer to perform any transaction, providing them with savings and investment advice and providing them with information on Ibercaja products, taking out the transactions in virtually all cases. The 48 digital personal banking managers provide a virtual personalised service to almost 29,000 customers.
- Admission of leave and working day reduction requests, due to COVID-19, and the adoption of flexible timetable measures, to facilitate a work-life balance.
- Suspension of all trips, displacement and face-to-face events, promoting remote meetings.
- Holding of virtual internal events that were scheduled in 2020.

REMOTE WORK AND RIGHT TO DISCONNECT:

One of the measures implemented by Ibercaja to protect the health of employees with respect to Coronavirus was to reduce physical attendance at the work place. At year-end, **65% of the central services workforce continued to work from home**. Basing itself on the evolution of the pandemic, the Continuity Committee will decide the schedule for employees to physically rejoin, complying at all times with the security measures and recommendations of the health authorities.

The remote working regulations are included in Royal Decree 28/2020, of 22 September 2020, and in the Collective Bargaining Agreement signed on 30 September 2020 (Spanish Official State Gazette of 3 December 2020), by the CECA and the trade union organisations, representing the companies included and the personnel employed, respectively. Also, the Agreement enacts the **right to digital disconnection in the workplace**. The aforementioned remote working legislation is pending implementation by Ibercaja through an agreement between trade union representatives and the Bank.

CYBERSECURITY:

The extension of tele-working at most companies has led cyber delinquents to increase their attacks. Aware of this new reality, **existing cybersecurity controls have been reinforced to detect and prevent threats** and **new training measures** and awareness raising for employees have been implemented. The recommendations published have helped to detect cyber-attacks and adequately protect sensitive information and Bank devices.

FAMILY AND COMPANY PROTECTION MEASURES

*Ibercaja has placed its **organisation at the service of the customer**, trying to be of **use** to it **and helping it to** perform all its **dealings**.*

The Bank is processing the **public moratoria** requests in the payment of lending transactions for debtors in a situation of economic vulnerability as quickly as possible. At year-end, 7.695 moratoria had been arranged under Royal Decree-Law 8/2020, of 17 March 2020, on extraordinary urgent measures to address the economic and social impact of COVID-19. With the firm will to support families affected economically by the crisis but that cannot avail themselves of the public moratoria, Ibercaja launched a **private moratoria**, encompassed within a sectoral agreement, of which 3.645 files were executed. The transfer from the public to the private moratoria was also expected, hence those that have availed themselves of the former, once the maximum period has elapsed, can access the private moratoria by complying with the requirements marked thereby.

Ibercaja actively participates in the processing of loan **transactions within the ICO Liquidity and Investment facilities,** with a public guarantee established in Royal Decree Law 8/2020, of 17 March, and in Royal Decree Law 25/2020, of 3 July, to support companies and self-employed workers affected by the economic consequences of the crisis. At year-end, 17,082 transactions were arranged for an aggregate amount of 1,830 million euros, 82% of which are earmarked to SMEs and self-employed workers.

Aimed at companies and self-employed workers, improvements have been implemented to help **extend working capital loan products** close to maturity. Faced with increased **POS requests**, due to health recommendations to avoid cash payments, instructions were handed down to advise customers on the most adequate rate and the payment of monthly instalments was excluded at establishments forced to close during the State of Alarm.

The Bank designed measures to facilitate the **payment of insurance**, offering the possibility of instalments without a surcharge on the receipts, and of establishing payment deferrals and discounts for customers experiencing economic difficulties due to the crisis. In **pension plans**, a response has been given to the legislative measures to extend the assumptions of availability of the plans: unemployment of employees and cessation of activity of self-employed workers due to COVID-19.

Related with **payment methods**, the Bank has ensured the availability of cash at ATMs and increased the contactless card limits to avoid typing the PIN. As a balance, at the end of 2020, almost 130 million purchase transactions had been performed using Ibercaja cards at company or third-party ATMs. Likewise, incentives have been provided for the use of digital channels, so that the number of transactions made through them represents 76.0% as opposed to 72.0% in December 2019. Likewise, advances on **pensions and unemployment benefits were made,** amounting to 4,056 million euros and 635 million euros, respectively.

In March, Ibercaja launched the **"Let's go is always going together" campaign** and the **"Let's go"** solidarity platform to help the most vulnerable. The campaign has the support of the Bank's shareholder Foundations, and of the different public and private institutions and entities that have collaborated with their own donations. The total amount collected totalled **almost one million euros**.

IMPACT ON THE GROUP'S ACTIVITY, RESULTS AND FINANCIAL CONDITION

The **impact of COVID-19 on the Group's** commercial activities **was limited**. Following the effects of the second quarter, the "recurring" commercial dynamism recovered in the third and fourth quarter.

*The most significant effect of the crisis on Group results was the **extraordinary provision due to credit risk amounting to 90 million euros.***

The **loan portfolio** was aimed at protecting the customers most affected by the economic consequences of the pandemic. New loan transactions totalled 6,424 million euros, 18.2% more than in 2019. Most of them, 4,273 million, were earmarked to companies and self-employed workers through ICO facilities. Meanwhile, mortgage loans amounted to 1,440 million euros.

Borrowing activities of customers performed very well. Customer deposits rose by 10.4% in the year. The rise occurred both at companies, on depositing part of their liquidity to meet the effects of the pandemic, and at homes, which increased their tendency to save out of caution. **Asset management activities**, following the shock of the market crash in March, recovered their force. The investment funds administered by Ibercaja Gestión posted positive net contributions exceeding 1,000 million euros in the year and managed assets rose by 9.1%. The market share (5.52%) reached an historical record for the Bank.

In relation with the **quality of the loan portfolio**, no signs of impairment have been noticed to date. Doubtful assets maintained their downward trend, more marked than that of the sector (-21.7% vs. -2.7%), and additions of real estate assets in the balance sheet dropped by 1.9%, although a certain slowdown in sales was observed. However, the Group performed on ongoing monitoring of the main indicators to anticipate possible negative effects.

The Group held a **sound solvency position, which was reinforced in the year**. The CET1 phased in ratio, 13.62%, presented an excess of 5.49 percentage points on the minimum requirements notified by the supervisor for 2020. Likewise, the CET1 fully loaded ratio, 12.59%, exceeded the average of the Spanish companies supervised by the ECB by over 50 basis points (12.0% at September 2020). The **available liquidity** at year-end exceeded 14,959 million euros, representing 25.6% of the balance sheet and enabling debt maturities to be easily covered. These robust levels of solvency and liquidity, a diversified business model, in which 37% of recurrent revenues comes from asset management and insurance) and a credit portfolio highly focused on mortgages to individuals, with a low relative exposure to the sectors most affected by the crisis, enabled Ibercaja to meet the change of economic cycle suffered by our country with guarantees.

The most significant impact of the crisis on the Group's results is the **extraordinary provision for credit risk** of 90 million euros to cover a shrinkage in the repayment capacity of the loans that increase the entry flow of doubtful assets. It was determined using the macroeconomic projections, mainly those published by the Bank of Spain and taking into account the type of portfolio of the Bank. This provision, tied to other extraordinary expenses aimed at improving the Bank's future profitability, took results for the year to 24 million euros, below that envisaged in the budget and Plan+ 2020.

TENDENCIES EXPECTED IN ACTIVITIES AND RESULTS

The effects of COVID-19 on activities and future returns are subject to significant **uncertainty**. There are no close precedents that may serve as a base to determine them accurately, and they are tied to the time taken to control the health situation and the effectiveness of the measures to support the economy that have been adopted until now. Hence, when authorising for issue the financial statements, it is difficult to perform a valuation or quantification of the **possible future impacts** of COVID-19 on the Group.

A gradual recovery of the most pressured earnings is expected over the coming months (fees, insurance activities, results of entities accounted for using the equity method, etc.), in line with the gradual normalisation expected of economic activities. However, it cannot be ruled out that a worsening of the macroeconomic framework leads to a fall in lending activities and higher losses due to the impairment of assets that drags down business profitability in the short term. Expenditure control, efficient management and service quality will be decisive to mitigate the adverse consequences of the pandemic.

COVID-19 MEASURES

CONTINUITY PLAN

Service maintenance

100%
OPERATIONAL BRANCHES

100%
ATMS

Human capital

65%
PEOPLE TELEWORKING IN CENTRAL SERVICES

ROTATION OF EQUIPMENT IN NETWORK DURING FIRST STATE OF ALARM

Boosting digital channels

842,486
DIGITAL USERS

76.0% vs. 72.0% in 2019
DIGITAL TRANSACTIONS

48 MANAGERS
IBERCAJA PRÓXIMA LAUNCH

Call centre reinforcement
IBERCAJA CONNECT

"Startup Mode" in app

New DIGITAL BANKING FOR BUSINESSES AND INDIVIDUALS

GLOBAL SYSTEM OF SECURITIES
Online broker

WE SUPPORT OUR CUSTOMERS

Households

Moratoriums

8,664
NO. TRANSACTIONS GRANTED

€741 million
AMOUNT GRANTED

MORTGAGE LOANS
93%

€366 million
OUTSTANDING BALANCE

MORTGAGE LOANS
€340 million

CONSUMER LOANS AND OTHER OPERATIONS
€26 million

Advance payment of pension and unemployment benefit

€4,056 million
ADVANCE PAYMENT OF PENSION

€635 million
ADVANCE PAYMENT OF PENSION AND UNEMPLOYMENT BENEFIT

Other measures

Suspension of fees for cash withdrawals at ATMs of other Spanish banks.

Splitting the bill for life insurance.

Relaxation of conditions of the Vamos Account.

Redeeming the pension plans of customers affected by COVID-19.

Strengthening relationship channels with our customers.

Companies

COVID-19 ICO Lines

17,082
NO. TRANSACTIONS GRANTED

€1,830 million
FINANCING AMOUNT
82% SMEs and self-employed

SUPPORTING SOCIETY

~ €1 million million
PRIVATE DONATION PLAN

#LET'SGO
EsIrSiempreJuntos

Data at 31 December 2020

4.5.4 Lines of the Group's Business Model

102-2, 102-4, 102-6, 102-9, 103-1, 103-2, 103-3, 417-1, FS6, FS14

*We pledge for a **model based** on **advisory services**, **quality service** and on **innovation**.*

Ibercaja pledges for a **universal banking model**, focused on the retail business and based on advisory services, service quality and innovation. It serves a **stable base of 1.8 million customers** (management units): families, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services, other complements, such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group, whose companies it owns in full.

IN IBERCAJA'S BUSINESS MODEL, THERE ARE THREE MAIN AREAS DEPENDING ON THE COMMERCIAL STRATEGY DEFINED FOR EACH TYPE OF CUSTOMER:

PRIVATE BANKING
Households
Personal banking
Private Banking

BUSINESSES AND INSTITUTIONS
Companies business
Stores
Institutions

OTHER LINES OF BUSINESS
Financial markets
Business shareholdings

RETAIL BANKING

The Bank manages ***1.7 million customers who contribute more than 80% of the retail turnover****. It concentrates 70% of credit and 85% of retail customer loans. Their high level of engagement with the Bank can be seen in the average age of 20 years, and in the average number of products or services arranged, 6.9.* ***Private banking includes the household, personal and private banking segments****.*

HOUSEHOLDS

Households **provide the largest number of customers, 1.4 million, and the highest percentages of managed funds (22%) and loan portfolios (57%)**. The management of the branch network in this segment focuses on capturing new customers and consolidating the loyalty of existing ones. The Bank carries out its mission through proposals adapted to personal needs, depending on the risk profile and available income.

Activity in the year was governed by the outbreak of the health crisis. The priority of commercial management has been to be close to the customer, to guarantee security and service continuity and to transmit the Group's social sensitivity. In particular, pensions and unemployment benefits were paid in advance and public, sectoral and in-house aid has been made available to the customers most affected by COVID-19, endeavouring the find the best solution for each customer in a situation of vulnerability. Faced with a change in habits and social conduct, the business model with the customer has been adapted, prioritising the fact that all procedures can be conducted through the Bank's digital channels.

Ibercaja boosted the asset and liability products, launched the previous year, linked to the "Banco del Vamos" advertising concept. The "Cuenta Vamos" and the mortgage offering has favoured the attraction and loyalty building of new individual customers. With regard to the loan portfolio, Ibercaja has historically specialised in **housing financing**, with an extensive range of products. 22% of new financing was allocated for this purpose, with fixed-rate mortgages being of special note. Furthermore, the arrangement of products through real estate portals rose significantly, in a decisive boost towards the digitalisation of processes. **Retail customer loans** in this segment rose by 6%, in line with the increase in the savings rates of households.

Noteworthy among the digitalisation-related projects deployed in the year were the **new digital banking products for individuals**, encompassed within the guidelines of the 2018-2020 Strategic Plan to place Ibercaja at the forefront of digital banking in Spain. The application facilitates the performance of all manner of transactions for customers in any easy intuitive manner from any device. Furthermore, the **latest version of the on-line broker** was included in all digital channels. This new functionality provides improvements to information, such as those relating to corporate finance transactions, shareholders' meetings, capital increases, dividends, etc., as well as access, not only to equity securities but also to international fixed income assets.

PERSONAL BANKING

Personal banking encompasses over 290,000 customers with a **savings balance of more than 100,000 euros or 75,000 euros outside the Home Market.** This segment contributes over 50% of the Group's retail customer loans with a *mix*, in which almost 50% relates to asset management and insurance. The customer care model for this group is based on a personal manager who proposes the best investment strategy for the customer's profile and preferences. The **451 specialised managers**, based on their knowledge of the customer, offer them investment alternatives, mainly funds, pension plans and insurance, adapted to their risk profile, objectives and experience in financial products.

In the last year, **digital personal banking** has gained ground, a new form of working, whereby the customer, through a digital banking adviser, receives, on a virtual basis, the same attention that they would receive at their branch. The current team of **48 advisers**, which provides a service to nearly 29,000 customers, will be extended insofar as the project devised in Aragón is progressively implemented in other communities.

In 2020, Ibercaja has obtained the **service excellence management certification in the Personal Banking segment**, granted by Aenor, becoming the first Spanish entity to receive it. This stamp reinforces the Bank's leadership in professional advisory services in terms of customer savings management and is accompanied by the **personal asset management advisory services certification**, also granted by Aenor, held by the Bank since 2012.

PRIVATE BANKING

Private banking is aimed at **customers or household management units with financial wealth in excess of 500,000 euros (300,000 euros in Extremadura).** The over 10,000 customers are assisted by a private banking manager who analyses their needs and provides them with the best investment alternatives and financial-tax planning. The range of financial assets available to the private banking group is very broad: securities listed on national and international markets, investment funds both from Ibercaja and external providers, SICAVs, structured deposits, etc. The average number of products contracted by each client exceeds 21, and 80% of the resources managed correspond to asset management and insurance.

The work team assigned to the private banking services is made up of **80 people**, distributed among the branches of Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, as well as the customer service offices of Huesca, Teruel and Pamplona.

In a context of economic uncertainty and great market volatility, emphasis was placed on **improving the information to help the customer to take decisions**. In this regard, we have the daily market report, the weekly analysis of the performance of different assets and the investment keys, the monthly funds, plans and markets report and the new services related with tax optimisation and inheritance planning.

Investment products with a socially responsible profile have been well received by savers. Socially responsible investment, implemented through the Ibercaja Sustainable and Solidarity and Ibercaja Megatrends funds, accumulates **contributions in the year exceeding 165 million euros**. In pension plans, Ibercaja Pensión incorporated the Sustainable Trust Plan into its catalogue, which complements the already existing Sustainable Europe and Sustainable Solidarity Pension Plans.

The **main strategic challenges and trends that will mark the activity of Retail Banking in the near future are:** to foster customer loyalty by improving the customer experience and enhancing digital channels, consolidate the progress of the personal and private banking lines, relying on personalised advice as a differentiating factor, and expand the range of investment and financing products with ESG criteria.

BUSINESSES AND INSTITUTIONS

*This area comprises more than **176,000 customers** (management units), companies, retailers, institutions and others, and contributes around **18% of retail business volume.***

COMPANIES

Within this group, **76,000 customers** form part of the **strategic business group of companies (management units)**. Microenterprises and SMEs, with a turnover of less than 50 million euros, provide more than 80% of our business volume with this segment. The companies with the highest turnover and most complex operations, numbering approximately 39,000, are served by 219 specialised managers, supported by 368 office directors. In 2020, 124 business commercial managers were appointed, a new figure whose task is to manage the Bank's relations with companies that bill less than 2 million euros.

During the Plan+ 2020, the foundations were laid to ensure that Ibercaja becomes a benchmark entity in the business world, capable of providing an agile, individual response to customer demands.

The arrangement of loans and credits aimed at financing business activities, 4,273 million euros, represents 67% of new transactions performed by the Entity in 2020. As a result of the pandemic, Ibercaja has been highly active in the marketing of **ICO Liquidity and ICO Investment lines**, executing **17,082 transactions with a volume exceeding 1,830 million euros**.

The sales offering was completed in 2020 with products such as **EasyPay**, which enables the most common payments to be comfortably financed through any channel, the **SEPA confirming** and **employment plans designed for SMEs**. We are also working on new developments: foreign currency loans and international confirming.

The **business centre of companies inaugurated in the Basque Country** was linked to those already existing in Zaragoza, Madrid (3), Barcelona, Valencia and Alicante. These centres are responsible for managing customers with a turnover of more than 6 million or 10 million euros, depending on the area of operation, and which require a greater degree of specialisation.

The **new digital business banking**, as part of the Strategic Plan's digital transformation, is a leading platform. It enables the user to browse on any device, can be customised to the customer's taste and allows all company transactions to be carried out easily and efficiently.

The **Ecosystem+ Companies initiative**, promoted by Ibercaja and its Foundation, is an innovation platform and meeting point to make economic activity more dynamic, improve competitiveness, exchange knowledge and generate business value. It has almost 4,000 members that may access programmes, reports, solutions and a wide range of business contacts. To consolidate the Entity's positioning in the area of entrepreneurs and start-ups at the beginning of 2021, **Ibercaja Start-up** will be presented, which aspires to provide a response to the training and financial needs of this group.

COMMERCIAL

The **15,000 stores**, customers of Ibercaja, generate significant business opportunities in the area of financing, insurance and collection and payment services. The range of products and services adapted to the needs of small and medium-sized businesses is very broad: daily cash management, aid for the internationalisation of the business, point-of-sale terminals with the latest technology and, for those who make their sales through online channels, virtual devices that guarantee the security of the transaction and the control of the activity through the Internet.

To encourage the attraction of new customers the Cuenta Vamos has continued to be marketed for stores. Together with the advantages of this account, a free guidance and legal assistance service was included for one year.

In 2020, Ibercaja implemented the **Retail Trade Support Plan**, aimed at helping local stores, one of the sectors most affected by the health crisis, boosting its business and facilitating the adaptation to changes in consumer habits. The Plan envisages financial solutions, management aid and free training and digital contents on matters of interest. The Bank participates in different initiatives implemented in recent months to reactivate the sector, holding, in most provinces and autonomous communities, especially in their original territories (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), alliances, agreements and sponsorship with different sectoral organisations to provide its affiliates with financial services in preferential terms.

The main strategic challenges and trends that will mark the activity of Negocios e Instituciones in the near future are: consolidate the implementation of Ibercaja within the business segment growing in market share, raise awareness of the new digital banking and its functionalities, intensify the participation of professionals and companies in the “Ecosistema+ Empresas” and “Ibercaja Emprende” initiatives, as well as offer specialised solutions for retailers, businesses and the agricultural sector.

OTHER LINES OF BUSINESS

The Group's **Financial Markets area activity** has focused on ensuring the availability of liquid funds on the balance sheet, managing portfolios of fixed-income and equity instruments, planning placements and buy-backs of securities and hedging structured and other deposits.

Ibercaja holds business holdings in various sectors: **Investment in investees** aims to support the **production fabric, preferably SMEs, in projects that contribute to creating wealth and jobs in areas in which the Bank operates**. Hence, the economic benefit that may be provided to the Bank is added to the social advantages. Ibercaja encourages investments in sustainable projects with environmental value and in those companies with high levels of corporate social responsibility.

Under the guidelines of the 2018-2020 Plan, an **active policy of disposals of non-strategic business interests has been implemented**, as well as in those consolidated projects that have reached a sufficient degree of development and autonomy. All of the foregoing, without ruling out the possibility of investing in initiatives that meet the criteria required by the Bank (profitability, sustainability and the promotion of development). In 2020, 14 divestments took place, 8 of them total and 6 partial, with a carrying amount of almost 59 million euros, which generated profits and freed the use of own funds. Investment during the year centred on business projects considered strategic and on development capital funds.

PROGRESS IN DIGITAL TRANSFORMATION AND MULTICHANNELLING

The **Digital Transformation** project, one of the main milestones of the 2018-2020 Strategic Plan, has included the **most advanced technological solutions** into the Entity's business, providing a service aligned with each client's digital capabilities and needs.

The impact of COVID-19 has put the robustness of the Bank's digital channels to the test. Digitalisation has been a fundamental tool to speedily respond to customer needs in this period. The Company's guaranteed service continuity, information management and the channelling of solidarity have been the three axes that have guided activity during the peak months of the crisis.

The Strategic Plan **comes to an end having complied with the main objectives** in the area of digital transformation, both in terms of the use of channels, and due to the level of satisfaction generated, in accordance with the latest study by Inmark 2020.

TRANSFORMATION OF THE RELATIONSHIP MODEL DUE TO COVID-19

- **Continuity of service:** expansion of the Contact Center team to guide the customer through the digitisation process.
- Launch of **Ibercaja Próxima**.
- Channelling of the company's solidarity through the donations platform for crowdfunding vulnerable groups **Vamos Challenges**.
- Communication on the Public Website of **the measures adopted by the Bank to manage COVID-19**.

RELATIONSHIP MANAGEMENT

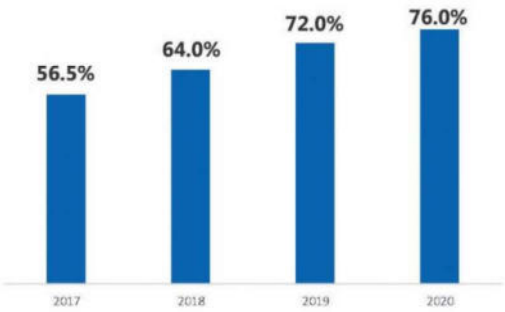
- **"My Manager":** allows individuals and companies to converse, exchange documentation and arrange appointments easily and securely, both in digital and mobile banking.
- **Digital managers:** serve digital customers who need to engage with financial experts.

DIGITAL BANKING

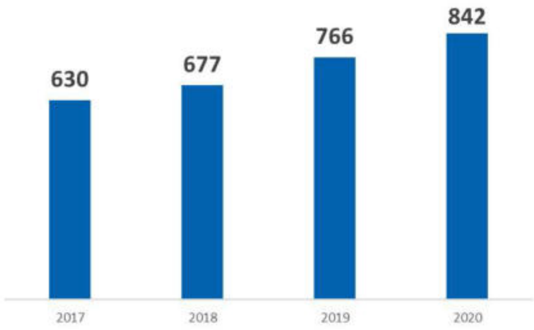
In the last three years, the Bank has renewed its main channels (Private Digital Banking, Company Digital Banking, Mobile Banking, ATMs and Public Website) and it has implemented an advanced design system to guarantee an agile uniform performance of all of them. The most relevant developments in 2020 are:

- **"Starter Mode" in the App:** facilitates accessibility to the Entity's digital assets to anyone regardless of their technical capabilities or financial knowledge.
- **Digital banking For companies and individuals.**
- **Global Securities System.**
- **"Consíguelo":** sales platform, with the possibility of financing, of non-banking products.

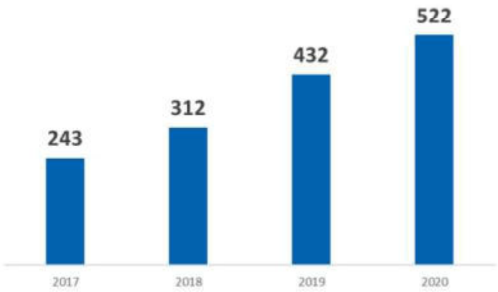
% TRANSACTIONS CARRIED OUT BY REMOTE BANKING



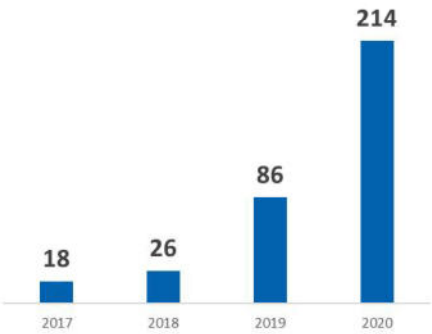
ACTIVE DIGITAL BANKING USERS PER MONTH (THOUSANDS)



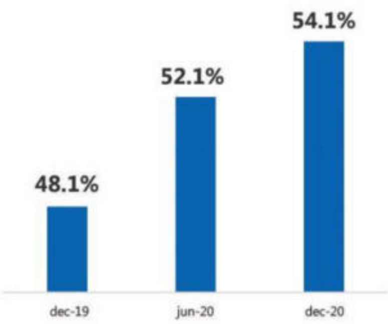
ACTIVE MOBILE BANKING USERS PER MONTH (THOUSANDS)



ACTIVE MOBILE PAYMENT USERS PER MONTH (THOUSANDS)



% DIGITAL CUSTOMERS



PROMOTION OF VIRTUAL SALES

The improvement in virtual sales processes has meant they are made through digital channels:

- 8.5% of **non-subrogated mortgage loans taken out since April**.
- 75% of **consumer loan transactions**.
- The **arrangement of non-life risk insurance.**

BUSINESS MODEL AND SUSTAINABILITY

Since it was formed 145 years ago, the Bank has maintained a **sustainability commitment**, which is reflected in the social, economic and environmental approach of its activities. The Group is aware that financial institutions have a key role in sustainable development, mobilising the necessary capital flows and integrating environmental, social and corporate governance risks and opportunities into management. This purpose was reinforced by the healthcare and economic crisis lived in the last year. In 2019, the Bank created a **cross-cutting Sustainable Finance team**, involving all business areas, to work on the **Sustainability Roadmap** and incorporate ESG aspects into its strategy, decision-making and risk management. In December 2020, the Board of Directors approved the **Group's Sustainability Policy**, including the commitment to sustainable growth and establishing the global sustainability procedural framework.

Ibercaja incorporates sustainability into its business model through different channels, including most notably:

- **Offer of financial products** that contribute to achieving sustainable development by reducing the carbon footprint and mitigating the effects of economic activity on the climate: catalog of investment funds and pension plans managed with ESG criteria, financing of renewable energy projects, financing for companies committed to sustainability and the environment, zero-emission vehicle leasing, etc.
- Environmental care in **energy and property management**: central headquarters recognised as a green building in line with ISO 14001.
- The **Organisation's commitment to the Sustainable Development Goals** of the 2030 Agenda; signing of the United Nations Principles for Responsible Banking, together with the Bank's inclusion in the New Deal for Europe "CEO's call to action" initiative and the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD).
- **Commitment to employees:** development of their capabilities, Family Responsible Company Seal, training in sustainable finance, corporate volunteering, etc.

- **Commitment to society:** our social awareness is inherent in our daily activities and in the obtaining of resources that revert to society through the creation of wealth and welfare and through the social action of the Bank's shareholder foundations

Sections 2 and 6 of this document explain in further depth and quantify the aspects related to sustainability.

FACTORS AND TRENDS THAT MAY AFFECT THE FUTURE PERFORMANCE OF THE GROUP

The tendencies for 2021 are encompassed within a context in which the health crisis has generated a profound economic recession. It is expected that in 2021, the pandemic will be controlled and that the hardest hit sectors will begin to reactivate themselves, and that a decisive fiscal policy will be essential to support the recovery and that the arrival of the NGEU European Funds will enable investments to be undertaken in the area of infrastructures, digitalisation and environment to modernise and relaunch the economy.

In the banking area, the situation of negative interest rates, which pressures income from loans, will be prolonged over time. In this scenario, **the Group's objectives and strategies focus on boosting the profitable growth of loans**, in particular, those aimed at companies, maintaining the pledge for other alternative income sources which, in turn, provide the customer with value-added products and services, such as investment funds and pension plans, accelerating the growth in risk insurance at the same time. The reduction in non-performing assets and of the risk cost, together with the surveillance of default, are priority at a time in which bad debt, contained due to the positive impact of the ICO loans and moratoria, may increase in the most punished sectors of the economy. The reduction in costs constitutes a permanent objective, given the narrowing of margins, competence between companies and a growing offer of financial services by new players.

The pandemic has accelerated changes in the manner of working and socialising. Digitalisation in all areas of business must continue to progress to boost digital proximity with the customer, to make their relationship with the Bank easier and more efficient and to foster efficiency and productivity. Lastly, it is necessary to favour the transition towards a sustainable economy by developing the guidelines expressed in the Sustainability Policy approved by the Board of Directors.

The **specific strategic challenges of each of the business areas** in the short and medium term are described above in the relevant sections.

4.5.5 Financial Group

102-5, 102-45, 103-1, 103-2, 103-3, FS6

THE GROUP IS A SOURCE OF BUSINESS DIVERSIFICATION AND GENERATION OF RECURRING REVENUES. IT PROVIDES THE BRANCH NETWORK WITH FINANCIAL PRODUCTS OF RECOGNISED PRESTIGE AND EXPERT SUPPORT TO STRENGTHEN THE COMMERCIAL RELATIONSHIP WITH CUSTOMERS.

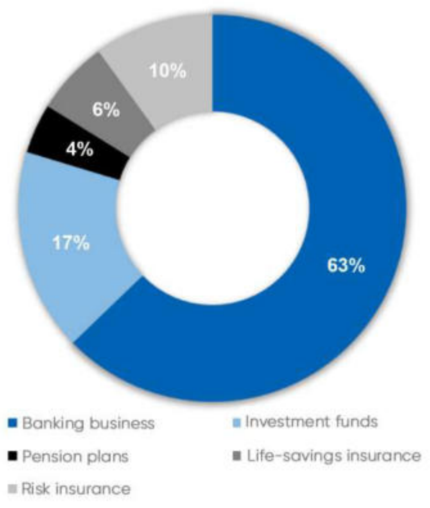
Created in 1988 and wholly owned by Ibercaja, the division is made up of **companies specialising in investment funds, savings and pension plans, bancassurance and leasing.** Its products, targeted at both individuals and businesses, are marketed and sold through the branch network and supplement the Bank's extensive range of banking services.

***Innovative capacity** and **specialised offerings** place the Financial Group in a **prominent position among Spanish financial** institutions.*

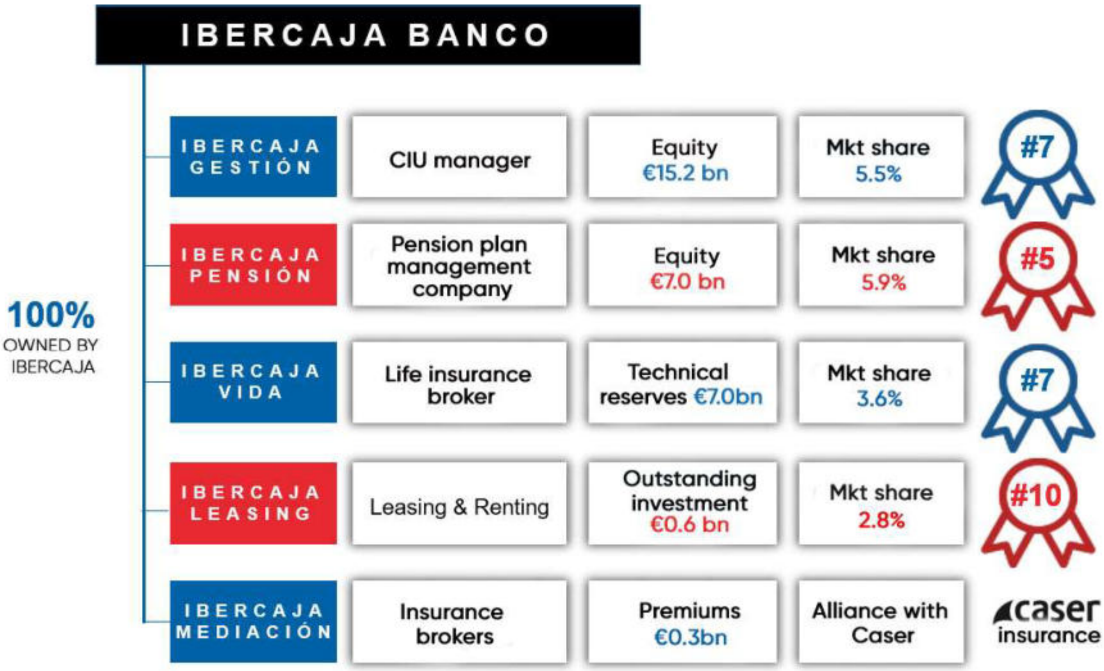
The Financial Group **has an ESG Committee**, whose objective is to promote the implementation of responsible asset management investment strategies. It also **forms part of the Sustainable Finance Team created by Ibercaja Banco** to design and implement the sustainability roadmap, facilitating the Group's adaptation to the regulatory environment, to a greater demand for sustainable products and assuming the Bank's in-house objectives and values.

CONTRIBUTION TO RECURRING REVENUES:

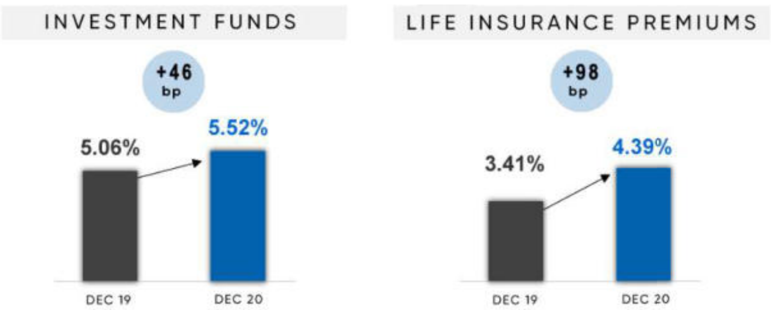
Managed assets and insurance provide **37% of the Group's recurring revenues and 45% of retail customer loans** administered by the Bank, which represents one of the most diversified savings *mixes* of the Spanish national banking sector.



THE COMPANIES THAT FORM PART OF THE FINANCIAL GROUP ARE:



DESPITE THE COMPLICATED BACKDROP, IBERCAJA GAINED MARKET SHARE IN KEY SEGMENTS:



MANAGEMENT OF COLLECTIVE INVESTMENT UNDERTAKINGS

Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's investment funds.

The **assets managed by Ibercaja Gestión** **(15,248 million euros)** were up by 9.1% vs. 0% sector. This progress, the second among the ten largest managers of our country, has been fueled by the Bank's commercial activity and the rapid recovery of fund portfolios, following the significant falls experienced on markets in March.

- **Net contributions** (1.167 million euros), are up by more than 50% on those of 2019, constituting the second leading bank with the best attraction figures in Spain in 2020.

- **Weighted average returns** were 1.80%, as compared with a sector average of 1.04%. 70% of the funds administered by Ibercaja Gestión ended the year with gains.

The **market share**, **5.52%** (source: INVERCO), reached a new record high, adding **46 basis points** since the previous December. In the past five years, the management company's market share in the investment fund industry has increased by 159 basis points. The Company consolidated its **seventh position in the sectoral ranking.**

TRENDS IN ASSETS AND MARKET SHARE IN INVESTMENT FUNDS:

Ibercaja Gestión has 100 investment funds tailored to each investor and capable of obtaining returns in any market situation. It also manages 11 SICAVs in Spain with a volume of 63 million euros and one Ibercaja Global Internacional, registered in Luxembourg, with assets of almost 40 million euros, for private banking customers.

The **commitment to socially responsible investment** is reflected in the **net inflows of more than 165 million euros** received by the Ibercaja Sostenible y Solidario and Ibercaja Megatrends funds. Aside from providing significant returns to the unitholders, it converts them into fund investors that consider social, environmental and governance criteria in the selection of assets and promote the best business practices.

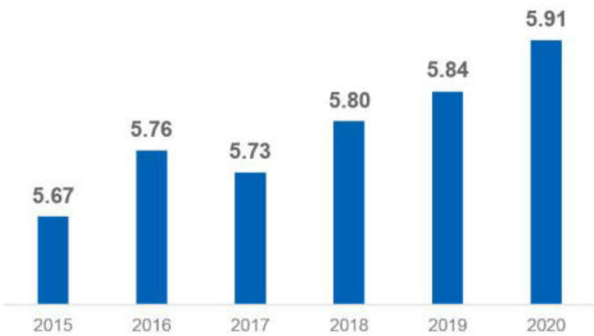
In the 2020 edition of the **Expansión-AllFunds Bank** prizes, Ibercaja Gestión was the finalist in the "Best National Manager", "Best Fixed Income Manager", "Best Asset Allocation Manager" and the "Best Equity Manager".

PENSION PLAN MANAGEMENT

Ibercaja Pensión, EGFP, S.A. is the Group company engaged in managing different kinds of pension plans. The company is a signatory of the United Nations Principles for Responsible Investment and a founding member of Spainsif, the Spanish forum for Socially Responsible Investment.

The **assets managed** at year-end, **7,010 million euros**, were 3.2% up on 2019 (sector 1.8%). The **market share** reached an all-time high of **5.91%**, after **gaining 7 basis points** during the year, and the Gestora retained its **fifth position** in the sector ranking (source: INVERCO).

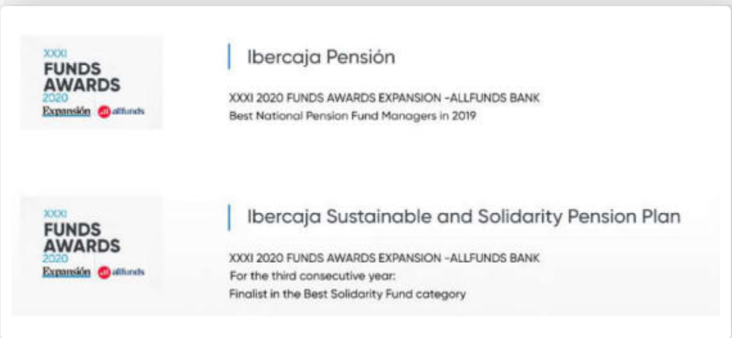
TREND IN PENSION PLAN MARKET SHARE:



Savings managed in **individual system pension plans** increased by 6.9% to 2,751 million euros, greatly above the variation experienced by the sector (+2.7%). Customer contributions totalled 176 million euros, up 10.9% on 2019, exceeding the increase of the industry as a whole, which stood at 6.8%. **Market share**, **3.35%**, advanced **13 basis points** since December 2019, moving the company up to **seventh position in the sector ranking** (source: INVERCO). The number of customers with individual plans increased by 6,361 to a total of 204,826.

Assets managed in **employment plans** amounted to 4.258 million euros, up 0.9% on 2019 (sector -0.1%). The **market share**, **11.93%**, added **11 basis points** and the Company consolidates its position in **third place** among Spanish fund managers (source: INVERCO). This system comprises 69,000 unitholders through 15 plans. Ibercaja Pensión administers two of the ten largest plans in the country.

The growing concern of the Company for a **more sustainable future** acquired special significance as a result of the pandemic. Ibercaja Pensión, committed to sustainable development, **extended the range of products of this profile, with the** inclusion of the new mixed fixed income PIP Confianza Sostenible, which accompanies the already existing PIP Europa Sostenible (equity) and PIP Sostenible y Solidario (mixed equity). **This category of plans concentrates 26% of yearly contributions and 12% of assets in individual plans**.



Ibercaja Pensión has been awarded the prize for the **best national pension fund manager** for the fourth time by **Expansión-AllFunds Bank**. Likewise, the PIP Sostenible and Solidario was chosen as finalist in the "Best Solidarity Fund" category.

INSURANCE BUSINESS

The Group's insurance business is carried on through **two companies operating in the life and non-life lines**, providing products and specialised support to Ibercaja Banco's branch network:

- **Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U.** is a life insurance company that has specialised in the bancassurance business since 1996. The Bank markets life-savings and life-risk insurance, brokeraged through Ibercaja Mediación, distributing it through the Ibercaja Banco commercial network.

- **Ibercaja Mediación de Seguros, S.A.U.** is engaged in general insurance brokerage. It markets, through the Bank's branch network, risk and retirement savings insurance for individuals and companies. The Bank has a strategic alliance with Caser in the non-life insurance area.

LIFE-SAVINGS INSURANCE

Life-savings insurance provisions, **6,863 million euros**, fell by 5.6% due to low interest rates. Systematic savings insurance, 3,417 million euros, represents 50% of the volume managed. Life and temporary annuities, which accounted for 30% of the total, amounted to 2,074 million euros. To make savings profitable in the current interest rate environment and to maintain the tax advantages associated with PIAS, at the end of 2018 PIAS LINK was launched: four investment baskets with different weights of equity. The current balance stood at 850 million euros, up 536 million euros in the year.

RISK INSURANCE

Risk insurance premiums, **276 million euros**, were similar to those of the previous year.

- **Non-life insurance premiums**, **200 million euros**, increased by 0.9% and the number of policies rose to 627,158. The boost to the activity is the outcome of the commercial effort and the alliance with Caser for distribution through the network of offices of this type of insurance. The market share in non-life insurance premiums, 0.54%, remains stable compared to 2019 (source: in-house based on data published by ICEA).

  The most significant progress by insurance type relates to death insurance (+3.0%), multi-risks (+2.2%) and health (+2.1%). In 2020, the "Car 4 Car" insurance policy began to be marketed, which replaces the insured vehicle with another of similar characteristics in the event of a total loss, and the rental insurance, aimed at protecting the interests of home owners.

  In 2020, the distribution agreement signed with Caser was novated, whereby a new business plan was set for 2020-2029.

- The **life-risk insurance premiums** dropped by 2.7% to **76 million euros**. Ibercaja Vida is the main support for this type of insurance within the "Risk Project"**.** The Group's market share in accrued premiums amounted to 2.05%. (source: in-house based on data published by ICEA).

Ibercaja Vida's effort in an exceptionally complicated year meant that the **premiums accrued in the total life insurance policies amounted to 958 million euros**. The increase (+2.1%) contrasts with the significant fall suffered by sector (-20.7%). As a result, market share rose from 3.41% in December 2019 to 4.39% today, moving up to fourth place in the sector ranking (source: ICEA).

The **solvency ratio of Ibercaja Vida** stood at **220.5%,** amply exceeding the legal limit set of 100%.

LEASING AND RENTING

Ibercaja Leasing y Financiación S.A. specialises in financing productive activities through leasing and renting. It provides the branch network with products for SMEs, professionals and individuals to finance their investments in fixed assets and access goods under operating leases.

The **outstanding risk**, **561 million**, dropped by 9.3% (sector -9.4%). **Market share**, **2.85%**, adds **1 basis point** (source: Spanish Leasing Association). The **amount of the executions** is **186 million euros** and their **share** with respect to the sector was **3.47%**. Of the global volume of new transactions, 55% were earmarked to the financing of non-industrial vehicles, 22% to industrial vehicles, 16% to machinery, 3% to IT equipment and the remainder (4%) to property, furniture and other facilities. It must be highlighted that approximately **four out of ten transactions arranged corresponded to the vehicle renting business.**

The NPL ratio of Ibercaja Leasing y Financiación S.A. of 2.65% was far lower than the average for credit institutions (6.64% in November). In turn, the coverage ratio stood at 68% of doubtful balances.

The Company's commitment to take care of the environment was revealed through the financing of solar plates, through operations involving finance leases and means of transport that encourage sustainable mobility, such as electrical and hybrid vehicles and electrical scooters. The **rental vehicle fleet** was **4,303 units**, of which more than 55% were considered to be ecological due to their low CO_2 emissions.

5 SIGNIFICANT INFORMATION OF THE IBERCAJA GROUP: KEY FIGURES

5.1 Highlights for the period at the Ibercaja Group

102-10, 103-1, 103-2

IN A CONTEXT DOMINATED BY THE COVID-19 PANDEMIC AND ITS ECONOMIC CONSEQUENCES, THE GROUP'S STRENGTH AND ITS COMMITMENT TO SOCIETY WERE BROUGHT TO LIGHT.

Ibercaja achieved a high level of commercial activity, overcoming the difficulties of the surroundings. Noteworthy is the growth in key segments for the bank's business strategy, such as investment funds and pension plans, whose market shares scale to historical highs.

- Growth in the management of assets and life insurance of 4.9%, despite the complicated market environment, tied to that of deposits (+10.4%), enables **retail customer funds** to grow by **7.9%.**

- **Net attractions in investment funds**, 1,167 million euros, increased the market share to 5.52%, up **46 basis points** on last December. Likewise, in **pension plans,** the market share, 5.91%, rose by **7 basis points.** The combined market share in asset management and life insurance was 5.0%.

- **Arrangements of loans**, **6,424 million euros**, increased notably by 18.2% on those of 2019. Those aimed at **non-real estate productive assets**, 3,762 million euros, rise by **32.0%**, in response to the lending needs of SMEs and self-employed workers. The new operations to **acquire homes** also maintain a **good rate**, with progress of **25.6%**, which has enabled the Bank to earn a market share in this segment.

- The **digitalisation strategy** has been decisive in the exceptional circumstances of the year making customer care possible without reducing service quality. Total **digital customers** grew by 10.0% in the year, to 842,486, thanks to the increase in users of the mobile App (+20.7%) and of Ibercaja Pay (+148.4%), and **76% of the transactions** are now made by digital channels, as opposed to 72% at the end of 2019. In turn, 8.5% of the mortgages signed from the second quarter and 75% of consumer loans were made on digital devices.

The generation of earnings has been conditioned by negative interest rates, the provisions to cover the potential economic impact of the pandemic on the loan portfolio and the extraordinary expenses associated with the layoff plan agreed with the trade union representatives.

- The **interest margin** was hit by the **repricing of the loan portfolio,** due to the fall in the rates curve and the **lower contribution of the debt portfolio**. Meanwhile, **fees** decreased due to the economic recession and the performance of financial markets.
- **Operating costs without extraordinary costs** fell by **5.4%,** as a result of the decline in staff costs and other general administration costs, the result of the effort being made by the Bank in the digitalisation and streamlining of processes.
- In December, Ibercaja signed a layoff plan with **workers' representatives** which could be availed of by up to a maximum of 750 people. Employee departures will be scaled until June 2022. Paid redundancies have meant an **extraordinary expense of 151 million euros**. This initiative intended to streamline overheads is encompassed within a strategic objective of improving the Group's efficiency and productivity.
- The Bank provisioned **90 million euros** in the year, due to the credit risk, aimed at covering possible economic contingencies arising from COVID-19. The **cost of the risk** reached **71 basis points** and, isolating the extraordinary write-down, it was reduced to **43 basis points**.
- Without considering the extraordinary provision for COVID-19, profit before tax amounted to 143 million euros, up 11.5% on 2019.

The reduction in non-performing assets has continued to improve the Group's risk profile which, together with the strengthening of the solvency ratios, places Ibercaja in a favourable position to successfully face the unexpected change in the economic scenario.

- **Doubtful assets** dropped by **21.7%, as opposed to 2.7% of the sector** (last information at November), with the default rate falling by 76 basis points to **3.2%**.
- The **aggregate of problem exposure, doubtful and foreclosed assets** was reduced by 286 million euros. The **problem asset rate**, **5.1%,** has fallen by 71 basis points since December last year. The **coverage ratio** of these assets, **62.2%,** rose by 10.6 percentage points due to the extraordinary provisions recognised in the year.
- The **CET1 fully loaded ratio**, 12.59%, **rose 124 basis points**, while the total capital ratio rose to 17.26% (+181 bp vs. December 2019), comfortably exceeding, in both cases, the SREP 2020 requirements.

- The Bank has attained the strategic objectives relating to solvency ratios, the reduction of NPAs and the coverage ratio of problem assets set out in the 2018-2020 Strategic Plan.

- The Group has a **sound funding structure** based on the deposits of retail customers that account for **78.4%** of external funding, so the retail loan-to-deposit (LTD) ratio is below 100%. The **Group's liquid assets** represent **25.6% of the balance sheet** and comfortably cover all wholesale debt maturities.

Key indicators

FIGURES ROUNDED TO MILLION EUROS AND %

BALANCE SHEET	31/12/2020	31/12/2019	Var. %
Total assets	58,401	55,422	5.4
Gross loans and advances to customers	31,590	32,563	(3.0)
Performing loan portfolio exc. reverse repurchase agreements	28,956	29,654	(2.4)
Total retail resources	65,411	60,643	7.9
Equity	3,218	3,241	(0.7)
Retail turnover	94,367	90,297	4.5

RESULTS	31/12/2020	31/12/2019	Var. %
Net interest income	534	547	(2.5)
Gross income	1,002	927	8.1
Income before write-offs	283	326	(13.2)
Profit/(loss) attributable to the Parent	24	84	(71.9)

EFFICIENCY AND PROFITABILITY	31/12/2020	31/12/2019	Change
Recurring cost-to-income (ordinary expenses/recurring revenues)	62.5	63.7	(1.2) pp
ROA (profit attributable to the parent company/total average assets)	0.04	0.16	(0.12) pp
RORWA (profit attributable to the parent company/APR)	0.1	0.4	(0.3) pp
ROE (profit attributable to the parent company/average own funds)	0.8	3.0	(2.2) pp
ROTE (profit attributable to the parent company/average tangible own funds)	0.9	3.2	(2.3) pp

RISK MANAGEMENT	31/12/2020	31/12/2019	Change
Non-performing balances (loans and advances to customers)	1,013	1,293	(21.7%)
Non-performance rate of loans and advances to customers (%)	3.2	4.0	(0.8) pp
Ratio of Problem assets (%)	5.1	5.8	(0.7) pp
Coverage of doubtful risks	647	644	0.5%
Nonperforming loans coverage ratio (%)	63.9	49.8	14.1 pp
Coverage of exposure to distressed assets (%)	62.2	51.6	10.6 pp

LIQUIDITY	31/12/2020	31/12/2019	Change
Liquid assets / Total assets	25.6	20.7	4.9 pp
Loan-to-deposit ratio (LtD)	81.1	92.5	(11.4) pp
LCR ratio (%)	468.1	307.1	161.0 pp
NSFR ratio (%)	151.5	131.4	20.1 pp

SOLVENCY	31/12/2020	31/12/2019	Change
CET1, phase-in (%)	13.62	12.27	1.35 pp
Solvency ratio, phase-in (%)	18.27	16.36	1.91 pp
Leverage ratio, phase-in (%)	6.26	5.85	0.41 pp
CET1 - fully loaded (%)	12.59	11.35	1.24 pp
Total capital, fully loaded (%)	17.26	15.45	1.81 pp
Leverage ratio, fully loaded (%)	5.85	5.48	0.37 pp

ADDITIONAL INFORMATION	31/12/2020	31/12/2019	Var. %
No. Group employees	5,307	5,304	0.1
No. of offices	1,031	1,084	(4.9)

5.2 Analysis of the main balance sheet figures

102-7, 103-1, 103-2

SIGNIFICANT PROGRESS OF RETAIL CUSTOMER FUNDS WHILE ASSET QUALITY INDICATORS WERE REINFORCED IN A CRISIS SCENARIO.

Key figures on the consolidated balance sheet:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Cash and credit institutions	7,884	4,573	3,311	72.4
Loans and advances to customers	30,942	31,919	(977)	(3.1)
Securities portfolio	16,465	15,787	678	4.3
Tangible assets	961	984	(23)	(2.3)
Intangible assets	237	213	25	11.5
Other assets	1,911	1,947	(36)	(1.8)
Total assets	**58,401**	**55,422**	**2,979**	**5.4**
Deposits from credit institutions and central banks	6,579	5,933	646	10.9
Customer deposits	37,881	34,925	2,957	8.5
Debt securities issued	1,341	1,480	(140)	(9.4)
Liabilities under insurance contracts	7,522	7,785	(263)	(3.4)
Provisions	393	316	77	24.5
Other liabilities	1,466	1,742	(276)	(15.8)
Total liabilities	**55,182**	**52,181**	**3,001**	**5.8**
Equity	**3,218**	**3,241**	**(23)**	**(0.7)**
Total equity and liabilities	**58,401**	**55,422**	**2,979**	**5.4**

Assets

Total assets on the consolidated balance sheet came to **58,401 million euros**, 5.4% more than at year-end 2019.

Loans and advances to customers recognised as financial assets at amortised cost and financial assets not held for trading which must be measured at fair value through profit or loss came to **30,942 million euros**, 3.1% less than at year-end 2019. In gross terms, i.e., without value adjustments for impairment of assets and other impairments, the loan portfolio amounted to 31,590 million euros. Sound investment, excluding non-performing assets and the temporary acquisition of assets, 28,956 million euros, fell by 2.4%.

The **arrangement of loans and credits** **totalled 6,424 million euros**, up 18.2% on 2019, with a clear prominence of financing for non-real estate productive activities (+32.0%), which represented 59% of the total, boosted by the granting of ICO credit facilities guaranteed by the State. Private home purchase loans totalled 22% of new production, with a rise of 25.6% in the year. In this housing segment, noteworthy was the granting of fixed-rate mortgages, which accounted for little more than 40% of the total in 2019 to 80% at present. This jump is the result of an attractive offer which has enabled 78 basis points of market share of new production to be won in 12 months. By geographical markets, the Home Markets and Madrid accounted for 37% and 30%, respectively, of lending in the year, while 18% was for the Mediterranean Basin. Additionally, **the arrangement of working capital loans** for companies generated **6,441 million euros**.

DISTRIBUTION OF LOANS AND ADVANCES TO CUSTOMERS BY PURPOSE:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Loans to households	20,383	20,524	(141)	(0.7)
Housing	18,615	18,932	(317)	(1.7)
Consumer loans and other	1,768	1,592	176	11.1
Loans to companies	7,498	7,718	(221)	(2.9)
Real estate development	941	1,058	(117)	(11.1)
Non-real estate productive activities	6,557	6,661	(104)	(1.6)
Public sector and other	1,075	1,412	(337)	(23.9)
Gross loans, ex impairments and reverse repos	**28,956**	**29,654**	**(699)**	**(2.4)**
Reverse repurchase agreement	1,621	1,616	5	0.3
Impaired assets	1,013	1,293	(280)	(21.7)
Loans and advances to customers, gross	**31,590**	**32,563**	**(974)**	**(3.0)**
Impairment losses and others	(647)	(644)	(3)	(0.5)
Loans and advances to customers	**30,942**	**31,919**	**(977)**	**(3.1)**

Performing **loans allocated to productive activities** amounted to 7,498 million euros, representing a decrease of 2.9%. Within this segment, the **funding of non-real estate productive assets** dropped by 1.6%, due to the loss, in the fourth quarter, of the initial promotion of ICO loans, and to the contraction of working capital loans and leasing, as a result of the fall in activities and of investment at a large number of companies. **Home loans** fell by 0.7%. Its main component, **home loans**, dipped by 1.7%. The significant increase in new production of 25.6% was insufficient to counteract the natural portfolio maturities. In turn, consumer and other home loans, with a limited weight with respect to total investment, rose by 11.1%, due to the effect of advance payments for pensioners, while consumer loans fell.

Asset **quality indicators performed well**. Impaired loans and advances to customers, 1,013 million euros, fell by 21.7%, due to the reduced rate of additions with respect to 2019. This contraction was considerably greater than that of the sector (-2.7% with the latest Bank of Spain information from November). The default rate, 3.2%, fell by 76 basis points on 2019 year-end. The home acquisition rate, the highest exposure within the Group's portfolio, was 2.3%, and its doubtful assets, with a lower expected loss due to the associated collateral, represented 43% of total impaired assets, as opposed to 29% in the sector. The coverage ratio of non-performing exposure rose by over 14 percentage points to 63.9%.

ASSET QUALITY INDICATORS (DOUBTFUL ASSETS, FORECLOSED ASSETS AND COVERAGE):

MILLIONS OF EUROS AND %

	31/12/2020	31/12/2019
Non-performing loans and advances to customers	1,013	1,293
Loans and advances to customers (gross)	31,590	32,563
Non-performance rate of loans and advances to customers (%)	**3.2**	**4.0**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,632	1,918
Exposure (loans and advances to customers + repossessed assets)	32,209	33,188
Problem asset ratio (%)	**5.1**	**5.8**
Non-performing loans and advances to customers	1,013	1,293
Coverage of non-performing exposures	647	644
Coverage of non-performing risks (%)	**63.9**	**49.8**
Foreclosed assets (gross carrying amount)	620	625
Coverage of foreclosed assets	367	346
Coverage ratio of foreclosed assets (%)	**59.3**	**55.4**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,632	1,918
Coverage of Problem assets	1,014	990
Coverage rate of Problem assets (%)	**62.2**	**51.6**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,632	1,918
Equity and problem asset coverage	3,875	3,812
Texas Ratio (%)	**42.1**	**50.3**

The **portfolio of foreclosed properties** recorded under the balance sheet captions “Investment property”, “Inventories” and “Non-current assets held for sale”, totals **620 million euros** gross, down 0.9% on 2019 year-end. Although additions fell (-1.9%), sales dipped due to the paralysation of the economy and the housing market. Coverage of these real estate assets was up by almost 4 percentage points to 59.3%, climbing to almost 65.8% in the case of land. The net value of foreclosed properties stood at 252 million euros, representing just 0.4% of the balance sheet.

Problem assets, amounting to **1,632 million euros**, the sum of non-performing loans and advances to customers and foreclosed properties, fell 286 million euros or 14.9% in relative terms. After deducting coverage, they account for 1.1% of assets. The ratio of problem assets, 5.1%, fell by 71 basis points and the coverage ratio amounted to 62.2%, up 10.5 percentage points on December 2019. The Texas ratio, which relates problem assets to equity and coverage, decreased to 42.1%, thus improving by 8.2 percentage points in the last 12 months.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. **Refinanced loans** amounted to **737 million euros**, down 25.5% on year-end 2019 and accounting for 2.3% of gross loans and advances to customers. 67.5% of refinanced loans are classified as non-performing and their coverage is 38.4%.

The **portfolio of fixed income securities, shares and other equity interests in Group companies** amounted to **16,465 million euros**, of which 7,556 million euros relate to the insurance activity.

The **banking activity portfolio**, 8,909 million euros, rose by 637 million euros in the year.

- The ALCO portfolio administered by the Parent, 8,439 million euros, rose by 714 million. It is made up of low-risk bonds, mainly Spanish government debt (63%) and Sareb bonds (20%), with an average duration, including coverage, of 3.9 years. The objective here is to soundly manage balance sheet interest rate risk, generate recurring earnings to strengthen interest margins and help maintain comfortable levels of liquidity. According to the accounting classification, almost 99% of these financial assets are classified at amortised cost. In 2020, the Bank sold national public debt securities, classified at amortised cost, for a nominal value of 1,382 million euros. The result obtained and booked under “Result from financial transactions” amounted to 115 million euros. This sale was made in response to the extraordinary circumstances of the COVID-19 pandemic and the unusual scale of the challenges involved.

- Equity, 430 million euros, comprised investments in unlisted companies in strategic sectors for the Bank or intended for the territorial development of the regions in which the Bank operates, together with listed shares of domestic and foreign companies. In the year, it fell by 50 million euros, mainly due to the sale of a holding in 4.45% of Caser's capital.

The **insurance activity portfolio** amounted to 7,556 million euros, with a rise of 41 million euros.

- Fixed income, 6,702 million euros, mainly formed by Spanish public debt and bank borrowings, fell by 501 million euros. These assets are mainly classified as "Financial assets at fair value through other comprehensive income".

- Equity, 855 million euros, rose by 542 million euros, owing to Ibercaja Vida's increased investment in units in investment funds that are managed jointly with liabilities under insurance contracts (unit-linked) measured at fair value.

DETAILS OF SECURITIES PORTFOLIO:

BY ACCOUNTING CLASSIFICATION	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**852**	**364**	**488**	**134.3**
Debt securities	28	79	(51)	(64.4)
Equity instruments	824	285	539	189.3
Financial assets at fair value through profit or loss	**9**	**9**	**0**	**(3.8)**
Debt securities	9	9	0	(3.8)
Financial assets at fair value through other comprehensive income	**7,023**	**8,086**	**(1,063)**	**(13.1)**
Debt securities	6,669	7,689	(1,019)	(13.3)
Equity instruments	354	398	(44)	(11.0)
Financial assets at amortised cost	**8,474**	**7,218**	**1,256**	**17.4**
Investments in joint ventures and associates	**107**	**110**	**(3)**	**(3.0)**
Total securities portfolio	**16,465**	**15,787**	**678**	**4.3**

BY ACTIVITY AREA	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Banking business	**8,909**	**8,272**	**637**	**7.7**
From which fixed income / ALCO portfolio	8,439	7,725	714	9.3
From which equity	430	480	(50)	(10.5)
Insurance business	**7,556**	**7,515**	**41**	**0.5**
From which fixed income portfolio	6,702	7,203	(501)	(7.0)
From which equity	855	312	542	173.7
Total securities portfolio	**16,465**	**15,787**	**678**	**4.3**

The **balance of assets at central banks and credit institutions and in cash**, **7,884 million euros**, increased by 3,311 million euros, and mainly concentrated in cash balances at central banks. This increase is due to the financing obtained from the ECB, after participating in the TLTRO III, and to the increased liquidity arising from the growth of retail deposits.

The **liability-side positions facing central banks and credit entities** amounted to **6,579 million euros**, 646 million euros more than in 2019. The **financing from the ECB**, 5,371 million euros, rose by 3,742 million euros, a movement that is explained by the maturity of financing relating to the TLTRO II programme (1,650 million euros) and the awarding of 5,400 million euros in the TLTRO III auction in June 2020. The deposits of credit institutions, 1,208 million euros, fell by 3,096 million euros, mainly as a result of the maturity of short-term operations on the monetary market performed in December 2019.

BREAKDOWN OF CASH AND ASSETS AT CREDIT INSTITUTIONS AND DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Cash and cash balances at central banks and other demand deposits	7,573	3,929	3,643	92.7
Credit institutions (financial assets at amortised cost)	312	644	(332)	(51.6)
Cash and credit institutions	**7,884**	**4,573**	**3,311**	**72.4**
Central bank deposits	5,371	1,629	3,742	229.7
Deposits from credit entities	1,208	4,304	(3,096)	(71.9)
Deposits from credit institutions and central banks	**6,579**	**5,933**	**646**	**10.9**

Tangible assets total led **961 million euros**, with a decrease in the year of 2.3%, largely on account of the reduction in investment property and property, plant and equipment for own use. **Intangibles assets**, **237 million euros**, comprise goodwill, other items generated from the acquisition of Caja3 and computer software. The increase of 11.5% year-on-year relates to the investment in strategic projects derived from the Plan+ 2020.

Tax assets total **1,345 million euros** and, within this heading, monetisable assets, whose recoverability does not depend on future tax earnings, amounted to 629 million euros.

Equity and liabilities

Customer deposits, **37,881 million** euros, increased by 2,957 million euros or 8.5% in relative terms. Minority deposits, demand savings and traditional time deposits without mortgage-backed bonds or repos grow by 10.4% year-on-year, amply offsetting maturity, 217 million euros of singular mortgage bonds. The uncertainty generated by the healthcare crisis and the contraction of consumption boosted family savings. In turn, taking advantage of ICO guarantee facilities, companies have stored up liquidity, to face the consequences of a halt in activity and a decline in demand. The most liquid deposits, demand accounts, rose by 4,505 million euros or 15.8%, as a result of the increased savings tendency and the transfer (in the amount of 1,112 million euros) from traditional time deposits, which fell by 26.1%, due to low profitability in line with the performance of market interest rates.

Debt securities issued, **1,341 million euros**, dropped by 140 million euros, due to the maturity of mortgage-backed bonds (87 million euros in nominal value) and securitisation liabilities (51 million euros in nominal value). In January, Ibercaja made a repo offer to holders of the subordinated debt emission performed in 2015. At the same time, it made a new emission of 500 million euros, expected to mature on 23 July 2030 at an initial cost, 2.75%, lower than that of the 2015 emission. The new bonds count as level 2 (Tier 2) capital instruments, for the purposes of shareholder equity requirements, in line with Regulation (EU) 575/2013, of 26 June 2013, on the prudential requirements of credit institutions and investment companies.

Liabilities **under insurance or reinsurance contracts**, **7,522 million euros**, fall 3.4% as a result of the negative impact of low interest rates on the performance of savings-life insurance.

Retail customer loans increased by 7.9% to **65,411 million euros**. The growth in minority deposits indicated previously was accompanied by that of safe assets under management, which accounted for 45% of the total, grew 4.9%, driven by the Bank's policy of directing savings towards products with greater expectations of returns for the customer and by the capital gains accumulated during the year.

DETAILS OF TOTAL RETAIL CUSTOMER FUNDS:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Retail deposits	36,165	32,772	3,393	10.4
Demand deposits	33,014	28,509	4,505	15.8
Term deposits (exc. mortgage-backed bonds)	3,151	4,263	(1,112)	(26.1)
Asset management and insurance	29,246	27,870	1,375	4.9
Total retail customer loans	**65,411**	**60,643**	**4,768**	**7.9**

Provisions on the liability side of the balance sheet, **393 million euros**, comprise funds for pensions and similar commitments, outstanding labour costs and other provisions. The new provisions recognised (mainly the employment cost associated with the layoff plan agreed with a majority of the workers' representatives in December), the use of balances from previous years and the reversion due to the prescription of contingencies associated with employment costs gave rise to a net variation in the balance of 77 million euros.

Equity totalled **3,218 million euros,** representing 23 million euros less than at 2019 year-end. The growth in Shareholders' equity of 22 million euros only partially offsets the reduction by 44 million euros “under” Other accumulated comprehensive income”, due to the decrease in unrealised gains tied to equity instruments and debt securities.

5.3 Income statement

103-1, 103-2

IBERCAJA EARMARKS 90 MILLION TO COVER POSSIBLE CONTINGENCIES ARISING FROM COVID-19.

Main headings of the income statement:

	ROUNDED FIGURES IN MILLIONS OF EUROS			CHANGE (%)	% ATA (*)	
	31/12/2020	31/12/2019	CHANGE		DEC-20	DEC-19
Net interest income	**534**	**547**	**(14)**	**(2.5)**	**0.96**	**1.04**
Net commissions and exchange differences	375	395	(20)	(5.0)	0.68	0.75
Gains/(losses) on financial assets and liabilities	119	7	112	-	0.21	0.01
Other operating profit/(loss)	(26)	(23)	(3)	(15.1)	(0.05)	(0.04)
Other operating income/expense	(32)	(36)	4	10.9	(0.06)	(0.07)
Dividends	5	13	(7)	(58.8)	0.01	0.02
Earnings at equity-accounted entities	1	0	0	34.3	0.00	0.00
Gross income	**1,002**	**927**	**75**	**8.1**	**1.81**	**1.76**
Operating expenses	719	600	118	19.7	1.30	1.14
. of which: recurring expenses	567	600	(33)	(5.4)	1.02	1.14
Profit before write-downs	**283**	**326**	**(43)**	**(13.2)**	**0.51**	**0.62**
Provisions, impairments and other write-offs	226	185	41	22.4	0.41	0.35
. of which: COVID-19 write-downs	90	-	90	-	0.16	-
Other gains and losses	(4)	(13)	9	69.8	(0.01)	(0.03)
Profit/(loss) before tax	**53**	**129**	**(75)**	**(58.4)**	**0.10**	**0.24**
Taxes	30	45	(15)	(33.1)	0.05	0.08
Consolidated profit/(loss) for the year	**24**	**84**	**(60)**	**(71.9)**	**0.04**	**0.16**
Profit/(loss) attributable to the Parent	**24**	**84**	**(60)**	**(71.9)**	**0.04**	**0.16**
(*) AVERAGE TOTAL ASSETS	**55,479**	**52,780**	**2,699**	**5.1**		

The **interest margin**, **534 million euros**, fell by 2.5% year-on-year, due to the fall in loan income, the lower contribution of the fixed-income portfolio and the lower contribution of the Group's insurance business. Part of these negative impacts were counteracted by the lower cost of retail and wholesale financing, the favourable conditions of the loan obtained from the ECB in response to the crisis and the saving of finance costs originated by the measures adopted by the ECB in October 2019, increasing the excess liquidity with respect to the cash ratio not penalised at negative rates.

Loan **income** dropped by 8.4%, due to the fall-off in the volume of the portfolio and the lower unitary returns. The average rate, 1.36%, shrunk by 9 basis points in a year, as a consequence of the reappreciation of the mortgage loan portfolio following the drop in the 12-month Euribor (8 bp average in the year) and the arrangement of ICO loans at reduced rates. In turn, the **retail saving cost** fell due to the lower balance and the rate of term deposits and the collection, in certain circumstances, of payable balances into company sight accounts. The **customer spread**, 1.37%, fell by 6 basis points in the year.

The **return on the fixed-income portfolio**, **57 million euros**, represents 8.9% of total finance income. The y-o-y decrease of 18% is due to the rate reduction (0.66% vs. 0.97% in 2019), due to the portfolio rotation offset partially by the higher average balance.

The **cost of wholesale issues** **53 million euros**, fell by 20.0% as a result of the repurchase and repayment of wholesale subordinated debt issued in 2015 and the subsequent issue of 500 million euros at a lower rate, together with the maturity of unrenewed mortgage-backed bonds.

The **spread on the Group's balance sheet was** **0.96%**, representing 8 basis points below that recognised in 2019.

BREAKDOWN OF INTEREST MARGIN:

	YEAR 2020			YEAR 2019			CHANGE 20/19		
(FIGURES ROUNDED TO MILLIONS OF EUROS)	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	EFFECT VOLUME	EFFECT RATE	CHANGE NET
Financial intermediaries	6,234	38	0.60	3,868	14	0.36	9	15	24
Loans and advances to customers (a)	29,400	399	1.36	29,919	435	1.45	(8)	(28)	(36)
Fixed income portfolio	8,526	57	0.66	7,115	69	0.97	14	(26)	(12)
Income from insurance activity	7,634	138	1.81	7,511	145	1.92	2	(9)	(7)
Other assets	3,685	1	---	4,367	1	---	0	0	0
ASSETS (c)	**55,479**	**633**	**1.14**	**52,780**	**664**	**1.26**	**34**	**(65)**	**(31)**
Financial intermediaries	5,085	13	0.26	4,211	10	0.24	2	1	3
Retail deposits (b)	34,333	(3)	(0,01)	31,688	5	0.02	0	(8)	(8)
Wholesale issues	3,254	53	1.61	3,877	66	1.69	(10)	(3)	(13)
Costs of insurance activity	7,632	32	0.41	7,765	32	0.41	0	0	0
Other liabilities	5,175	4	---	5,239	4	---	0	0	1
LIABILITIES (d)	**55,479**	**99**	**0.18**	**52,780**	**116**	**0.22**	**6**	**(23)**	**(17)**
Customer spread (a-b)			**1.37**			**1.43**			
Balance sheet spread (c-d)			**0.96**			**1.04**			

Note: In accordance with accounting standards, income from application of negative interest rates is recognised by nature. "Financial intermediaries" on the assets side includes the negative interest on the financial intermediaries' balances on the liabilities side, the most significant of which is the income from TLTRO II. Symmetrically, "Financial intermediaries" on the liabilities side includes negative interest on the balances of financial intermediaries on the assets side.

The **net fees and exchange differences** total **375 million euros**, down 5.0% on 2019. Those arising from the marketing and management of assets fell by 5.3%, due to the reduction of contingent fees due to market performance. Fees arising from banking activities decreased by 4.7%, directly affected mainly by the decline in payment methods on reducing store activity, ATM transactions and card payments in foreign currency as a result of the health crisis.

BREAKDOWN OF NET FEES:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Fees for contingent liabilities and commitments	12	14	(2)	(12.7)
Collection and payment services fees	113	118	(5)	(3.8)
Securities services fees	39	62	(23)	(36.6)
Non-bank financial product marketing fees	207	195	11	5.7
Other fees	20	24	(4)	(16.1)
Fees received	**391**	**412**	**(22)**	**(5.2)**
Fees paid	**17**	**19**	**(2)**	**(10.7)**
Exchange differences	**1**	**1**	**0**	**(22.7)**
Net fees and commissions and exchange differences	**375**	**395**	**(20)**	**(5.0)**
Fees for marketing and asset management	230	243	(13)	(5.3)
Banking fees and commissions	145	152	(7)	(4.7)

Recurring revenues, the aggregation of interest margins and net fees, **909 million euros**, dipped by 3.5%, affected basically by the fluctuations in the rates curve, lower fees tied to market performance and the repercussion on commercial transactions of the reduced economic activities as a result of the pandemic.

Dividend income amounted to **5 million euros**. The drop of 7 million euros in the year is due to the absence of that arising from Caser, following the partial sale of the holding.

Gains **from lending transactions** stood at **119 million euros**. This heading basically includes the gains arising from the sale of a Spanish public debt securities portfolio (115 million euros) and the positive impact of the disposal of a written-off loans portfolio (3 million euros).

The **net amount of other operating income and expenses** reduced the gross margin by **32 million euros**, down 4 million on 2019. This heading includes, among others, income and expenses covered by insurance or reinsurance contracts, income and expenses from non-financial activities and contributions to the Deposit Guarantee Fund (53.3 million euros), the National Resolution Fund (11.1 million euros) and the expense of the provision to convert deferred tax assets into an account receivable from the Spanish tax authorities (3.4 million euros). It also includes the initial recognition of 15 million euros, as part of the 70 million euros already received by Ibercaja Mediación, for the signing of the novation agreement modifying Caser's non-life insurance distribution contract.

After adding the share of profit or loss at entities accounted for using the equity method, the **gross margin** totalled **1,002 million euros**, up 8.1% on 2019.

Operating costs, **719 million euros**, rose by 19.7% in the year, due to the expenses incurred from the lay-off plan agreed upon with trade union representatives in December. Excluding this impact, the drop would be 5.4%, in line with the strategic objective of cost containment and improved efficiency. Staff costs without extraordinary expenses fell by 2.6%, while all other general administrative expenses and amortisation dropped by 9.7%, mainly due to the maintenance saving and the lease of buildings, communications and displacements, advertising and publicity, and the amortisation charges following the modification of the software's useful life.

BREAKDOWN OF OPERATING EXPENSES:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Wages and salaries	264	270	(6)	(2.3)
Social security contributions	69	71	(2)	(3.3)
Contribution to pension funds and insurance policies	18	17	0	2.6
Severance payments	151	-	-	-
Other staff costs	1	3	(1)	(53.2)
Personnel expenses	**503**	**361**	**142**	**39.2**
Buildings, installations and office equipment	26	31	(4)	(13.9)
Systems maintenance, licences, IT development and software	22	22	0	2.1
Communications	11	12	(1)	(10.2)
Advertising and publicity	5	6	(1)	(22.9)
Charges and taxes	20	20	0	2.3
Other management and administration expenses	68	81	(13)	(15.8)
Other general administrative expenses	**153**	**172**	**(19)**	**(11,0)**
Depreciation and amortisation	**63**	**67**	**(4)**	**(6.4)**
Operating expenses	**719**	**600**	**118**	**19.7**
Operating expenses without workforce adjustment costs	**567**	**600**	**(33)**	**(5.4)**
Staff costs ex WAP costs	352	361	(9)	(2.6)
Other general administrative expenses + amortisation	216	239	(23)	(9.7)

The **cost-to-income ratio**, defined as the quotient of recurring operating expenses and gross income, stood at **56.6%**. The **recurring cost-to-income ratio**, measured as recurring expenses over recurring revenues, **62.5%**, improved by 125 basis points from one year earlier.

Recurring income before write-downs, defined as the net interest margin and fees less operating expenses, came to **341 million euros**, a very similar level to one year earlier (-0.2%).

All provisions and write-downs recognised in impairment losses on financial assets, non-financial assets, non-current assets on sale and period provisions, 226 million euros, totalled 22.4% more than in December 2019. The **write-downs of loans and foreclosed properties**, **233 million euros**, rose by 99 million euros on 2019, on recognising a provision for credit risk of 90 million euros, aimed to cover the potential impact of the economic effects associated with COVID-19. The **cost of the Group's risk**, calculated as the percentage of impairments on loans and real estate in relation to average exposure, is **71 basis points**. Excluding the extraordinary provision, it would be reduced by **43 basis points**, slightly up on 2019 (40 basis points), although to a level in line with the new economic framework.

Under **"Provisions",** which includes provisions for pensions, litigation, pending tax disputes, commitments and guarantees granted and other provisions, **a release of 14 million euros** was recognised. It essentially relates to the net result of a contingency provision related with land clauses, the reversal of provisions recognised in 2019 associated with the repurchases of subordinated bonds and the prescription of a contingency tied to employment costs.

"Other gains and losses" include the results of the sale of property, plant and equipment and business interests, as well as the payment of fees for the marketing of foreclosed properties. Under this heading, earnings fell by **4 million euros**, compared to 13 million euros last year, mainly due to the improved earnings on the sale of property for own use and the reduction of the fees paid for the marketing of real estate assets.

The Group's **profit before tax amounted to** **53 million euros**. After deducting the corporate income tax expense, **the net profit attributable to the Parent** was **24 million euros**.

5.4 Funding and liquidity structure

THE GROUP'S COMFORTABLE LIQUIDITY POSITION IMPROVED DURING THE CURRENT CRISIS SITUATION.

*Ibercaja stands out due to its **diversified**, **prudent** and **balanced** liquidity management.*

Ibercaja has traditionally employed a **conservative liquidity policy**, as it seeks to finance the growth of its lending activity with retail customer funds. The Bank prudently manages its liquidity and ensures that its sources of financing are balanced and well-diversified, anticipating fund needs so as to honour its obligations as these fall due without conditioning its investment activity to the climate of wholesale financing markets.

The basic principles governing its **strategy** are: active management through a **continuous control system** based on internal limits and indicators documented in the Liquidity Manual, establishment of **measures and actions in crisis scenarios** (Contingency Plan), taking advantage of the different **alternatives offered by the market** to diversify the investment both in terms and in instruments of maximum liquidity, and maintaining a significant **buffer of collateral at the ECB** to face possible tensions.

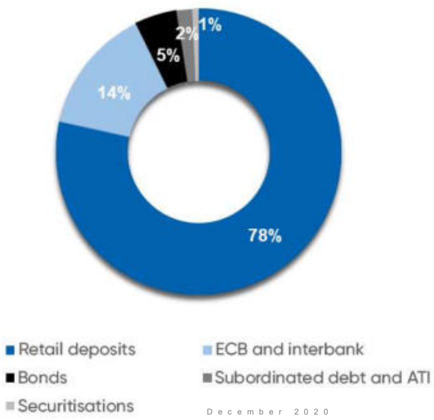
Liquidity risk is measured by taking into account the **estimated cash flows from assets and liabilities,** as well as any **additional collateral or instruments** that may be needed to ensure alternative sources of liquidity. **Short, medium and long-term outlooks** are prepared in order to gauge financing needs and comply with limits. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown in the balance sheet, as well as contingent liabilities and derivative products. Liquidity risk is also controlled by establishing **exposure limits**, within ranges that are compatible with the approved policies.

Note 3.8. to the 2020 financial statements provides a more detailed explanation of the Bank's strategy and policies to manage liquidity risk, as well as the associated measurement and control procedures.

BREAKDOWN OF FINANCING STRUCTURE:

Retail customer deposits are the **main source of external funding, accounting for 78.4% of the total**. The loan to deposit ratio (LTD) stands at 81.1%. In 2020, it dropped by more than 11 percentage points, as a result of the rise in deposits of 10.4%, due to an increased savings tendency since the start of the crisis.

Wholesale financing complements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.



Deposits from central banks, **5,371 million euros**, rose by 3,742 million euros. In June, the outstanding amount of the TLTRO II matured and 5,400 million euros were taken in the TLTRO III auction, long-term financing established by the ECB to maintain favourable bank loan conditions and a fluid transmission of monetary policy. Hence, its weight in the whole of external funding rose from 3.8% in December 2019 to 11.70% at 2020 year-end.

Deposits from credit institutions, **1,208 million euros**, represent 2.6% of external financing, as compared with 10.1% at the end of 2019. The decrease, of 3,096 million euros, was due to the maturity of short-term transactions on the monetary market performed in December 2019.

Customer deposits, which account for 82.2% of total financing (81.9% in 2019), rose 8.5% from 34,925 million euros in December 2019 to **37,881 million euros** at 2020 year-end. The growth in retail deposits, 10.4% y-o-y, offset the maturity of single mortgage-backed bonds (217 million euros in nominal terms).

Debt securities issued, **1,341 million euros**, fell 9.4%, representing 2.9% of external financing (3.5% in 2019). The reduction relates to the maturity of mortgage-backed bonds (87 million euros) and securitisation liabilities (51 million euros). In 2020, a new subordinated debt emission was carried out for a nominal amount of 500 million euros, to refinance the issue made for the same amount in 2015, from which 359.60 million euros were repurchased over the first semester of 2020 and the rest was repaid in July.

COMPOSITION OF EXTERNAL FUNDING:

ROUNDED FIGURES IN MILLIONS OF EUROS Y %.	31/12/2020		31/12/2019		Change	
	BALANCE	%	BALANCE	%	BALANCE	%
Central bank deposits	5,371	11.7	1,629	3.8	3,742	229.7
Deposits from credit institutions	1,208	2.6	4,304	10.1	(3,096)	(71.9)
Customer deposits	37,881	82.2	34,925	81.9	2,957	8.5
Of which: retail deposits	36,165	78.4	32,772	76.8	3,393	10.4
Debt securities issued	1,341	2.9	1,480	3.5	(140)	(9.4)
AT1 issue	300	0.7	317	0.7	(17)	(5.4)
Outside Funding	**46,101**	**100,0**	**42,656**	**100.0**	**3,446**	**8.1**
Retail financing	36,165	78.4	32,772	76.8	3,393	10.4
Wholesale financing	9,936	21.6	9,883	23.2	53	0.5

Available liquidity, **14,959 million euros**, increased by 3,492 million euros to account for 25.6% of assets. Virtually all of these assets are eligible as collateral with the ECB. Meanwhile, the Bank's capacity to issue mortgage-backed bonds and public sector-backed bonds was 8,380 million euros, **bringing total fund availability** to **23,339 million euros**.

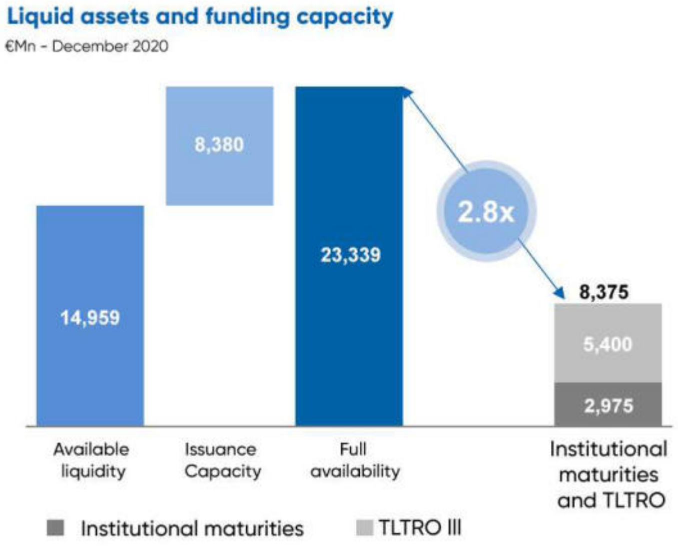
The **LCR**, which measures the level of high quality liquid assets free from charges to overcome a 30-day liquidity stress scenario, stood at **468.1%,** extremely above the 100% threshold demanded by the regulations and 161 percentage points above the 2019 year-end figure. In turn, the **NSFR** ratio stood at **151.5%,** above the regulatory minimum of 100% required from June 2021. This indicator expresses the proportion of financing at one year covered with stable liabilities and intends to ensure a balanced structure of the balance sheet, limiting the excessive dependency on short-term wholesaler financing.

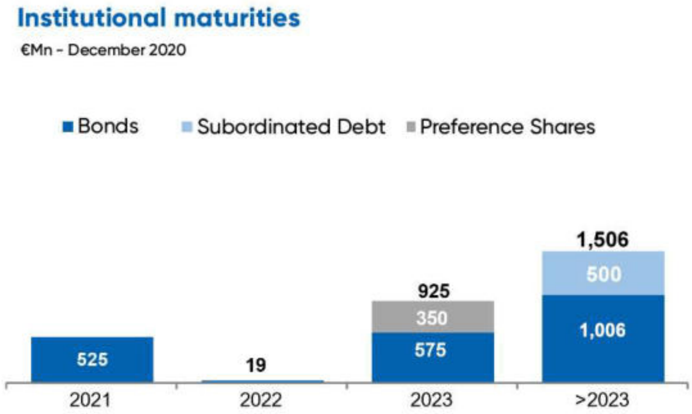
LIQUIDITY INDICATORS:

ROUNDED FIGURES IN MILLIONS OF EUROS Y %.	31/12/2020	31/12/2019
Cash and central banks	7,320	3,671
Available in policy	892	4,983
Eligible off-policy assets	6,421	2,432
Other assets not eligible for ECB	327	381
Available liquidity	**14,959**	**11,468**
Issuance capacity for mortgage covered and public sector mortgage-backed bonds	8,380	7,307
Total availability of liquidity	**23,339**	**18,775**
Available liquidity / total assets (%)	25.6	20.7
Loan-to-deposit ratio (%)	81.1	92.5
LCR (%)	468.1	307.1
NSFR (%)	151.5	131.4

The amount of the ECB policy available is 892 million euros, following the drawdown of 5,400 million TLTROs III in the June auction. Almost all of the Bank's other eligible assets not pledged under ECB facilities are Spanish public debt and would allow the Bank to obtain further liquidity immediately if needed.

The **maturities of wholesale market issuances** present a staggered redemption schedule through to 2027. The total liquidity available, 23,339 million euros, covers 2.8 times the debt maturities and the amount taken in the TLTROs III auction.





EXPECTED TENDENCIES AND FLUCTUATION WITH RESPECT TO LIQUIDITY:

Following the impact of the coronavirus crisis, the tension caused on markets at the outset was normalised as a result of the measures adopted by the Central Banks. The ECB made extraordinary liquidity facilities available to banks, together with other support, such as the possibility of operating by relaxing regulatory limits. Also, the retail customer deposit base was increased alongside the reduction in consumption and the increase in the savings tendency. In this scenario, **the Group has adequate short- and medium-term liquidity levels, in line both with the internal management and regulatory limits**. Likewise, it is necessary to take into account the high weight of retail financing, the scant significance of wholesale emissions and their staggered maturity. However, if, due to the uncertainties arising from the Coronavirus crisis, liquidity tensions rise or the loan market contracts, which affects liquidity and the deposit base, the Group, aside from its current comfortable liquidity position, has various financing sources (issuance of senior debt and mortgage-backed bonds, and the recourse to ECB financing through the pledge of fixed income, own issues and asset securitisation) and, where appropriate, it would implement the specific Contingency Plan established for crisis situations.

5.5 Capital management

SOLVENCY RATIOS FAR EXCEED REGULATORY REQUIREMENTS.

> *Ibercaja seeks to maintain an adequate relationship between **risk profile** and **own funds.***

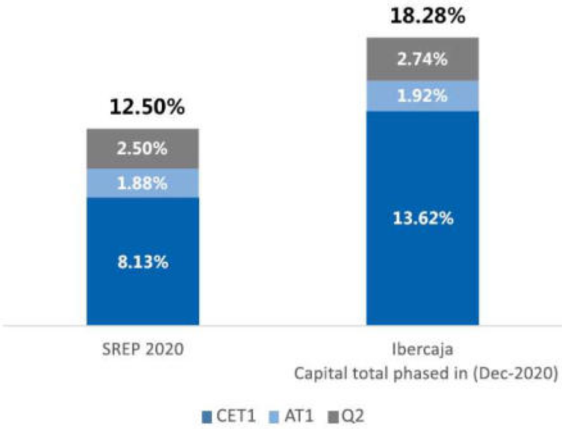
The **Group's capital management** is designed to ensure **that regulatory requirements are fulfilled at all times and to maintain an adequate relationship between the risk profile and own funds**. Capital adequacy is self-assessed by the Bank on a regular basis through processes to identify, measure and aggregate risks in order to determine the capital needed to cover them. Above and beyond minimum regulatory capital requirements, the Group sets itself a capital target that exceeds actual needs and it forecasts capital sources and consumption on the basis of business performance and expected results in the mid term.

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, Ibercaja Banco will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11/2015 of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity.

The ECB has temporarily relaxed the capital and operating requirements of the credit entities in response to the situation caused by the pandemic. In this regard, the banks can partially use capital instruments not classified as ordinary level 1 capital (CET1) to comply with Pillar 2 requirements (P2R). In this regard, a measure was brought forward that was initially envisaged to enter into force in January 2021, as part of the latest review of the Capital Requirement Directive (CRD V). On 8 April, the ECB notified Ibercaja of its decision to modify the prudential requirements established as part of the Supervisory Review and Evaluation Process (SREP) of 25 November 2019.

On the basis of the foregoing, the Bank must maintain a **Common Equity Tier 1 (CET1) ratio** of **8.125%** and a **total capital ratio** of. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

CAPITAL BUFFERS



The new Bank Recovery and Resolution Directive (BRRD2), which entered into force in December 2020, establishes 1 January 2024 as the date to comply with the **MREL requirements** and with an intermediate requirement that must be met on 1 January 2022. Both must be expressed as a percentage of the assets weighted by risk and of the exposure to the leverage ratio. **From 1 January 2024**, the Group must have a percentage of shareholders' equity and admissible assets of **18.42% of RWAs (20.93% including the combined capital buffer requirement)**. The requirement **in terms of leverage ratio was 5.24%**. The intermediate requirement at 1 January 2022 is 15.38% with respect to RWAs (17.88% including the combined capital buffer requirement) and 5.24% in terms of leverage ratio. The MREL ratio of the Ibercaja Group at 2020 year-end amounted to **18.27%** of the risk-weighted assets and to **7.36%** of the exposure to the leverage ratio, **levels among those demanded for 2022**. The requirements established for 1 January 2024 are aligned with the Bank's financing and capital plan.

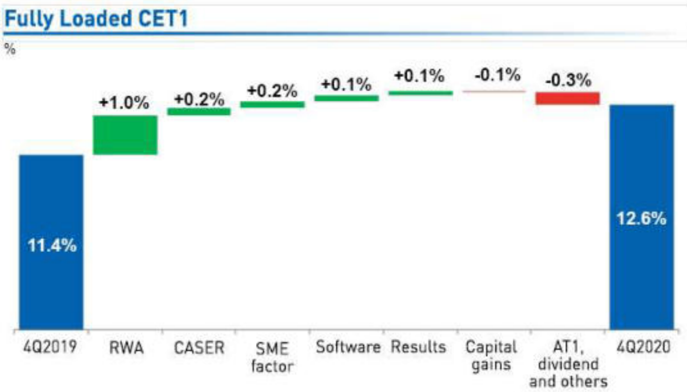
Total eligible own funds came to 3,335 million euros and represent a **solvency ratio** of **18.27%,** with an increase of 191 basis points in the year. The **CET1 phased in ratio**, which measures the relationship between Tier 1 capital and risk-weighted assets, was **13.62%,** increasing 135 basis points in the year. These capital levels imply, based on the SREP requirements communicated by the Supervisor, an excess of CET1 and total Capital of 5.49 and 5.77 percentage points, respectively.

SOLVENCY PERFORMANCE AND KEY INDICES:

(MILLIONS OF EUROS AND %)	PHASED IN		FULLY LOADED	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Tier 1 capital	2,835	2,848	2,640	2,656
Common Equity Tier 1	2,485	2,498	2,290	2,306
Additional Tier 1 capital	350	350	350	350
Tier 2 capital	500	483	500	483
Eligible own funds	3,335	3,331	3,140	3,138
Risk-weighted assets	18,248	20,363	18,191	20,312
RWA density (RWAs/total assets)	31.25	36.74	---	---
CET1 (%)	**13.62**	**12.27**	**12.59**	**11.35**
AT1 (%)	**1.92**	**1.72**	**1.92**	**1.72**
Tier I (%)	**15.53**	**13.99**	**14.51**	**13,07**
Tier II (%)	**2.74**	**2.37**	**2.75**	**2.38**
Solvency ratio (%)	**18.27**	**16.36**	**17.26**	**15.45**
Leverage ratio (%)	**6.26**	**5.85**	**5.85**	**5.48**
Ratio MREL to RWAs (%)	**18.27**			
Ratio MREL to LRE (%)	**7.36**			

In fully loaded, the total capital ratio **amounts to** 181 basis points up to **17.26%,** while the **CET1** amounts to **12.59%,** which represents a growth of 124 basis points in the year. This increase in the CET1 ratio is explained mainly by the fall in weighted risk assets, caused by the changes in credit and the financing backed by the State, the sale of the holding in Caser, the application of the new regulations on the capital weighting of the loans earmarked to SMEs, the entry into force of the prudential treatment of software and the organic generation of capital via results.

BREAKDOWN OF THE CET1 FULLY LOADED RATIO



EL BANCO DEL Vamos

The **fully loaded leverage ratio**, **5.85%**, is well above the benchmark requirements. In 2020, in line with the *Quick Fix* regulations, the exemption is applied to calculate the exposure of deposits at central banks.

In accordance with the definition of distributable items in the CRR regulations, the balance of these items at Ibercaja Banco individually, at 31 December 2020, amounted to **324 million euros**.

6 COMMITMENT TO SUSTAINABILITY: PROGRESS IN ITS MANAGEMENT

6.1 Sustainability strategy

102-12, 102-15, 102-16, 102-19, 102-20, 102-21, 102-26, 102-28, 102-30, 102-31, 102-32, 102-43, 102-44, 103-1, 103-2, 103-3

THE CHALLENGE THAT IBERCAJA HAS TAKEN ON IS TO ENSURE THAT THE BUSINESS OBJECTIVES PROMOTE SUSTAINABLE DEVELOPMENT, PRESERVING NATURAL RESOURCES AND PROMOTING A MORE JUST AND INCLUSIVE SOCIETY.

In recent years there has been an unprecedented institutional, social and business mobilisation to respond to the major sustainability challenges: environmental, social and good governance (ESG).

The global adoption in 2015 of the **Paris Agreement on Climate Change** and the UN **Sustainable Development Goals** aims to move towards a more sustainable economy, which improves the future of our planet and of future generations. To support these goals, the European Union, through the **European Green Deal**, sets the goal of making Europe the first carbon-neutral continent by 2050 and expects the financial sector to play an active and relevant role in this transition, as established in the **Action Plan for Financing Sustainable Growth**.

Ibercaja is aware of the ***challenge*** *of* ***sustainability****:*
"Consider environmental impact (including climate and biodiversity), social, human and economic impact in business decisions to achieve long-term sustainable value creation."

Since the start, Ibercaja has been an entity with a clear social commitment to the development of its activity, focused on supporting the country, the business fabric and the most vulnerable groups. Along these lines, it continues moving forward to respond to the growing sustainability-related needs.

Corporate purpose
"Help people build their life story because it will be our story"

In the course of its financial activity, Ibercaja considers that its actions should promote a balance between economic growth, social cohesion and the preservation of the environment, in accordance with its **corporate purpose**: "*To help people build the story of their lives*". For this reason, Ibercaja is firmly committed to the Sustainable Development Goals of the 2030 Agenda, and it is a signatory of the **United Nations Principles for Responsible Banking** to advance in the setting up of a sustainable banking system.

The **challenge** that Ibercaja has taken on is to ensure that the business objectives promote sustainable development, preserving natural resources and promoting a more just and inclusive society. To do this, it is progressing with the integration of ESG (environmental, social and good governance) aspects in the strategy and in decision-making.

IBERCAJA'S SUSTAINABILITY STRATEGY IS BASED ON FIVE PILLARS:

1. **ESG RISKS:** identification and management for their gradual integration into the Entity's global risk analysis.
2. **SUSTAINABLE BUSINESS:** analyzing needs and identifying opportunities for business development to accompany clients in the transition to a sustainable economy, including climate change.
3. **PEOPLE:** comprehensive development of employees, providing them with the necessary training for the new context, and promoting a balance of work, personal and family life.
4. **TRANSPARENCY** for all its stakeholders, promoting communication of both financial and non-financial aspects of the business.
5. **PROTECTION OF THE ENVIRONMENT** and its resources, mitigating climate change and favouring the development of a more inclusive and egalitarian **society**.

On 11 December, the Board of Directors approved the **Sustainability Policy**, as a declaration of its firm desire to contribute to the development of a more sustainable economy and financial activity, aligned with the principles, guidelines and current regulations on the matter. This policy demonstrates and formalises the Group's **commitment** to sustainable development and value creation through its activity. Furthermore, it establishes the global **action framework** for the Group in matters of **sustainability**, containing the commitments voluntarily assumed by Ibercaja with its stakeholders to promote long-term sustainable, inclusive and environmentally-friendly growth.

Principles of sustainability

SUSTAINABLE DEVELOPMENT IS BASED ON CERTAIN **PRINCIPLES OF ACTION** THAT COVER ANY TYPE OF ACTIVITY OR DECISION TO BE ADDRESSED:

- Maximum respect for and promotion of **ethics and good governance**.
- Promotion of the **Sustainable Development Goals of the 2030 Agenda**, promoting the goals they pursue through its business activity.
- **Defence of human rights** in line with the UN Global Compact.
- Promotion of the **personal and professional development** of employees.
- Prudent and global management of all **financial and non-financial risks**.
- Defence of **transparency**, promoting clear, complete and truthful communication.
- Contribution to **social integration**.
- **Defence of the environment**, contributing to the decarbonisation of the economy and promoting sustainable activities, aligned with the objectives of the Paris Agreement and the European Green Deal.

IBERCAJA HAS CREATED A GOVERNANCE STRUCTURE ENABLING IT TO ADEQUATELY MANAGE SUSTAINABILITY

Additionally, the following **Committees and Working Groups have been set up**:

- **The Sustainability Communication Working Group**, with a cross-cutting function, aims to define messages and plan contents and channels to achieve a greater scope and effectiveness of said communication.
- **Environment Team**, comprising volunteer employees from various areas and departments, who are asked to come up with actions for raising awareness and promoting the best environmental practices across the Group.
- **Family Responsible Company Committee**, responsible for implementing the frc plan to ensure a healthy balance between the personal, family and working lives of employees. Ibercaja has earned the FRC (Family Responsible Company) badge, which certifies its proactive commitment to ensuring a suitable work-life balance.

Ibercaja is also a signatory of the **UN Principles of Responsible Banking**, as a framework for action of a financial system that acts as a lever for sustainable development.

THE PRINCIPLES TO WHICH WE ARE COMMITTED ARE:

1. **Alignment** of our commercial strategy with SDGs.
2. **Impact:** increase our positive impacts and reduce negative impacts; manage ESG risks.
3. **Customers:** acting responsibly and promoting sustainable practices and activities.
4. **Stakeholders:** active listening, participation and collaboration with stakeholders to achieve ESG objectives.
5. **Corporate governance and goal setting:** effective corporate governance and responsible banking culture; ambitious targets for our impacts.
6. **Transparency and Accountability:** Review our implementation of the Principles and be transparent in reporting on our positive and negative impacts and our contribution to society.

The Bank also forms part of the UNEP-FI **United Nations Environment Programme Finance Initiative**, which seeks to mobilise private sector financing for sustainable development by fostering a financial sector that generates positive impacts for people and the planet.

Ibercaja's objective with such initiatives is that they serve as a lever to continue improving our impact on the environment and our contribution to society.

In 2019, Ibercaja abided by the recommendations of the **Task Force on Climate Related Financial Disclosures (TCFD)**, as a guide for the preparation of climate-related information.

There is a growing demand from organisations to understand, in order to properly assess and report on climate-related risks. Therefore, the Financial Stability Board promoted these recommendations with the aim of publishing consistent, reliable, comparable and clear climate-related financial information that will enable investors to take into account climate-related risks and help adapt to climate change. Hence, Ibercaja will progress in this area by providing information in the four areas recommended by the TCFD.

Other sustainability commitments

IBERCAJA HAS ADHERED, AMONG OTHERS, TO THE FOLLOWING INITIATIVES REFLECTING ITS COMMITMENT TO SUSTAINABILITY:

- Since 2005, Ibercaja has prepared its Annual Report in line with the GRI **(Global Reporting Initiative)** standards, providing true information on financial and non-financial aspects.
- Ibercaja Banco has been a signatory of the **United Nations Global Compact** since 2006, confirming that the activity carried out is performed in accordance with the principles established by this initiative, with the Bank reporting annually on its involvement.
- It participates in the **Sectoral Sustainable Finance Group and in the Sustainability Observatory**, coordinated by CECABank, in which legislative progress and supervisory expectations in the area of sustainability are analysed to identify the applicable requirements and to provide a response through action plans.
- It works in alignment with the **Sustainable Development Goals** of the 2030 Agenda, also supporting their internal and external distribution.
- In 2019, Ibercaja Banco became part of the **Business Commitment for a Fair Transition**, promoted by the CEOE, which was presented at the United Nations Climate Action Summit held in New York in October of that year.
- In 2019, Ibercaja's CEO included the Bank in the **New Deal For Europe, "CEOs call to action"** initiative, which shows the commitment of European companies to sustainability.
- Ibercaja signed the **Alliance #CEOPorLaDiversidad**, led by the Adecco Foundation and the CEOE Foundation, which reinforces the inclusive model that the Bank works on.
- **Collective Commitment to Climate Action**: In December 2019, Ibercaja signed the Spanish financial sector's climate commitment within the framework of COP25, promoted by the AEB, CECA and ICO. The agreement specifies the collective commitment of the main Spanish banks to measure the carbon footprint of their balance sheets and reduce the climate impact of their financial activity.
- Ibercaja has been awarded the **RSA and RSA+seals** by the Aragón Government since 2017 (year in which they were created), thereby acknowledging those companies in the Autonomous Community that are committed to corporate social responsibility.
- In 2019, the Bank obtained the **frc certificate as a family responsible company,** granted by the More Family Foundation. This certification recognises companies committed to the well-being of their employees and promotes the active management of work-life balance and equality.

  Ibercaja Pensión has been a signatory of the UNPRI (United Nations Principles for Responsible Investment) since 2011, and has published its Socially Responsible Investment Policy on its webpage (www.ibercaja.es).

6.2 Our contribution to the Sustainable Development Goals

THE 2030 AGENDA OF THE UNITED NATIONS AIMS TO ACHIEVE A BETTER FAIRER AND MORE INCLUSIVE WORLD FOR ALL THROUGH ITS SUSTAINABLE DEVELOPMENT GOALS.

In 2015, the United Nations 2030 Agenda was adopted, according to which 193 countries committed ourselves to the **Sustainable Development Goals** by 2030. These are seventeen ambitious goals to achieve a better planet: reducing inequalities, eradicating poverty and combating climate change.

In order to achieve these objectives, the collaboration of all is necessary: society and the public and private sectors. Agenda 2030 is a **call to action** for businesses around the world, to achieve a new model of development whose success would mean a move towards a global economy that is much more responsible and inclusive for people and the planet.

The business strategy of companies must also take into account social, environmental and good governance aspects, to achieve *"sustainable development for all that meets the needs of the present, without compromising the requirements of future generations"*.

In this line, financial institutions have to play a very important role, among other areas, in the mobilisation of the capital flows needed to finance sustainable development.

> ***Ibercaja** is firmly **committed to the SDGs** to move in this direction.*

The SDG serve as a guide at the Entity to progress in sustainability matters and carry out specific actions, focusing specifically on those in which our contribution can be greater. Sustainable action is part and parcel of the Bank's internal management model and inspires all of the Bank's business activities.

In order to achieve maximum effectiveness, efforts are aligned especially with those Objectives more directly linked to financial activity and the activities of the Shareholder Foundations.

In 2018, Ibercaja carried out a **materiality analysis of the SDGs**, to detect those SDGs in which Ibercaja has the greatest capacity to expand its impact and to launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. The result was a **graph that shows the importance of the Goals and visibilises those SDGs that are most relevant to Ibercaja,** in which we can make the greatest contribution.

THE FOLLOWING GOALS ARE PRIORITISED AS A RESULT OF THIS REFLECTION

THE MAIN PROJECTS CARRIED OUT AT IBERCAJA IN 2020 AND THAT HAVE MOST CONTRIBUTED TO ACHIEVING THESE GOALS ARE AS FOLLOWS:

3 GOOD HEALTH AND WELL-BEING

- **frc/efr certification** as a family responsible company.
- Social benefits and work-life balance measures for the people who make up the Entity.
- Promotion and awareness of **healthy living habits**, both internally and externally.
- Sports sponsorship and the organisation of popular and specialised sporting trials, which promote the **most** extensive participation possible.
- Strengthening the participation of employees therein, reinforcing the values of effort and teamwork, along with the benefits for **health**.
- Creation of the internal communication channel **Ibercaja with you**, from which healthy habits and information in this area are promoted.

4 QUALITY EDUCATION

- **In-house training** for the largest number of professionals in both financial and sustainability matters, actively contributing to the development of internal talent.
- Organisation of talks, conferences and seminars and **educational activities** for companies and society in general.
- ***"Educa Initiative"***, developed by the Ibercaja Foundation, focused on parents and educators, placing at their disposal proposals that contribute to completing the education of youngsters and actively promoting their development.
- ***"Basic Finance Programme"***, aimed at people of all ages, to promote financial education.

5 GENDER EQUALITY

- Linking the **principle of equality** to all people management policies.
- **Promotion of the on-going development** of skills and abilities, managing talent, which does not discriminate against gender.
- **Plan Leader**, a programme that promotes female leadership at the Entity, eliminating barriers to achieving gender equality.
- **Work-life balance measures** that allow all employees to achieve a balance between their personal, family and work life.

8 DECENT WORK AND ECONOMIC GROWTH

- Approval of **Ibercaja's** Sustainability Policy.
- Promoting the inspiring **leadership model**, which encourages communication and participation, creating an appealing environment to attract and retain talent.
- Partnership agreements with Special Employment Centres and entities that promote **the inclusion on the labour market** of people with disabilities or at risk of exclusion.
- Internship programme for university students with the Human Age Institute Foundation focused on **disabled students**.
- Boosting growth in their territories of action, participating in the main projects and developing programmes to promote **entrepreneurs**.
- ***Ecosystem + Company*** Meeting and inspiration point for entrepreneurs and companies, where they can learn and share the latest trends.
- Training to companies in essential management aspects.

- **Technological transformation**, the main lever for change in business models.
- **Ibercaja Mobile Banking**, the main digital pledge in the area of individual customers.
- **Ibercaja Pay**: payment via cell phone. Ibercaja customers can now register their cards with the main payment platforms.
- ***Mobility City Project*** on new mobility in cities and the transformation of companies and services in the sector.
- Adaptations at ATMs and websites to improve **universal accessibility** to financial services.

- **Ibercaja's environmental policy**, implemented at the organisation to minimise the negative impacts of our activity on the environment.
- **Environmental Management System** implemented and certified pursuant to ISO Standard 14001-2015.
- **WITHOUT PLASTICS team,** formed by professionals of the entity, which promotes a better use of plastic, reducing and using recycled and recyclable materials.
- **Internal and external environmental** awareness-raising campaigns.
- Internal **environmental suggestions mailbox** to channel the concerns of our people.
- Development of **SRI products** with ESG criteria.

- Active collaboration through agreements with the main economic and social players of the territories in which it operates.
- Alliances that favour significant progress in **sustainability** and socially responsible investment.
- The **main initiatives** of which Ibercaja forms part are:

6.3 Commitment to customers

102-6, 102-7, 102-43, 102-44, 103-1, 103-2, 103-3

CUSTOMERS ARE THE HEART OF THE ENTITY'S STRATEGY, WITH SERVICE QUALITY AND ADVICE BEING ITS HALLMARKS.

Hence, Ibercaja's Sustainability Policy includes the following **commitments** assumed by the Bank **with its customers**:

- Work on **getting to know each customer in depth**, to always offer them the products, services and information they need, adapted to their expectations and requirements.
- Align business strategy with the **United Nations Principles of Responsible Banking:**
    - Identifying **impacts and needs** derived from sustainable development.
    - **Adapting the offer** to respond to these new needs, which promote sustainable business models and practices.
    - **Sensitising** our customers in the necessary transition towards a decarbonised economy, also **identifying** their **sustainability preferences**.
- Helping our customers to optimise the management of their finances, in a simple way, with the best **advice, tools and information**, thereby promoting their financial education.
- Paying special attention to **transparency in the communication and marketing of products**, providing the necessary information for the customer to be able to make informed advised decisions, avoiding information manipulation and protecting their integrity and honour.
- Always protecting the **confidentiality** of customer data, maintaining the highest security standards.
- Establishing efficient **dialogue channels** that allow us to listen to our customers, as a basis for long-term mutual commitment, offering the **highest quality of service**.
- Providing maximum diligence to **prevent and avoid the financing of illegal practices**, complying with the Regulations for the Prevention of Money Laundering and Terrorist Financing.

IMPACT ANALYSIS

To provide a response to the commitment of aligning its commercial strategy with the Principles of Responsible Banking, in 2020, the Bank commenced an **analysis of both the physical and transition impacts that climate risks** may have in Spain, focusing this analysis on its main areas of action and on those economic sectors in which it has the greatest presence.

The study was conducted by economic sectors (with a focus on agricultural and industrial segments and services), analysing their exposure to climate change risks (physical and transition), with the objectives of:

- Identifying sectors potentially most affected by climate change
- Identify new needs for adaptation to climate change
- Identify potential risks
- Identify related business opportunities

To assess risk exposure, the Bank is also working on **a geographical distribution analysis** of its investments with collateral, using the reports prepared by ESPON (European Spatial Planning Observation Network).

The analysis on the impact of physical risk on different sectors considered **the importance of the sector on the economy**, through its contribution to the GDP, and its participation in Ibercaja's risk portfolio structure.

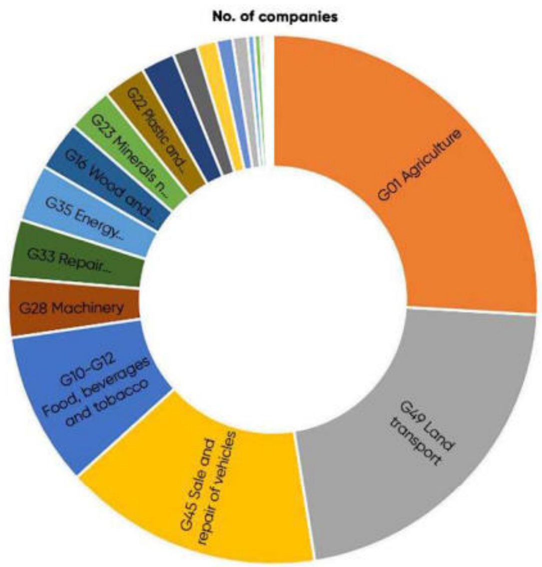
*The **objective** is to make progress in the **identification of the climate change impact on our business environment**.*

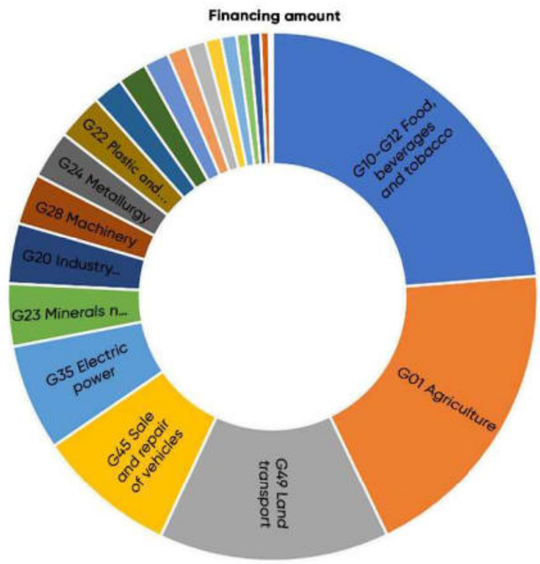
Furthermore, an initial **mapping of corporate loan portfolios was made**, in accordance with the branches of activity potentially more affected by transition climate change (according to a study published by the Bank of Spain).

It focuses on the transition risks, since they could affect the credit rating of that exposure that is potentially more affected:

- most polluting sectors
- exposed to technological changes
- exposed to changes in consumer preferences

We analyse the portfolio by activity sector, so that once the more important sectors have been identified, we can focus on customers with the greatest weight, seeking the 80/20 rule to obtain the best effect from the actions that may be taken.





This **impact analysis** has served to **detect the needs of each of the sectors** analysed and to examine a series of alternatives and solutions that the Entity may propose to its customers.

The solutions and opportunities identified are based on advisory services, supported in the Bank's distribution network and in business partnership projects promoted by the Bank, such as ***Ecosystem+Companies***, until defining new products and services that may be included in the commercial offering, which help the customer to resolve the needs considered and facilitate the launch of new financing products to aid access to the solutions examined.

CUSTOMER ANALYSIS

To succeed in defining a **commercial offering adapted to customer needs**, an initial analysis was commenced of customers that have already taken out sustainable investment products, obtaining interesting conclusions that will help in the definition of new products to complete the sustainable range, which is set up both from an investment and a financial viewpoint.

Sustainable investment products have been very well received among savers. In investment funds, the Bank has **Ibercaja Sostenible y Solidario** and **Ibercaja Megatrends** which, after identifying three trends (technology, environment and sustainability and demography), channels savings by investing, under these criteria, in companies all over the world. In pension plans, the Bank launched the **Ibercaja Trust Sustainable** plan, extending the offering of its ESG range to three plans, within its commitment to sustainable investment. The new plan is therefore linked to the **Solidarity and Sustainable Pensions Plan** and to the **Sustainable Europe Pension Plan**.

In terms of financing, the Bank has worked on the development of new products that will be included in its commercial offering to be able to help customers on the road towards sustainability. On most occasions, the improvement of efficiency requires an investment and a common factor of these products will be access to **special financing conditions** when addressing the following aims:

- Improved **energy efficiency** in buildings (property owners' associations and individuals)
- Acquisition of **homes with a high energy rating**
- Purchase or renting of vehicles for **sustainable mobility**

Furthermore, the Bank is working with different public authorities at local, autonomous community and national level on projects to provide access to financing in special conditions to improve the energy efficiency of buildings, especially aimed at individuals and property owners' associations.

Ibercaja has created a **new department** in the Marketing Division, **Sustainable Finance**, to align the commercial strategy with the Principles of Responsible Banking signed and to work to contribute to the attainment of **Sustainable Development Goals** promoted by the United Nations.

To attain the goals intended, it is necessary to **include all Bank employees** and to ensure the involvement of customers and of the population in the area in which activities are performed. **Alliances with companies** from different sectors will be fostered, which help to offer customers sustainable solutions for energy consumption, displacements and economic activities, etc.

UNIVERSAL ACCESSIBILITY

At the end of 2019, the **Service for Deaf People** was launched to support accessibility to financial products for people with hearing disabilities. It is available to all the Entity's customers and is provided in person at the Main Office in Zaragoza.

In response to its commitment to ***promote universal accessibility*** *to financial services, Ibercaja has implemented various improvements* ***to its customer service channels****.*

In the first quarter of the year, considering those with visual impairment, **new ATMs included a high contrast screen** to enable information to be more easily viewed.

In the same line, a new mobile banking function was implemented, known as **Voice Over**, which enables **those with visual impairment**, "to hear" the fields and data presented on the screen and the interactions made by them.

Mobile banking App initiation mode: in summer Ibercaja launched this new service that allows those customers who have never used online banking to familiarise themselves with it in a simple way. Users of this new tool will benefit from the professional advisory services of experts, which will help them to resolve any queries. Especially aimed at older people, this project has been developed based on an Innovative Boost initiative (which favours innovation through Bank employee proposals), with the collaboration of COAPEMA (Aragón Board for the Elderly).

CUSTOMER SERVICES

To facilitate **communication with its customers**, Ibercaja has established the **Customer Services Department** so that they can submit their complaints, claims, suggestions and proposals for improvement. A total of 16.237 requests were processed during the year. Details of the data and variations with respect to 2019 are included below:

REQUESTS ATTENDED TO BY CUSTOMER SERVICES

TYPES	2019	2020	VAR. 20/19
Floor clauses	596	622	4.3%
Arrangement fees	3,738	6,340	41%
Claims and complaints	7,139	9,233	29.3%
Suggestions	36	42	16.6%
Total (*)	**11,509**	**16,237**	**41%**

(*) Total 2019 figures do not coincide that those contributed in the 2019 Directors' Report, since the Personal Data Protection rights are no longer dealt with by this Service and have not been included.

Increased claims regarding arrangement expenses are due to the changes in case law and to the use of out-of-court claims by the legal defence department of certain customers,–as a strategy to interrupt the prescription of procedures, especially in the last month of the year.

As to the so-called “floor clauses”, recent figures reflect the Bank's work in recent years to resolve this type of claim.

It must also be highlighted that 286 complaints were made in relation to COVID-19 in 2020.

The **average time to resolve complaints and claims** is around **21 days**, both at the Customer Services Department (17 days in 2019) and in the special floor clause service (22 days in 2019), both within the prevailing legislation. At 31 December 2020, the Customer Services Department had managed **82.2%** of all claims received (95.2% in 2019). The reason for the drop in this ratio is the huge number of claims in December, which were managed in subsequent weeks.

The most significant novelty in this year was the performance by Customer Services of a new procedure to pay mortgage loan arrangement expenses to avoid these claims becoming legal complaints, both if the claim comes from a solicitor and if it is made by the customer directly to achieve a saving in legal costs for the Bank, from August of this year, following the rulings of the CJEU of16 July 2020 and of the SC 457/2020 of 24 July.

Ibercaja did not halt Customer Service activities during the State of Alarm

Of note was the **non-interruption of Customer Services activities** during a single day during the State of Alarm, in its evident necessary function of resolving complaints and claims in the periods stipulated by the applicable regulations, both standard claims and those relating to COVID-19. Furthermore, it resolved multiple enquiries from branches and customers, especially in the first few days when the uncertainty was at its highest level.

Also worthy of mention is its boosting role in adapting Ibercaja to the new criteria established by the Bank of Spain in its annual report to improve procedures in the collection of expenses arising from claims for debtor positions and in management fees for the testamentary report.

6.4 Commitment to our employees

102-7, 102-8, 102-10, 102-12, 102-35, 102-36, 102-43, 102-44, 103-1, 103-2, 103-3, 401-2

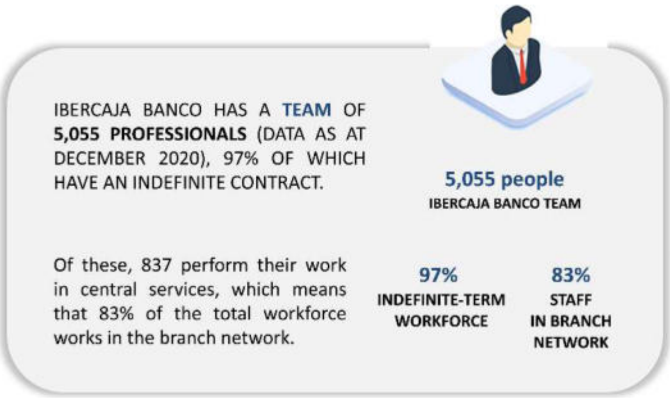
THE DEDICATION AND PROFESSIONALISM OF THE PEOPLE WHO WORK AT IBERCAJA AND THEIR INVOLVEMENT AND COMMITMENT TO THE PROJECT MAKE THEM THE MAIN AMBASSADORS OF THE BRAND.

*The **people** who work at Ibercaja are the **fundamental pillar** on which the Bank consolidates its project.*

As an organisation that knows the value of people and with the aim of shaping an efficient organisation with the capacity to respond to future challenges, Ibercaja takes on the commitments **with its people with gratitude**:

- Ensuring that all Ibercaja employees act under principles and standards of ethical and responsible conduct, complying with the Bank's **Code of Ethics**.
- Encouraging the **balance of personal, family and professional life**, applying flexibility measures to balance employee and company needs.
- Promoting the **continuous development of their abilities** and skills, identifying and responding to current and future training needs and enabling access to knowledge.
- Promoting a **sustainability culture** in Ibercaja employees, raising awareness of social and environmental problems and providing the necessary training so that they integrate it in the performance of their functions and their daily activity.
- Preserving the safety and protection of its employees, actively promoting their **overall health and well-being**.
- Promoting **diversity** among its professionals, rejecting all forms of discrimination and promoting **equal opportunities**.
- Maintaining **open and transparent communication**, establishing the necessary channels and tools and promoting ascending and descending communication channels that encourage active participation.
- Fostering **open and transparent dialogue** with employee representatives, as the fundamental base of labour relations.
- Promoting **corporate volunteer work** in order to actively contribute to society and reinforce the pride of belonging to the Group.

The Group has **5,307 employees**, of which 5,055 work for the **parent**. **97%** of the Ibercaja Banco workforce have **permanent contracts**, the average length of service stands at 21 years and the average age is 47 years. The employees of Ibercaja Banco are fully covered by the collective agreement.

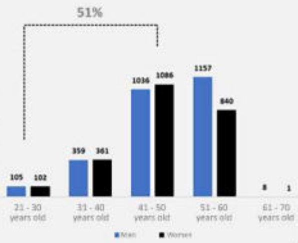


53% MEN

47% WOMEN

	MEN	WOMEN	TOTAL
People	2,665	2,390	5,055
Average age	48 years old	47 years old	47 years old
Average length of service	22 years	21 years	21 years

December 2020



Women currently account for **47%**, of the workforce, having increased significantly in recent years (37% in 2005, 44% in 2014, 45% in 2015, 46% in 2016) and remaining stable in the last three years (48% in 2018 and 2019). In the under-50 age bracket, **51%** of employees were female; this means that the percentage of women in the Bank's average age is one point higher than that of men.

People management in 2020. Writing the future…

2020 was characterised by the management of the health crisis caused by COVID-19. A year that will undoubtedly mark the before and after of people management. Never before, have we been so close to the feeling of cooperation, mainstreaming, mutual assistance…

*In 2020 we have learned to put what is **important** first health and well-being of people.*

Taking care of **health**, **communication** and **resilience** were the **pillars to succeed in moving forward,** despite the difficulties caused by working under pandemic conditions, being an essential service for the Company.

But we have also been capable of reinventing ourselves and continuing our roadmap by adapting to a new reality. We have been innovative, mainstream, collaborative, flexible, we have progressed along the path of **digitalisation** and we have also included **new working systems**, such as remote working, mobility or flexible timetables.

The social distance imposed required an **extra dose of** leadership and “virtual proximity”, discovering a new connectivity among people that goes beyond technology.

And now what…? Now is the time to write the future, a future full of uncertainties but also of opportunities. At the People Area Division we have the **challenge** of being catalysts of change, involving our professionals in feeling, now more than ever, the purpose of our organisation:

Our purpose
“Help people build their life story because it will be our story”

MANAGEMENT OF THE HEALTH CRISIS CAUSED BY COVID-19

As a result of the pandemic caused by COVID-19, we have had to face an unprecedented crisis, which evidenced the importance of **management focused on overseeing the health and well-being of people**, without forgetting **to guarantee the viability of the business project**.

To be able to minimise the impact of the crisis and be capable of reacting quickly, the **main actions** performed from the People Area Department as a response to this crisis, are grouped together into **three main blocks**:

HEALTH AND SAFETY

With the objective always set on the **health protection** of both our employees and of our customers, the Bank's Prevention Service has managed the health crisis from **four areas**:

1. **Prevention.**
2. **Early detection.**
3. **Reduced impact.**
4. **Ongoing monitoring.**

Ibercaja has been an example of preventive management thanks to the team created ad hoc and to the collaborative work to control the crisis.

BASED ON THESE OBJECTIVES THE FOLLOWING MEASURES HAVE BEEN ADOPTED:

- **Certification** of all healthcare and informative management processes.
- Reinforcement of the **Medical Service,** increasing the team by up to 4 people in the most critical phases of the crisis. Currently, the service has been reinforced with one additional doctor and a nurse during the whole working day from Monday to Friday.

- From the People Area, we have individually **dealt with and monitored** the performance of colleagues infected by coronavirus.
- Management of Group and individual **preventive protection equipment supplies** to all employees and taking of temperature at the Central Building.
- Creation of a **database** to manage and centralise all information relating to the management of the health crisis.
- Management of the **closure and disinfection** of work centres affected by Covid-19.
- Customer care line **COVID-19 enquiries** in which Bank employees will be attended to directly by the medical team 24 hours/7 days a week.
- **Psychological support** line for employees.
- **Performance of virus detection tests**. Ibercaja has succeeded in becoming the leading company in Aragón with administrative authorisation to perform private tests on its employees. With this objective, it was possible to bring forward detection times.
- **Flu vaccinations** for all employees that request them.

DISTRIBUTED PPE	**84,498**
VIRUS DETECTION TESTS (PCR, ANTI-BODY TESTS, ETC.).	**377**
FLU VACCINES	**950**

NEW WORKING SCHEMES

In 2020, the Bank instrumentalised a series of measures that enabled us to continue our professional activities, at the same time as **new work environments** were implemented, enabling us to shorten distances between colleagues, conduct meetings efficiently or cooperate in a mainstream manner in different projects.

The COVID-19 pandemic has also been a catalyst for new ways of working, accelerating our transformation process.

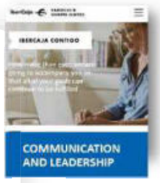
MEASURES ADOPTED:

- Implementation **telework** in over 1,300 posts (80% CS).
- **Rotative shifts** at branches (up to 50%).
- **Flexible working hours**, both entry and departure.
- Implementation of resources and **new mobility tools** (Teams, Office 365, etc.). All posts have collaborative tools.
- Appointment of **48 Digital Personal Banking Managers**, charged with the personalised advisory services of customers that operate remotely.
- Sitting of **on-line exams** to obtain the LCCI (Real Estate Loan Contract Law) certificate by over 1600 colleagues.
- **Virtual meetings** to hold different internal events scheduled in 2020.

COMMUNICATION AND ACCOMPANIMENT

Moments in which it was crucial to generate **new internal communication routes** that keep us permanently connected with our colleagues, accompanying them in their day-to-day matters at home and at the office.

Internal communication has played a key role in the COVID-19 crisis.



OPERATING COMMUNICATION:

Creation of COVID-19 space in regulations for the daily publication of measures related with the pandemic.

EMOTIONAL COMMUNICATION:

- ***Weekly letter of the CEO*** addressed to each employee, explaining the Bank's situation, measures being taken, messages of encouragement and recognition of the important work of Ibercaja's professionals as an essential service for the Company.
- ***Ibercaja with you***. Blog designed to maintain close, empathic and useful contact with colleagues. Articles of interest, Prevention recommendations, Tips to work from home, Solidarity initiatives, Health and well-being tips, Didactic resources, Weekly training, Provision contents to this new channel.
- ***Weekly newsletter*** in which we inform of the most significant milestones of the week.

2020. END OF STRATEGIC CYCLE

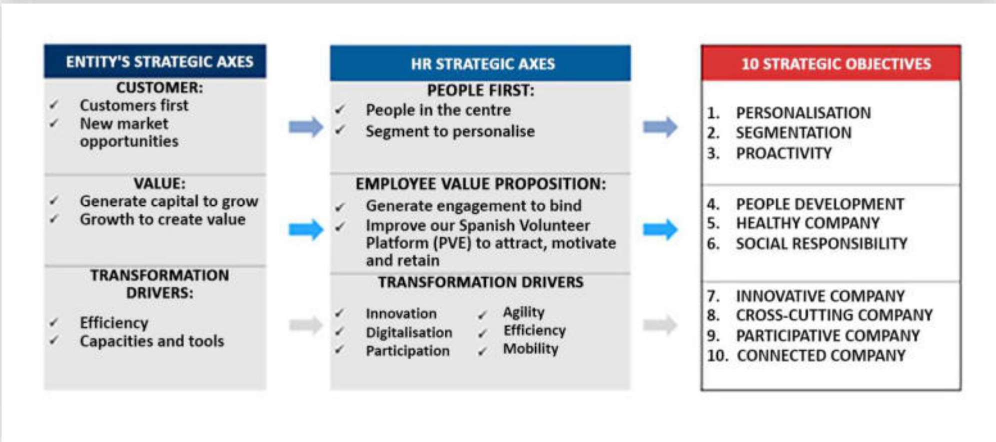
The focus on People Management at Ibercaja for the current 2018-2020 Strategic Cycle is based on the conviction that the consolidation of the management model defined in the previous strategic plan (*Personalised Management, Talent Development, Inspiring Leadership, 360º Communication*), must be made compatible with the **alignment and promotion** of new lines of work that reflect the axes of the Strategic Plan, creating levers **to continue promoting change.**

The effort to make the health crisis management compatible with the Bank's strategic road map was considerable in 2020.

Our goal for 2020

"Form a dynamic, efficient, committed team that works through and for the customer (internal and external) in a positive environment that facilitates the personal and professional development of people".

ALIGNMENT WITH THE ENTITY'S STRATEGIC AXES



STRATEGIC OBJECTIVES OF THE PEOPLE AREA

SIX TRANSFORMING MILESTONES IN 2020

COMPETENCY-BASED ASSESSMENT

1

The **Competency Assessment** enables us to identify people's capabilities, based on a series of behaviour previously established by the organisation, observed and measured objectively.

At Ibercaja we understand **COMPETENCIES** as the sum of three concepts:

> **"Knowledge and ability add up, but attitude multiplies"**

(Knowledge + Skills) * **Attitude**

When we talk of assessing competencies we refer to the communication process between the Head and the Collaborator that enables us to **EMPHASISE WHAT and HOW** we have performed our work.

This reflection is important because it enables us to:

- **To learn of** and develop our potential and latent abilities
- **To analyse** the causes that may affect our performance and motivation
- **To reinforce** our strong points
- To establish action plans that enable us to improve

At Ibercaja, we value **three types of competencies**:

1. INSTITUTIONAL COMPETENCIES

INSTITUTIONAL COMPETENCIES. Those that all professionals require to perform our work at Ibercaja, regardless of the post we hold.

2. LEADERSHIP COMPETENCIES

LEADERSHIP COMPETENCIES. Those that, together with the foregoing, must be developed by all those that manage teams, in accordance with our Leadership Model.

3. DIGITAL COMPETENCIES

DIGITAL COMPETENCIES. Those that all Ibercaja professionals, to a greater or lesser extent, require to develop to be able to adapt to the digital change.

After carrying out the evaluations, there is an **ENCOUNTER BETWEEN THE LEADER AND THE COLLABORATOR**, in which both reflect on the main aspects of the work performed and establish the mutual commitments to improve with respect to the coming year.

"If you treat an individual how they are, they will continue to be what they are. But if you treat them how they could be, they will become what they could be"

Goethe (POET AND PLAYWRIGHT)

TALENT DAY

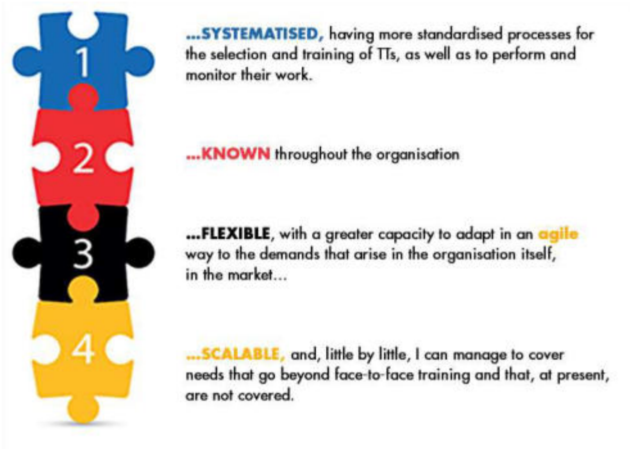
2

At the beginning of 2020, the first **Talent Day** was held, an annual encounter with the community of Talent Transmitters (internal trainers), which served as a debut and launch of the new TDT model at Ibercaja.

The model has been built as **a reference framework for the transmission of knowledge**, **skills**, **competences**, etc., focusing on the community of internal trainers, a group that has grown considerably in recent years, now exceeding **210 professionals** that do their best every day to support the various strategic, organisational and regulatory projects that the entity faces.

To this end, in 2020, the **Talent Transmitters team** has provided support in different strategic projects: *Commercial Systematics, Network Footprint, New Ways of Working, Pricing, etc., supported by a systematised, differentiating and key model for the future*.

TDT MODEL KEYS



LEADERA PLAN (WEEK INFEMENINE)

3

To celebrate **International Women's Day**, the *"**1st Week inFemenine**"* was held from 3-10 March, an initiative encompassed within the **frc Plan** to raise the awareness of employees, customers and society regarding the importance of building diverse and egalitarian workforces, notifying the objectives of our **LeaderA Plan.**

The **LeaderA Plan** seeks to make further progress in Ibercaja's new **Inspiring Leadership** model, placing the focus on the **access of women to executive posts**, by improving their aspirations, flexibility, support for mentors and ambassadors and assessment and objectification to ensure progress.

*At Ibercaja, we have proposed an **objective**:*
Increase by at least 10% the percentage of female executives at Ibercaja in the coming three years.

To achieve this, it is necessary to knock down barriers and accelerate change, implementing initiatives that promote the access of women with potential to executive posts.

Throughout the "Week inFemenine", different inspiring voices participated in different activities, acting **as ambassadors of the LeaderA Plan.**

*Do not place a gender on it, **place talent on it***

GOODHABITZ

4

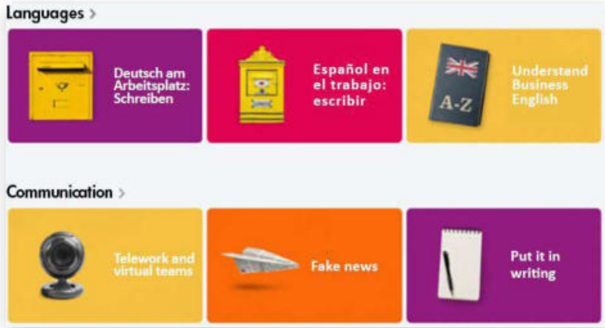
Ibercaja obtained in 2019 the efr seal for its commitment to the well-being of people and coinciding with the period of confinement, Ibercaja has relied on GoodHabitz with a clear **objective**: **to inspire people to be better every day.**

*The new **platform** to boost **talent** and **well-being** of employees...*

With this initiative, Ibercaja wants to continue investing in the **personal and professional growth** of people through a revolutionary e-learning training method: at their own pace, how and when they want, from mobile, Tablet or from their own computer.

The new platform offers a catalogue with over 80 courses, adding titles each month, providing employees with the possibility of focusing on that which most arouses passion in them, in their talent or in that they would like to improve in a fun different manner. Furthermore, all courses are available in various languages.

- Communication skills
- Personal skills
- Leadership
- Languages
- Team management
- Health and safety,...



MOBILITY AND COLLABORATION

5

The progress of **new technologies** has completely modified the habits of our customers, who are increasingly demanding regarding the services provided by their Bank, impacting on the new way of working of employees.

Inspiring people
*to be **better** each day…*

Mobile devices also have **collaborative work tools**, allowing distances to be shortened between colleagues, work meetings to be held in a decentralised manner, knowledge to be shared or cooperation in different projects.

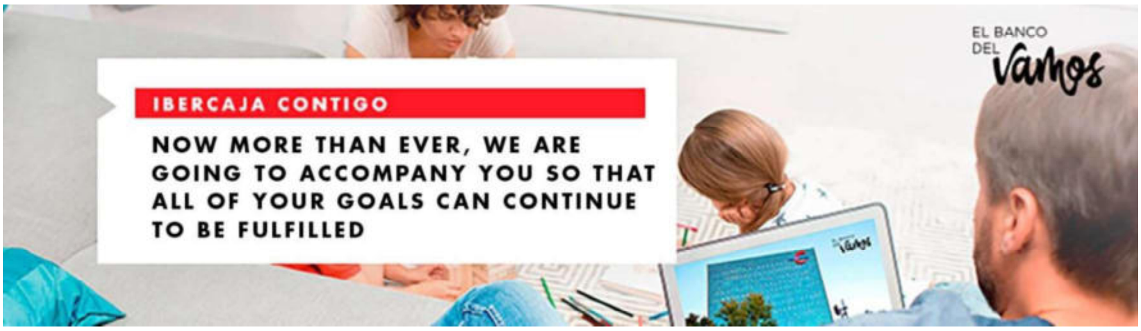
2020 has represented the definitive consolidation of the **Mobility project** which has come to stay:

- Over 10% of the workforce has **worked from home** (80% of CS).
- At the end of 2020, all CS and Branch Network employees had **collaborative tools** (Teams, Office 365, etc.) in their devices.

NEW COMMUNICATION TOOLS

2020 was a special year, in which it was crucial to generate new internal communication routes that keep us permanently connected with our colleagues, accompanying them in their day-to-day matters at home and at the office.

Hence, at the beginning of April, we implemented our Blog **"Ibercaja with you"**, with new contents adapted to the new situation, with which we intend to **keep in daily** close, empathic and useful **contact with you**, with our colleagues and their families.



Letters from our CEO, Articles of interest, Prevention recommendations, Solutions to specific queries, Practical tips for professionals that work from home, Solidarity initiatives in which we can all participate, Tips with the best health and well-being advice, Didactic resources to continue to progress in our development, weekly training to be able to carry out from home, provide content to the new Blog.

*This initiative received a **"Special Mention"** in the **2020 Ocare Prizes** as Best CSR Communication Practice aimed at the internal public.*

OTHER MILESTONES

ALSO, IN 2020, WE HAVE CONTINUED TO PROGRESS IN DIFFERENT PROJECTS PLACING THE FOCUS ON INITIATIVES THAT RESPOND TO THE FOLLOWING QUESTION…

WHAT DOES IBERCAJA OF THE FUTURE NEED?

PEOPLE ANALYTICS

In 2019, a specialised team was set up within the People Area, whose **mission** is to provide the area with a **methodology and an integrated data analysis process, which will have an impact on improving the quality of the decisions made about the people**. This function is crucial to be able to carry out personalised segmented proposals, based on the needs and expectations of people.

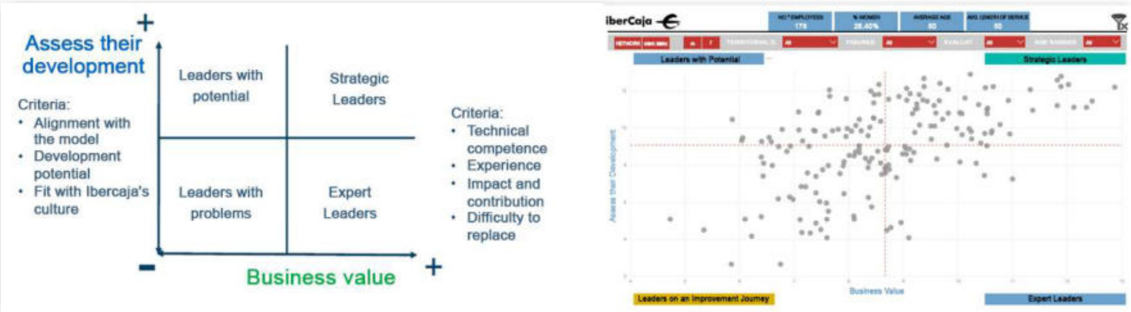
In 2020, the project evolved by integrating and analysing different internal and external data sources to respond to business questions related to human capital, to be able to act accordingly.

In a first phase simple indicators were worked, building the Scoreboard from the People Area, with recurring reports and an initial level of synthetic more complex indicators, in which the correlation between them has been calculated through mathematical algorithms verifying their robustness.

LEADER MATRIX

To consolidate the **Leadership Model,** an initial Leadership Matrix was developed that is permitting us **to analyse** the **degree of alignment** of our leaders with the model, the impact of its function on the **business** and the **development of its teams.**

The results of this first analysis will allow us to develop specific actions based on objective criteria based on objective criteria such as: degree of alignment with the model, development potential, fit with Ibercaja's culture, business impact, etc.

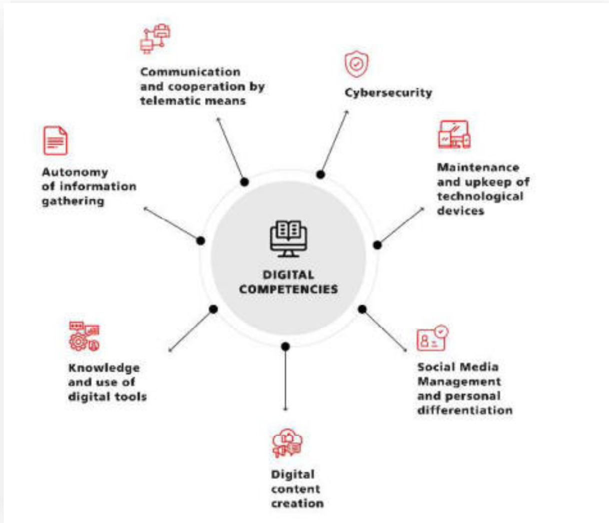


TRAINING IN DIGITAL COMPETENCIES

At Ibercaja we are convinced that the process of digital transformation in which we are immersed will be a success if we, the **people** that make up the organisation, are a **lever of change** to make it possible.

Hence, in 2019, the **Digital Competencies Map** was designed, which includes the competences that Ibercaja considers necessary to allow us to adapt to the digital change. To trace the roadmap to be followed, an initial diagnosis was conducted that enabled us to discover the starting point or the current degree of digitisation of each employee and identify the organisation's degree of digital maturity.

In 2020, we continued to progress in the **Digital Accompaniment Plan** with the launch of a new **interactive dynamic catalogue**, which groups together the different training resources to which we have access to continue to progress in our level of digitalisation.



Among its “virtual pages” you can consult more than 170 resources available on various topics: Social Networks, Collaborative Work, Cybersecurity, Digital Tools,... which are hosted on the Paraninfo talent platform, on the Paraninfo TV channel and through the GoodHabitz platform.

PARTICIPATION AND INNOVATION

This opening to disruptive change touches down at Ibercaja hand in hand with **INNOVATIVE IMPULSE**. A system of **challenges based on innovation and collaborative participation,** which seeks to resolve between everyone all needs of customers and the Bank through transforming ideas, seeking the direct involvement of the workforce in the Bank's strategy.

In 2020, noteworthy was the real start-up of **three winning initiatives** of the first challenge posed, which sought solutions to help our elderly population to become familiar with Ibercaja's Digital Assets, facilitating their digital inclusion. Thus, a new service has been developed in the Ibercaja App that has as its origin two of the winning ideas of the first edition of ImPulso Innovador: **Iberfácil and Botón Estamos Contigo.** In addition, the "Yo te Ayudo" programme has also been successfully implemented in selected offices.

With its start-up, we make our **proposal** of **allowing employees to participate come true** in certain innovation and transformation processes of the Bank, contributing to generate a better experience for our customers.

The **"Let's Go Savings Card"** was the winning idea of the 2nd innovation challenge, in which new products or services were sought that provide added value to customers or potential customers and allow us to obtain new sources of business.

To solve this 2nd challenge, a total of 96 ideas have been received, with the participation of 26 teams and 110 intra-entrepreneurs.

The conclusions obtained in these internal crowdsourcing processes are being decisive when it comes to **anticipating innovative solutions that will continue to drive our transformation process**.

ENGAGEMENT

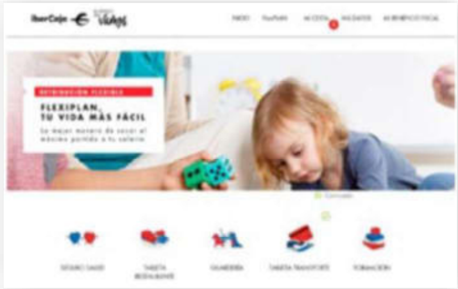
FlexiPLAN, the Flexible Compensation Plan, responds to this objective and represents a new element of fully customised salary pay.

In 2020, employees could receive all the benefits of the FlexiPLAN by voluntarily allocating part of their remuneration to the arrangement of certain products, achieving an increase in his/her net salary as a result of the tax treatment of these products.

> ***Retaining and attracting talented professionals*** *with talent is the key to successful companies. That is why at Ibercaja we consider introducing new motivating elements into our* ***remuneration system to be crucial****.*

In addition to health insurance, employees can access a range of products and services tailored to their needs: childcare, restaurant card, travel card and training.

To facilitate the management of the Flexible Remuneration Plan, since 2019, a mobile App has been available on the **Compensation Portal**. From the App, simulations can be made of the different products, and new products can be renewed and arranged, and employees can access their salary information and consult all the benefits that Ibercaja offers to reward them for their commitment to the organisation. In 2020, 3,269 colleagues benefited from this initiative.



3,467 EMPLOYEES OBTAIN LCCI CERTIFICATION

2020 witnessed the end of the professional accreditation process in the LCCI (Real Estate Credit Contract Act) programme. In this year, given the circumstances, over **1,500 colleagues** opted for **LCCI certification**, for the first time, through a virtual examination, and were able to accompany its preparation with a few weeks of highly complicated work, obtaining a high number of passes.

Overall, throughout 2019 and 2020, 12 sittings were held at different headquarters, four of which were carried out virtually.

Hence, at our Bank, we already have a total of **3,711 colleagues certified** to market this type of products and services, **with a pass rate of 99.7%,** evidencing the high level of commitment, professionalism and excellence of our workforce.

MIFID-QUALIFIED PROFESSIONALS
92.9% To Advise and Inform
98.4% To Advise

99.1% PROFESSIONALS WITH LCCI CERTIFICATION

Also, our Entity already has 98.4% of professionals accredited to inform/advise on the MIFID regulations.

FRC MANAGEMENT MODEL

After one year as a frc, in September, **we passed** the **maintenance audit** for this first cycle of certification (2019-2020), obtaining a valuation.

This recognition supports the work performed and also implies the implementation of a management model based on the improvement of efficiency, flexibility and responsibility, which facilitates a work-life balance for people in all areas of their lives.

efr

*Obtaining this certification reinforces **Ibercaja's commitment to the people** who form part of the organisation, in accordance with our purpose and corporate values.*

At Ibercaja we currently have **more than 100 efr measures** grouped into 6 categories: *quality in employment, temporal and spatial flexibility, family support, professional and personal development, equal opportunities, leadership and management styles*.

Of note was the launch of the frc action plan for 2020-2022 with specific measurable objectives, including the implementation of new flexible forms of work or new measures to further progress towards building a more diverse and equal workforce through the LeaderA Plan.

In this same line, a working group was set up to progress in the regulation of the timetable flexibility measures and digital disconnection, to define specific objectives to enable an authentic personal, family and employment balance.

INSPIRATIONAL LEADERSHIP

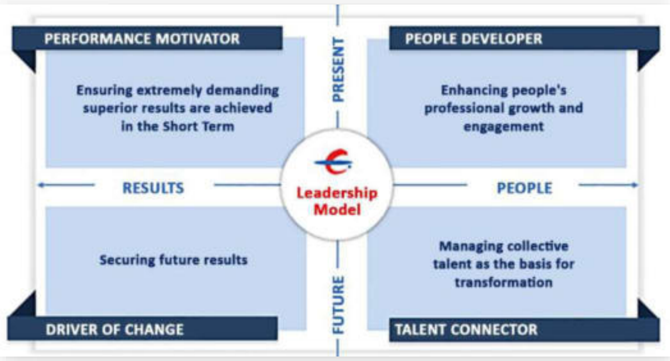
The adoption of this model, together with the “efr” project, are the **key to Ibercaja's cultural transformation**: more agile, more flexible, more innovative and focused on people.

> *Ibercaja's **Inspirational Leadership Model** is a reference framework so that those that lead teams can exercise **uniform and coherent influence, aligned** with Ibercaja's strategy.*

In 2020, the **Leadership Model** was formed as a fundamental component faced with the complicated situation facing us, where the management of emotions has been a key factor **to guide and get the best out of our teams**:

- **LEADERS IN MOTIVATING RESULTS.** A workforce that has provided a service from day one on the front line must feel the proximity of its leader, sharing viewpoints, challenges, concerns and actively listening to the difficulties of its employees. To help in this situation as an essential service for society, the leaders have gotten the best out of their teams.
- **LEADERS IN DEVELOPING PEOPLE.** The crisis has also been the perfect time for people to develop their full potential: learning to work and interact with colleagues and customers in new work environments.
- **LEADERS IN DRIVING CHANGE.** 2020 has posed technological and operating challenges that it has been necessary to address immediately. The leaders have faced the difficult task of accelerating change and innovation, boosting new digital environments and agile work methodologies.
- **LEADERS IN CONNECTING TALENT.** Collaboration has been crucial in 2020. Breaking organisational silos and creating cross-cutting work teams to develop solutions to complex problems has undoubtedly contributed to maintaining our competitiveness during the pandemic.

*Now more than ever we have emphasised our **Inspiring Leadership Model***



FIRST SCHOOL OF INSPIRING LEADERSHIP

In 2020, Ibercaja, together with the Institute of Youth of the Extremadura Council, has promoted the creation of the **first School of Inspiring Leadership** for young students in the Region.

It is a project designed to **promote the development of skills among young people,** such as communication, teamwork, commitment or entrepreneurship, inspired by the leadership model deployed by Ibercaja four years ago among its leaders from the culture of example.

The inspirational leadership school aims to serve as a platform for future leaders by contributing to achieving the sustainable development goals of the 2030 agenda: sustainability, inclusive growth or youth employment, among others.

Fernando Planelles, Territorial Director, together with Victoria Mera, People Area Representative in Extremadura during the signing of the Partnership Agreement with the Extremadura Council

CULTURE OF RECOGNITION

Within the framework **of the improvement of the Employee Experience**, in 2020, 503 professionals were acknowledged through two programmes:

- **"Excellent Teams".** It involves the acknowledgement of professionals that have obtained the best results in the previous year. On this occasion, 147 colleagues stood out due to their effort, work and attitude.

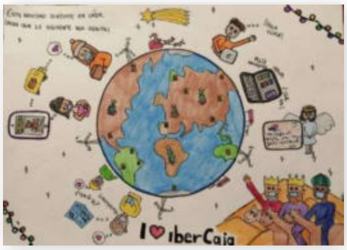
- **“25 and 40 years saying Let's go together”.** A new concept based on emotional incentive, with the aim of thanking those colleagues who celebrate 25 and 40 years work at our Bank. In this especially difficult year, we did not want to let this celebration pass by and the whole team got behind the organisation of a “different act”, adapted to the new reality, but equally emotive, with the presence of our CEO and of the Director of the People Area. The “virtual gala” was attended by four promotions that have built their life trajectory alongside Ibercaja, to whom we acknowledged their dedication and commitment to the Bank.

DRAW IBERCAJA IN YOUR CHRISTMAS

To bring our children closer to Ibercaja, the “**Draw Ibercaja in your Christmas**” campaign was launched once again this year.

In this edition, our young artists expressed Ibercaja's commitment to the Sustainable Development Goals (SDG) through their drawings.

One year more, aside from participating with their drawings, the children participated in the **Unicef Blue Gift**, choosing a solidarity kit to send to other children in those parts of the world that most needed it.

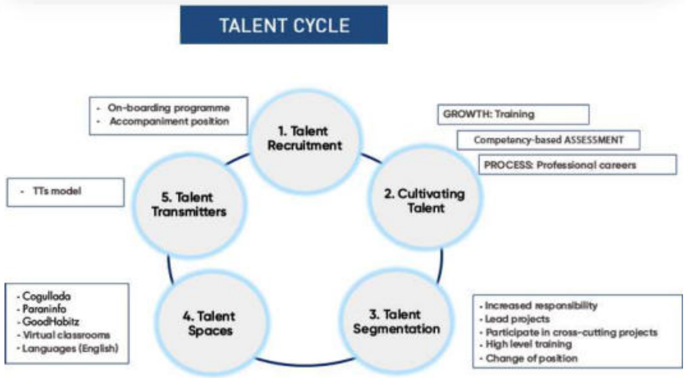



CULTIVATING TALENT

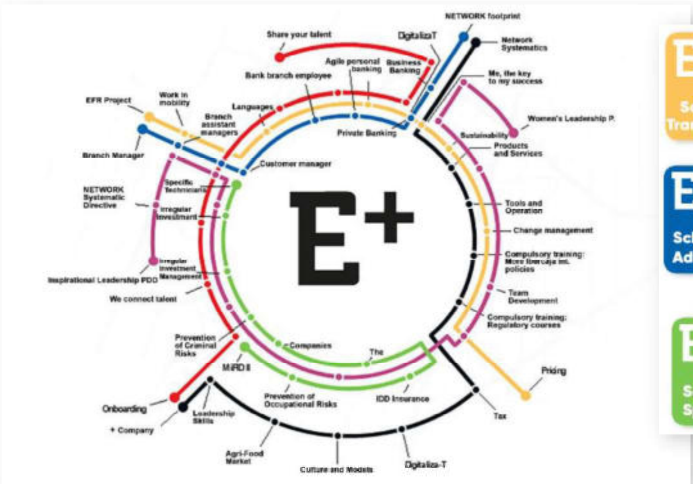
103-1, 103-2, 103-3, 404-1, 404-2

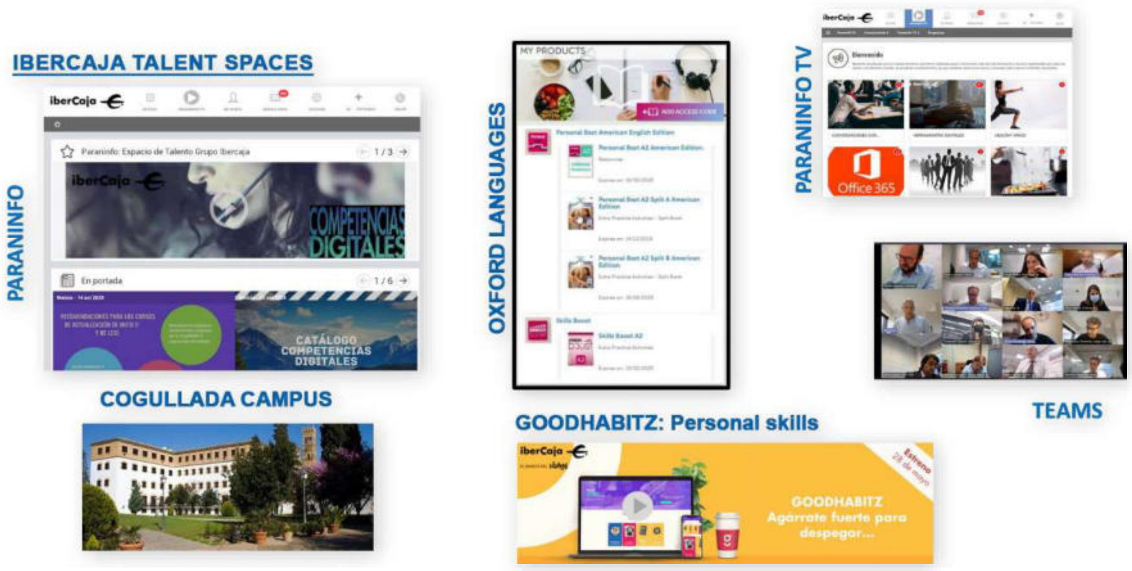
This involves obtaining the maximum return on the talent existing at Ibercaja, providing a personalised management that favours professional growth to obtain better results and a greater commitment to the Company, in response to the dynamism required to carry on the Bank's activities in line with the expectations and requirements of the surroundings.

*Ibercaja considers the **professional and personal development** of employees to be **a strategic objective** within the framework of People Management.*



Also, through the **Career Development Plan,** we promote the continuous development of the abilities and skills of our employees, identifying and responding to the current and future training needs of the Bank's different Groups. We align the training programmes and needs with the Bank's strategy, actively participating in the transmission of our culture, values, knowledge and experience.





The Entity encourages **talent development** through training programs and internal promotion for the highest number of employees possible. In **2020, 711 people** received professional promotions through the application of the criteria defined in each of the professional career plans, length of service, unrestricted designations and office classifications. There are professional career plans for all central service departments and for the strategic company and personal and private banking segments. The total number of professionals pertaining to these promotion plans was **1,249**.

The aim of the training programmes is to **promote professional development,** meeting the needs that arise in an environment as dynamic environment as banking. Among the main training programs undertaken are those related to tools and operations, products and services, standards/regulation, taxation, development of attitude and personal motivation, digital environment and new trends.

The number of hours of classroom training amounted to **17,332** and those given through distance channels amounted to **379,388**, distributed by professional category as follows:

Professional category	Training hours 2020	Training hours 2019
Managers	77,194	71,124
Middle managers	97,264	78,229
Technicians	124,164	98,865
Administrative	98,099	86,674
Total	**396,720**	**334,892**

The average number of training hours per employee in 2020 was 78 hours (18% more than in 2019)

Sustainability training.

In 2020, **specific sustainability training** was commenced, aimed at the employees most directly involved in the integration of ESG aspects at Ibercaja. Within the 2021 Career Development Plan, a specific **Sustainable Finance** line was also implemented, aimed at all people that work at the Bank, to accompany them in the training required in this process. It is expected to begin in 2021, with the launch of an obligatory global training programme, aimed at the entire workforce.

Employee Communication and Experience.

The Bank has **open** and **transparent** communication with people, providing information on actions led from the People area, disclosing general interest topics among the workforce, providing and **promoting channels** and **means** of guaranteeing adequate notification to employees and encouraging their participation.

THE MAIN INTERNAL COMMUNICATION RESOURCES INCLUDE:

Employee Experience surveys	Upstream communication channel to know how employees live and feel their relationship with Ibercaja at key moments in their professional cycle.
"Chronicle of Transformation"	Digital magazine that aims to make the Bank's transformation strategy familiar to the entire organisation. Through dynamic, audiovisual, modern and interactive content, employees are invited to travel the path of transformation of the Bank. This channel is available in web and app format for IOS and Android mobiles.
Mailbox "HR Director Responds"	Through the Employee Portal, you can contact Personnel Management and ask questions, make suggestions, notify concerns, etc.
EFR external channel	The mailbox efr@ibercaja.es has been set up so that employees can send in their proposals or suggestions for improvement and/or send in their complaints or claims related to EFR.
EFR internal channel	As a Family Responsible Company, Ibercaja's employees have a confidential communication channel with **Fundación Más Familia** regarding the EFR model. www.masfamilia.org
Cultural and Recreational Group	Where ludic activities are promoted that favour participation and social relationships among employees.
Ibercaja Chronicle	Human Resources collaborates in each issue of the magazine "Ibercaja Chronicle" by publishing articles of interest in the Personnel area.
Employee Portal	Another of the main channels of communication with employees, favouring the flow of upstream and downstream communication.
Regulatory-Daily Information	Main downstream communication channels that allow information to be provided at all times regarding the news related to Human Resources (Tenders, Appointments, Employment Agreements, Legislative News, Administrative Procedures, etc.)
All this is for you	Digital and interactive publication which, with a modern, close at hand and familiar image, shows the advantages and benefits that can be enjoyed by Ibercaja employees.
ImPULSE Platform	Participation channel based on a system of challenges that aims to involve staff in the search for ideas and solutions to the challenges that are periodically proposed. Two types of challenges exist: solidarity and innovation.

Internal Communication Plan in Sustainability.

Also, in 2020, an **Internal Communication Plan in Sustainability** was implemented, whose purpose is **to accompany** the Bank's Sustainability Project,helping Ibercaja's objectives in this area to be **known** and **interiorised**, and to promote a new "**sustainability**" **culture.**

In 2018, for the first time, the **ENPS (Employee Net Promotor Score)** index was devised. It is a parallel indicator to the NPS used in Customer Experience, which tells us about the degree of commitment of employees to the Ibercaja brand, responding to the question "Would you recommend Ibercaja as a place to work?" and obtaining an excellent score of **25.9.**

*Ibercaja thus reinforces the **Employee Experience,** as **a basis for the People Management Model** implemented in the previous strategic cycle.*

Furthermore, the traditional Employment Environment survey has evolved towards a perception study, which we call **Employee Experience Measurement**, in order to identify that which most satisfies employees in their day-to-day procedures, together with the aspects that may slow down their professional and personal growth, to adapt the improvement drives at all times.

In 2020, an employee experience survey was conducted, adapted to the special situation of the time.

Image and Pride of Belonging

Do you feel that through your work you have been able to help other people?	YES: 75%	NO: 7%	Sometimes: 18%
Do you think we are maintaining a good level of service?	YES: 81%	NO: 4%	Sometimes: 14%
Have you ever felt the pride of belonging to a company that cares about people?	YES: 68%	NO: 9%	Sometimes: 23%

In general, how would you rate Ibercaja's performance in the face of the crisis generated by this pandemic?

7.57

In this context of on-going listening, in 2020, a joint reflection was made of all that lived in recent months, which enabled us to have valuable information on the concerns and worries of the workforce and improvement suggestions to be able to plan new actions that contribute to facilitate the on-going performance of our daily work in the current coordinates.

***Ibercaja actively promotes equal opportunities**, rejecting any form of discrimination, and it is committed to the work-life balance of its professionals that work at the Entity.*

DIVERSITY, EQUALITY AND WORK-LIFE BALANCE

103-1, 103-2, 103-3, 405-1

Ibercaja has **over 100 work-life balance and equality measures for its employees** (which exceed that included in the applicable legislation in force) in the categories stipulated in the frc/efr 1000-1, and it has implemented the **frc/efr Plan** for the first certification cycle (2019-2021). Alongside this, Ibercaja **updates the Equality Plan** which promotes equal opportunities between the genders and a work-life balance so as to contribute to the welfare of our employees and their families.

The positioning of women in posts of responsibility is continually gaining ground. In 2020 around 34% of Bank Manager positions, 60% of Assistant Manager positions and 57% of Personal Banking Manager positions have been awarded to women. Women obtained 55.3% of promotions in 2020.

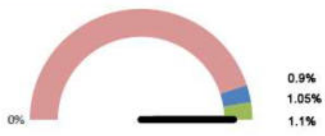
Also, Ibercaja's employees can opt for work-life balance measures such as leave, a reduced working day and an extended leave of absence, some of which extend or improve those set out in the prevailing legislation and in the collective bargaining agreements. During the year, 175 people availed themselves of these measures (133 reductions in working hours, 35 extended leave of absence periods for childcare motives and 7 extended leave of absence periods to care for family members).

Nº EFR MEASURES IN FORCE THAT IB OFFERS	
Family support	16
Quality in employment	42
Professional and personal development	20
Space and Time Flexibility	4
Equal opportunities	6
Leadership and Leadership Styles	16
TOTAL EFR MEASURES	104

EFR INDICATORS	2019	Dec/2020
STABILITY IN EMPLOYMENT % of permanent contracts as a percentage of total contracts	95.20%	97.31%
SPACE FLEXIBILITY % of companies that can benefit from some measure of space flex.	6.25%	24.23%
MATERNITY % mothers with children under 12 years of age in executive positions as a % of total women in managerial positions	43.96%	39.84%
MATERNITY % mothers with children under 12 years old and under 35 years old separated compared to Total separations	0.36%	0.00%
FEMALE PRESENCE % of women in the workforce as a percentage of the average total number of employees	47.76%	47.28%
EQUALITY IN ACCESS TO EMPLOYMENT % women hired in the last year vs. NO New Hires	54.55%	31.11%

INVESTMENT IN EFR CONCILIATION IN 2020	15,113,672
% INVESTMENT IN CONCILIATION (EFR) VS FIXED SALARY (2020 DATA)	6.44%

efr 2021 STRATEGIC OBJECTIVES



% FEMALE EXECUTIVES 2018	30%
% FEMALE EXECUTIVES TODAY	30%
% FEMALE EXECUTIVES TARGET 2022	40%

% FUNCTIONAL DIVERSITY 2018	0.93%
% FUNCTIONAL DIVERSITY TODAY	1.13%
% FUNCTIONAL DIVERSITY TARGET	1.10%

In relation to the **integration of people with disabilities**, Ibercaja, in addition to complying with the General Disability Law, promotes the participation of disabled people through agreements with social entities and awareness-raising through training and volunteer actions. Currently, 57 people with varying capacities work at the Bank (up 14% on 2019), thereby achieving one of the main objectives of our frc management model.

The Bank has protocols in place for dealing with any type of discrimination, including cases of sexual harassment and harassment for reasons of gender.

*Through our Representatives Network in the different territories we are performing a personalised people management. Our **objective** is **to know each person**, manage their needs individually, identify their level of commitment and oversee the development plans and adequate progress for each individual.*

LEADERSHIP AND COMMITMENT MANAGEMENT

Since 2017, at Ibercaja we continue to have a network of seven representatives that provide coverage to all Territorial Divisions, as well as the Representative that works at Central Services.

We want the employee to **and accompanied at key moments in his or her professional life** at key moments in their professional life cycle: when starting a new position, an appointment, a transfer, the assessment of competencies or when facing a personal problem.

To this end, the delegates have a series of tools to help deploy this project: management protocols for support at key moments; employee files to support management and a new method for assessing the employee's professional expectations.

Our **relationship model with the employee** replicates the **Commercial Management Model with customers**.

REMUNERATION POLICY

103-1, 103-2, 103-3, 202-1

Staff **salaries** comprise fixed remuneration provided for in the Collective Bargaining Agreement for each professional level and for the variable remuneration received by the staff assigned to the Branch Network associated with the attainment of objectives. In addition, other amounts are paid as supplements for certain groups with specific functions and responsibilities.

The **fringe benefits** provided by Ibercaja to its employees supplement legally stipulated coverage, beyond the limits and benefits established in collective bargaining agreements. They include, among others, study grants, pension plans, grants for nurseries and children's education.

Employees have a digital and interactive environment that, with a modern, close at hand and familiar image, shows the advantages and benefits they can enjoy by being part of the Ibercaja family.

In line with the rest of Ibercaja's Human Resources policies, the Remuneration Policy is based on the principle of equality between men and women, with no type of wage differentiation between genders.

The following are details of the **average remuneration received** by the employees of Ibercaja at 31 December 2020. These remunerations are made up of fixed remuneration, salary complements and variable remuneration received in 2020.

AVERAGE TOTAL REMUNERATION BY GENDER (IN EUROS):

GENDER	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
M	53,468	1.93%	52,456
F	46,767	2.84%	45,475
Total	**50,300**	**2.37%**	**49,133**

AVERAGE TOTAL REMUNERATION BY AGE RANGE (IN EUROS):

AGE RANGES	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
21 - 30 YEARS	25,127	5.95%	23,717
31 - 40 YEARS	42,694	1.79%	41,942
41 - 50 YEARS	49,548	0.34%	49,379
51 - 60 YEARS	56,250	1.24%	55,563
61 - 70 YEARS	94,829	1.99%	92,983
Total	**50,300**	**2.37%**	**49,133**

AVERAGE TOTAL REMUNERATION BY PROFESSIONAL CATEGORY (IN EUROS):

JOB GROUPING	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
1-Executives	64,908	2.53%	63,306
2-Middle managers	53,340	3.17%	51,703
3-Technicians	46,957	2.30%	45,899
4-Clerical staff	42,619	2.47%	41,589
Total	**50,300**	**2.37%**	**49,133**

AVERAGE TOTAL REMUNERATION OF EXECUTIVES BY GENDER (IN EUROS):

GENDER	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
M	66,904	2.44%	65,314
F	60,280	2.81%	58,634
Total	**64,908**	**2.53%**	**63,306**

In relation to the so-called **salary gap**, if the base salary of the collective bargaining agreement is taken as a reference and the additional remuneration for length of service, social benefits or other benefits is excluded, the male/female wage ratio at Ibercaja is 1.

The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are performed is 119% both for men and women.

Analysing this information weighted by job grouping (executives, middle management, technical and clerical), a salary gap of 8.33% was determined in 2020.

The wage difference shown by the results is in line with the sector, mainly generated by the historical gender composition of the company, which translates into a higher average length of service of men compared to women. The proof of this is the **reduction of the gap** with **respect to 2019 of 5.76%, from 13.3% to 12.53%**.

This calculation takes into account fixed remuneration, wage complements and variable remuneration received in 2020.

This trend is partly due to the measures implemented to reduce it:

- Increase in the representation of women in management positions.
- **55%** of promotions in 2020 corresponded to **women**.

Aspects relating to the remuneration of directors

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Bylaws. Only the Chief Executive Officer and the Chairman receive a salary for the performance of their duties, as well as allowances for attending meetings of governing bodies, in accordance with the provisions of the Bylaws. The remuneration of the other directors, in their capacity as such, consists of (a) allowances for attending meetings of the Board of Directors and its committees, and (b) an annual allocation to be determined by the Board for directors with special dedication and duties (chair of the internal committees of the Board of Directors).

Hence the average remuneration of directors, including the CEO and the Chairman (9 male directors and 2 female directors), amounted to 135 thousand euros. On the other hand, the average remuneration of directors in their capacity as such is 53 thousand euros (the average remuneration of male directors is 58 thousand euros and that of female directors is 32 thousand euros).

Information on directors' remuneration is disclosed on the Bank's **corporate website** (www.ibercaja.com), in the section Corporate governance and remuneration policy and in the Annual Corporate Governance Report.

Aspects relating to the remuneration of senior management

The members of the Bank's Management Committee, comprising 11 people (8 men and 3 women) at 31 December 2020, are classified as senior management, excluding the CEO. Information on senior management remuneration includes both fixed and variable remuneration, long-term pension systems and any other payments. The average remuneration is 202 thousand euros (average remuneration of male executives of 212 thousand euros and 174 thousand euros in the case of female executives, which is mainly affected by the length of service of the officials in the Bank).

SOCIAL DIALOGUE AND ORGANISATION OF WORKING TIME

103-1, 103-2, 103-3

Labour relations are based on **open and transparent dialogue with employee representatives**. The Entity's union representation comprises 228 employees linked to five union sections.

These relationships attempt to foster mutual commitment, in order to advance in the improvement of the employment conditions for the professionals that work at Ibercaja.

Agreements reached in 2020:

- Signing of 2019-2023 Collective Bargaining Agreement
- Branch Responsibility Bonus Agreement
- Collective Company Agreement on Specific Timetables
- Agreement on the adoption of extraordinary employment measures at Ibercaja Banco S.A. as a consequence of the declaration of the State of Alarm in Spain

100% of Ibercaja Banco employees are covered by Collective Bargaining Agreements and are represented on formal committees. Ibercaja's activity is carried out entirely in Spain and its workforce is made up of people of different nationalities.

90% of employees have an intensive **timetable** (except Thursdays in winter). The Collective Agreement for the years 2019-2023 establishes an annual working time of 1.680 hours of effective work. Respecting that working day, and without prejudice to the irregular distribution thereof, in accordance with the provisions of current legislation and applicable industry regulations, the **working hours** are as follows:

- From 1 May to 30 September, the hours are Monday to Friday: 8:00 am to 3:00 pm.

- From 1 October to 30 April, the hours are Monday, Tuesday, Wednesday and Friday: 8:00 am to 3:00 pm and Thursday: 8:00 am to 2:00 pm and 4:00 pm to 7:00 pm.

In Ibercaja there are 481 employees subject to tailored schedules, requested on a voluntary basis. Of these, 87% requested three afternoons, 3% two afternoons and 10% one afternoon.

Also, the new Agreement, for the first time, enacts the right to digital disconnection in the workplace. This regulation contributes to the health of workers by reducing, among others, technological fatigue or stress, thereby improving their working environment and work quality.

OCCUPATIONAL HEALTH AND PREVENTION

103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10

Ibercaja is committed to the **safety and protection of its employees**, to ensure **their well-being and occupational health**, by minimising risks and assigning the resources that are necessary to implement preventive actions.

Also, Ibercaja's strategic objectives include the promotion of healthy lifestyles, promoting different initiatives in this regard:

- Performance of medical check-ups.
- Promotion of sports activities through the Cultural Group, active participation in races and marathons throughout Spain in a group manner and the organisation of workshops that promote well-being (Healthy Space and Show Cooking at CoffeeWork).
- Specific section in the Ibercaja with you APP (#ContigoNosCuidamos y #ContigoEntrenando), in which healthcare recommendations are included, such as how to prevent colds, habits for a healthy heart or information on the importance of a healthy diet.
- Distribution of seasonal fruit at Ibercaja's central offices.

How does this policy apply at Ibercaja?
By having an In-house Prevention Service to provide specialised technical support to the whole organisation in the area of occupational risk prevention, occupational medicine and ergonomics, promoting healthcare, through frequent medical check-ups, vaccination campaigns and information.
The Entity makes its regular risk prevention enquiries through the arrangement of an **Occupational Health and Safety Committee**, whose main function is to verify compliance with the regulations.
Employees participate in this specific area through **"prevention officers"**. The number of those appointed by and among employee representatives stands at 13.
Through the preparation and application of the **Occupational Risk Prevention Plan** and of the related risk assessments and re-assessments.
Training and informing employees of the risks of their activities, through courses in the area of prevention and publication campaigns through different channels.

The Bank has its **own prevention service**, as it is a company with more than 500 workers. The in-house prevention service is a specific organisational unit covering two of the four prevention disciplines ("Health Surveillance" and "Ergonomics and Applied Psychosociology") provided for in Article 34 of the regulations. The preventive specialties of “Safety at Work” and “Industrial Hygiene” are outsourced to an external prevention service: MAS PREVENCIÓN.

The Bank has implemented an **occupational risk prevention plan**, with the aim of integrating preventive activity into management.

The Bank has set up a **Health and Safety Committee**, composed of 10 members: 5 of them are the Prevention Officers and the other 5 are representatives of Ibercaja. Ibercaja's Health and Safety Committee has its own internal regulations that govern its functioning.

To continue progressing in the training of the entire workforce in these matters, in 2020, 232 employees of the Ibercaja Group completed an online **Occupational Risk Prevention** course. This training course lasts two hours. Hence, 4.620 employees of the Ibercaja Group completed the training received in 2019.

Attention must be drawn to the **special training received by the workforce on COVID** to inform all employees of the measures adopted by the Bank to prevent possible cases and raise awareness of the effect of the virus in the professional environment, providing guidelines to minimise risks. It has an estimated duration of 1 hour and in 2020 5,099 people carried out this training.

Given the activity carried out by Ibercaja, no specific risk or illness for employees is identified.

In 2020, 28 **occupational accidents** occurred (8 men and 20 women), up **12% on the previous** year (although 7% less if we take into account the days not worked by employment accident), and the total number of hours of absenteeism was 470,193 (331,274 in 2019). As is the case every year, the hours of absenteeism include common illness, occupational accidents and maternity and paternity leave. But this year, as a novelty, COVID was included in the hours, with absenteeism due to Coronavirus amounting to 117,003 hours, which was a significant determining factor in the increased number of employee absences with respect to 2019.

	YEAR 2020	YEAR 2019
FREQUENCY INDEX (*)	1.3294	1.2273
SEVERITY INDEX (**)	0.1191	0.1284

Recalculation of the severity index in 2019

(*) IdF= Number of occupational accidents with sick leave (ex in itinere) *10^6

Total number of hours actually worked

(**) IdG= Number of days not worked due to an accident at work, with leave *10^3

Total number of hours actually worked

EL BANCO DEL Vamos

6.5 Commitment to the environment

102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31, 102-43, 102-44, 103-1, 103-2, 103-3, 301-1, 301-2, 302-1, 303-1, 303-5, 305-1, 305-2

IBERCAJA ACQUIRES THE COMMITMENT TO PROTECT THE ENVIRONMENT AND FIGHT AGAINST CLIMATE CHANGE, TAKING INTO ACCOUNT BOTH THE ENVIRONMENTAL IMPACT OF ITS OWN FACILITIES AND THAT OF ITS FINANCIAL ACTIVITY.

6.5.1 Through the banking and financial activity

Ibercaja responds to the challenge posed by climate change and its associated regulatory requirements, working to ***integrate environmental and climate aspects across the entire organisation****.*

To this end, the Entity uses the objectives of the Paris Agreement on Climate Change as a reference, and moves forward in the implementation of the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD). This information is included in detail in **section 6.12. of this chapter of the Directors' Report**.

The Sustainability Policy, approved by Ibercaja's Board of Directors in December 2020, includes the Bank's **environmental commitments**:

THROUGH ITS FINANCIAL ACTIVITY, IBERCAJA UNDERTAKES TO:

- **Analyse the impact of climate change**, detecting **needs** that the transition to a decarbonised economy may present, in order to **respond with business solutions** that support environmental sustainability.
- **Analyse climatic and environmental risks**, their impact on customers and their financial activity, for their gradual integration in compliance with the regulatory requirements.
- **Transparently communicate** the advances in environmental sustainability, **raising awareness internally and externally** to promote a sense of environmental responsibility.
- Assume and endorse the primary **national and international commitments** that help to protect the environment and fight against climate change, working on their implementation.

6.5.2 Through internal environmental management

*OUR COMMITMENT TO THE ENVIRONMENT IS ALSO MATERIALISED IN THE **MANAGEMENT OF THE DIRECT IMPACTS** OF OUR ACTIVITY, AND IS DEVELOPED THROUGH THE FOLLOWING AXES:*

ENVIRONMENTAL POLICY

Approved by the Board of Directors and public: it is based on **compliance with** general **regulations**, pollution prevention in its own processes, **proper waste management**, **employee awareness** of the responsible use of resources and the **dissemination of the actions** carried out among customers and suppliers to raise their awareness.

ENVIRONMENT COMMITTEE

At executive level, this body is tasked with **ensuring its compliance,** supervising the efficiency and effectiveness of the Bank's environmental management system and **promoting awareness initiatives and environmental protection.**

ENVIRONMENTAL MANAGEMENT SYSTEM

Supervised by the Environmental Committee, it has a Coordinator and a specific budget for its correct performance, enabling the implementation of environmental initiatives proposed by the **Environmental Team**, formed by volunteers from different units, which propose, foster and promote initiatives in the environmental protection area.

TO DO SO, IBERCAJA ASSUMES THE FOLLOWING COMMITMENTS:

- Measure and publish its carbon footprint, establishing a reduction plan to achieve **emission neutrality**.
- Comply with the **applicable legal environmental requirements** and those other rules **voluntarily assumed**, adopting the necessary measures to do so.
- Apply the **principle of pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- Encourage the **responsible control and consumption of resources**, and **the proper management of waste**, minimising its generation to the extent possible, favouring the circular economy throughout the value chain.
- Ensure the integration of **continuous improvement** in the system and in environmental performance by establishing **environmental objectives**.

The Environmental Management System (EMS) has been in place at the Bank since 2007, and it is externally certified by AENOR, which verifies compliance by the head office building with the requirements of the ISO 14001:2015 standard. As a requirement of this Standard, **the risks and opportunities** arising from the system are identified, as well as the actions to be taken for each risk. The risks include the impact of climate change on financial activity.

In 2020, AENOR conducted the **Monitoring audit** on the Bank's Environmental Management System, in which it verified the implementation of the System with respect to the specific requirements in the UNE-EN ISO 14001:2015 reference standard. The strong points are **highlighted as follows**:

- State of **order and clean** facilities.
- Horizontal, vertical ascending and descending **communication channels**.
- **Thorough analysis** of the determination of the context of the organisation, and of the interested parties and their requirements.
- The **availability, aptitude and technical preparation of all the personnel involved** in the system, implication and knowledge regarding the Bank's environmental efficiency theme and culture.
- **Internal and external environmental initiatives**, and the participation of the Bank through **inclusion** and awareness-raising through symposiums for the interested parties.
- Integration of the Environmental Management System **in the business units** and the inclusion of environmental criteria in the design of the organisation's financial products.
- **Reduction of the carbon footprint.**

MAIN LINES OF ACTION IN 2020:

RESOURCE MANAGEMENT

The Bank has among its **objectives** the **efficient consumption of resources** and implements initiatives aimed at optimizing them, especially those that are material for Ibercaja: water, energy and paper. It also places special emphasis on raising awareness regarding their correct use.

*The Bank has implemented initiatives aimed at **optimising the consumption of resources***

TOTAL CONSUMPTION	2019	2020
Water consumption (m3)	41,451	37,028
Energy consumption (Gj)**	138,107.1	129,780.7
Paper consumption in Tm*	369.4	333.3

** 96% of DIN A4 paper is recycled*

***The electricity consumption of the Branch Network is calculated based on the electricity invoices of the various companies for the period from 1 December of the previous year to 30 November of the current year. This is because real calendar year data are not available until March of the following year.*

In 2020, as in previous years, in all the reforms, works and maintenance actions carried out at offices, if the facility allows it and it is necessary, the criterion of **replacing the existing lighting with LED systems** and of improving air conditioning systems with more efficient equipment, was maintained. All our measures or procedures take into account the Bank's **environmental management principles**.

CIRCULAR ECONOMY AND WASTE MANAGEMENT

The correct segregation of waste and its selective collection is a constant commitment of the Bank, ensuring the correct destination of each type to reduce its environmental impact. The Waste Coordinator is in charge of their integral management.

Awareness-raising campaigns and training help to promote the best environmental practices and to gain awareness to minimise waste generation. In 2020, efforts focused on the **continuous improvement of waste management**, highlighting the internal and external environmental awareness and information actions aligned with key global events related to recycling and environmental education, and the planning of specific training for the internal waste managers in January 2021.

EMISSIONS

Ibercaja obtained the **"I calculate/I reduce" seal** for 2019 of the (MITECO) Carbon Footprint, Offset and Carbon Dioxide Absorption Projects Register and the Spanish Climate Change Office.

The Bank's commitment to the environment is reflected in the ***Emission Reduction Plan****.*

Since 2016, Ibercaja has calculated its carbon footprint including the scope 1 and 2 emissions, demanded by the Spanish Climate Change Office, and also the indirect scope 3 emissions, specifically, those produced by car trips of employees for work reasons and those associated with documents sent by messenger.

In 2020, total emissions in Tn of CO2 eq (Scope 1 and 2) amounted to 1,285, which represents a **reduction of 85%** compared to the previous year.

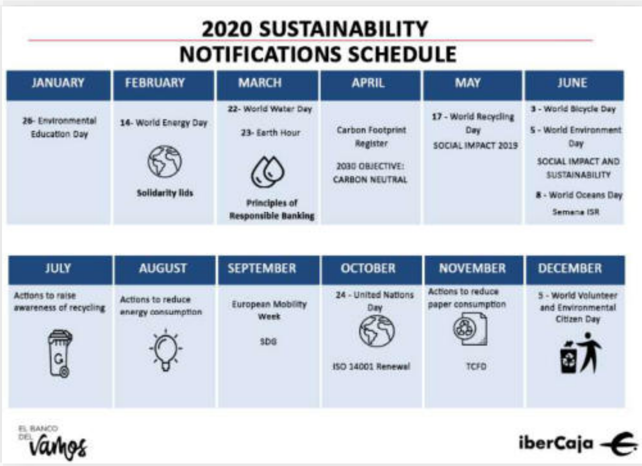
The reduction in emissions was due to the **consumption of green energy** at the central headquarters (since April 2017) and at offices (2020). All electricity supplied by Endesa originates from renewable energy, as accredited by the National Energy Commission (CNE), through its electronic headquarters.

The Bank's commitment to the environment is reflected in the **Emission Reduction Plan**. The milestone in 2021 is to offset the emissions calculated in 2020 that could not be avoided, thereby **neutralizing emissions**.

AWARENESS-RAISING AND COMMUNICATION

Awareness-raising and communication are a **key aspect for Ibercaja**, since through them, it succeeds in amplifying the impact and notifying it to its stakeholders, especially its employees and society.

Annually, **environmental procedures and contents are planned throughout the year**, aligned, when appropriate, with global awareness initiatives or days indicated in the environmental area, related with environmental preservation and the fight against climate change. Dissemination is carried out through a range of channels, both internal and external, operated by the Bank (Daily Information, Ibercaja with you APP, social networks, etc.).



Odeséate campaign   *Earth Hour*   *Solidarity lids*

Also this year, albeit in a different manner due to the healthcare circumstance, Ibercaja joined the **Earth Hour** initiative with the Zaragoza Central Building, the Burgos Catholic Kings Building and the XXI Century Badajoz Building, Badajoz.

Also, the **corporate web page (*https://www.ibercaja.com*)** includes Ibercaja's sustainability and environmental commitment in a specific section.

ENVIRONMENT TEAM

The Environmental Management System has a team that promotes initiatives **Environment Team,** formed by volunteers from different units, which promote, foster and implement possible measures in the environmental protection area, encouraging their implementation.

*The **Environment Team** proposes, promotes and implements possible **environmental protection** procedures.*

This year a project has been implemented to reduce and optimise the use of plastic at Ibercaja. In this regard, the **NO PLASTICS TEAM**, was formed which has worked on a voluntary basis and, in coordination with the Purchases Unit, has replaced plastic consumables with others made with recycled and recyclable materials (for example, card cases, finger notches, etc.): The water bottles at Central Headquarters were also substituted by other RPet bottles (100% recycled and recyclable), thereby transferring our environmental commitments to the value chain.

Through the environmental suggestion box created in 2019, various suggestions were received to **improve waste segregation at offices**, hence, this challenge was marked as a new objective and a plan was designed to achieve this improvement.

TRAINING

Training is a key element at Ibercaja to transfer its environmental commitment to all Bank employees and to provide them with the necessary tools, especially to those that form part of the Units most affected directly and to those linked with the environmental management system for its correct performance.

> ***Training** is a **key element** at Ibercaja to transfer its environmental commitment to all Bank employees.*

In 2020, the following **training activities** were carried out, tied to sustainability and the environment:

- Course on sustainability: a course on **Sustainability focused on environmental care** has been posted on the Habitz platform, available to all employees of the Entity.
- **Sustainable Finance**: several training sessions have been held in different areas (risks, investment, products, reporting, etc.), within CECA's working groups.
- **Principles of Responsible Banking**: sessions of the different working groups in which Ibercaja participates.

Following the Sustainability Roadmap, it is envisaged to include a sustainability line in the **2021 Career Development Plan.**

ENVIRONMENTAL ALLIANCES

Ibercaja, within the framework of the promotion of SDG 17 (alliances), promotes cooperation between entities and its participation in environmental initiatives and the fight against climate change.

> *Ibercaja promotes **cooperation among entities** and its participation in environmental initiatives*

This is part of **COEPLAN** (Coalition of Companies for the Planet), an initiative that promotes more innovative and sustainable companies.

It also participates in the **Sustainable Finance Sector Working Group** to analyse and adapt to legislative proposals supported by the European Commission in its Action Plan on Financing Sustainable Growth.

Ibercaja is part of the **#ComunidadPorElClima**, to raise awareness and disseminate good environmental practices that support the sustainability of the planet.

As part of the COP25, in 2019, the Bank signed the **"Collective Commitment to Climate Action"** of the Spanish financial sector, promoted by the United Nations Environment Programme Finance Initiative, and joined the commitment to measure and reduce the carbon footprint.

Smart Green. In 2020, the Ibercaja Foundation joined the Smart Green Movement, an initiative led by LG España in collaboration with CO2 Revolution, whose objective is to plant millions of trees throughout the country. Hence the Ibercaja Foundation joined the movement that brings together mayor firms, citizens and institutions to combat climate change, absorbing the CO2 surplus into the atmosphere through the reforestation of trees.

6.6 Commitment to shareholders and investors

102-43, 102-44

IN OUR RELATIONSHIP WITH CURRENT AND POTENTIAL SHAREHOLDERS AND INVESTORS, IT IS CRUCIAL TO CARRY OUT PROCEDURES OF INTEREST AND PROVIDE ADEQUATE INFORMATION REQUIRED FOR THEIR ASSESSMENT.

The Bank continues to pledge for ***transparency***

During 2020, Ibercaja has continued working to provide more in-depth knowledge of the Entity to all financial market players. The Bank has continued its pledge for **transparency through two main channels**:

- Its **corporate website**, which isIbercaja's main channel to make itself known to investors. Throughout the year, the corporate website has received **2.4 million visits.** In the coming months, the Bank expects to renew this channel with the objective of adapting it to the Bank's new corporate image and continuing to improve the available content.
- Also, the Entity has a channel to resolve queries of this group by writing to the *mail box* ***investors@ibercaja.es***. In 2020 Ibercaja managed over 325 direct contacts with investors through this channel, **up 19% on 2019**.

COMMITMENTS TO SHAREHOLDERS AND INVESTORS:

- **EQUALITY.** Guarantee equality between shareholders and investors regarding access to significant information on the Bank, avoiding asymmetry and ensuring maximum transparency so that they can obtain complete, clear and true information at all times.
- **ADEQUATE DIALOGUE**. Establish adequate dialogue channels that allow them to be attended to with agility and quality in a personalised manner.
- **CONFIDENTIALITY.** Protect, in the terms envisaged, the confidentiality of the data that may be contributed by shareholders and investors.

Additionally, and given the impossibility of maintaining face-to-face meetings due to the restrictions caused by the pandemic, **videoconference** meetings were boosted, so Ibercaja has remained close to investors and analysts in a climate of high market volatility.

Within the framework of the Bank's Sustainability Roadmap, a line of work has been identified to enhance **communication of Ibercaja's ESG commitment among investors** and rating agencies, responding to their growing interest and highlighting the Bank's progress in this area.

THE MOST SIGNIFICANT MILESTONES FOR INVESTORS DURING WERE:

- The **refinancing of the Tier II debt issue** in January. Ibercaja issued 500 million euros of Tier at 10.5 years (with a repurchase option in the year of 5.5). Investor demand amounted to 1,800 million euros, of which 70% originated from international investors. The coupon was set at 2.75%, down 45% on that recognised in the similar 2015 issue. At the same time as Ibercaja carried out this issue, the Bank repurchased 59% of the 2015 issue, set to mature in July.

- **At the end of the year, Ibercaja had met its target notified previously of reaching a Fully Loaded CET1 of 12.6%.** The Entity has generated over 100 basis points of capital in the year thanks, among other factors, to the renewal of the distribution agreement with CASER and the reduction of the holding in this company below 10%.

Ibercaja has continued **reinforcing the quality of its balance sheet**. Despite the complicated macroeconomic climate caused by the pandemic, Ibercaja reduced the balance of non-performing assets by **14.9%** in the year, at the same time as which coverage of such loans rose by more than 10 percentage points with respect to the 2019 close.

6.7 Commitment to suppliers

102-9, 102-10, 102-43, 102-44, 1031, 103-2, 103-3

IN 2020, THE SUPPLIER CODE OF CONDUCT WILL BE UPDATED, IN WHICH IBERCAJA APPLIES ITS PRINCIPLES OF RESPONSIBLE MANAGEMENT, WHERE INTERACTION AND DIALOGUE ARE KEY ASPECTS TO FAVOUR A STABLE AND ENRICHING RELATIONSHIP WITH SUPPLIERS, BASED ON ETHICS, TRANSPARENCY AND COMPLIANCE WITH THE COMMITMENTS AGREED UPON.

*Ibercaja, in its **relationship with suppliers**, demands a **level of commitment** in line with the socially responsible practices that comply with the **Bank's Code of Ethics**.*

Ibercaja assumes the following commitments with its suppliers:

- Guarantee **transparency in procurement** and the impartiality and objectivity of the Entity's employees who participate in the selection processes.
- Oversee economic relationships which, **respecting the interests of both parties**, make it possible to obtain the maximum level of quality and commitment in the products served and in the services provided.
- To promote the observance by its suppliers of sustainable practices and ensure the application of the principles of the Global Compact, complying with the **Supplier Code of Conduct** which includes the responsible commitments they must assume: maximum ethical standards in their actions, respect for human rights and labor standards, environmental protection, the fight against corruption, and confidentiality and security of information.

Hence, in order to guarantee compliance with these socially responsible practices and favour the application of the principles of the Global Compact, Ibercaja has a **Supplier Code of Conduct**, which was updated in 2020.

In Ibercaja's commercial contracts with its suppliers, the latter are obliged to assume the principles of the United Nations Global Compact on Human Rights, Labour Rights, Environmental Protection and Anti-Corruption, committing themselves to Ibercaja's organisation to adopt the measures that are conducive to compliance with these principles, and to encourage third parties with whom they enter into contract to comply with them.

Likewise, suppliers are obliged to comply with and enforce, within their sphere of influence, the regulations in force at any given time regarding environmental protection, in particular waste management, establishing and maintaining a **business policy of sustainable development**, making their best efforts to make progress in improving their environmental practices.

In November 2019, **a new supplier management tool** was launched with a more evolved and complete website, which will enable **the improvement and systematisation of the supplier risk approval and management processes**, facilitating the Bank's relations and active listening with suppliers. The new portal includes, within the documentation requirements, social and environmental standards (ISO14001, OHSAS 18001, ISO 26001), and matters relating to corporate social responsibility. As to the transparency of non-financial information, suppliers are consulted as to whether they make an annual publication in this area, whether it follows any international reporting standards (e.g. GRI) and whether such information is verified by an independent external expert.

In 2020, **the supply risk assessment** was improved, strengthening and complementing the approval process previously made. **The most significant ones have been assessed, 168** (160 in 2019), which represent a total of **85% of the total volume** (86% in 2019) of purchase volumes managed, of which **123** have renewed their certification (111 in 2019) and **41** have obtained it for the first time (48 in 2019).

Almost all positively evaluated suppliers are Spanish and their contracts are signed pursuant to Spanish legislation. Both the evaluation of suppliers and the management of contracts are part of the purchasing procedures, comply with standardised criteria and objectives and include control mechanisms to ensure compliance with the principles set out above and the commitments made.

Administrative management of these processes is conducted electronically, expediting the arrangements for payment of invoices and reducing paper consumption.

In 2020, the **new Portal** continued to be implemented, approving the supplier risk approval and management processes, facilitating the Bank's relations and active listening with suppliers.

The new Portal facilitates ***relations and the active listening*** *of the Bank with its suppliers.*

Within the framework of the Entity's Environmental Management System, the supervision of suppliers assigned to it is carried out from the environmental point of view, in the corresponding external audits (AENOR) for the follow-up and/or renewal of ISO 14001, which the organisation has had since 2007.

6.8 Contribution to society

102-43, 102-44, 103-1, 103-2, 103-3, 413-1

AT IBERCAJA, WE BELIEVE IN A SOCIAL BANKING MODEL, HIGHLY COMMITTED TO PEOPLE AND TERRITORY, WITH A FUTURE VISION, THEREBY PROVIDING A RESPONSE TO OUR CORPORATE PURPOSE.

*Ibercaja has a **Map of Stakeholders**, which enables them to be identified, to ascertain their needs and expectations and prioritise the actions with them.*

THE MAIN STAKEHOLDERS FOR IBERCAJA, ON WHICH THEIR COMMITMENTS ARE MADE EXPLICIT IN THE SUSTAINABILITY POLICY ARE:

Ibercaja encourages **active listening and dialogue** with its stakeholders to identify their needs and expectations and respond to them. Hence it implements specific channels and tools that favour continuous, two-way communication.

THE SUSTAINABILITY POLICY MAKES OUR COMMITMENTS TO SOCIETY EXPLICIT:

- Contribute to the **sustainable development of the territory**.
- Be sensitive to **social and environmental demands**, through its financial activities.
- Promote **financial education**.
- Assume commitments that pledge for **sustainable development**.
- Raise awareness and disseminate good practices that help in the transition towards a **sustainable economy**.
- Promote **corporate volunteering**.
- Comply with **tax responsibility**.

The Ibercaja Group is very aware of its commitment to society in all its actions, both through its **financial activities** and through its **shareholder foundations**, to which it invests a significant portion of its profits, which are allocated to actions of a social nature.

IN 2020, THE FOLLOWING PROCEDURES SHOULD BE HIGHLIGHTED:

6.8.1 Social activities

*Ibercaja's announcements aim to generate **real opportunities of social insertion***

For yet another year, the Bank's shareholder foundations have held the **Ibercaja social project call**, which aim to improve people's employability, generate real opportunities for social and labour insertion or cover the basic needs of groups in a situation or at risk of exclusion. In its 15th edition, 578 projects have been presented and **304 initiatives** been selected from all over Spain, which will benefit **158,196 people**.

The call for proposals that the Ibercaja Foundation has launched throughout the country broadens its scope with the collaboration of the other three entities that are shareholders of the Bank (the CAI Foundation in Aragón, CB Foundation in Extremadura and the Cajacírculo Foundation in Castilla y León), becoming an example of efficiency and transparency of aid to the third sector.

#VAMOS CAMPAIGN

Ibercaja Banco and the Ibercaja Foundation promoted an initiative in 2020 that enabled the **donations** of individuals and companies, for a global amount of around 900,000 euros to be channelled, **aimed at meeting the needs of the most vulnerable people as a result of the spread of COVID-19 in Spain**.

The initiative was present in Zaragoza, Huesca, Teruel, Extremadura, Guadalajara, La Rioja, Madrid, Burgos and Seville**.** In each geographical area, this initiative was backed by prominent figures from the business world, culture, sports and communication and other public and private institutions.

Diverse partnership companies from the third sector received the contributions to help them in different areas (purchases, food, psychology, assistance, etc.) to the most needy in each city or autonomous community in which said challenges were undertaken.

In addition to providing direct aid to social projects, the Ibercaja Foundation collaborates with third sector entities in programmes and activities that provide a specific response to the needs of certain groups such as families with limited resources, the elderly, young people outside the education system or people with disabilities. The main **social programmes** with which Fundación Ibercaja has maintained its commitment in 2020 are: TOPI Catering School of Fundación Picarral, Sumando Empleo of Cáritas Autonómica de Aragón, Prevention Plan of Fundación Centro Solidaridad-Proyecto Hombre, Placement Agency of Fundación DFA, Good Citizen Practices Award with Ebrópolis and CERMI Aragón, through the painting and sculpture contest "Trazos de igualdad" (Traces of Equality).

SOLIDARITY IMPULSE

Solidarity Boost is another initiative performed this year, that allows one to experience first hand the social commitment of Ibercaja and its Foundation. This project aims **to promote active and participatory social responsibility**, in which the Group's workers themselves propose and select with their votes the social projects to support, and then become their best ambassadors. As a novelty, in 2020, two editions were launched in the year, one of them, was a **special extraordinary Covid-19 announcement** to reach the groups most affected by this illness.

LABOUR INTEGRATION AND DIVERSITY

Ibercaja supports **the labour integration of people with disabilities** to **achieve a more equal and inclusive society**. The Entity has 57 employees with recognised disabilities on its staff. In 2020, it allocated more than 235,000 euros to the contracting of Special Employment Centres for the supply of material or services, such as the CEE Fundación Juan XXIII, CEE Oliver, S.L. or CEE Sesé Integra Norte.

In addition, during the year, donations were made worth more than **200,000 euros** for Foundations whose objective is the **integration of disabled people in the workplace**. Specifically, it collaborated with the Human Age Institute Foundation, Gardenieres, the DFA Foundation or the Juan XXIII Foundation, among others.

In 2020, the Ibercaja Foundation made a new call for aid for **international cooperation** projects at development NGOs working in the fields of education, employability, health and access to drinking water and sanitation, basic elements of individual and community achievement in the most disadvantaged areas of the world.

6.8.2 Alliances

*The objective is **to improve access to information**, training and solutions offered.*

In 2020, Ibercaja has continued to develop an intense activity of **transmission and dissemination of economic, business and financial knowledge** for families and companies throughout the country, with special emphasis on its traditional areas of operation, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies.

In addition, to **improve accessibility to information, training and solutions offered** through these initiatives, the Bank strengthened its digital assets in this area, providing them with more content, as is the case, for example, of the **Ecosystem + Company** platform.

Compliance by the Ibercaja Foundation with the UN SDG

Since it joined the United Nations Global Compact in 2018, the Ibercaja Foundation has focused its way of working to respond to the Company's challenges, currently marked by the expansion of Coronavirus and the measures adopted to detain its spread. **The Bank has included the 2030 Agenda in its strategy**, hence it acquired a double commitment. Also, **at internal level**, the Company has aligned all its activities and programmes with the SDG and their corresponding objectives. And on the other, **at external level**, it became an agent to implement the 2030 Agenda at the Company.

Faced by the situation generated by COVID-19, the Sustainable Development Goals (SDG) of the UN 2030 Agenda became an indispensable instrument to alleviate the effects that the health crisis is having on fields such as health, education, employment and social inequality. In this regard, **Fundación Ibercaja has implemented activities and programmes that have a full impact on 14 of the 17 global development goals**, prioritizing those in which it can contribute the most value and which are consistent with its mission for 144 years: to create opportunities for the whole of society.

6.8.3 Recognition

In 2020, Ibercaja obtained, for the third year running, the **RSA + Seal in Aragón**, awarded by the Aragón Social Responsibility Board and coordinated by the Aragón Government, through the Aragón Institute for Development (IAF) as recognition for its social commitment.

TO OBTAIN THIS SEAL, IBERCAJA SUCCEEDED IN THE FOUR AREAS DEFINED, HENCE RECEIVING THE RECOGNITION OF THE ARAGON GOVERNMENT:

- **Balance of personal, family and working life**, in line with the guidelines promoted by the General Equality and Family Division
- **Boosting equality** in all manner of organisations, granting precedence to equal opportunities and the principle of non-discrimination
- **Volunteer work and social action**, promoting cooperation between businesses and not-for-profit organisations, to ensure a stable relationship between both and encourage the use of the Cooperation Window
- Involvement of the organisations in the **promotion of culture** in Aragón, boosting their relationships with their surroundings.

All the commitments derived from our responsible management of the Bank are translated into specific actions aimed at our stakeholders in order to meet their needs and expectations, while favouring active listening.

6.8.4 Sponsorships

Ibercaja promotes, through its sponsorships, sports, activities for young people, culture and companies as the best vehicle for conveying its values. In 2020, it continued **to boost the social part of these sponsorships**, endeavouring to **raise awareness among the population** and demonstrating that we pledge for sustainability and healthy habits.

Ibercaja develops its sponsorship strategy with internal and external activation. At **internal activation**, employees are encouraged to practice sports and healthy habits: more and more people are joining this lifestyle. In 2020, over 500 employees were already prepared to participate in our sporting events. As a consequence of the pandemic, only those that signed up to events performed in the first two months of the year could enjoy that moment of team spirit in a different environment to their day-to-day life.

In the cultural area, employees of the Madrid Territorial Division, were able to enjoy that first spectacle of the de-escalation “The Hole”, backed by Ibercaja.

In **external activation** the aim is to improve the notoriety and return rates that each event can bring to the Entity, taking into account its different characteristics:

SPORTS

The pandemic caused most sporting events to be re-directed. Work was carried out to continue maintaining the presence of the Bank despite the new circumstances.

- **10K Valencia Ibercaja:** The first sponsorship of the year was the 10K Ibercaja Valencia, where there was a large participation of runners and employees, with an unprecedented success. Two world records were beaten (male 5 and 10K), 4 continental records, various national records and thousands of personal records of both professional sportsmen and women and popular and anonymous athletes. All of that provided an unprecedented media repercussion in terms of Bank sponsorship and led the International Athletics Federation to acknowledge the 10K Valencia Ibercaja as the best 10 km race on a course of all time. This year, the non-profit organisation that received the amount of the fund money raised was the Pedro Cavadas Foundation, obtaining an amount of 7,107 euros.

- **Trofeos Ibercaja Ciudad de Zaragoza:** we renewed the sponsorship agreement for a program managed by Zaragoza Deporte Municipal, which includes events of different sports disciplines. With this programme, we grant visibility to all kinds of sports, including those that are more marginal or have fewer opportunities to attract funds for their activities.

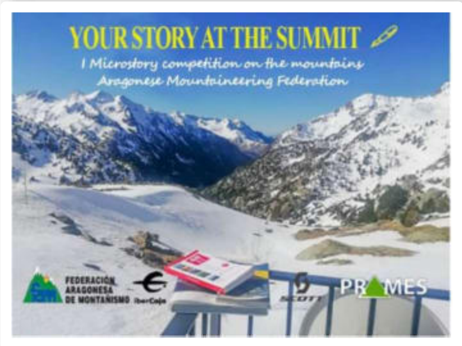
- **Madrid Marathon, Half Marathon and 10K:** after its cancellation due to the state of alarm, an action was organised through social media and the app of the event in which the participants could run 5, 10 or 20 km (real or symbolic). With this initiative, another historic record was broken: more than 10,000 participants in a virtual race (10,134). It had a two-fold objective: on the one hand, solidarity (55,000 euros of the registration fees were donated to Cáritas to help alleviate the effects of the pandemic) and, on the other hand, it succeeded in maintaining the excitement for races and provided the opportunity to continue with such activity. Aside from this event, together with MAPOMA,

on-line training sessions were organised that had great participation. The media effect of these initiatives was also notorious, demonstrating that Ibercaja remained at the side of popular sportsmen and women.

- **Bearded Vulture:** After the cancellation of the race, a 12-week indoor training plan was implemented so that everyone could complement their preparation with training at home to keep them in shape after having suffered a confinement. Each week, a new training session was included on YouTube (12 weeks in total). It was also broadcast via the QH Channel and RRSS, both of the organisation of the event and individually. It involves contents that include a very complete training programme that will last over time and which is accessible by any user.

- **Sponsorships to sports entities:** Ibercaja, aware of the difficulties that many sports organisations and entities are experiencing as a result of COVID 19, made a clear commitment to stand by their side to help them overcome the situation and strengthen mutual trust. Hence, in 2020, our commitments to different sporting federations, clubs and associations were renewed, maintaining our focus on lower categories and schools. Hence, we help to continue promoting sports among youngsters, ensuring that they acquire healthy habits from a very young age and taking advantage of the digital environment.

- **Actions during the lockdown with Sports Federations:** in the months of March to June 2020, as a consequence of the lockdown and the impossibility of carrying out activities outside the home, several proposals were devised in the digital environment to maintain the activity of the society in general. Among the actions carried out, the Aragonese Mountain Federation stood out with two major successful initiatives: first, it opened its prestigious online courses aimed at members to anyone who was interested and, second, it launched a contest of micro-stories about the mountain with 150 participations that have been collected in a book in which Ibercaja is thanked for its involvement in the project.



- **Sponsorship of School Age Sports Games (Government of Aragón):** with the suspension of competitions and training, the collaboration was redirected with the launching of a team challenge contest to encourage schoolchildren to maintain good habits, sports practice and contact with their classmates in confinement. The competition #encasahaciendodeporte was a success with 96 videos presented and around 2,400 sportsmen and women involved.

YOUTH

We continue with Ibercaja's historical pledge with the **Young European Carnet**, sponsoring the Aragón and Extremadura programmes.

ARTS AND CULTURE

Ibercaja collaborates in the **dissemination of culture** through involvement in events and its ticketing service, consolidating itself as the leading company in ticket sales in Aragón.

This year, the numerous cancellations of events have bound the music and entertainment industry to reinvent itself, taking into account the COVID regulations. Accordingly, Ibercaja has wanted to be at the side of promoters, sites, artists and spectators to help them to continue their task. The main lines of action were:

- Co-sponsorship of the **Madrid GO UP** show, together with the Starlite Foundation, an event that was implemented by the music industry following the pandemic. Numerous leading artists wished to participate in a solidarity concert to pay homage to the victims of the pandemic and a return to face-to-face events in the musical world.

- **Sonorama Ribera:** The cancellation of the festival did not prevent music from being present in the summer period, with small concerts, but of great quality and with renowned artists in Aranda, Burgos and Valladolid. With this initiative, we reduced the negative impact, both on culture and on the economy of the area, that would have been caused as a result of the elimination of an event of such importance in the territory.

- Sponsorship of the return of the show **"The Hole"**: performed with all the mandatory health protocols and on an open-air stage, it was the first live show of the post-lockdown period. Thanks to our pledge, many of our customers (and employees) enjoyed this event in the safest conditions. The success of the event led it to be extended various weeks over time.

- **#VuelveALaCultura:** After more than three months of hiatus in terms of cultural performances, the City Council of Zaragoza carried out a project supported by Ibercaja through the ticketing service. With this, once again, summer music, theatre and cinema sessions were relaunched in July and August.

- Installation of a ticket sales system at **San Juan de la Peña monastery** to encourage internet sales. In a record time, an agreement was reached with the Aragón Tourism Board to install the equipment necessary to implement this sales system at one of the most visited tourism sites of Aragón.

AGRO INDUSTRY

In 2020, Ibercaja, in line with its support for the primary sector, for the first time became the strategic partner of the Zaragoza Exhibition for the sponsorship of **FIMA** (International Agricultural Machinery Fair) for two editions (2020 and 2022). It was a major milestone at the beginning of the year, whose media and commercial return exceeded all expectations: it turned out to be the most attended edition in history.

6.8.5 Volunteering

The Ibercaja Group encourages active and retired employees to become **corporate volunteers**, through **participation in solidarity activities,** which contribute to the development of people. It is a programme that seeks to motivate employees to contribute to equal opportunities in society, to improve the quality of life of people, preserve the natural environment or promote social cohesion and development, through its own initiatives or in collaboration with other institutions and entities.

Ibercaja volunteers has also responded to this need to adapt generated by the pandemic. After suspending the planned face-to-face activities, we sought activities that responded to two premises**: to ensure the safety of volunteers** and users and to **respond to the needs highlighted by the pandemic**.

*Volunteers are characterised by always adapting to each moment, **responding** to the **emerging needs** and withdrawing when they are covered.*

Ibercaja's volunteering work has become important, not only due to its physical presence but also through the human voice. 15 employees of different provinces Zaragoza, Madrid, Seville, Valencia and Cádiz, carried out telephone campaigns through the Adecco Foundation and the Juan XXIII Foundation, which collaborate with Ibercaja on different programmes. By telephone and their voice, volunteers are accompanying these users, making their presence known through a weekly call, and extending their relationship circle, helping them in their training and acquisition of skills.

At the end of 2020, a programme for the accompaniment of young people was implemented to improve their employability, in cooperation with the Princess of Gerona Foundation. An opportunity for volunteers to act as mentors for young people, emphasising their experience, knowledge and talent.

6.8.6 Financial education and other educational programmes

The **Financial Education Programme** entered its **seventh edition** in 2020, having become an ideal complement to augment the financial culture of the public, with basic finance workshops and days for schoolchildren and activities for the general public. Managed by the Ibercaja Foundation, the programme has, since 2013, fulfilled the Ibercaja Banco's commitment to the **National Financial Education Plan**, led by the Bank of Spain and the Spanish National Securities Market Commission (CNMV). Its objective is to promote basic financial literacy for all citizens.

> *The **objective** is to promote a basic **financial literacy** for all citizens.*

This year, as a novelty, a page was launched unifying contents and grouping the activities into two sections "Financial education for you", aimed at individuals, and "Financial education for your business", aimed at entrepreneurs, professionals and self-employed workers, stores and micro-companies. The programme aims to cover a broad spectrum of the population, from Spanish 5th year primary school students to the adult population, in each case adapting both the content and the type of activity and methodology used. This year, all activities have been scheduled to be followed digitally.

Aside from financial education, the Ibercaja Foundation has, in the year, developed other **educational programmes** aimed at schoolchildren, such as **Educate for the future** (24 face-to-face activities and 4 online), **Learning to be an entrepreneur** (to bring an entrepreneurial attitude into the classroom), **"Ticvolution"** (to form profiles adapted to digital demand) and other **didactic programmes**.

6.8.7 Sustainable mobility: Mobility City

*We aspire to **place Zaragoza and Aragón** at the **forefront of new mobility** and of the transformation of the industries and associated sectors.*

Mobility City is a strategic initiative of the Ibercaja Foundation, backed by the Aragón Regional Government, which aims to place Zaragoza and Aragón at the forefront of the new mobility and the transformation of associated sectors and industries, with the collaboration of institutions and companies that are a benchmark for our economy.

In 2020, work commenced on the emblematic **Bridge Pavilion**, which will turn Mobility City into a large container dedicated to sustainable mobility. The aim is to use the central space as an exhibition centre for mobility and transport devices and solutions and for the organisation of temporary exhibitions of conceptual cars. In the two lateral wings of the Bridge Pavilion, exhibition modules will be set up to show different aspects of the smart city and sustainable mobility.

In 2020, Mobility City continued to extend its partner portfolio involved in the project. At the end of the year, several partnership agreements were signed with **Aera-Cluster Aeronáutico Aragonés, Cellnex Telecom, Tecnalia, CTAG, Cablescom**, **Connected Mobility Hub, Zaragoza Logistics Centre, Drónica Valley, Correos, CSIC** and **Blockchain Aragón**.

The **Mobility City chair** created at the end of 2018 by the Ibercaja Foundation and Zaragoza University focused its activity this year on the area of mobile and wireless communication, with the concept of connected vehicle, sustainable urban mobility and smart transport systems, together with mobility and modelling of the social behaviour of the leading players involved.

The Ibercaja Foundation has also continued its collaboration with the **"Mobility Experience" chair**, in collaboration with Universidad de San Jorge, to carry out teaching, research, knowledge generation, diffusion and the transfer of technology to the sustainability area. Among the activities envisaged by the Mobility Experience Chair are the research and prototyping of technological solutions in software and video games at the exhibition facilities of the Bridge Pavilion to define the visitor experiences, research in the development of SIG technology and the application of software for mobile devices to mobility solutions in a Smart City environment and participation in the diffusion and publication of the Mobility Project activity.

Furthermore, activities were conducted such as **Video-conference** cycles "Urban mobility and COVID-19" and "What we know about…", the **European Mobility Week** or the campaign **#yocedomicoche**, in collaboration with the Red Cross and different Aragón concessionaires to help socio-sanitary teams to meet needs arising from the pandemic.

6.8.8 Development of territories and digitalisation

The Ibercaja Foundation is open to the public through its **network of centres**, which are a sounding board for their proposals and a visible face for the people who make the task of social work possible everywhere in which the Bank has a presence. In addition to integrating the territory, these spaces are a **boost for the cultural activity of cities and regions**.

The centres closed in March due to the healthcare situation existing in the country, and they reopened their doors in June, implementing all the health protocols necessary to ensure the continuity of activities in a safe manner for users and employees.

IBERCAJA CONNECT FOUNDATION

The Ibercaja Connect Foundation was created in 2020 as the Bank's **virtual encounter space** to continue contributing to the Company's development. Its launch, due to the situation caused by the health crisis and to offer programming, services and quality contents without the need to leave home, has made it possible to generate a place for roundtables, debates, reflections and conferences on education, culture, mobility or current affairs. A space in which the most significant online activities of the Ibercaja Foundation have been broadcast live and which will also be available for subsequent viewing.

DIGITAL SERVICES

In their commitment to combat school failure and provide alternatives to young people who want to leave their studies early, the Ibercaja Foundation and Cepyme launched the digital service **Ibercaja Orienta**, which has now become **a powerful guidance tool** that allows students, families and teachers to make informed decisions about their studies or future career.

The digital service **Aula en Red (Network Classroom)** of the Ibercaja Foundation fulfils the dual objective of **introducing digital technology as a learning tool** in the classroom and of **providing teachers with educational resources** in various subjects, such as humanities, science, art or technology, to contribute to a quality education. Aula en red is the complement to the work of the teacher in the classroom and a tool to access a wide range of training that enables them to refresh their knowledge on a permanent basis.

The **Ibercaja Digital Challenge Programme** commenced at the end of 2017 with the firm purpose of **reducing the digital gap between generations** and extending technological literacy to all layers of society. The programme encompasses courses and workshops that provide a response to the training needs of the different groups of age and other social players.

6.8.9 Employment and business

IBERCAJA BUSINESS DEVELOPMENT CAMPUS

Situated in an ideal setting for learning, such as Monasterio de Cogullada, close to the companies of Valle del Ebro, we can find the best **programmes in learning and permanent development**. Thanks to its network of alliances with entities, companies and professionals, it offers training programmes and specialised services at its facilities, while **promoting initiatives and events that support the transformation, innovation and growth of the business fabric**.

EMPLEA-T Y EMPRENDE PROGRAMME

The Emplea-t y Emprende (Employ yourself and be an Entrepreneur) programme offers a **complete guide** so that creativity and **entrepreneurial drive** do not cease in a society that increasingly demands new sources of work, innovation, products and services on a daily basis. It has a method endorsed by its excellent results, consisting of practical and experiential training given by entrepreneurs with extensive experience and background and with access to a team of top-level mentors to work individually on the development of each initiative. The programme is strengthened by its presence in **acceleration and coworking spaces** in all the provinces in which it is imparted.

HEALTHY COMPANIES

In 2020, Ibercaja Foundation, in collaboration with Quirón Salud, continued the **“Por ti” (For you) programme** and initiative that aims to **improve the physical and mental wellbeing of workers** and implement healthy habits both in and out of the workplace. In this initiative, the key role is played by employees of the participating companies themselves, who have to raise awareness throughout the organisation. It is a programme aligned with SDGs 3, 8 and 17 and is part of the CSR of the participating companies.

ECOSISTEMA + COMPANY

This is an initiative of Ibercaja and the Ibercaja Foundation to **promote innovation in companies**. It is a **point of meeting and interaction between entrepreneurs, professionals and managers** from both startups and large companies whose aim is to create a more innovative and active business environment based on the premise that knowledge sharing and collaboration help companies to go further. In 2020, its scope of action has been expanded, defining six verticals on which to focus its activity and help build the “Company 2025” through innovation, digitalisation, sustainability, cultural transformation, diversity and entrepreneurship. During the pandemic, Ibercaja's Ecosistema Más Empresa moved its activity to the online environment to continue working with companies, start-ups, managers and entrepreneurs who are part of it, and who now number 3,900 users.

6.8.10 Culture

Ibercaja, through its Foundation, promotes culture in all the territories in which it is present, as a strategic line of action. Especially noteworthy are the following projects:

*The **objective** is to promote **culture** in all territories*

GOYA MUSEUM

The **Goya Colección Ibercaja Museum-Camón Aznar Museum** is a reference point for those who are passionate about art and the work of Francisco de Goya. In addition to the **permanent collection**, which is made up of works by the painter, some of his complete series of engravings and works by earlier, contemporary and later artists related to the genius of painting, there are also **temporary exhibitions** of different periods and styles. As Fundación Ibercaja's commitment to culture highlights, various **complementary activities** have been scheduled in addition to all the exhibitions held over the last year, activities that involve great professionals from the world of culture and art to bring these disciplines closer to all audiences.

Since the reopening of the Museum after the lockdown caused by the pandemic, the Ibercaja Foundation has worked to implement all the health protocols to ensure that visits to the museum facilities are safe for the public and for workers. In this sense, the museum has incorporated QR codes on all its floors, replacing mobile terminals, which allow for a documented and secure tour 290 works in Spanish, French and English. In addition, on the second floor, in the gallery leading to the Goya room, a large screen has been installed with an audiovisual presentation on the painter's work in Aragón.

IBERCAJA PATIO DE LA INFANTA

This **exhibition and congress centre** is a space open to citizens, organisations and companies interested in the fields of culture and knowledge. Inside is the courtyard that gives its name to the space, a jewel of the Zaragoza Renaissance recovered by Ibercaja for Zaragoza in 1980. In 2020, a number of temporary exhibitions and videoconference cycles were carried out.

FUNDACIÓN EXCELENTIA

This, year, the Fundación Ibercaja also renewed its collaboration with the Fundación Excelentia to organise the 2019/2021 concert season in Zaragoza and Madrid. The new season of **Excelentia Concerts** offers the public of the Auditorio de Zaragoza fifteen performances with top tier orchestras including "The Music of Morricone, Zimmer and John Williams", "La Traviata" or "Pop & Cinema Collection".

6.8.11 Tax information

201-4, 103-1, 103-2, 103-3, 207-1, 207-2, 207-3, 207-4

The Group achieved a **pre-tax profit of 53,470 thousand euros** (128,637 thousand euros in 2019). **Corporate income tax** amounted to **29,868 thousand euros** (44,648 thousand euros in 2019) (estimated corporate income tax expense for 2020).

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a **Corporate Income Tax Consolidated Group** (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore corporate income tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatres, as from the tax period starting 1 January 2014, Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

The Group and its companies are subject to inspection by the tax authorities for corporate income tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2016 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the corporate income tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Furthermore, in relation to the Corporate Income Tax of the tax consolidation group of Banco Grupo Cajatrés, a company absorbed by Ibercaja Banco in 2013, and of several of its companies, in July 2020 notification was received that inspection proceedings were commencing regarding supplementary tax returns and requests for rectification filed for 2011 to 2013. These proceedings are currently underway.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

In 2020, work has proceeded on developing a **Tax Policy** which sets out the essential principles and guidelines which, in accordance with the applicable regulations and best tax practices, will govern Ibercaja's tax strategy and which is expected to be approved shortly by the governing bodies.

In 2020, Ibercaja again joined the **"Empresa Solidaria"** initiative in 2020, allocating 0.7% of corporate income tax to social purposes. These funds help finance government programmes to move towards a more egalitarian, inclusive and just society, and support the achievement of the Sustainable Development Goals of the United Nations 2030 Agenda.

During the year Ibercaja Banco and the Group companies did not receive any public subsidies or aid.

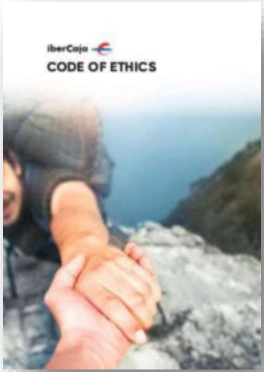
6.9 Human Rights

102-16, 103-1, 103-2, 103-3

IBERCAJA PROMOTES RESPECT FOR HUMAN RIGHTS, IN LINE WITH THE SUSTAINABLE DEVELOPMENT GOALS OF THE 2030 AGENDA OF THE UNITED NATIONS, AND CONVEYS THIS COMMITMENT TO THE PEOPLE, COMPANIES AND INSTITUTIONS WITH WHICH IT DEALS.

Ibercaja conducts its banking business responsibly, respecting and encouraging human rights in accordance with prevailing legislation and international standards: The Bank is always mindful of the UN Universal Declaration of Human Rights, and **it has been a signatory to the UN Global Compact** since 2006, so its activities are carried out in accordance with the principles enshrined in this initiative.

One of the guiding principles of the **Ibercaja Sustainability Policy** approved this year by the Board of Directors is defending human rights, a principle which covers the entire organisation and all its members. This is reflected in the Bank's **Code of Ethics**, approved by the Board of Directors, as a key element that reinforces the corporate culture and ethical approach of the Bank's management. The Code **contains the Bank's ethical commitments and the principles of action** that must be present in the day-to-day work of the people who make up Ibercaja, so as to make its corporate values tangible.



The key principles of conduct that define us and shape our ethical culture are:

- We are **rigorous**: we are aware of and comply with standards
- We are **honest and trustworthy**
- For us, **the customer takes centre stage**
- We are **role models**
- **We take care of the** Bank's reputation and look after information
- We take **care in the use** of the Entity's media
- We are **committed to our environment**

Employees have a **Whistleblower Channel** to communicate possible violations of the Code or doubts about its interpretation.

Also included on the corporate website www.ibercaja.com is an e-mail address(rsc@ibercaja.es) to which anyone can send queries about the Bank's Code of Ethics.

Employees have an ***Whistleblower Channel*** *to report any violations of the Code of Ethics.*

Ibercaja also promotes respect for human rights, **in line with the SDGs of the 2030 Agenda**, conveying this commitment to the people, companies and institutions with which it relates, incorporating the safeguarding of these rights in investment and project financing decisions, and in its relations with customers and suppliers. To strengthen this bond, it has a **Supplier Code of Conduct** that specifies the values that are fostered responsible contracting, many of which are related to human rights.

It should be noted that the institution has not been involved in any incidents involving violation of human rights.

6.10 Anti-corruption and bribery

102-16, 103-1, 103-2, 103-3

6.10.1 Measures to combat corruption and bribery

DURING THE YEAR, THERE WERE NO COMMUNICATIONS NOR WERE ANY CONDUCTS DETECTED THAT COULD CONSTITUTE THE CRIME OF CORRUPTION OR BRIBERY.

The Bank has a **criminal risk prevention system**, the purpose of which is to mitigate the risk of commission of actions by members of the organisation that may constitute crimes. The system has express policies and procedures in place to avoid corruption and bribery in its business, which are understood to be the offer, promise, request or acceptance of an unjustified benefit or advantage of any nature as compensation for unduly favouring others in commercial relationships.

For the establishment of the crime prevention system within the Bank:

i) The **activities** carried out by the Bank in which criminal risks (including corruption and bribery) may occur have been identified;

ii) The Entity's most relevant **policies, procedures manuals and controls** have been reviewed and identified;

iii) **Appropriate adjustments** have been made to manuals, procedures and controls to promote the effective prevention of criminal risks, as well as the proper custody of the evidence supporting the controls;

iv) A **specific committee** ("Control Body") has been designated as responsible for the implementation, monitoring and updating of the Entity's criminal risk prevention model. The Audit and Compliance Committee of the Board of Directors is also regularly informed of the functioning of the system;

v) The criminal risk prevention model is reviewed in **internal audit** processes;

vi) A training and awareness-raising plan for employees on criminal risks, including corruption and bribery, has been put in place;

vii) A **process** has been established for notification of possible breaches or violations of conduct, which allows the Entity to be aware of and react to any illegal situations (whistleblowing channel);

viii) The Entity has a **disciplinary procedure** in the event of non-compliance with the obligations required of employees, with the People Area Division being responsible for handling disciplinary proceedings based on the findings of any investigations carried out by the Internal Audit Department.

The criminal risk prevention system is set out in a **manual** that consists of two parts:

The General Part, which defines the structure of the organisational model, supervision, verification, monitoring and general procedures and controls that the Entity has in place to prevent the commission of criminal risks that, being susceptible to generate criminal liability for legal persons under the Criminal Code, may hypothetically occur due to the activities carried out by the Entity.

The Special Part details each of the criminal risks identified, set out in appendices, one for each type or group of offences (e.g. money laundering offences, business corruption, stock exchange offences, tax offences, subsidy fraud, etc.). The list of criminal risks identified in the Special Part does not imply that the materialisation of such risks has been detected, but rather that they are identified as activities carried out by the Entity that are connected with conduct which, if it were to occur, could constitute a criminal offence.

The criminal risk control system is based on the **theory of the three lines of defence**: in the first line of defence are the business units, which have "ownership" of the risk and are aware of and manage the risks they incur in the course of their activities. The second line of defence is the internal control framework, which aims to ensure adequate risk control, prudent business conduct, reliability of information (financial and non-financial) and compliance with internal regulations and policies and procedures of the institution and, in particular, the Control Body. This second line of defence includes the risk control and management function, the legal department (both proactive and reactive) and the regulatory compliance function. The third line of defence is internal audit. All of them, within the scope of their respective activities and functions, must ensure adequate risk management in general, and criminal legal risk in particular.

*Principle of **"zero tolerance"** and fostering of **ethical and responsible behaviour**.*

Thus, the system is based on and constitutes a formal statement of the intention of the Board of Directors and senior management of the Bank to establish and uphold, as one of its basic values, that the actions of all members of the organisation shall always comply with the legal system in general and with criminal law, in particular, by fostering a culture of preventive compliance, based on the principle of **"zero tolerance"** with the commission of unlawful acts (including bribery), and promoting ethical and responsible conduct. This intention is also included in Ibercaja's Code of Ethics, as approved by the Board of Directors.

93% of Ibercaja Banco's current workforce has **received training in criminal risk prevention,** including the crime of corruption and bribery.

6.10.2 Measures to combat money laundering

DURING THE YEAR, 201 FILES WERE OPENED FOR THE ANALYSIS OF TRANSACTIONS SUSPECTED OF BEING RELATED TO MONEY LAUNDERING OR THE FINANCING OF TERRORISM. SEPBLAC WAS INFORMED OF 110 CASES WHERE SPECIFIC ANALYSIS SUGGESTED THERE WAS EVIDENCE TO BE FURTHER EXAMINED.

Ibercaja Banco has the status of **"reporting Bank"** under anti-money laundering and counter-terrorism financing regulation (AML/CTF) and, therefore, it must apply the measures to prevent the Bank from being used for this purpose. To this end, it has adequate internal control and communication procedures and bodies in order to uncover, impede and prevent the carrying out of transactions that may be related to money laundering or the financing of terrorist activities.

These procedures and bodies, which are described in the corresponding Manual, as well as their organisation, meet the **principles of swiftness, security, efficiency, quality and coordination**, both in the internal transmission and in the analysis and reporting to the competent authorities of the relevant information pursuant to regulations on the prevention of suspicious transactions.

A basic pillar of the PBC & FT system are the due diligence measures referred to in Law 10/2010 and the precepts of Royal Decree 304/2014 that develop it: identification of the formal and real holder of the customer, as well as knowledge of the customer's activity, which will include knowing the origin of the funds with which the customer seeks to operate with the Entity.

Consequently, and in line with the risk prevention and management model based on **three lines of defence implemented in the Bank**, the first filter of the AML/CTF system is the establishment of the relationship with customers, and this relationship is the responsibility of the business units that act as the **first line** of defence against the risk of money laundering and the financing of terrorism.

In the **second line** of defence, in addition to the risk control function, there is the regulatory compliance function performed by the Regulatory Compliance Department, which includes the AML/CTF Unit which, as a technical unit specialised in this field, has an essential (although not exclusive) role in the application, supervision and monitoring of the internal procedures established by AML/CTF, with the Internal Audit Department assuming the functions of the **third line** of defence.

Such AML/CTF procedures and measures are applied with a risk-based approach, so that in cases in which there is a greater risk that the Bank may be used for money laundering or terrorist financing, these measures are applied with a greater degree of intensity.

6.10.3 Contributions to foundations and not-for-profit entities

To the extent that contributions of economic nature by the Bank to foundations and not-for-profit entities are made through accounts held in Ibercaja, the entities benefiting from these contributions are subject to the same **controls for prevention of money laundering and financing of terrorism** as other customers. In addition, given that due to their very nature, such entities are categorised as medium risk customers, in addition to the application of due diligence measures that are carried out in each customer registration or monitoring of the business relationship (e.g. check against blacklists), the Bank adopts additional control measures for the adequate management of the risk of money laundering or financing of terrorism.

The figure for investment in social action can be found in the "Ibercaja 2020 Social Impact" infographic included in Chapter 2 of this document.

6.11 Implementation of the Principles for Responsible Banking UNEP-FI

102-15, 102-30, 102-31

In November 2019, Ibercaja signed up to the **United Nations Principles for Responsible Banking**, becoming part of a global coalition of banks whose aim is to promote and encourage the sustainable development of the economy.

By signing these Principles **we commit to driving sustainability**, aligning strategy with long-term goals that integrate social and environmental challenges, and identifying our greatest potential contribution.

Among the commitments we have made is to report on the Entity's progress in implementing the Principles. The following is the report on the first year after signature, according to the model established by UNEP-FI.

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK(S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
Principle 1: Alignment **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	Ibercaja Banco is a national banking institution specialised in the **business of individuals and companies** and whose objective is to generate value for its customers, shareholders and society in general, guided by its **corporate purpose: "To help people build the story of their lives, because it will be our story".** It maintains in its DNA its social and territorial commitment, trying to maximise the benefit for its shareholder foundations: 88.04% of its capital, by Fundación Bancaria Ibercaja (88.04%), Fundación Caja Inmaculada (4.73%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.33%). It carries on all its business in **Spain** and its corporate purpose is to carry out all kinds of activities, transactions, acts, contracts and services related to the banking business in general. The Bank is the head of a group of subsidiaries, the most important of which are those of the Financial Group, comprising companies specialising in unit trusts, savings and pension plans, insurance banking and leasing/renting. Ibercaja Banco, with 55,422 million euros, is the tenth largest in terms of asset volume in the Spanish banking system. Its business model focuses on the retail market with a special focus on individuals and small and medium-sized enterprises. On a national scale, the Group has a market share of 2.6% in loans and of 3.5% in customer funds and 2.8% in deposits. The Bank is has a leadership position in **its traditional locations (Aragón, La Rioja, Guadalajara, Burgos and Badajoz),** which account for 61% of its network and more than 61% of its business volume. It has a significant presence in other areas of great economic importance: Madrid and the Mediterranean Arc.	See section 4 chapter this Directors' Report See GRI indicators: 102-1 102-2 102-3 102-4 102-6 102-7

EL BANCO DEL Vamos

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1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	As shown in its **Sustainability Policy**, Ibercaja firmly believes that its plans and actions should help ensure well-balanced economic growth, social cohesion and environmental protection, pursuant to its corporate purpose. For this reason, the Bank is **firmly committed** to the **Sustainable Development Goals of the 2030 Agenda, and it is a signatory of the United Nations Principles for Responsible Banking.** Ibercaja has carried out a **materiality analysis of the SDGs** with the aim of detecting those where it has the greatest capacity to expand its impact and to launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. As a result, 7 SDGs have been prioritised to focus on their progress and align their business strategy: 3.4.5.8.9.13 and 17. The Entity is also aligned with the objectives of the Paris Agreements, and is a signatory to the Spanish financial sector's **Collective Commitment to Climate Action**. It is therefore working to make progress in measuring the carbon footprint of its portfolio and to reduce the climate impact of its financial activity. Among the ESG objectives, Ibercaja is currently **focusing on climate change, financial inclusion and the promotion of diversity, focusing efforts on gender equality and access to the labour market for people with disabilities.** Thus, as part of its FRC (family-responsible company) Plan, the entity launched the **Lider A Plan**, for the access of women to management positions, through the improvement of their aspirations, flexibility, the support of mentors and ambassadors and the measurement and targeting to ensure progress. Ibercaja carries out **extensive social action** through both its own programmes and through its shareholder Foundations. In 2020, one highlight was the creation of the **solidarity platform #Vamos**, to channel donations from individuals and companies to meet the needs of the most vulnerable people as a result of the spread of Covid-19 in Spain. Also noteworthy is the **Smart Green Project**, which aims to plant trees to offset the carbon footprint. The **Impulso Solidario** Initiative was also organised to support social projects proposed and selected by Ibercaja Group employees themselves. This year there were two calls for proposals, one of them aimed at vulnerable groups most affected by the pandemic.	See chapter 6.1. “Sustainability Strategy” of this Directors' Report. See chapter 6.2. “Our contribution to Sustainabl e Development Goals” of this Directors' Report. See chapter 6.4. “Commitment to our employees” in this Directors' Report See chapter 6.8. “Contribution to Society” in this Directors' Report. See GRI indicator: 102-14

Principle 2: Impact and target setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services to this end, we will set and publish targets where we can have the most significant impacts.		
2.1 Impact analysis: ***Show*** **that your bank has identified the areas in which it has its most significant positive and negative (potential) impact through an impact analysis that meets the following elements:** **a) <u>Scope</u>: The main business areas, products / services of the bank in the main geographies in which the bank operates have been as described in 1.1. have been considered in the scope of the analysis.** **b) <u>Exposure scale</u>: when identifying its areas of most significant impact, the bank has considered where its core business / core activities are in terms of industries, technologies and geographies.** **c) <u>Context and relevance</u>: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries / regions in which it operates.** **d) <u>Scale and intensity / significance of impact</u>: when identifying its areas of most significant impact, the bank has considered the scale and intensity/significance of the (potential) social, economic and environmental impacts resulting from the bank's activities and the provision of products and services.** **(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))** **Show that building on this analysis, the bank has:** • **Identified and disclosed its areas of most significant (potential) positive and negative impact** • **Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.**	Ibercaja initiated in 2020 an **impact analysis** starting with a focus on climate change (physical and transition risks) in Spain, centring the analysis on our area of action and on economic sectors that contribute most to the Bank's business volume. To assess risk exposure, the Bank is working on a geographical distribution analysis of its investments with collateral, using the reports prepared by ESPON (European Spatial Planning Observation Network). In the **impact analysis by sector** identifies the most important risks, the needs they generate in companies in the sector and an initial list of opportunities where Ibercaja can offer help to meet each need. The analysis on the impact of physical risk on different sectors considered the importance of the sector on the economy, through its contribution to the GDP, and its participation in Ibercaja's risk portfolio structure. The **climate risks** The most relevant risks are related to the following sectors: agriculture and livestock, energy, automobiles, tourism, construction and land transportation. Furthermore, an initial mapping of corporate loan portfolios was made, in accordance with the branches of activity potentially more affected by transition climate change (according to a study published by the Bank of Spain). The **objective** is twofold: to identify the main sectors potentially affected by climate change and to analyse the portfolio by sector to estimate its carbon footprint. This is an **initial exploratory analysis** to be deepened on the basis of the initial conclusions drawn, using other technical criteria (incorporation of new variables linked to physical risk and transition, market environment, regulatory framework). The **opportunities** detected are based on advisory services, supported in the bank's distribution network and in business partnership projects promoted by the bank, until defining new products and services that we may include in our commercial offering that help the customer to resolve the needs considered and the launch of new financing products to aid access to the solutions examined.	See chapter 6.3. “Commitment to our customers” in this Directors' Report See chapter 6.12. “TCFD recommendations” See GRI indicator: 102-15

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

An initial impact analysis has been carried out, identifying the most significant risks and weighting their importance according to the weight of the activity in our customer portfolio. The analysis will continue to be completed, going down to a more detailed level with the incorporation of technical criteria, in order to identify specific customer needs and propose solutions specific to their situation.

2.2 Target Setting **Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.** **Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.** **Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets.**	A first approximation has been made in the impact analysis, which has allowed for progress in the identification of the potentially most impacted sectors. However, this analysis will be completed in 2021 in more detail by sector, in order to set concrete targets derived from it. Based on the diagnosis of the 2020 situation, we will establish objectives aligned with the following goals: Increase in the volume of investment under ESG criteria over the total resources managed. Sustainable business financing: • Increase in the volume of funding granted to business activities aligned with the taxonomy. • Ensure that funding for non-aligned activities does not go to activities that may undermine the achievement of any of the SDGs. • Reduction in the volume of issues in the financed portfolio Financing energy efficiency improvements in housing: • Increasing the volume of financing for sustainable house purchases • Increase in the volume of financing for the improvement of the energy efficiency of built housing. Carbon offsets: • Offsetting Ibercaja Banco's direct emissions to become carbon neutral. • Increased offsetting of our customers' emissions, achieved with the support of actions promoted by the entity.	See chapter 6.5. "Commitment to the environment" in this Directors' Report See GRI indicator: 102-15

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

The objectives defined derive from an analysis of the situation which we consider should be completed and updated in the coming years, and we therefore consider that new targets should be incorporated. In addition, the baseline situation and the capacity to generate results must be accurately determined in order to quantify the proposed targets.

2.3 Plans for target implementation and monitoring **Show that your bank has defined actions and milestones to meet the set targets.** **Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.**	Ibercaja has created a **new department in the Marketing Division, Sustainable Finance,** with the aim of aligning the Bank's commercial strategy with the Responsible Banking Principles it has signed. Among its functions is the monitoring of key indicators for the achievement of objectives. Once the objectives have been set and approved, these indicators will be identified and presented to the Sustainability Committee at management level. The Entity has a **Brand, Reputation and Sustainability Division** which defines, proposes and coordinates the Sustainability Strategy and monitors all indicators of the lines of action of the Sustainability Roadmap.	See chapter 6.1. “Sustainability strategy” of this Directors' Report.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

An initial set of targets and a series of actions to achieve them have been identified. Once the targets to be achieved have been quantified, monitoring indicators and a timetable will be established to track their achievement. This monitoring may lead to new requirements and actions to be taken, which will be incorporated in more detail in future reports.

2.4 Progress on implementing targets **For each target separately:** **Show that your bank has implemented the actions it had previously defined to meet the set target.** **Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.** **Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)**	In the first quarter of 2021, the bank will launch its new Strategic Plan 21-23, which includes a cross-cutting sustainability initiative, with the aim of ensuring that business objectives drive sustainable development. The definition of this initiative will include the list of challenges, strategy for their achievement, actions, concrete targets and corresponding monitoring indicators, based on the baseline situation of 2020.	

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

So far, the entity has followed the process of analysis and initial setting of targets to be included in its new Strategic Plan 21-23. Work has begun to implement actions to achieve the targets, but it is too early to analyse progress.

Principle 3: Customers (goods and services) We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
3.1 Provide an **overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof**	The range of **SRI product offerings** is being expanded, as is the design of new **financing** products to respond to the needs of our customers in terms of sustainability. A **Sustainability Communication Plan** has been designed to create a permanent and continuous communication framework over time to accompany customers on this path towards a more sustainable society. Communication with customers follows the supporting line: we explain what the SDGs are and why Ibercaja is committed to advancing towards them, and we ask them to join us. On our blog, we provide information about sustainable finance and promote financial literacy to help customers make sound decisions. **In response to the pandemic**, Ibercaja has implemented a multitude of measures to help its customers cope with the difficult times they are going through: help with loans and payments, income advances or remote service availability. All this has been conveyed under the slogan **"Vamos es ir siempre juntos" (Let's always go together).** The **programme "Vamos juntos hacia la sostenibilidad"** (Together towards sustainability) has been developed by the Ibercaja Foundation and Ibercaja Banco, which will be offered to client companies to channel efforts aligned with the SDGs in social or environmental programmes. An initial pilot is currently being defined. The **Ecosistema+ Empresa** (Ecosystem+ Company) initiative, developed by Ibercaja Banco and Fundación Ibercaja, aims to improve the companies' competitiveness in order to contribute to the improvement of society. It incorporates a specific **Sustainability** programme to help companies develop it in their businesses. The **Bank's corporate website** has also been updated, making public the commitments with stakeholders contained in its Sustainability Policy.	See chapter 6.3. "Commitment to our customers" in this Directors' Report See section 4.5.3 chapter this Directors' Report. See chapter 6.4. "Commitment to our employees" in this Directors' Report.
3.2 Describe **how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.**	We are going to work to identify our customers' behaviour in relation to sustainability and their interest in achieving the SDGs and propose actions so that we can achieve them together. We have started with an initial analysis of customers who have already taken out sustainable investment products and reached interesting conclusions that will help us to define new products to complete our range of sustainable products. In 2021, we have begun to market two new ESG investment funds In most cases, improving efficiency requires investment. We will incorporate new products into our commercial offering to help customers on the road to sustainability, starting with financing products. The Bank is working with different public authorities at local, autonomous community and national level on projects to provide access to financing in special conditions to improve the energy efficiency of buildings.	See chapter 6.3. "Commitment to our customers" in this Directors' Report

Principle 4: stakeholders **We will proactively and responsibly consult, engage and partner with significant stakeholders to achieve society's goals.**		
4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	It has a **Map of Stakeholders**, which analyses the expectations and interests of each of them, classifies them and priorities them to help the institution to actively listen to and engage with them. We have drawn up two materiality studies (in 2016 and 2018), consulting with the main stakeholders (customer, employees, community, providers and Key Opinion Leaders) for feedback on aspects they influence in Ibercaja's capacity to create economic, social and environmental value. In 2020 Ibercaja collaborated with **Forética**, a national association to promote corporate responsibility, leading the Social Impact Cluster, a business meeting point for leadership, knowledge, exchange and dialogue on internal and external social impacts. Hence, it participates actively in the exchange of experiences and best practices linked to sustainability with companies from the same and other productive sectors. Ibercaja is also a member of **DIRSE** (Spanish Association of Social Responsibility Executives) and actively participates with **Corporate Excellence**, a think tank that promotes the management of intangible assets in companies as a source of differentiation and progress necessary to build responsible and sustainable business practices. Ibercaja forms part of and actively promotes the COEPLAN ('Coalition of Companies for the Planet') initiative, which was created to advance sustainable practices and drive the circular economy. Thus, the Ibercaja Foundation has established a partnership agreement on sustainability training for companies and society at its Ibercide centre. Ibercaja signed in December 2019 the **Collective Commitment to Climate Action** together with the **principal Spanish banks**, with the aim of measuring the carbon footprint of their balance sheets and reducing the climate impact of their financial activity. Together with **AEB, CECA and ICO** and the other member financial institutions, possible methodologies are being analysed in order to make progress towards this objective. We have given notice of our adherence to the **protocol of the Institute for Energy Diversification** (IDAE and Saving, part of MITECO, Ministry for Ecological Transition and the Demographic Challenge) to facilitate the financing of actions in buildings, with an aid programme for the energy rehabilitation of buildings associated with this protocol. In 2020, Ibercaja carried on intense activity of transmission and dissemination of economic, business and financial knowledge for families and companies throughout the country, with special emphasis on its traditional areas of operation, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional	See chapter 6.1. “Sustainability strategy” of this Directors' Report. See chapter 6.2. “Our contribution to Sustainable Development Goals” of this Directors' Report. See GRI indicators: 102-40 102-42 102-43 102-44

	governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies.	

Principle 5: Governance and culture
We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	For sustainability management and to support the effective implementation of the PRB, the Entity has developed the following **governance structure**: • **Brand, Reputation and Sustainability Division**, reporting directly to the CEO, is tasked with promoting, defining and coordinating the sustainability strategy of Ibercaja Banco while collaborating with the areas involved in implementing that strategy. It should report on the implementation of the Principles of Responsible Banking (PRB). • **Reputation and Sustainability Committee**, operating at senior management level and chaired by the CEO, is responsible for validating and supervising the bank's Sustainability Strategy, as well as progress in the implementation of the PRB. It relays to the **Strategy Committee** all relevant matters to be approved by the **Board of Directors.** • Other committees have specific working groups to carry out sustainability functions.	See chapter 6.1. “Sustainability strategy” of this Directors' Report.
	Ibercaja has approved the following relevant pieces to **develop a culture of responsible banking**: • **Sustainability Policy** approved by the Board of Directors in December 2020, establishes sustainability principles and the Bank's commitments to its main stakeholders. • **Corporate Purpose:** is the reason for the entity's existence, the basis of the strategy, which aligns efforts, inspires and mobilises action. It follows a humanistic approach and is people-centric. Our purpose: **“To help people build the story of their lives”** (approved by the Board of Directors). • **Ethical Management Model:** consists of the **Entity's Code of Ethics** the **Ethics Management Manual** with the structure and functions necessary in the entity to put the Code into practice; and the Ethics Channel. **Ethics Channel**, an independent communication channel for reporting possible breaches of the Code (approved by the Board of Directors). • **Suppliers:** the Entity has revised its **Code of Conduct for suppliers**, in order to convey its commitment to sustainability and involve them in its progress. • **Environmental Policy:** explains the Bank's environmental commitments and fosters good practices (signed by the CEO). • **efr plan:** conciliation **conciliation plan** which contains the actions to be developed to promote the balance between personal, family and professional life, according to the proactive	See chapter 4.2. “Purpose, Mission, Vision and Values” of this Directors' Report. See chapter 6.7. “Commitment to the Suppliers” in this Directors' Report See GRI indicators: 102-18 102-19

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	management and continuous improvement that defines the Socially Responsible Company seal. Ibercaja Banco has been a **signatory of the United Nations Global Compact since 2006**, showing that its business activities are carried out in accordance with the principles established by this initiative. The Bank reports annually on its performance.	102-20 102-22 102-27
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	The progress of sustainability at the Institution is led by the CEO, who is convinced of the importance of Ibercaja's commitment to sustainability, is backed by the Board of Directors and has the engagement of the entire Management Committee. In order to advance in the integration of sustainability in the corporate culture, a strategy has been designed to activate the corporate Purpose, which will be implemented as one of the challenges of the Strategic Plan 21-23. In addition, an **Internal Sustainability Communication Plan** has been set up to help make Ibercaja's sustainability objectives known and internalised, thus seeking to foster a new "sustainability culture". A **new brand image**, **"Ibercaja Sostenible"** has been designed to make the project visible and facilitate the involvement and participation of all employees in it. The sustainability project and the implementation of the PRB is accompanied by a substantial **employee training** strategy. To this end, a specific line of **training in sustainability has been developed within the Entity's Professional Development Plan,** starting with a **Sustainable Finance Programme** for professionals involved in the sustainability project, and which will continue with **mandatory training** for all staff in sustainability, which includes (training pill). The remuneration policy is expected to include a reference to its alignment with the sustainability progress to be made in the Bank.	See chapter 6.4. "Commitment to our employees" in this Directors' Report See chapter 4.2. "Purpose, Mission, Vision and Values" See GRI indicators: 102-16 102-26 102-35
5.3 Governance structure for implementation of the principles **Show that your bank has a governance structure in place for the implementation of the PRB, including:** **a) target-setting and actions to achieve targets set** **b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.**	The **Reputation and Sustainability Committee** is responsible for overseeing the progress of the Sustainability Roadmap and the actions to be taken, and for approving the KPIs for monitoring progress. In June 2020, the **Sustainability Roadmap** was approved, for the definition of which the implementation of the PRB was taken as one of the guidelines. Since then, follow-up meetings have been held (approximately every 1.5 months), where the Reputation and Sustainability Committee has monitored and driven progress. The **Sustainable Finance Team**, of a transversal nature, made up of professionals from the main business areas and the Financial Group's companies, is in charge of the operational implementation of the PRB and is coordinated by the Brand, Reputation and Sustainability Department. The new Strategic Plan 21-23 will establish the milestones to be achieved, the specific targets and the indicators necessary for effective monitoring, with a focus on continuous improvement.	See chapter 6.1. "Sustainability strategy" of this Directors' Report.

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Ibercaja has made decisive advances in sustainability governance, which will oversee implementation of the Principles of Responsible Banking. The sustainability governance structure has been bolstered with the engagement of the Board of Directors and the effective participation of the business areas. We will continue to move forward with the allocation and formalisation of roles and responsibilities.

Principle 6: Transparency & accountability **We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**		
6.1 Progress on implementing the principles for responsible banking **Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).**	• A **Sustainability Policy** has been developed and approved that establishes the principles, commitments and framework for action in sustainability for the Ibercaja Group • Work has started on the development of the **impact analysis and the study of our loan portfolio** with the aim of setting concrete and measurable targets to improve the main impacts and **align our portfolio with the Paris agreements**. • Work has begun to identify climate risks, with the aim of progressively including ESG risks in the Ibercaja Group's overall risk management.	See chapter 6.1. "Sustainability strategy" of this Directors' Report.
Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.	• A **benchmark** has been devised to identify good practices and possible sustainability trends to be included in the design of our business strategy. • Ibercaja has **adhered to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)** so as to make sure its reporting is fully compliant with those recommendations.	See chapter 6.12. "TCFD recommendations"
Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.	• To strengthen and improve its reporting of extra-financial information, the Bank is currently undertaking a **project to "systematise non-financial information"** so as to make it more reliable and traceable and place it on a par with the Bank's financial information. • An **FCR work-life balance plan** has been developed, with projects such as Plan LiderA or Ibercaja Saludable, aimed at improving the experience of employees and advancing social aspects within Ibercaja. • **Internal and external communication** has been boosted to also ensure support from Ibercaja in **achieving the SDGs**, in addition to education and **training in sustainability** of Ibercaja's staff to engage them in the project.	See chapter 6.4. "Commitment to our employees" in this Directors' Report.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

It is a firm commitment, which has begun by laying the foundations of governance, with the aim of engaging the entire organisation, under the leadership of the Board of Directors, the Chief Executive Officer and the Management Committee.

We have begun work on risk management, responsible business strategy, communication and training, the main areas that will be further developed in the new Strategic Plan 21-23.

6.12 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31

THE OBJECTIVE OF THESE RECOMMENDATIONS IS TO DEVELOP A COMMON, CONSISTENT, COMPARABLE AND CLEAR REPORTING FRAMEWORK TO INFORM ON THE EFFECT THAT AN ECONOMIC ACTIVITY HAS ON THE CLIMATE, WHICH WILL FACILITATE DECISION-MAKING BY INVESTORS.

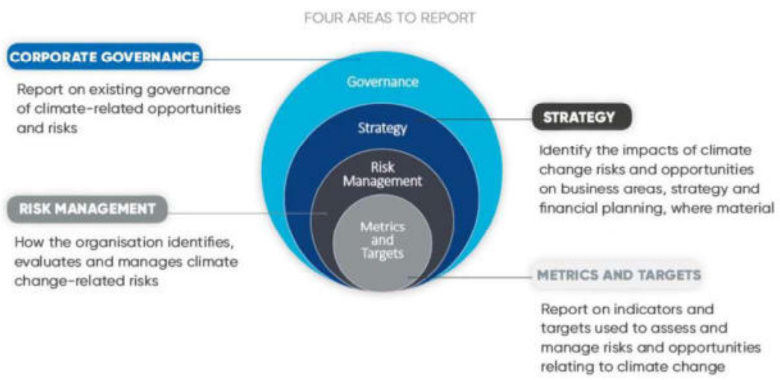
6.12.1 Introduction

Climate change is a reality and its effects on economic and social stability are already noticeable: its mitigation requires the commitment of all public and private agents in order to move towards a decarbonised economy.

Ibercaja, **committed from its origins to sustainability and guided by its corporate** purpose, is aware of this and is taking significant steps, acquiring commitments that act as a lever in the fight against climate change.

Hence, **in 2019 Ibercaja adhered to the recommendations** issued by the Task Force on Climate-Related Financial Disclosures (TCFD) set up by the Financial Stability Board. The objective of TCFD is to develop a common, consistent, comparable and clear reporting framework to inform about the effect that an economic activity has on the climate so as to facilitate investors' decision making.

IN ITS REPORT, THE TCFD RECOMMENDS THAT INFORMATION BE SET OUT IN FOUR AREAS, WHICH DEFINE THE STRUCTURE OF THIS SECTION:



6.12.2 Objective

By adhering to these recommendations, Ibercaja aims to **make progress in the clear, consistent and standardised disclosure of the risks and opportunities** of climate change on our business and its implications and integration into the Bank's strategy.

The information summarises how Ibercaja is becoming engaged in responding to the challenges arising from climate change, following the recommendations of the TCFD in the analysis, in the implementation of measures and in the development of reporting.

These are the **first steps** and **reflect our progress** in this direction: Ibercaja is aware of the long road ahead towards a sustainable future, of the important role it plays as a financial institution accompanying its customers and society in this direction, and **shows its firm commitment to continue progressing** and disseminating advances according to the needs of the market.

6.12.3 Governance Model

Ibercaja has developed a sustainability governance model with the direct engagement of the **Board of Directors**, as the highest level body, which promotes the entity's positioning in sustainable development, with the assistance of the **Strategy Committee**.

IN CARRYING OUT THIS FUNCTION OF PROMOTING SUSTAINABILITY:

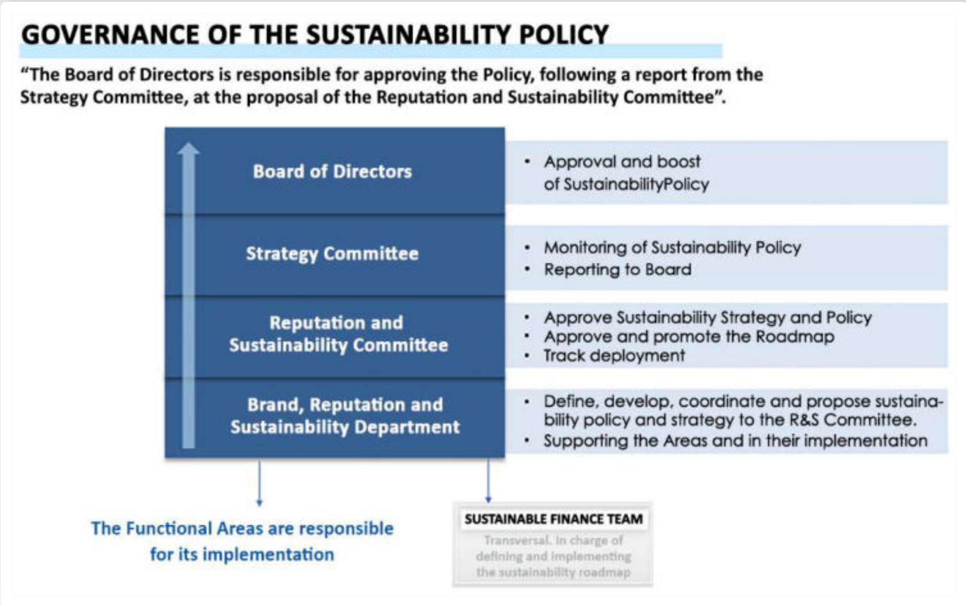
- The Board of Directors has reviewed and approved elements necessary to advance in the sustainable and responsible planning of the Entity: thus in 2018 it approved the **Code of Ethics**, which contains the seven ethical principles that govern the actions of the Ibercaja Group; it also agreed and approved the **Corporate Purpose**, which focuses on a shared inspirational objective: "Helping people to build their life story, because it will be our story."
- On 11 December 2020, the Board of Directors, following a review by the Strategy Committee, approved the **Sustainability Policy**, an essential element as it establishes the Ibercaja Group's commitments and framework for action in the area of sustainability.
- This Sustainability Policy replaces the Corporate Social Responsibility Policy in force since 2016 at Ibercaja, to **reflect the progress of sustainability commitments** and their integration into strategy and decision-making.

- The Board of Directors, with the support of the Strategy Committee, will oversee the implementation of the Sustainability Policy and will be informed of progress on a regular basis. The Policy sets out the entity's commitments to its main stakeholders and to the environment. **Ibercaja undertakes to**:
  - **Analyse the impact of climate change**, detecting needs that the transition to a decarbonised economy may present, in order to respond with business solutions that support environmental sustainability.
  - **Analyse climatic and environmental risks**, their impact on customers and their financial activity, for their gradual integration in compliance with the regulatory requirements.
  - **Transparently communicate** the advances in environmental sustainability, raising awareness internally and externally to promote a sense of environmental responsibility.
  - **Assume and endorse the primary national and international commitments** that help to protect the environment and fight against climate change, working on their implementation.

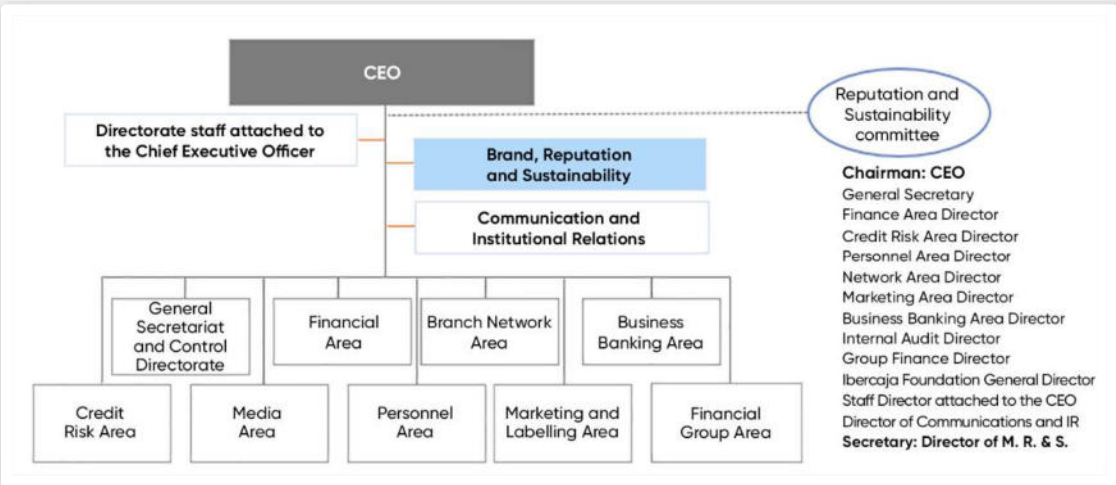
> *"We are a **different bank**, it's **our raison d'être**".*

The **Strategy Committee** of the Board of Directors is particularly involved in defining and approving the Strategic Plan, with sustainability as one of its key enabling initiatives. It defends a clear position on the relevance of differentiating ourselves as a sustainable Bank, from three points of view: financial, social and environmental. "We are a different bank, it's our raison d'être".

Sustainability governance is based on the work of the functional areas, coordinated by the Brand, Reputation and Sustainability Department and the Reputation and Sustainability Committee, which is responsible for this area, according to the following scheme:



The **Brand, Reputation and Sustainability Department**, reporting directly to the CEO, defines and coordinates the implementation of the sustainability strategy, following approval by the executive-level Reputation and Sustainability Committee, chaired by the CEO.



The **Sustainable Finance Team** was created in 2019, as a transversal group, made up of highly competent people with a global vision of the main functional areas of the Ibercaja Group. Since then, it has acted as a driving force to advance in the **design of the Roadmap** to be followed for the incorporation of ESG aspects into the Group's strategy and how to take the necessary steps for its effective implementation, ensuring the involvement of all *core* business areas.

6.12.4 Strategy

The **Sustainability Policy,** approved by the Board of Directors on December 11, 2020, defines the **axes of the strategy**, aligned with the Sustainable Development Goals (especially those that are a priority for Ibercaja: see Chapter 6.2).

Its definition was **guided by the expectations of the TCFD recommendations and the Principles for Responsible Banking**, signed by Ibercaja Banco in October 2019, in order to respond to the challenges of its implementation.

It has also developed an **operational roadmap** with 10 lines of action to implement these strategic pillars, approved by the Reputation and Sustainability Committee in June 2020, which prioritises and **focuses on climate change** with the aim of:

- analysing the impact of climate change on the entity
- identifying risks and opportunities
- setting targets to respond to them (managing risks and capitalising on opportunities)
- identifying indicators for monitoring and progress

This operational roadmap will be integrated and further developed in the new **+23 Strategic Plan**, with sustainability being a **priority cross-cutting enabling initiative**.

As a first step in identifying the potential effects of climate change, an **impact analysis** has been developed with a focus on economic sectors (with a focus on agriculture, industry and services), analysing their exposure to climate change risks (physical and transitional), with the **objectives of**:

- Identifying sectors potentially most affected by climate change
- Identify new needs for adaptation to climate change
- Identify potential risks
- Identify related business opportunities

RISKS → *IMPACT* → *CONSEQUENCE* → *NECESSITY*

4.1. DESCRIPTION OF IDENTIFIED RISKS

How are climate and environmental risks defined?

Ibercaja classifies climate and environmental risks as **risk factors in the risk categories** currently used by the entity. In accordance with TCFD indications, they are defined and categorised as follows:

- **Transition risks:** financial losses that the entity may suffer directly or indirectly from the process of adjusting to political, legal, technological and market changes arising from the transition to a low-carbon economy. Categories:
    - Political and legal risks
    - Technology risk
    - Market risk
    - Reputational risk
- **Physical risks:** financial impact of a changing climate, caused by extreme weather events and gradual changes in climate. Categories:
    - Acute risks
    - Chronic risks

As part of the roadmap, work has been carried out to **identify them** with the following **objectives**:

- Furthering **understanding** of the characteristics and particularities of climate and environmental risks.
- **Identifying** the main climate risks affecting the Ibercaja Group and how they are reflected in current risk categories.
- Progressing in establishing and consolidating the management model for these risks based on **three lines of defence** in the Entity.

To this end, work is being coordinated with the front lines of the main prudential risks, based on a **qualitative methodology** developed with a top-down approach, to identify the main climate risk events and transmission channels that can lead to the risk categories currently used. The entity has a **initial inventory of identified risks**, pending consensus, which will serve as a basis for prioritisation of risks and subsequent integration into management.

4.2. DESCRIPTION OF IDENTIFIED OPPORTUNITIES

The **opportunities** identified from the impact analysis are as follows:

1. **Project financing for the installation of new** renewable energy production plants.
2. **Funding for environmental practices** to boost the decarbonisation of the agricultural sector.
3. **Financing of projects in waste treatment, hydrogen technology, sustainable mobility, sustainable building, sustainable water treatment management, etc.**
4. Participation in **Fair Transition Strategies** in those areas of our territory affected by business closures **related to coal**.
5. **Financing of projects aimed at families and enterprises that** promote **renewable self-consumption, the use of ECO vehicles, the energy refurbishment of homes and the use of** low-consumption appliances.

6.12.5 Risks management

The Roadmap designed contains among its priorities the identification and management of climate and environmental risks for their gradual incorporation in the bank's global risk framework.

For its implementation, a **Climate Risk Working Group** has been set up, made up of risk specialists from the Group's main functional areas:

This Group has worked on the **identification of potential climate risks**, their channels of transmission to prudential risks and the qualitative assessment of their impact.

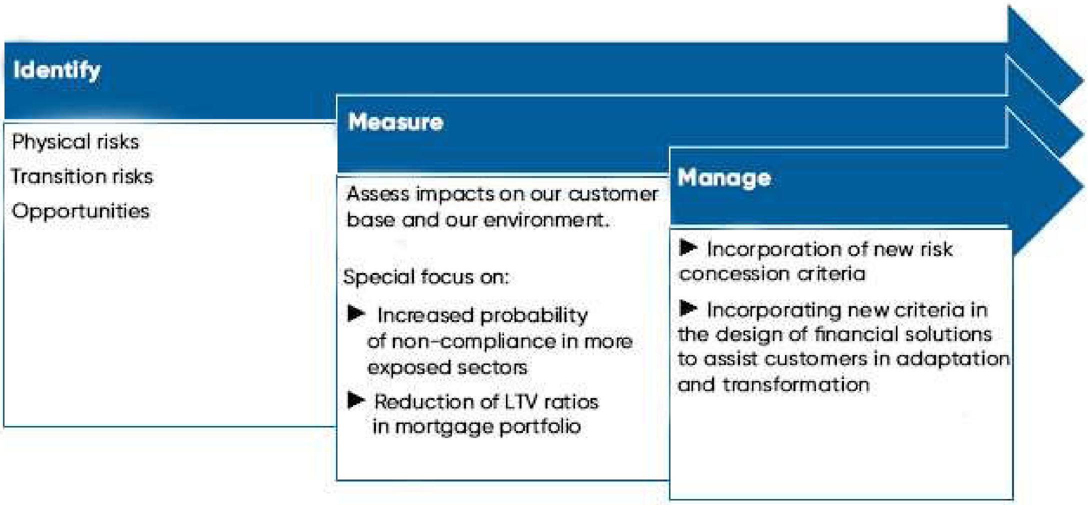
The analysis of risks and opportunities according to sectors of activity and geographical area has identified **decarbonisation** as one of the main challenges.

To advance along these lines, initial **mapping of corporate loan portfolios** has been carried out according to branches of activity potentially more affected by transition climate change (according to a study published by the Bank of Spain).

It focuses on the transition risks, since they could affect the credit rating of that exposure that is potentially more affected:

- most polluting sectors
- exposed to technological changes
- exposed to changes in consumer preferences

This is an initial exploratory analysis to be deepened on the basis of the initial conclusions drawn, using other technical criteria (incorporation of new variables linked to physical risk and transition, market environment, regulatory framework).



The Bank is also working to **incorporate ESG aspects into its credit risk policies and procedures** in response to the EBA Guidelines for granting and monitoring credit. A gap analysis was conducted of the Bank's existing general credit risk policies and procedures and the ESG requirements of the Guidelines, and initiatives are being defined to address them.

The asset managers of the Financial Group (Ibercaja Pensión and Ibercaja Gestión), committed to the development of society and the care and protection of the environment through socially responsible investment, are developing an internal and progressive model of investment selection and management of non-financial risks that is being incorporated into the traditional fundamental analysis. Thus, they have elaborated a **Exclusions Policy**, taking into account in the process of determining them, **climate transition risk** in accordance with TCFD considerations.

6.12.6 Metrics and objectives

METRICS

Ibercaja is aware of the **importance of non-financial data** in making progress in the metrics and targets needed to assess and manage climate-related risks and opportunities

For this reason, a specific line has been developed within the Roadmap to work on non-financial data, incorporating it as one of the areas of information and communication **information areas** to be developed within the framework of the Data Governance Project currently underway in the Entity.

Progress made: specification of steps to be undertaken

1. **Identification of non-financial data** used for both internal management and reporting of climate and environment-related risks.
2. **Analysis of the availability of information** (quantitative and qualitative) in the Bank's information system. Planning of the necessary developments for unavailable data.
3. **Adaptation of identified** non-financial data identified to the needs of the Data Governance Framework for further integration therein.
4. **Definition by users and construction of the metrics** (KPIs and KRIs) on the basis of which environmental and climate risk exposure is to be identified, managed, monitored and measured.
5. **Definition and preparation of reporting and disclosure** (internal and external) by means of a scorecard including metrics, data, thresholds, alerts, etc. as well as control levels and reporting frequency.

OBJECTIVES

In furtherance of its commitment to sustainability and the fight against climate change, **Ibercaja aims to**:

- **Accompany its customers on the path towards a decarbonised economy**, defining a commercial strategy that helps them to make purchasing and investment decisions that generate positive impacts on the environment.
- **Continue to promote socially responsible investment** by expanding the number of investment products and strengthening the Financial Group's positioning in SRI strategies (see current SRI product offering in Chapter 6.3).
- **Complete the financing offer with products with sustainable features** (especially climate change mitigation), thus meeting the needs of the environment and customers.

The new +23 Strategic Plan will incorporate specific targets for sustainability and the fight against climate change, as well as indicators for their monitoring and evaluation.

DISCLOSURE OF IBERCAJA BANCO CARBON FOOTPRINT (DIRECT IMPACTS)

As stated in its **Sustainability Policy**, Ibercaja, aware of the direct impact of its activity on the environment, is committed to:

- Measure and publish its **carbon footprint**, establishing a reduction plan to achieve emission neutrality.
- Comply with the **applicable legal environmental requirements** and the other voluntarily assumed requirements, adopting the necessary measures to do so.
- Apply the principle of **pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- Encourage the **responsible control and consumption of resources**, and the **proper management of waste**, minimising its generation to the extent possible, favouring the circular economy throughout the value chain.
- Ensure the integration of continuous improvement in the system and in environmental performance by establishing **environmental objectives**.

Since 2007, the Entity has had an **Environmental Management System**, which is certified by the ISO 14001 Standard, and which establishes annual environmental targets and defines the indicators for their monitoring.

Since 2016, Ibercaja has calculated its carbon footprint including the scope 1 and 2 emissions, demanded by the Spanish Climate Change Office, and also the indirect scope 3 emissions, specifically, those produced by car trips of employees for work reasons and those associated with documents sent by messenger.

In response to the commitments made, in 2019 Ibercaja **registered its carbon footprint in the Registry of Footprint, Offsets and CO2 Absorption Projects of the Ministry for Ecological Transition and Demographic Challenge** with the calculation of CO2 emissions of scope 1+2 and 3.

Ibercaja has developed an **Emissions Reduction Plan** and has achieved the **"calculo/Reduzco"** (I calculate/I reduce) stamp for the year 2019 from the MITECO carbon footprint register.

As explained in **Chapter 6.5.** of this Directors' Report, Ibercaja's objective in 2021 is to offset the emissions calculated in 2020 that could not be prevented and to maintain the entity as **Carbon Neutral**.

Furthermore, aware of the importance of directly reducing CO2 emissions, Ibercaja has an **emissions reduction plan** that identifies what measures can be most effective in achieving this objective.

6.13 Global Compact Progress Report

IBERCAJA HAS BEEN A SIGNATORY TO THE UN GLOBAL COMPACT SINCE 2006, THUS RATIFYING ITS COMMITMENT TO THE PRINCIPLES ENSHRINED IN THE INITIATIVE AND REPORTING ANNUALLY ON THE PROGRESS MADE.

The **2020 Directors' Report** describes the **Bank's annual progress** in the implementation of the ten principles of the United Nations Global Compact in terms of human and employment rights, the environment and the fight against corruption.

*The 2020 Directors' Report shows the **implementation** of the ten principles of the United Nations Global Compact*

In this way, the necessary information is filled out in order to respond to the requirements demanded for the preparation of the **Progress Report** and to reach the **Advanced level**, the highest rating granted by the **Global Compact** within the Reporting levels.

IN THIS REGARD, THERE ARE THREE KEY ISSUES ON WHICH WE WISH TO REPORT:

- **Corporate sustainability and leadership**: during 2020 the Ibercaja Group's Sustainability Policy has been approved, advancing, as explained throughout this report, in the Bank's firm commitment to sustainability. The Policy was presented by the CEO and approved by the Board of Directors.
- **United Nations Sustainable Development Goals**: this report also includes information on the Entity's positioning in relation to the SDGs and the most significant actions carried out, contributing to their achievement.
- **Implementation of the Ten Principles** in strategies and operations in the areas of human rights, employment, environment and anti-corruption. Appendix B describes the progress related to each of the principles.

Appendix B contains a **Table** with the Ten Principles of the Global Compact and the sections of the Report that contain information on them, as well as their relationship with the GRI Indicators.

6.14 Communication: listening and dialogue with our stakeholders

102-21, 102-40, 102-42, 102-43, 102-44, 103-1, 103-2, 103-3, 207-3

IBERCAJA MAINTAIN VARIOUS CHANNELS OF COMMUNICATION, PARTICIPATION AND DIALOGUE AVAILABLE FOR ITS STAKEHOLDERS THAT FAVOUR TWO-WAY AND CONTINUOUS COMMUNICATION, UNDERTAKING TO GIVE THEM THE MAXIMUM DISSEMINATION.

*For Ibercaja, active listening and dialogue with its stakeholders is **essential to develop its business model** and achieve maximum positive impact and meet their **expectations and needs**.*

In this way, it conveys its principles and form of conduct to the entire value chain, creating alliances and promoting cooperation, thus going further.

The challenges of the Entity and, specifically, its active role in **achieving the Sustainable Development Goals for the improvement of the planet**, can only be met by actively involving its stakeholders to jointly promote the necessary transition towards a more sustainable economy. Doing this necessarily means fostering **dialogue and close cooperation** with stakeholders, knowing their expectations and working together, through partnerships, and joining forces.

The Bank has a **map of stakeholders**, which identifies those that are a priority for the Bank: **customers, individuals, investors and shareholders, suppliers and society**. In addition, the impact of its activity on the **environment** is given careful consideration. This selection was made after analysing their expectations and interests and assessing their relationship with the Bank, their capacity to influence and the importance of each group for the Bank.

__STAKEHOLDERS__ ARE PERSONS OR GROUPS THAT HAVE AN IMPACT ON THE ENTITY AND ARE INFLUENCED, DIRECTLY OR INDIRECTLY, BY ITS ACTIVITIES, PRODUCTS OR SERVICES.

Communications criteria

Transparency, veracity, diligence and neutrality are key criteria present in all the information flows generated by the Entity, both internally and externally. These flows are systematised through a communication model based on these four key criteria.

TRANSPARENCY In all matters of public interest that do not compromise the required confidentiality of the activity.	**VERACITY** So that it accurately responds to the information requests of the stakeholders.
DILIGENCE To provide timely information that recipients can make use of to their maximum benefit.	**NEUTRALITY** All stakeholders are entitled to information generated by Ibercaja in equal conditions.

INTERNAL COMMUNICATION

Internal communication has played a key role in managing the crisis caused by the pandemic

Moments in which it was crucial to generate **new internal communication channels** that keep us permanently connected with the employees, accompanying them in their day-to-day matters at home and at the office.

Operating communication:

Creation of COVID-19 space in regulations for the daily publication of measures related with the pandemic.

Emotional communication:

- ***Weekly letter of the CEO*** addressed to each employee, explaining the Bank's situation, measures being taken, messages of encouragement and recognition of the important work of Ibercaja's professionals as an essential service for the Company.
- ***Ibercaja with you***. Blog designed to maintain close, empathic and useful contact with colleagues. Articles of interest, Prevention recommendations, Tips to work from home, Solidarity initiatives, Health and well-being tips, Didactic resources, Weekly training, Provision contents to this new channel.
- ***Weekly newsletter*** in which we inform of the most significant milestones of the week.

Also, in 2020, an **Internal Communication Plan in Sustainability** was implemented, whose purpose is **to accompany** the Bank's Sustainability Project,helping Ibercaja's objectives in this area to be **known** and **interiorised**, and to promote a new “**sustainability**” **culture**.

EXTERNAL COMMUNICATION

Ibercaja maintains a fluid relationship with Spanish and foreign media, to respond to information requests and notify society significant events involving the Bank.

Among the main external communication activities, the following stand out:

- **Institutional presentation** of the Bank's most significant data, together with the principal lines of the Strategic Plan.
- **Calling of press conferences** and provision of information to the media regarding the Entity's achievements and procedures deemed to be significant for the Bank's different stakeholders.
- **Dissemination of the actions of Ecosistema Más Empresa:** a meeting point for more than 4,000 entrepreneurs, professionals and managers who interact through an open innovation platform throughout the country. The Ecosystem currently has 47 national and international *partners*, a *think tank* made up of five leading experts in their sectors and has organised more than 130 face-to-face activities throughout Spain. Some of these companies have participated in the Ecosystem Open Innovation challenge platform.
- **Collaboration of expert professionals in different areas of the Bank with the media** through opinion articles, interviews and responses to queries on issues and matters of an economic and financial nature.
- **Boosting of presence in social networks,** broadcasting news related to the Bank, participation in events, sponsorship, partnerships, etc.

Institutional projection plan. The objective of this plan is to position the Ibercaja brand as a benchmark in the Spanish banking system, through participation in the main forums and economic and sectorial meetings by members of the management team and by other executives and specialists of the Entity. As a reinforcement to the launch of the territorial plans, more than two hundred actions have been implemented, aimed at strengthening the Bank's institutional presence in these territories.

THE MOST SIGNIFICANT COMMUNICATION CHANNELS INCLUDE:

- *Customer services*
- *Corporate website and commercial website*
- *Suppliers Portal*
- *Active listening on social media*
- *Customer satisfaction surveys*
- *Employee satisfaction surveys*
- *Reputation measurement surveys*
- *Brand awareness surveys*
- *Free telephone numbers and email inboxes*
- *Newsletters and online assessment questionnaires*
- *Meetings and focus groups with employees, customers and the general public*
- *Systematic and permanent relationships with bodies, institutions and social agents to ascertain trends, expectations and exchanges of good practices (AEC, CEOE, Chambers of Commerce, Forética, Cecabank, etc.).*

6.15 2020 Commitments and 2021 Challenges

102-11

THE ACCOMPANYING TABLES PROVIDE INFORMATION ON THE DEGREE OF ACHIEVEMENT OF THE TARGETS SET FOR 2020, AS WELL AS THE NEW CHALLENGES FOR 2021.

2020 COMMITMENTS

STAKEHOLDER	2020 COMMITMENTS	RESULTS	%
Customers	**Customer experience:** Achieve 80% satisfied or very satisfied customers in post-interaction advisory surveys.	97.8% of customers say they are satisfied or very satisfied.	**100%**
	Customer experience: Improve the existing gap between Ibercaja and the sector average in terms of quality of advice on savings and home financing needs.	The GAP has not improved	
	Ibercaja app: Increase active users of the app by 25%.	The number of active users of mobile banking has increased by 41.9%.	**100%**
Human Resources	**New flexible forms of working:** Measures aimed at achieving a less rigid distribution and organisation of working time and which seek to unlink work and results from a specific "window" of time, as well as control and management of the employee's physical presence. Generate flexible work environments through measures such as: Time flexibility, Spatial flexibility, Digital disconnection, Agile and efficient meetings.	In 2020, progress was made in adapting working conditions to the needs of employees and the organisation. The measures adopted as a consequence of the pandemic accelerated the implementation of some of these measures, in particular: flexible working hours and spatial flexibility (teleworking).	**80%**
	LeaderA Plan Action plan aimed at women with professional growth potential with the objective of promoting women's access to management positions.	On the occasion of International Women's Day, the first Women's Week is organised as a kick-off and a framework for the presentation of the LeaderA Plan. Various activities were carried out to disseminate the objectives of the plan and raise awareness of the importance of achieving a diverse and equal workforce, with the help of women leaders, inspirational voices in women's leadership.	**100%**

Environment	**Ibercaja Activa.** Implementation of the Healthy Company programme in Ibercaja through different areas: sports (Evolution of the Arts and Recreational Group), healthy habits (Prevention and Health) and corporate wellbeing (efr).	As a result of the pandemic, in 2020 the implementation of the activities planned within the Healthy Company programme have been carried out virtually through the app "Ibercaja Contigo", which brings together most of the activities planned in this line of work.	**80%**
	Promote, within the framework of the Comprehensive Sustainability Plan, the inclusion of environmental aspects in the Entity's strategy and decision-making.	The Board of Directors approved the Sustainability Policy, with the focal points for its development and Roadmap that focuses on climate and environmental aspects	**100%**
	Continue to strengthen the EMS, promoting the entity's Carbon Footprint Reduction Plan.	A team was set up to design and drive forward the Reduction Plan; the Environment Committee reviewed the carbon neutrality target and brought forward its attainment date.	**100%**
	Progress in the analysis of impacts linked to climate change.	As part of the Roadmap, a climate change impact analysis was carried out at the national level by priority sectors.	**100%**
Suppliers	**Finalise purchasing procedures** fully adapted to the new regulations on supplier risk management and outsourcing.	Purchasing procedures have been adapted to the new regulatory requirements.	**100%**
	Implementation and launch of the Supplier Risk Management and the Management of Purchasing and Outsourcing Processes in the new Purchasing tool.	New functionalities were developed in the new Purchasing tool during 2020, covering supplier risk management and purchasing processes.	**80%**
Community	**RSA+ Seal:** obtain the Seal.	Once again this year Ibercaja renewed the RSA+2021 Seal	**100%**
	Volunteering: broaden the scope and activities to be developed.	Given the general situation caused by Covid-19, alternative forms of online volunteering have been sought.	**80%**
	Reinforce the reporting of information on sustainability management, with the systematic use of non-financial data.	One of the priority lines of action in the Sustainability Roadmap includes the advancement of non-financial data and its reporting: the Entity's Dictionary of Non-financial Data has been developed.	**100%**
Shareholders and investors	**Continue increasing the visibility of Ibercaja** among institutional investors, increasing the number of events, meetings and telephone conferences.	The number of direct contacts increased by 19% during the year and videoconferencing was implemented as a new working methodology.	**75%**
	Enhance communication of Ibercaja's ESG commitment among investors and rating agencies.		**25%**

	Analyse the advantages and drawbacks of a potential ESG issue.		**25%**
Other commitments	**Organisational purpose:** To continue advancing in Phase 3 of activation for inclusion in the decision making process.	Progress has been made in the internal and external communication of the Purpose and it has begun to be included in the programmes of the People Area (Inspiring leadership).	**80%**
	Develop Ibercaja's **Sustainability Policy**.	On 11 December, the Board of Directors approved the Ibercaja Group's Sustainability Policy.	**100%**

2021 CHALLENGES

STAKEHOLDER	2021 COMMITMENTS
Customers	**Customer experience**: Achieve 90% of satisfied or very satisfied customers in post-interaction advisory surveys. **Marketing:** - Expanding our range of **sustainable investment products** to offer each customer the most appropriate solution according to their investment profile. - Completing the offer of **sustainable financing products** to provide customers with access to solutions that improve the energy efficiency of their homes, businesses and mobility. **Digitalisation:** 90% of transfers in digital channels. **Ibercaja app:** Increase users of Ibercaja's apps by 25%.
Human Resources	Launch of a **new "Digital Environment for Employees"** with the following objectives: to improve the user experience, bring together the main applications for employee communication and participation, and incorporate new forms of internal communication to improve the employee experience. Advance in the design and deployment of a **governance model to assist the work** of Management, establishing basic and uniform guidelines for all divisions, ensuring that this process will consolidate the **Leadership Model** in the Central Services, just as it does in the Network through the Management System. Advance in the construction of a **people development model** based on the alignment between value contribution and remuneration.
Environment	**Advance in the identification of climate risks for the progressive incorporation of these risks into the Bank's overall risk management.** Advance in the **integration of environmental criteria** in supplier approval processes. Offset the total carbon footprint (scopes 1 and 2) through CO2 absorption projects. **Advance in the improvement of selective waste collection** in the Entity
Suppliers	**Review and adapt to the EBA's Guidelines on Outsourcing** of outsourced services prior to their entry into force. **Improve and standardise the model for measuring** of risks associated with suppliers.

Community	**Renew the RSA+ Seal** **Develop a different kind of volunteering** that brings added value and can be carried out in the current health circumstances. **Convey to society** the strategic importance of sustainability for the Ibercaja Group.
Shareholders and investors	**Continue increasing the visibility of Ibercaja** among institutional investors, increasing the number of events, meetings and telephone conferences. **Adapt the corporate website** *www.ibercaja.com*, with inclusion of the Bank's commitments and progress in sustainability. **Enhance communication of Ibercaja's ESG commitment** among investors and rating agencies.
Other commitments	**Integration of sustainability** in the new Strategic Plan +2023: development of an enabling cross-cutting initiative. **Internally and externally activate the organisational purpose,** integrating it into the corporate culture.

7 RISK MANAGEMENT

Risk management, both financial and non-financial, is key in Ibercaja's business development strategy.

102-15, 102-30, 102-31, 103-1, 103-2, 103-3

Global risk management is essential to preserving the Bank's solvency and capital adequacy. Its **strategic priorities** include the development of systems, tools and structures that will allow for the permanent measurement, monitoring and control of risk exposure levels, while assuring an adequate relationship with the Bank's own funds and responding to the requirements of regulators, supervisors and markets.

Risk management is organised through the **Risk Appetite Framework**, the key aim of which is to establish a set of **principles, procedures, controls and systems through which the Group's risk appetite is specified, communicated and monitored**. Risk appetite is the level or profile of risk that the Bank is willing to accept and maintain, in terms of type and amount. Risk appetite must be geared towards achieving the targets of the Strategic Plan, in accordance with the established lines of action.

While **credit risk** is the most significant threat to the Bank's business, risk management also covers counterparty, concentration, market, liquidity, interest rate, operational, business, reputational and insurance risks.

Additionally, the Bank established a range of measures and procedures to minimise **non-financial risks**, such as reputational and compliance risks, and takes into account risks related to social issues, human rights and the environment, analysing them for their gradual incorporation in the Risk Appetite Framework.

Among the general principles of sustainability enshrined in the **Sustainability Policy** approved in December 2020, Ibercaja observes in its activity the prudent and global management of all financial and non-financial risks, including **ESG risks** (environmental, social and good governance). In addition, the Entity undertakes to analyse the **risks arising from climate change and environmental deterioration**, their impact on customers and on its financial activity, for gradual integration into risk management procedures, in compliance with supervisory expectations.

The Bank is developing the **Sustainability Roadmap** for the incorporation of environmental, social and governance aspects into business and decision-making, which will be integrated as a cross-cutting initiative in the new Strategic Plan.

Note 3 to the Ibercaja Banco Group's financial statements for 2020 presents the significant **information on the management of the different types of risk in greater detail**.

8 RESEARCH, DEVELOPMENT AND TECHNOLOGY

Ibercaja, aware of the new challenges that the banking sector must face, is immersed in an ambitious itinerary of digital transformation.

102-2

Technological innovation plays a fundamental role at a time of very significant changes for the sector: changing customer habits, the need to improve the efficiency of operating processes in order to gain competitiveness, ever-changing regulations and the emergence of new players in the field of financial product distribution.

Technological innovation *plays a key role in* ***times of change.***

To meet the new challenges, Ibercaja designed, within the framework of its 2018-2020 Strategic Plan, an ambitious **digital transformation itinerary** with the **aim** of **meeting the needs** and **expectations of customers**, **promoting competitive advantages**, boosting multi-channelling as a supplement to the personal service of managers, and simultaneously **ensuring the maximum agility and efficiency** of operational processes, both in the branch network and central services.

The Strategic Plan has made it possible to deal effectively and within a very short timeframe with the needs arising from the pandemic, which have accelerated the changes in processes and resources.

THE PRINCIPAL ACTIONS AND PROJECTS WORKED ON DURING THE FINANCIAL YEAR INCLUDE:

- **Digital transformation.** Highlights include the new digital banking websites for individuals and companies, the launch of Ibercaja Próxima, the implementation of the Global Securities System, the "Initiation Mode" for digital assets, the creation of digital managers, the "Consíguelo" sales platform and the promotion of sales through digital channels of financing products (mortgage and consumer) and risk insurance.

- **Deployment of the new Commercial and Management System**, aligned with the Leadership Model, which contributes to driving change in the way sales teams work in offices, making them more efficient and, at the same time, enhancing the experience of both customers and employees.

- **Robotic automation of tasks** that lacked adequate infrastructure to respond to peaks in demand, increase service levels and eliminate repetitive tasks. In the same line of work, with the application of artificial intelligence, the first insurance "chat bot" has been implemented to respond to queries about risk insurance, reducing the response time to customer questions and the time spent in the offices to locate the information required. As a result, the average of 1,000 queries made daily by customer managers to the internal support service in this area has been considerably reduced, while at the same time the number of opportunities handled has increased by 20% compared to the old system.

- **Self-service plan.** Renewal and updating of the ATMs, incorporating a uniform design with the rest of the Bank's channels, and new functionalities. Of particular note are the adaptation for the visually impaired, the location of other nearby Ibercaja ATMs and the possibility of making transfers from cards from other banks to an account at the bank.

- **Simplification of tasks and improvement of efficiency**, with optimisation of office processes through digitisation and mechanisation of low value-added tasks. Examples include the multi-channel signing of documents by means of any mobile device, operations related to the entry into force of the General Data Protection Regulation, the migration of internal communications to IBERSIC or the delegation of tasks to administrative outsourcing centres.

- **Cybersecurity.** Cybersecurity improvements have continued in line with best practices such as ISO 27001 and the NIST framework. Particularly in view of the exceptional situation of teleworking, training and awareness of teleworking has been reinforced for all employees.

- **Data Governance Framework,** Deployment of governance and data quality procedures to the capital calculation process and generation of COREP statements, IRB model datamart, risk appetite framework, risk control dashboard and RAROC calculation engine.

9 INFORMATION REGARDING TREASURY SHARES

Information regarding treasury shares

There have been no transactions involving treasury shares in 2020.

10 OTHER INFORMATION

10.1 Dividend policy

The distribution of dividends is determined at the General Meeting of Shareholders on the basis of the proposal made by the Board of Directors.

The ECB issued a recommendation to banks, published in the Official Journal of the European Union on 30 March 2020, indicating that they should not distribute dividends for the financial years 2019 and 2020, at least until 1 October 2020, in order to increase their capacity to absorb potential losses in the pandemic-induced economic crisis and to support lending to households, SMEs and large corporates during the coronavirus epidemic.

The Extraordinary General Meeting of Ibercaja held on 3 April 2020 decided to rescind the resolution of the Bank's Ordinary General Meeting held on 30 March, which approved the distribution of a dividend of 17.500 thousand euros charged to the results obtained by the Bank in the financial year 2019. The resolution of the Extraordinary General Meeting made the payment of this dividend conditional upon a new resolution of the Bank's General Shareholders Meeting, which should take place no earlier than 1 October 2020.

On 7 October 2020, the Extraordinary General Meeting of Ibercaja Banco, S.A., once again authorised, bearing in mind that the distribution of dividends was approved by the Ordinary General Meeting held on 30 March, the distribution to shareholders of the dividend for 2019 for the amount of 17,500 thousand euros which was paid on 13 October 2020.

On 15 December 2020, the ECB issued a new recommendation to all significant credit institutions in the eurozone regarding profit distribution for 2019 and 2020 that remuneration should remain below 15% of cumulative profit for the financial years 2019 and 2020 and in any case should not exceed 20 basis points of CET1.

The Board of Directors will propose to the General Shareholders' Meeting that they agree on the **distribution of a dividend paid from profits from 2020** for an amount of **3,849 thousand euros**.

The Bank has no legal restriction or limitation on the payment of dividends and, except in extraordinary circumstances such as the health crisis in which the ECB recommendation is adopted, it intends to continue its shareholder remuneration policy. In any event, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining an adequate capital buffer, even if there is an impairment of the economic situation and financial conditions.

10.2 Credit agency ratings

The rating agencies have revised downwards their outlook for the Spanish financial system due to the expected impacts on the Spanish economy of the health crisis triggered by COVID-19.

As a result of this sector-wide review, the outlook for Ibercaja Banco's credit rating have been changed as follows:

- On 23 April, **Moody's Investors Service** changed the outlook on Ibercaja Banco's deposits from positive to stable, affirming all ratings at current levels.

- On 29 April, **Standard & Poor's** revised the outlook on Ibercaja Banco's credit rating from stable to negative, affirming the long-term and short-term ratings at "BB+" and "B", respectively.

- On 23 September, **Fitch Ratings** maintained Ibercaja Banco's rating at "BB+" with a negative outlook.

CREDIT AGENCY RATINGS:

	LONG-TERM	SHORT-TERM	OUTLOOK
Standard & Poors	BB+	B	Negative
Moody's (rating for deposits)	Ba3	NP	Stable
Fitch Ratings	BB+	B	Negative

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10.3 Average supplier payment period

The average payment period for suppliers in 2020 was **25 days**, well within the legal maximum of 60 days established by Law 15/2010, of 5 July, which establishes measures to combat against late payments in commercial transactions.

11 | BUSINESS OUTLOOK AND EXPECTED PERFORMANCE

Macroeconomic scenario:

THE OUTBREAK OF THE PANDEMIC HAS LED TO AN INTENSE ECONOMIC CRISIS THAT THE SPANISH ECONOMY WILL HAVE FACE IN THE COMING MONTHS.

The contraction of consumption and investment, together with the negative contribution of the foreign sector, led to a **GDP contraction in Spain of 11% in 2020.** Only public consumption has served as a counterweight. The impact on the labour market has been softened by the furlough programmes, which have enabled maintaining the employment relationship in companies worst hit by the pandemic. Even so, the unemployment rate reached 16.13**%** by the end of 2020, and was especially high in the services sector. The overall public deficit has increased considerably due to COVID-related expenditure and the simultaneous reduction in tax revenues caused by the weakening of activity and is estimated to reach 12% of GDP in the financial year. However, the European Commission has suspended the fiscal rules of the Stability Pact to allow governments to adopt measures to mitigate the effects of the crisis, particularly on the most vulnerable groups.

The **consensus forecast of analysts for Spain's GDP growth in 2021** of about 6%, is subject to **significant conditioning factors**. The main one is that health prevention and vaccines can limit the spread of the virus, which will allow the gradual normalisation of the activities most damaged by the restrictions on mobility and gathering of people. The contribution of the European Recovery Fund should also play an important role in the recovery, the effect of which will begin to materialise, if there are no delays in the allocation, from the second half of the year onwards.

Overview and prospects of the Ibercaja Group

IBERCAJA WILL CONTINUE TO WORK DURING 2021 ON INTENSIFYING ITS COMMERCIAL DYNAMISM TO COUNTERACT THE ADVERSE CONDITIONS OF THE MACROECONOMIC BACKDROP AND MAXIMISE THE GROUP'S PROFITABILITY.

In a complex environment for the financial sector, **Ibercaja has placed emphasis on responding to the demands of its customers**; individuals, the self-employed, SMEs and companies, meeting their financial needs and, in particular, those caused by the pandemic. This effort is reflected in its track record of lending, the management of mortgage moratorium and consumer loan applications, advances on pensions and unemployment benefit income, as well as other measures to support the segments of society most vulnerable to the pandemic.

Business activity, depressed after the enactment of the first state of alarm, **recovered**, **especially in the second half of the year**, with important achievements in priority business lines, such as asset management, with a significant advance in the share of unit trusts. Also noteworthy is the **reduction in the volume of non-performing assets** and the **strengthening of solvency**. The **advances in the Bank's digital transformation** of its operating model and customer relations, together with the deployment of investment and digitalisation projects, have been decisive in overcoming such a delicate moment and have highlighted the importance of continuing to make progress in the provision of remote financial services.

Containing the spread of the coronavirus should be the main driver for the return to normality that will allow economic recovery in 2021. Throughout the year, Ibercaja will continue to work on intensifying its commercial dynamism to counteract the adverse conditions of the macroeconomic framework and maximise the Group's profitability.

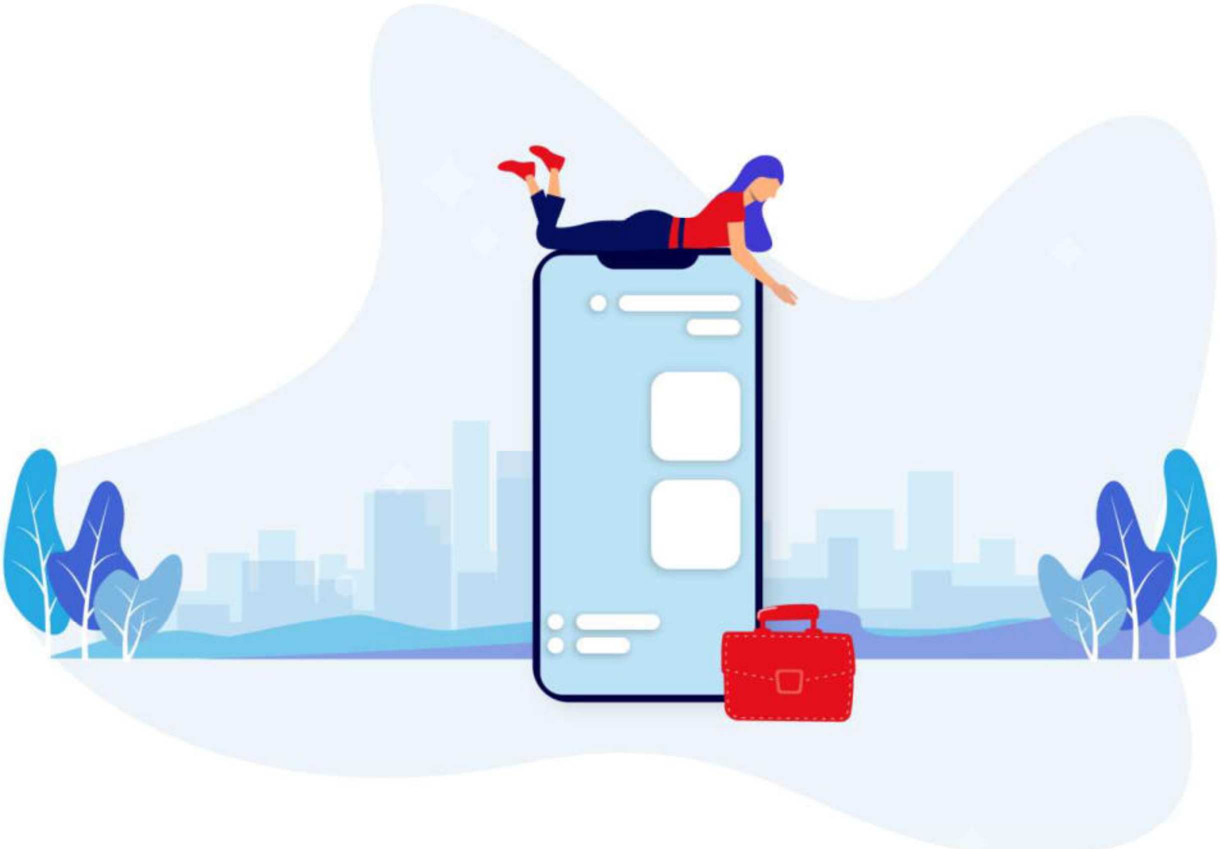
THE MAIN ASPECTS AND OBJECTIVES THAT WILL FOCUS THE ACTIVITY ARE:

- **Providing liquidity to companies** through ICO lines and the Entity's own lines.
- **Dealing with requests for moratoriums** for mortgage and non-mortgage loans.
- **Consolidating** plans for **corporate banking, personal banking and private banking**, which are strategic segments of the Bank's activity.
- **Maximising profitability** by increasing loan revenue, with risk-adjusted rates, and generating fees for services that provide added value to the customer, mainly through asset management and insurance.
- **Managing non-performing assets** with the objective of further bolstering the quality of the balance sheet.
- **Enhance excellence in customer service** as a guideline for management and an edge in an increasingly competitive market.
- **Increasing efficiency and productivity** while maintaining strict cost control.

- **Making decisive progress in the digitalisation of the business** in order to boost commercial activity, meet customer expectations and anticipate the rapid change in consumer habits that is taking place.
- **Supporting the transition to a more sustainable economy** by allowing the flow of savings to go, as a priority, into sustainable investments.

Based on the progress achieved during the last strategic cycle, the Entity is working on the **new Strategic Plan, "Plan +23",** to be presented in the first half of 2021. The Plan **focuses on profitability and efficiency**, which are key to adapting to both current and future circumstances. It addresses aspects related to the transformation of the operating model, technology, commercial, risk management, *pricing* and capital allocation, which will enable greater competitiveness, profitability and sustainability of the business. All of this, while remaining faithful to the corporate purpose and essence, territorial sensitivity and social spirit derived from the 145-year history of the Entity and the nature of its shareholders as foundations.

12 EVENTS AFTER THE REPORTING PERIOD



Events after the reporting period

Between the year-end date and the authorisation for issue of the financial statements, no events have taken place that could have a significant effect on them.

13 ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA/2015/1415 es), the **Alternative Performance Measures (APMs)** used in this report are **defined below, alongside a reconciliation with the balance sheet and income statement items** used to calculate them.

Ibercaja uses a range of APMs, which are unaudited, to aid understanding of the company's financial performance. APMs should be regarded as additional information. They do not replace financial information prepared under IFRS. The way in which the Group defines and calculates APMs may differ from performance measures calculated by other companies and, therefore, the APMs may not be comparable.

APMs related to the income statement

RECURRING REVENUE:

Definition: sum of net interest and commission income and exchange differences (APM defined and calculated below).

Relevance: measures the evolution of revenues directly related to typical banking activity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Interest income [(1)]	533,673	547,246
+	Net fees and commissions and exchange differences [(2)]	374,987	394,843
=	**Recurring revenues**	**908,660**	**942,089**

(1) Source: consolidated income statement in the financial statements.
(2) APM. See definition and calculation below.

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NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES:

Definition: Fee and commission income minus fee and commission expense plus net exchange differences.

Relevance: measures revenues generated via commissions.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Fee and commission income	390,771	412,375
-	Fee and commission expenses	16,636	18,636
+	Net exchange differences	852	1,104
=	**Net fees and commissions and exchange differences**	**374,987**	**394,843**

Source: consolidated income statement in the financial statements.

NET GAIN/(LOSS) ON FINANCIAL TRANSACTIONS:

Definition: sum of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and liabilities held for trading, gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, gains/losses on financial assets and liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting.

Relevance: to know the amount of results related to the financial activity but which, due to their nature, cannot be considered as recurring income.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	128,856	8,261
+	Gains/(losses) on financial assets and liabilities held for trading	1,149	1,220
+	Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit or loss	(10,476)	(3,718)
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	-	747
+	Gains/(losses) from hedge accounting	(364)	567
=	**Gains/(losses) on financial assets and liabilities**	**119,165**	**7,077**

Source: consolidated income statement in the financial statements.

OTHER OPERATING INCOME/(EXPENSES):

Definition: sum of net other operating income and expenses and income and expenses from assets and liabilities covered by insurance or reinsurance contracts.

Relevance: measures revenues and expenses that do not derive entirely from financial activity, but are related to our business.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Other operating income	47,022	37,073
-	Other operating expenses	78,581	72,473
+	Income from assets covered by insurance and reinsurance contracts	960,230	940,528
-	Liability expenses covered by insurance or reinsurance contracts	960,461	940,798
=	**Other operating income and expense**	**(31,790)**	**(35,670)**

Source: consolidated income statement in the financial statements.

OPERATING EXPENSES:

Definition: sum of personnel expenses, other administrative expenses and depreciation and amortisation.

Relevance: indicator of expenses incurred in the course of our activity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Personnel expenses	502,568	360,944
+	Other administration expenses	153,020	171,915
+	Amortisation and depreciation	62,918	67,228
=	**Operating expenses**	**718,506**	**600,087**

Source: consolidated income statement in the financial statements.

RECURRING OPERATING EXPENSES:

Definition: operating expenses (APM as defined and calculated above) excluding non-recurring items.

Relevance: to measure the evolution of ordinary expenses generated by our activity (banking business, asset management and bancassurance), excluding non-recurring items, such as expenses associated with the Redundancy Program.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Operating expenses (1)	718,506	600,087
-	Non-recurring expenses (2)	151,041	-
=	**Recurring operating expenses**	**567,465**	**600,087**

(1) APM. See definition and calculation above.

(2) SOURCE: note 38 to the financial statements

PROFIT/(LOSS) BEFORE WRITE-DOWNS:

Definition: gross margin minus operating expenses (administrative expenses and depreciation).

Relevance: to show profitability before write-downs.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Gross income	1,001,822	926,579
-	Administrative expenses	655,588	532,859
-	Amortisation and depreciation	62,918	67,228
=	**Profit before write-downs**	**283,316**	**326,492**

Source: consolidated income statement in the financial statements.

RECURRING INCOME BEFORE WRITE-DOWNS:

Definition: recurring revenue less recurring operating expenses (APMs defined and calculated above).

Relevance: to measure the recurring profitability of the business before write-offs.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Recurring revenue (1)	908,660	942,089
-	Recurring operating expenses: (1)	567,465	600,087
=	**Recurring income before write-downs**	**341,195**	**342,002**

(1) APM. See definition and calculation above.

PROVISIONS, IMPAIRMENT AND OTHER WRITE-DOWNS:

Definition: Sum of provisions, impairment of financial assets not measured at fair value through profit or loss, impairment of investments in joint ventures and associates, impairment of non-financial assets and gains or losses on non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations, corresponding to impairment losses on non-current assets held for sale other non-current assets held for sale.

Relevance: indicator of the cost of provisions made during the year to cover the impairment of the value of our assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Provisions or (-) reversal of provisions	(14,236)	37,330
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	219,646	124,637
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	-	-
+	Impairment or (-) reversal of impairment of non-financial assets	1,559	5,612
+	Impairment losses on other non-current assets for sale	18,861	16,957
=	**Provisions, impairment and other write-downs**	**225,830**	**184,536**

Source: consolidated income statement and note 42 to the financial statements.

OTHER GAINS/(LOSSES):

Definition: sum of gains/losses on derecognition of non-financial assets and participations and gains/losses on disposal of other non-current assets held for sale under gains/losses on non-current assets and disposable groups of items classified as held for sale not eligible as discontinued operations.

Relevance: indicator of the impact on our results of the derecognition/disposal of assets not related to ordinary activities.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	(3,047)	(6,544)
+	Gains/(losses) on disposal of other non-current assets for sale (2)	(969)	(6,775)
=	**Other gains/(losses)**	**(4,016)**	**(13,319)**

(1) Source: consolidated income statement in the financial statements.
(2) Source: Note 42 to the financial statements.

APMs related to the profitability

CUSTOMER SPREAD (%):

Definition: difference between the average yield on the loan portfolio and the cost of retail deposits.

Relevance: indicator of the profitability of our retail business.

	(%)	2020	2019
+	Yields from consumer loans *Interest revenue from the portfolio of registered loans in the year divided by the average customer loan balance*	1.36	1.45
-	Cost of retail deposits *Interest expense on retail deposits recognised in the balance sheet in the year divided by the average retail deposit balance*	-0.01	0.02
=	**Customer spread (%)**	**1.37**	**1.43**

Source: Bank's internal information.

INTEREST INCOME TO ATA:

Definition: Net interest income as a percentage of average consolidated total assets.

Relevance: to relativize the net interest margin with respect to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Interest income (1)	533,673	547,246
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Interest margin (% on ATA)**	**0.96**	**1.04**

(1) Source: consolidated public income statement in financial statements.

(2) The total average asset balance was calculated as a simple average of the monthly asset balances.

WEIGHT OF THE FIXED-INCOME PORTFOLIO IN INTEREST INCOME:

Definition: ratio of income from the fixed income portfolio to interest income.

Relevance: to measure the contribution of the fixed income portfolio to our interest income.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Income from fixed income portfolio (1)	56,592	69,023
Denominator	Interest income (2)	632,798	663,561
=	**Weight of fixed income portfolio in interest income (%)**	**8.94**	**10.40**

(1) Source: internal Bank information. Calculated as the income from the Group's debt portfolio excluding the insurance activity of Ibercaja Vida.

(2) Source: consolidated income statement in the financial statements.

NET FEES AND EXCHANGE RATE DIFFERENCES TO ATA:

Definition: Ratio of net commissions and exchange differences (APM as defined and calculated above) to consolidated average total assets.

Relevance: to relativize fee and commission income to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Net fees and commissions and exchange differences (1)	374,987	394,843
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Net fees and commissions and exchange differences (% of ATA)**	**0.68**	**0.75**

(1) MAR. See definition and calculation above.

(2) See interest margin on ATA.

NET FEES AND EXCHANGE DIFFERENCES TO RECURRING REVENUE:

Definition: ratio of net commissions and exchange differences to recurring revenues (APM as defined and calculated above).

Relevance: to measure the contribution of commissions to recurring revenues.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Net fees and commissions and exchange differences (1)	374,987	394,843
Denominator	Recurring revenue (1)	908,660	942,089
=	**Net fees on recurring revenues**	**41.27**	**41.91**

(1) APM. See definition and calculation above.

RECURRING REVENUES ON ATMS:

Definition: Ratio of recurring revenues (APM as defined and calculated above) to consolidated average total assets.

Relevance: to relativize recurring income with respect to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring revenues (1)	908,660	942,089
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Recurring revenues (% of ATA)**	**1.64**	**1.78**

(1) APM. See definition and calculation above.
(2) See interest margin on ATA.

RECURRING OPERATING EXPENSES ON ATA:

Definition: Ratio of recurring operating expenses (APM as defined and calculated above) to consolidated average total assets.

Relevance: to relativize recurring expenses with respect to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring operating expenses (1)	567,465	600,087
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Recurring operating expenses (% of ATA)**	**1.02**	**1.14**

(1) APM. See definition and calculation above.
(2) See interest margin on ATA.

COST-TO-INCOME RATIO:

Definition: ratio of recurring operating expenses (APM as defined and calculated above) to gross margin.

Relevance: to measure our operational efficiency.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring operating expenses (1)	567,465	600,087
Denominator	Gross income (2)	1,001,822	926,579
=	**Cost-to-income ratio (%)**	**56.64**	**64.76**

(1) APM. See definition and calculation above.
(2) Source: consolidated income statement in the financial statements.

RECURRING COST-TO-INCOME RATIO:

Definition: ratio of recurring operating expenses to recurring revenues (APM as defined and calculated above).

Relevance: to measure the efficiency of our recurring activity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring operating expenses: (1)	567,465	600,087
Denominator	Recurring revenue (1)	908,660	942,089
=	**Recurring cost-to-income ratio (%)**	**62.45**	**63.70**

(1) APM. See definition and calculation above.

RECURRING PROFIT BEFORE PROVISIONS ON AVERAGE TOTAL ASSETS:

Definition: difference between recurring revenues and recurring operating expenses in relation to consolidated average total assets.

Relevance: to relativize the results before write-downs with respect to the balance sheet in order to facilitate comparability between periods.

	(%)	31/12/2020	31/12/2019
+	Recurring revenues (% ATMs) (1)	1.64	1.78
-	Recurring operating expenses (% ATMs) (1)	1.02	1.14
=	**Recurring profit before write-downs (% ATA)**	**0.62**	**0.64**

(1) APM. See definition and calculation above.

ROA:

Definition: Profit attributable to the parent (annualised figure) divided by consolidated average total assets.

Relevance: to measure the profitability of our asset.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent (1)	23,602	83,989
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**ROA (%)**	**0.04**	**0.16**

(1) Source: consolidated income statement in the financial statements.
(2) See interest margin on ATA.

RORWA:

Definition: parent company profits (annualised figure) divided by risk-weighted assets.

Relevance: to measure the profitability of our risk-weighted assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent [1]	23,602	83,989
Denominator	Risk-weighted assets phased in [2]	18,248,449	20,362,850
=	**RORWA (%)**	**0.13**	**0.41**

(1) Source: consolidated income statement in the financial statements.
(2) Source: Note 1.7.2 to the financial statements.

ROE:

Definition: parent company profits divided by average consolidated shareholders' equity. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Relevance: to measure return on equity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent [1]	23,602	83,989
Denominator	Average consolidated shareholders' equity [2]	2,878,372	2,810,747
=	**ROE (%)**	**0.82**	**2.99**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

ROTE:

Definition: parent company profits divided by average tangible consolidated shareholders' equity. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Relevance: to measure the return on tangible equity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent (1)	23,602	83,989
Denominator	Average tangible consolidated shareholders' equity (2)	2,663,926	2,608,245
=	**ROTE (%)**	**0.89**	**3.22**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

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Solvency-related APM

RWA DENSITY:

Definition: Risk-weighted assets divided by total assets.

Relevance: to measure the risk profile of our balance sheet.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Risk-weighted assets phased in [(1)]	18,248,449	20,362,850
Denominator	Total consolidated assets [(2)]	58,400,790	55,422,015
=	**RWA density (%)**	**31.25**	**36.74**

(1) Source: Note 1.7.2 to the financial statements.

(2) Source: consolidated balance sheet in the financial statements.

APMs related to asset quality

DOUBTFUL ASSETS:

Definition: aggregation of impaired assets of loans and advances to customers and the gross value of foreclosed assets.

Relevance: to assess the size of our nonperforming asset portfolio in gross terms.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Impaired assets loans and advances to customers (1)	1,012,938	1,293,161
+	Gross value of foreclosed assets (2)	619,527	624,890
=	**Problem assets**	**1,632,465**	**1,918,051**

(1) Source: note 3.5.4 in the financial statements.

(2) Source: note 3.5.6.2 in the financial statements.

RATIO OF NON-PERFORMING LOANS AND ADVANCES TO CUSTOMERS:

Definition: non-performing loans on the consolidated balance sheet divided by gross loans and advances to customers.

Relevance: to monitor the quality of the loan portfolio.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Impaired assets loans and advances to customers (1)	1,012,938	1,293,161
Denominator	Gross loans and advances to customers (2)	31,589,582	32,563,215
=	**Non-performing loans ratio loans and advances to customers (%)**	**3.21**	**3.97**

(1) Source: Note 3.5.4 to the financial statements.

(2) Source: Notes 8 and 11.4 to the financial statements.

PROBLEM ASSET INDEX:

Definition: ratio of problem assets (APM as defined and calculated above) to the value of the exposure.

Relevance: to assess the size of our nonperforming asset portfolio in relative terms.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Problem assets (1)	1,632,465	1,918,051
Denominator	(a) Gross loans and advances to customers	31,589,582	32,563,215
	(b) Gross value of foreclosed assets	619,527	624,890
	(a) + (b) Value of exposure (2)	32,209,109	33,188,105
=	**Problem asset ratio (%)**	**5.07**	**5.78**

(1) Source: See definition and calculation above.

(2) Source: notes 3.5.6.2, 8 and 11.4 to the financial statements.

COST OF RISK:

Definition: percentage that write-offs associated with loans and advances to customers and foreclosed real estate represent in relation to the average exposure understood as the sum of gross loans and advances to customers and foreclosed real estate.

Relevance: to monitor the cost of provisions on the loan portfolio and foreclosed assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Write-downs of loans and foreclosed properties (1)	232,754	134,139
Denominator	Average exposure (gross credit and real estate) (2)	32,884,592	33,676,679
=	**Cost of risk (%)**	**0.71**	**0.40**

(1) Source: internal Bank information. The write-down of the loan is the sum of the impairment of financial assets at amortised cost and the provisioning (reversal) of provisions for commitments and guarantees given. Foreclosed properties are classified according to their nature as non-current assets held for sale, investment property or inventories. Impairment losses are recognised under "Impairment or Reversal of Impairment Losses on Non-Financial Assets (Investment Property and Other)" (see note 40 to the consolidated financial statements) and "Impairment Losses on Non-Current Assets Held for Sale" (see note 42 to the consolidated financial statements).

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

COVERAGE RATIO OF FORECLOSED ASSETS:

Definition: sum of impairment losses on loans and advances to customers and negative cumulative changes in fair value due to credit risk from doubtful exposures. Includes impairment losses of stages 1, 2 and 3.

Relevance: To monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Impairment losses on loans and advances to customers [(1)]	644,937	642,039
+	Accumulated negative changes in fair value of doubtful exposures [(2)]	2,241	2,231
=	**Coverage of non-performing exposures**	**647,178**	**644,270**

(1) Source: Note 11.4 to the financial statements.

(2) Source: Note 8 to the financial statements.

COVERAGE RATIO FOR DOUBTFUL RISKS:

Definition: ratio of provisions for asset impairment (MAR as defined and calculated above) to impaired assets of loans and advances to customers.

Relevance: to monitor the degree to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Coverage of non-performing exposures [(1)]	647,178	644,270
Denominator	Impaired assets, loans and advances to customers [(2)]	1,012,938	1,293,161
=	**Coverage of non-performing risks (%)**	**63.89**	**49.82**

(1) Source APM. See definition and calculation above.

(2) Source: Note 3.5.4 to the financial statements.

COVERAGE RATIO OF FORECLOSED ASSETS:

Definition: Ratio of impairment losses on foreclosed assets (since origination of the loan) to the gross carrying amount of foreclosed assets.

Relevance: We use this APM to monitor the extent to which provisions for foreclosed properties cover the gross value of those properties.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Correction of the impairment of foreclosed assets [1]	367,413	346,033
Denominator	Gross value of foreclosed assets [1]	619,527	624,890
=	**Coverage of foreclosed assets (%)**	**59.31**	**55.38**

(1) Source: note 3.5.6.2 in the financial statements.

COVERAGE RATE OF FORECLOSED LAND

Definition: Ratio of impairment losses on land (since the origination of the loan) to the gross value of foreclosed land.

Relevance: Monitor the extent to which the provisions associated with land cover the gross value of such real estate.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Land value adjustments [1]	266,206	275,233
Denominator	Gross value of land [1]	404,800	459,989
=	**Foreclosed land cover rate (%)**	**65.76**	**59.83**

(1) Source: note 3.5.6.2 in the financial statements.

COVERAGE RATIO OF DOUBTFUL ASSETS:

Definition: ratio of provisions for doubtful loans and foreclosed assets to doubtful exposure (APM as defined and calculated above).

Relevance: To monitor the extent to which provisions associated with doubtful loans and foreclosed real estate cover the gross value of such exposure.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	(a) Coverage of non-performing exposures (2)	647,178	644,270
	(b) Correction of the impairment of foreclosed assets (1)	367,413	346,033
	(a) + (b) Coverage of problem assets	1,014,591	990,303
Denominator	Problem assets (2)	1,632,465	1,918,051
=	**Coverage rate of Problem assets (%)**	**62.15**	**51.63**

(1) Source: note 3.5.6.2 in the financial statements.

(2) Source: See definition and calculation above.

NET DOUBTFUL ASSETS AS A PERCENTAGE OF TOTAL ASSETS:

Definition: Ratio of doubtful assets net of coverage (APM as defined and calculated above) to total assets.

Relevance: to measure the weight of problem assets, after deducting the provisions related to such assets, on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	(a) Problem assets (1)	1,632,465	1,918,051
	(b) Coverage of Problem assets (1)	1,014,591	990,303
	(a) - (b) Problem assets net of coverage	617,874	927,748
Denominator	Total assets (2)	58,400,790	55,422,015
=	**Net problem assets over total assets (%)**	**1.06**	**1.67**

(1) Source: See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

TEXAS RATIO:

Definition: doubtful assets (apm defined and calculated above) divided by shareholders' equity and coverage. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Relevance: to measure the potential loss absorption capacity of our troubled assets with hedges and shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Problem assets (1)	1,632,465	1,918,051
Denominator	(a) Coverage of Problem assets (1)	1,014,591	990,303
	(b) Shareholders' equity (2)	3,160,630	3,139,017
	(c) Equity instruments issued other than capital (2)	350,000	350,000
	(d) Other reserves from the issue of equity instruments other than capital (2)	49,870	32,720
	(a) + (b) – (c) + (d)	3,875,091	3,812,040
=	**Texas Ratio (%)**	**42.13**	**50.32**

(1) Source: See its definition and calculation explained above.

(2) Source: Note 23.1 to the financial statements.

APMs related to business volume

RETAIL DEPOSITS:

Definition: the sum of demand savings and traditional time deposits excluding mortgage bonds and repurchase agreements recorded under customer deposits in the consolidated balance sheet.

Relevance: indicator of on-balance sheet retail financing.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Demand deposits [(1)]	33,014,125	28,509,031
+	Term deposits [(1)]	4,688,146	6,009,517
-	Mortgage-backed bonds (including nominal amount and share premium)	1,536,960	1,746,096
	Nominal amount of mortgage-backed bonds [(1)]	1,625,470	1,842,137
	Mortgage-backed bond issue premium [(2)]	(88,510)	(96,040)
=	**Retail deposits**	**36,165,311**	**32,772,452**

(1) Source: Note 19.3 to the financial statements.

(2) Source: Internal Bank information.

ASSET MANAGEMENT AND INSURANCE:

Definition: Sum of the assets managed by investment firms and funds (including third-party funds but excluding the assets of funds that themselves invest in Ibercaja Gestión funds), pension plans and insurance.

Relevance: this indicator is relevant due to the importance for Ibercaja of off-balance sheet savings as a source of the Group's income.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Investment companies and funds [(1)]	16,234,844	14,708,533
+	Pension funds [(1)]	5,907,074	5,668.503
+	Insurance products [(2)]	7,103.732	7,493.363
=	**Asset management and insurance**	**29,245,650**	**27,870,399**

(1) Source: Note 27.4 in the consolidated financial statements.

(2) Source: Note 24.4 in the individual financial statements.

TOTAL RETAIL FUNDS:

Definition: sum of retail deposits and asset management and insurance (APMs defined and calculated above).

Relevance: indicator of the volume of retail savings managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Retail deposits [1]	36,165,311	32,772,452
+	Asset management and insurance [2]	29,245,650	27,870,399
=	**Total retail customer loans**	**65,410,961**	**60,642,851**

(1) Source: See its definition and calculation explained above.

RETAIL BUSINESS VOLUME:

Definition: sum of gross loans and advances to customers ex repurchase agreements and total retail customer loans (APM defined and calculated above).

Relevance: indicator of the savings and credit of our retail customers managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Loans and advances to customers ex impaired assets and reverse repos [1]	28,955,787	29,654,301
+	Total retail customer loans [2]	65,410,961	60,642,851
=	**Retail business volume**	**94,366,748**	**90,297,152**

(1) Source: notes 8 and 11.4 in financial statements.

(2) Source: See its definition and calculation explained above.

APMs related to liquidity

CREDIT TO RETAIL FUNDING RATIO (LTD):

Definition: net loans and advances to customers less repurchase agreements divided by retail deposits (APM defined and calculated above).

Relevance: measures the proportion of loans and advances to customers funded by retail deposits.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	(a) Net loans and advances to customers [(1)]	30,942,404	31,918,945
	(b) Reverse repurchase agreements [(2)]	1,620,857	1,615,753
	(a) – (b) Net loans ex reverse repos	29,321,547	30,303,192
Denominator	Retail deposits [(3)]	36,165,311	32,772,452
=	**LTD (%)**	**81.08**	**92.47**

(1) Source: consolidated balance sheet in the financial statements.

(2) Source: 11.4 in the financial statements.

(3) See definition and calculation above.

AVAILABLE LIQUIDITY:

Definition: sum of cash and central banks, available on policy, eligible off-policy assets and other marketable assets not eligible by the Central Bank, in accordance with the criteria established in the Bank of Spain's official statement LQ 2.2.

Relevance: to know the volume of our available assets in the event of a possible outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Cash and central banks	7,319,717	3,671,499
+	Available in policy	891,981	4,982,938
+	Eligible assets not included in the policy	6,421,078	2,432,048
+	Other marketable assets not eligible by the Central Bank	326,665	381,397
=	**Available liquidity**	**14,959,441**	**11,467,882**

Source: Note 3.8.2 to the financial statements.

AVAILABLE LIQUIDITY TO TOTAL ASSETS:

Definition: ratio of available liquidity (APM as defined and calculated above) to total assets.

Relevance: to ascertain the weight of available liquidity to total assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Available liquidity (1)	14,959,441	11,467,882
Denominator	Total assets (2)	58,400,790	55,422,015
=	**Available liquidity to total assets (%)**	**25.62**	**20.69**

(1) Source: MAR. See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

TOTAL AVAILABLE LIQUIDITY

Definition: aggregation of available liquidity (APM defined and calculated above) and capacity to issue mortgage bonds.

Relevance: To know the volume of our available assets in the event of a possible outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Available liquidity (1)	14,959,441	11,467,882
+	Capacity to issue mortgage bonds (2)	8,379,866	7,307,407
=	**Total availability of liquidity**	**23,339,307**	**18,775,289**

(1) See definition and calculation above.

(2) Source: Note 3.8.2 to the financial statements.

APPENDIX
TRACEABILITY TABLES FOR NON-FINANCIAL INFORMATION

A

APPENDIX

Requirements of Law 11/2018 on non-financial information and diversity

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
BUSINESS MODEL	Brief description of the business model of the group, which will include: 1.) its business environment, 2.) its organisation and structure, 3.) the markets in which it operates, 4.) its objectives and strategies, 5.) the main factors and trends that may affect its future performance.	-	Ibercaja Banco Group (*)	102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7	4.3. Economic and financial environment 4.5. Business Model and Strategic Plan 11. Business Outlook and Expected Performance	-
POLICIES	A description of the policies that the group applies with respect to those issues, which it will include: 1. (a) the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts 2.) the verification and control procedures, including what measures have been taken.	-	Ibercaja Banco Group (*)	103 Management approaches in each area within the economic, environmental and social dimensions	3. Keys to this document 6.1. Sustainability strategy See the detail of non-financial policies in the following blocks	-
ST, MT and LT RISKS	The main risks associated with those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas; and • how the Group manages these risks, • explaining the procedures used to detect and evaluate them in accordance with the national, EU or international reference frameworks for each subject. Must include information on the impacts that have been detected and a breakdown of these, in particular on the main short-, medium- and long-term risks.	-	Ibercaja Banco Group (*)	102-15	7. Risk management 6.12. Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	-
KPIs	Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability. • In order to facilitate the comparison of information, both over time and between banks, special use will be made of generally applicable non-financial key indicator standards that comply with the European Commission's guidelines in this area and the Global Reporting Initiative standards, and the report should mention the national, European or international framework used for each area.	-	Ibercaja Banco Group (*)	General or specific GRI standards of the economic, environmental and social dimensions that are reported in the following blocks	3. Keys to this document 6.1. Sustainability strategy See the detail of the KPIs reported in the following blocks	-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
ENVIRONMENTAL MATTERS	**Global Environment**					
	1.) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures; 2.) The resources dedicated to the prevention of environmental risks; 3.) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the Environmental Liability Law).	YES	Ibercaja Banco Group (*)	103 Management Approach to each area within the Environmental dimension	6.5. Commitment to the environment 6.11. Implementation of the PRB of UNEP-FI 6.12. Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	
	Pollution					
	Measures to prevent, reduce or repair carbon emissions that severely affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	NO	-	103 Emissions management/Biodiversity approach	-	-
	Circular economy and waste prevention and management					
	Circular economy.					
	Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste.	YES	Ibercaja Banco Group (*)	103 Effluent and waste management approach	Appendix D.	-
	Actions to combat food waste.	NO	-	103 Effluent and waste management approach 306-2	-	.
	Sustainable use of resources					
	The consumption of water and water supply according to local constraints.	YES	Ibercaja Banco Group (*)	303-1 303-2 303-5	6.5. Commitment to the environment	-
	Consumption of raw materials and measures taken to improve the efficiency of their use;	YES		103 Management approach of materials 301-1 301-2	Appendix D	-
	Consumption, direct and indirect, of energy, measures taken to improve energy efficiency and the use of renewable energies.	YES		103 Management approach of energy 302-1 302-3	Appendix D	-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
	Climate Change					
	The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces;	YES	Ibercaja Banco Group (*)	103 Management approach of Emissions 305-1 / 305-2/ 305-3/305-4	6.5. Commitment to the environment Appendix D	-
	The measures adopted to adapt to the consequences of climate change;	YES		103 Management approach of Emissions		-
	Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to for that purpose.	YES		103 Management approach of Emissions		-
	Protection of biodiversity					
	Measures taken to preserve or restore biodiversity;	NO	-	103 Management approach of Biodiversity	-	-
	Impacts caused by activities or operations in protected areas.	NO	-	304-2	-	-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
SOCIAL AND PERSONNEL ASPECTS	**Employment**					
	Total number and distribution of employees by gender, age, country and job category;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach 102-8 / 405-1		-
	Total number and distribution of employment contract types.	YES		102-8	6.4. Commitment to our employees	-
	Annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and job category.	YES		102-8 / 405-1	Appendix D	-
	Number of dismissals by gender, age and occupational classification;	YES		401-1		-
	The average remuneration and its evolution disaggregated by gender, age and professional classification or equal value; Salary gap, the remuneration of equal or average jobs in the company.	YES		103 Diversity and equal opportunities management approach 405-2	6.4. Commitment to our employees	-
	The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings pension schemes and any other payments broken down by gender.	YES		103 Diversity and equal opportunities management approach	6.4. Commitment to our employees	-
	Implementation of occupational disconnection policies.	YES		103 Employment management approach	6.4. Commitment to our employees	-
	Employees with disability.	YES		405-1	6.4. Commitment to our employees	-
	Organisation of work					
	Organisation of working time	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach	6.4. Commitment to our employees	-
	Number of hours of absenteeism.	YES		403-2	6.4. Commitment to our employees	-
	Measures aimed at facilitating the enjoyment of the work-life balance and encourage co-responsible exercise by both parents.	YES		103 Employment management approach	6.4. Commitment to our employees	-

Health and safety					
Health and safety conditions at work;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach From 403-1 to 403-8	6.4. Commitment to our employees	-
Occupational accidents, particularly their frequency and severity, occupational ailments, broken down by gender.	YES		403-9 403-10		-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
SOCIAL AND PERSONNEL ASPECTS	**Social relations**					
	Organisation of social dialogue, including procedures for informing, consulting and negotiating with them;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employer-employee relationship management approach	6.4. Commitment to our employees	-
	Percentage of employees covered by collective bargaining agreements by country;	YES		102-41	6.4. Commitment to our employees	-
	The balance of collective agreements, particularly in the field of health and safety at work.	YES		403-1	6.4. Commitment to our employees	-
	Training					
	Policies implemented in training;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Training and education management approach	6.4. Commitment to our employees	-
	The total number of training hours by job categories.	YES		404-1	6.4. Commitment to our employees	-
	Universal accessibility for persons with disability	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	6.4. Commitment to our employees	-
	Equality					
	Measures adopted to foster equal treatment and opportunities between women and men;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	6.4. Commitment to our employees	-
	Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of persons with disabilities;	YES				-
	The policy against all types of discrimination and, as applicable, management of diversity.	YES				-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
HUMAN RIGHTS	Application of due diligence procedures in the field of human rightsPrevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed;	NO	-	103 Management approach to human rights assessment and non-discrimination 102-16 / 102-17	6.9. Human Rights	Although the risk of human rights violations in Ibercaja's activities is low, the Bank has several mechanisms to prevent and mitigate any risk in this area.
	Complaints for cases of human rights violations;	NO	-	406-1		
	Promotion and compliance of the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining;	NO	-	407-1		
	The elimination of discrimination in employment and occupations;	NO	-	103 Non-discrimination management approach		
	The elimination of forced or compulsory work;	NO	-	409-1		
	The effective abolition of child labour.	NO	-	408-1		

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
CORRUPTION AND BRIBERY	Measures taken to prevent corruption and bribery;	YES	Ibercaja Banco Group (*)	103 Anti-corruption management approach 102-16 / 102-17	6.10. Anti-corruption and bribery	-
	Measures to combat money laundering.	YES			6.10. Anti-corruption and bribery	-
	Contributions to foundations and not-for-profit entities.	YES		413-1	6.10. Anti-corruption and bribery	-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
SOCIETY	**Company's commitments to sustainable development**					
	The impact of the company's activity on local employment and development;	YES	Ibercaja Banco Group (*)	103 Local community and indirect economic impacts management approach 203-1 / 413-1	6.8 Contribution to society	-
	The impact of the company's activity on local communities and the territory;	YES				-
	The relationships with local community actors and the types of dialogue with them;	YES		102-43		-
	Actions of partnership or sponsorship.	YES		102-12 / 102-13		-
	Subcontracting and suppliers					
	Inclusion in the procurement policy of social, gender equality and environmental issues; Consideration in the dealings with suppliers and subcontractors of their social and environmental responsibility;	YES	Ibercaja Banco Group (*)	103 Management approach to purchase practices 102-9 / 204-1	6.7. Commitment to suppliers	-
	Systems of supervision and audits and results thereof.	YES				-
	Consumers					
	Measures for consumer health and safety;	NO	-	103 Customer health and safety management approach, Marketing and labelling and customer privacy	-	-
	Complaint systems, complaints received and their resolution.	YES	Ibercaja Banco Group (*)		6.3 Commitment to customers	-
	Tax information					
	Profits country by country.	YES	Ibercaja Banco Group (*)	103 Economic performance management approach	6.8.11. Tax information	-
	Income tax paid.		Ibercaja Banco Group (*)	207-1 207-4		
			Ibercaja Banco Group (*)			
	Public grants received.	YES		201-4		-

(*) Ibercaja Banco Group corresponds to 100% of the Group's scope of consolidation

B

APPENDIX

The 10 Principles of the Global Compact

THE FOLLOWING TABLE CONTAINS THE TEN PRINCIPLES OF THE GLOBAL COMPACT AND THE SECTIONS OF THE REPORT THAT CONTAIN INFORMATION ON THEM, AS WELL AS THEIR RELATIONSHIP WITH THE GRI INDICATORS.

	PRINCIPLE OF THE GLOBAL COMPACT	RELATED REPORT CONTENTS	REPORT CHAPTERS	GRI CORRESPONDENCE
Human rights	**1. Companies must support and respect the protection of fundamental Human Rights, recognised internationally, within their scope of action.**	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Business Participations, Commitment to our employees - Equality and Work-Life Balance-Occupational Health Prevention, Social Dialogue, Suppliers, Customers, Shareholders & Investors, Environment, Society.	1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 7	102-8, 102-41, 205-1, 205-2, 205-3, 401-1, 401-2, 402-1, 403-1, 403-2, 413-1, FS13, FS14
	2. Companies must ensure that their firms are not accomplices to a breach of Human Rights.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders & Investors, Environment, Society.	1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 7	102-16, 102-25, 102-31, 205-1, 205-2, 205-3, 413-1, 416-2, 419-1
Employment rules and standards	**3. Companies must support freedom of affiliation and the effective recognition of collective bargaining rights.**	Commitment to our Employees, Social Dialogue.	6.4.	102-41, 402-1
	4. Companies must support the elimination of all forms of forced or coerced labour.	Business Model, Commitment to Sustainability, Commitment Our Employees-Equality and Work-life Balance- Remuneration Policy, Suppliers, Society.	4.5, 6.1, 6.4, 6.7, 6.8	Ibercaja does not operate in developing countries.
	5. Companies should support the eradication of child labour.	Business Model, Transparency and Strategic Communications, Commitment to Sustainability, Commitment to Our Employees, Suppliers, Society.	4.5, 6.1, 6.4, 6.7, 6.8	Ibercaja does not operate in developing countries.
	6. Businesses should support the abolition of discriminatory practices in employment and occupation.	Governing Bodies, Internal Control, Suitability Policy, Commitment to Sustainability, Commitment to Customers, Our Employees -Equality and Work-Life Balance-Remuneration Policy-Occupational Health Prevention, Environment, Society.	4.4, 6.1, 6.3, 6.4, 6.5, 6.8	102-8, 102-41.403-1, 403-2, 401-1, 404-1, 404-3
Environment	**7. Companies must maintain a preventive approach that favours the environment.**	Risk Prevention, Breaches, Fines and Penalties, Commitment to Sustainability, Commitment to Environment, Society.	6.1, 6.5, 6.8.	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	8. Companies must encourage initiatives that promote greater environmental responsibility.	Ibercaja does not perform its activities in spaces or places that affect natural ecosystems. Presentation Letter, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	1, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.11, 6.12	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	9. Companies must favour the development and proliferation of technologies that respect the environment.	2018-2020 Strategic Plan, Research, Development and Technology, Commitment to Sustainability, Commitment to the Environment, Society.	4.5, 6.1, 6.5, 6.8, 8	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	10. Entities must work against corruption in all its forms, including extorsion and bribery.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Omnichannels, Financial Group, Model aimed at Excellence, Brand and Reputation, Transparency and Strategic Communications, Commitment to Sustainability, CSR Policy, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	1, 4.1, 4.2, 4.4, 4.5, 5.3, 5.4, 6.1, 6.3, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 7, 8,	102-16, 102-17, 205-1, 205-2, 205-3

C

APPENDIX

GRI Content Index

102-8, 102-55

GRI STANDARD	CONTENT	CHAPTER OR DIRECT RESPONSE	OMISSION
GRI 102: GENERAL DISCLOSURES 2016	**102-1 Name of the organisation**	4.1. See Note 1.1 of the Consolidated financial statements at 31 December 2020.	
	102-2 Activities, brands, products and services	1, 4.1, 4.2, 4.5.1, 4.5.2, 4.5.4, 8	
	102-3 Location of headquarters	4.1. See Note 1.1 of the Consolidated financial statements at 31 December 2020	
	102-4 Location of operations	1, 4.5.1, 4.5.4	
	102-5 Ownership and legal form	1, 4.1, 4.5.5	
	102-6 Markets served	1, 4.5.1, 4.5.4, 6.3	
	102-7 Scale of the organisation	5.2, 6.3, 6.4	
	102-8 Information on employees and other workers	6.4, Appendix C Ibercaja Banco carries out most of its activities using its own staff, with investees that collaborate in maintenance, editing, logistics and other works. There were no significant changes in the organisation's workforce.	
	102-9 Supply chain	1, 4.5.2, 4.5.4, 6.7	
	102-10 Significant changes to the organisation and its supply chain	5.1, 6.4, 6.7	
	102-11 Precautionary principle or approach	6.5, 6.12, 6.15	
	102-12 External initiatives	6.1, 6.4, 6.5, 6.12	
	102-13 Membership of associations	Ibercaja participates in the sector associations that represent financial activity and other reference associations: Cecabank, AEC, Forética, Commission for the Integrity of the Financial System for Banks, GREF, etc.	
	102-14 Statement from senior decision-maker	1	
	102-15 Key impacts, risks and opportunities	1, 4.4, 6.1, 6.5, 6.11, 6.12, 7	
	102-16 Values, principles, standards and norms of behaviour	4.2, 4.4, 6.1, 6.9, 6.10	
	102-17 Mechanisms for advice and concerns about ethics	4.4	
	102-18 Governance structure	4.4	
	102-19 Delegating authority	4.4, 6.1, 6.5, 6.12	
	102-20 Executive-level responsibility for economic, environmental and social topics.	4.4, 6.1, 6.5, 6.12	

102-21 Consulting stakeholders on economic, environmental and social topics.	3, 6.1, 6.14
102-22 Composition of the highest governance body and its committees	4.4
102-23 Chair of the highest governance body	4.4 In 2020, the Chairman of Ibercaja Banco did not have any executive functions
102-24 Nominating and selecting the highest governance body	4.4
102-25 Conflicts of interest	4.4
102-26 Role of highest governance body in setting purpose, values, and strategy	4.4, 6.1
102-28 Evaluating the highest governance body's performance	4.4, 6.1
102-30 Effectiveness of risk management processes	4.4, 6.1, 6.5, 6.11, 6.12, 7
102-31 Review of economic, environmental, and social topics	4.4, 6.1, 6.5, 6.11, 6.12, 7
102-32 Highest governance body's role in sustainability reporting	1, 4.4, 6.1 This document was approved at the Board meeting for the authorisation for issue of the Financial Statements held on 26 February 2021.
102-35 Remuneration policies	4.4, 6.4
102-36 Process for determining remuneration	4.4, 6.4
102-40 List of stakeholder groups	3, 4.2, 6.14
102-41 Collective bargaining agreements	100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees.
102-42 Identifying and selecting stakeholders	3, 4.2, 6.14 In 2015, the Entity's Stakeholders Map was designed. See CSR Report 2015, chapter 4.3, available at: https://www.ibercaja.com/public/documentos/ref04256_memoria-grupo-ibercaja-2015.pdf
102-43 Approach to stakeholder engagement	3, 6.1, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.14
102-44 Key topics and concerns raised	3, 6.1, 6.3, 6.4, 6.5, 6.6., 6.7, 6.8, 6.14
102-45 Entities included in the consolidated financial statements	3, 4.1, 4.5.5 See Consolidated Financial Statements at 31 December 2020
102-46 Defining report content and topic boundaries	3
102-47 List of material topics	3
102-48 Restatements of information	The possible changes in the criteria applied with respect to the previous report, when they are significant, are reflected in the corresponding section and in the GRI indicators table.
102-49 Changes in the reporting	There have been no significant changes in the scope, coverage or valuation methods. 2020 was the third year running that the Bank reported in accordance with the GRI Standards and an in-depth materiality analysis was performed.

	102-50 Reporting period	2020
	102-51 Date of most recent report	2019
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	mcampob@ibercaja.es
	102-54 Claims of reporting in accordance with the GRI Standards	3
	102-55 GRI content index	Appendix C
	102-56 External assurance	Appendix E

ECONOMIC PERFORMANCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	5.1, 5.2, 5.3
	103-2 Management approach and its components	5.1, 5.2, 5.3
	103-3 Evaluation of the management approach	5
GRI 201: Economic performance 2016	**201-1 Direct economic value generated and distributed**	Appendix D
	201-3 Defined benefit plan obligations and other retirement plans	100% of serving employees are included in the Pension Plan.
	201-4 Financial assistance received from government	6.8.11 Ibercaja did not receive any type of aid from the Government.

MARKET PRESENCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	1, 4.3, 4.5.1, 6.4. Remuneration policy
	103-2 Management approach and its components	1, 4.5.1, 6.4. Remuneration policy
	103-3 Evaluation of the management approach	4.5, 6.4. Remuneration policy
GRI 202: Presence in the 2016 market	**202-1: Ratios of standard entry level wage by gender compared to local**	6.4. Remuneration policy The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are performed: 119%
	202-2: Proportion of senior management hired from the local community	Ibercaja Banco recruits 100% of its employees in Spain and 100% of senior executives are Spanish nationals.

INDIRECT ECONOMIC IMPACTS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.5
	103-2 Management approach and its components	4.5.5
	103-3 Evaluation of the management approach	4.5.5
GRI 203: Indirect economic impacts 2016	**203-1: Infrastructure investments and services supported**	Appendix D

PROCUREMENT IMPACTS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.7
	103-2 Management approach and its components	6.7
	103-3 Evaluation of the management approach	6.7
GRI 204: Procurement impacts	**204-1: Proportion of spending on local suppliers**	The percentage of purchases from local suppliers is 97%.

ANTI-COMPETITIVE BEHAVIOUR

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.14, 7
	103-2 Management approach and its components	4.4, 6.14, 7
	103-3 Evaluation of the management approach	4.4, 6.14, 7
GRI 206: Anti-competitive Behaviour 2016	**206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices**	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to Anti-competitive practices, monopolistic practices or against free competition.

ANTI-CORRUPTION

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.10, 7
	103-2 Management approach and its components	4.4, 6.10, 7
	103-3 Evaluation of the management approach	4.4, 6.10, 7
GRI 205: Anti-corruption 2016	**205-1: Operations assessed for risks related to corruption**	Appendix D
	205-2: Communication and training about anti-corruption policies and procedures	93% of Ibercaja Banco's current workforce has received training in criminal risk prevention, including the crime of corruption and bribery.
	205-3: Confirmed incidents of corruption and actions taken	During 2020, no cases of corruption arose.

TAXATION

GRI 103: Management Approach 2019	**103-1 Explanation of the material topic and its Boundary**	6.8.11.
	103-2 Management approach and its components	6.8.11
	103-3 Evaluation of the management approach	6.8.11

GRI 207: Taxation	**207-1 Approach to tax**	6.8.11
	207-2 Tax governance, control and risk management	6.8.11 The Company is currently working on this area to report the tax information on a cash basis. Hence, the reporting of the contents required by these indicators will be completed in future years
	207-3 Stakeholder engagement and management of concerns related to tax	6.8.11, 6.14
	207-4 Country-by-country reporting	6.8.11 The Company is currently working on this area to report the tax information on a cash basis. Hence, the reporting of the contents required by these indicators will be completed in future years

CUSTOMER PRIVACY

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Commitment to privacy, 6.3
	103-2 Management approach and its components	4.4. Commitment to privacy, 6.3
	103-3 Evaluation of the management approach	4.4. Commitment to privacy, 6.3
GRI 418: Customer Privacy 2016	**418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data**	In 2020, there were 391 case files relating to GDPR and 6,779 cancellations of online advertising unsubscribes. During 2020, no significant penalties or fines were received of a definitive nature with regard to data protection.

HEALTH AND SAFETY OF CUSTOMERS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies, 6.3
	103-2 Management approach and its components	4.4. Internal rules and control bodies, 6.3
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 6.3
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition.

MARKETING AND LABELLING

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies, 4.5.4
	103-2 Management approach and its components	4.4. Internal rules and control bodies, 4.5.4
	103-3 Evaluation of the management approach	4.4, 4.5.4
GRI 417: Marketing and labelling	**417-1: Requirements for product and service information and labeling**	4.4. Internal rules and control bodies, 4.5.4
	417-2: Incidents of non-compliance concerning product and service information and labeling	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to the impact on the use and supply of products and services and in health and safety, or as a result of labelling.
	417-3: Incidents of non-compliance concerning marketing communications	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to matters tied to marketing notifications.

EMPLOYMENT

GRI 103: MANAGEMENT APPROACH

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4
	103-2 Management approach and its components	6.4
	103-3 Evaluation of the management approach	6.4
GRI 401: Employment 2016	**401-1: New employee hires and employee turnover**	Appendix D
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4

LABOUR/MANAGEMENT RELATIONS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Social dialogue and organisation of working time
	103-2 Management approach and its components	6.4. Social dialogue and organisation of working time
	103-3 Evaluation of the management approach	6.4. Social dialogue and organisation of working time
GRI 402: Worker-company relations 2016	**402-1: Minimum notice periods for operational changes**	That stipulated in the prevailing legislation applies with regard to minimum advance notice period(s) relating to organisational changes, including if these notices are specific in the collective bargaining agreements.

OCCUPATIONAL HEALTH AND SAFETY

GRI 103: Management Approach 2018	**103-1 Explanation of the material topic and its Boundary**	6.4. Occupational health and prevention
	103-2 Management approach and its components	6.4. Occupational health and prevention
	103-3 Evaluation of the management approach	6.4. Occupational health and prevention
GRI 403: Occupational health and safety 2018	**403-1 Occupational health and safety management system**	6.4. Occupational health and prevention
	403-2 Hazard identification, risk assessment and incident investigation	6.4. Occupational health and prevention
	403-3 Occupational health services	6.4. Occupational health and prevention
	403-4 Worker participation, consultation and communication on occupational health and safety	6.4. Occupational health and prevention
	403-5 Worker training on health and safety at work	6.4. Occupational health and prevention
	403-6 Promotion of worker health	6.4. Occupational health and prevention The information reported relates to Ibercaja Banco's own personnel. In relation with the workers of the investees that collaborate in maintenance, editing, logistics and other works, they are not covered by the Ibercaja Banco prevention service. However, the risks associated with their work position are assessed and adequate measures are taken to preserve health and safety.
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.4. Occupational health and prevention The information reported relates to Ibercaja Banco's own personnel. There are currently no external workers linked with commercial relations.
	403-8 Workers covered by an occupational health and safety management system	Ibercaja Banco has its own prevention service. However, no health and safety management system currently exists.
	403-9 Work-related injuries	6.4. Occupational health and prevention
	403-10 Work-related ill health	6.4. Occupational health and prevention

TRAINING AND EDUCATION

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Cultivating talent
	103-2 Management approach and its components	6.4. Cultivating talent
	103-3 Evaluation of the management approach	6.4. Cultivating talent
GRI 404: Training and education 2016	**404-1: Average hours of training per year per employee**	6.4. Cultivating talent The average number of training hours per employee in 2020 was 78 hours.
	404-2: Programs for upgrading employee skills and transition assistance programs	6.4. Cultivating talent
	404-3: Percentage of employees receiving regular performance and career development reviews	100% of permanent employees receive regular performance and career development assessments.

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.4. Diversity, equality and work-life balance
	103-2 Management approach and its components	4.4, 6.4. Diversity, equality and work-life balance
	103-3 Evaluation of the management approach	4.4, 6.4 Diversity, equality and work-life balance
GRI 405: Diversity and equal opportunity	**405-1: Diversity of governance bodies and employees**	4.4, 6.4. Diversity, equality and work-life balance, Appendix D

NON-DISCRIMINATION

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Diversity, equality and work-life balance, 6.9
	103-2 Management approach and its components	6.4. Diversity, equality and work-life balance, 6.9
	103-3 Evaluation of the management approach	6.4. Diversity, equality and work-life balance, 6.9
GRI 406: Non-discrimination 2016	**406-1: Incidents of discrimination and corrective actions taken**	There were no incidents of discrimination or, therefore, corrective plans in 2020.

LOCAL COMMUNITIES

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 6.8
	103-2 Management approach and its components	4.5.4, 6.8
	103-3 Evaluation of the management approach	4.5.4, 6.8
GRI 402-1: Local communities 2016	**413-1: Operations with local community engagement, impact assessments, and development programs**	6.8
	FS13: Access points in low-populated or economically disadvantaged areas	In 2020, Ibercaja provided services in 136 towns as the only company present and 1 in 4 branches provides a service in towns of less than 1,000 inhabitants.
	FS14: Initiatives to improve access to financial services to disadvantaged people	4.5.4, Appendix D

SOCIO-ECONOMIC COMPLIANCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal Rules and Control Bodies
	103-2 Management approach and its components	4.4 Internal Rules and Control Bodies
	103-3 Evaluation of the management approach	4.4. Internal Rules and Control Bodies

GRI 419: Socioeconomic compliance 2016	**419-1: Non-compliance with laws and regulations in the social and economic area**	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to social and economic areas.

MATERIALS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 301: Materials 2016	**301-1: Materials used by weight or volume**	6.5, Appendix D
	301-2: Recycled input materials used	6.5, Appendix D

ENERGY

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 302: Energy	**302-1: Energy consumption within the organization**	6.5, Appendix D
	302-3: Energy intensity	Appendix D

WATER

GRI 103: Management Approach 2018	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 303: Water and effluents 2018	**303-1: Interaction with water as a shared resource**	6.5, Appendix D
	303-2 Management of impacts related to water discharges	Not applicable due to the financial activity performed by Ibercaja.
	303-5 Water consumption	6.5, Appendix D

EMISSIONS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 305: Emissions 2016	**305-1: Direct (Scope 1) GHG emissions**	6.5, Appendix D
	305-2: Energy indirect (Scope 2) GHG emissions.	6.5, Appendix D

	305-3: Other indirect (Scope 3) GHG emissions	Appendix D
	305-4: GHG emissions intensity	Appendix D

EFFLUENTS AND WASTE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 306: Effluents and waste 2016	**306-2: Waste by type and disposal method**	Appendix D

ENVIRONMENTAL COMPLIANCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies
	103-2 Management approach and its components	4.4. Internal rules and control bodies
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 6.1, 6.5
GRI 307: Environmental compliance	**307-1: Non-compliance with environmental laws and regulations**	No significant penalties, sanctions or fines were received in 2020 for failure to comply with environmental laws and regulations.

PRODUCT PORTFOLIO

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 4.5.5
	103-2 Management approach and its components	4.5.4, 4.5.5
	103-3 Evaluation of the management approach	4.5.4, 4.5.5
Product portfolio	**FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector**	4.5.4, 4.5.5
	FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Appendix D
	FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Appendix D

AUDIT

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	The Environmental Management System extends to the entire organisation, taking care to ensure operations in accordance with the UNE-EN ISO 14001: 2015 standard. The headquarters at Plaza Paraíso 2, Zaragoza, also has ISO certification in environmental management. In 2020, Ibercaja passed the certification follow-up audit.

	103-2 Management approach and its components	6.5.
	103-3 Evaluation of the management approach	6.5.

ACTIVE OWNERSHIP

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 4.5.5
	103-2 Management approach and its components	4.5.4, 4.5.5
	103-3 Evaluation of the management approach	4.5.4, 4.5.5
Active ownership	**FS10: Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues**	Appendix D
	FS11: Percentage of assets subject to positive and negative environmental or social screening	Appendix D

D

APPENDIX

Additional non-financial information and GRI content

102-8, 201-1, 203-1, 205-1, 401-1, 405-1, 301-1, 301-2, 302-1, 302-3, 303-1, 303-5, 305-1, 305-2, 305-3, 305-4, 306-2, FS7, FS8, FS10, FS11, FS14

201-1

THOUSANDS OF EUROS	2019	2020
Gross income	926,579	1,001,822
Net profit/(loss) discontinued operations	0	0
Gains or (-) losses on the derecognition of net non-financial assets and equity interests	-6,544	-3,047
Gains/(losses) non-current assets held for sale	-6,775	-969
Economic value generated	913,260	997,806
Dividends	17,500	3,849
Other general administrative expenses	152,149	132,799
Personnel expenses	360,944	502,568
Tax on profits and contributions and other taxes	64,414	50,089
Economic value distributed	595,007	689,305
Economic value withheld (VEG-VED)	318,253	308,501

205-1

SUMMARY OF REVIEWS CONDUCTED	2019	2020
Distribution Network Audit	333	289 (*)
Credit Risk Audit	13	13
Financial Audit	26	26
Internal Models and Systems Audit	25	22
Technical and Quality Supervision	5	4
Total	**402**	**354**

Office audits	2019	2020
Revised offices	321	265 (*)
Percentage of the average number of offices	28.69%	24.33%

(*) Continuous Audit Process at Rural Agencies.

102-8, 405-1

The following tables present the distribution of the workforce of Ibercaja Banco at 31 December 2020 and 2019, by gender, job category, age and type of contract.

	GENDER			
PROFESSIONAL CATEGORY (2020)	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	626	270	896	48
Middle managers	593	529	1,122	47
Technicians	731	843	1,574	46
Clerical staff	715	748	1,463	48
Total	**2,665**	**2,390**	**5,055**	**47**

	GENDER			
PROFESSIONAL CATEGORY (2019)	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	649	279	928	47
Middle managers	593	524	1,117	46
Technicians	699	851	1,550	45
Clerical staff	707	751	1,458	47
Total	**2,648**	**2,405**	**5,053**	**46**

** Job categories are defined as:
EXECUTIVES: up to branch managers
MIDDLE MANAGERS: up to assistant managers-officers
TECHNICIANS: specialised branch office roles and Head Office Technicians/Experts
CLERICAL STAFF: branch network and Head Office employees

	GENDER		
2020 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	105	102	207
31 - 40 YEARS	359	361	720
41 - 50 YEARS	1,036	1,086	2,122
51 - 60 YEARS	1,157	840	1,997
61 - 70 YEARS	8	1	9
Total	**2,665**	**2,390**	**5,055**

	GENDER		
2019 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	106	122	228
31 - 40 YEARS	426	459	885
41 - 50 YEARS	1,076	1,109	2,185
51 - 60 YEARS	1,032	714	1,746
61 - 70 YEARS	8	1	9
Total	**2,648**	**2,405**	**5,053**

2020 GENDER	I	T	TOTAL
MEN	2,590	75	2,665
WOMEN	2,329	61	2,390
TOTAL	**4,919**	**136**	**5,055**

2019 GENDER	I	T	TOTAL
MEN	2,580	68	2,648
WOMEN	2,329	76	2,405
TOTAL	**4,909**	**144**	**5,053**

The following tables present the distribution of the workforce of Ibercaja in 2020 and 2019 by gender, job category, age and type of contract in terms of average number of days.

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND PROFESSIONAL CATEGORY

2020	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	99.93%	100%	99.97%	0.07%	0%	0.03%
Clerical staff	87.27%	87.92%	87.61%	12.73%	12.08%	12.39%
Total	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

2019	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	100%	100%	100%	0%	0%	0.03%
Clerical staff	84.91%	83.24%	84.05%	15.09%	16.76%	15.95%
Total	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND AGE RANGE

2020	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
21 - 30 YEARS	32.37%	35.98%	34.23%	67.63%	64.02%	65.77%
31 - 40 YEARS	99.01%	98.91%	98.96%	0.99%	1.09%	1.04%
41 - 50 YEARS	100%	99.86%	99.93%	0%	0.14%	0.07%
51 - 60 YEARS	99.92%	100%	99.95%	0.08%	0%	0.05%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

2019	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
21 - 30 YEARS	26.05%	25.97%	26.01%	73.95%	74.03%	73.99%
31 - 40 YEARS	97.75%	98.35%	98.06%	2.25%	1.65%	1.94%
41 – 50 YEARS	100%	99.70%	99.85%	0%	0.30%	0.15%
51 – 60 YEARS	100%	100%	99.97%	0%	0%	0.03%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

401-1

In 2020, the **permanent workforce** increased by 10 employees. The **rotation rate** of the permanent workforce in 2020 was 2.85%.

Number and rotation rate (HIGH and LOW)

	MEN		WOMEN		TOTAL	
2020	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	10	0.39%	9	0.39%	19	0.39%
31 – 40 YEARS	17	0.66%	22	0.94%	39	0.79%
41 – 50 YEARS	20	0.77%	27	1.16%	47	0.96%
51 – 60 YEARS	21	0.81%	12	0.52%	33	0.67%
61 - 70 YEARS	2	0.08%		0.00%	2	0.04%
Total	**70**	**2.70%**	**70**	**3.01%**	**140**	**2.85%**

	MEN		WOMEN		TOTAL	
2019	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	17	0.66%	22	0.94%	39	0.79%
31 – 40 YEARS	13	0.50%	22	0.94%	35	0.71%
41 – 50 YEARS	11	0.42%	30	1.29%	41	0.83%
51 – 60 YEARS	13	0.50%	9	0.39%	22	0.45%
61 - 70 YEARS	1	0.04%	1	0.04%	2	0.04%
Total	**55**	**2.12%**	**84**	**3.61%**	**139**	**2.85%**

The **hiring rate** of the permanent workforce in 2020 was 1.52%.

Number and rate of new hires (HIGH)

2020	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	9	0.35%	7	0.30%	16	0.33%
31 – 40 YEARS	13	0.50%	7	0.30%	20	0.41%
41 – 50 YEARS	10	0.39%	14	0.60%	24	0.49%
51 – 60 YEARS	7	0.27%	7	0.30%	14	0.28%
61 - 70 YEARS	1	0.04%		0.00%	1	0.02%
Total	**40**	**1.54%**	**35**	**1.50%**	**75**	**1.52%**

2019	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	16	0.62%	19	0.82%	35	0.71%
31 – 40 YEARS	9	0.35%	12	0.52%	21	0.43%
41 – 50 YEARS	3	0.12%	15	0.64%	18	0.37%
51 – 60 YEARS	5	0.19%	4	0.17%	9	0.18%
61 - 70 YEARS	0	0.00%	0	0.00%	0	0.00%
Total	**33**	**1.27%**	**50**	**2.15%**	**83**	**1.69%**

15 people were laid off due to dismissal or termination of contract, with an average age of 47, and none of them is under 35 nor has children under 12.

PROFESSIONAL CATEGORY (2020)	GENDER MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	2		2	48
Middle managers	1	2	3	38
Technicians	1	2	3	42
Clerical staff	6	1	7	52
Total	**10**	**5**	**15**	**47**

PROFESSIONAL CATEGORY (2019)	GENDER MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	0	0	0	
Middle managers	2	0	2	43
Technicians	1	1	2	44
Clerical staff	4	6	10	49
Total	**7**	**7**	**14**	**47**

301-1, 301-2, 302-1, 302-3, 303-1

CONSUMPTION

WATER CONSUMPTION (m3)	2019	2020
Water consumption (headquarters)	11,473	8,210
Water consumption (branch network)	29,978	28,818
Average water consumption per employee and year (Entity)	8.08	7.18

Specific observations: Water consumption has been estimated in the Branch Network based on an average consumption ratio per unit of surface area.

ENERGY CONSUMPTION (Gj)	2019	2020
Electricity (headquarters)	30,991.3	28,455.83
Electricity (branch network)	100,164.8	93,390.28
Average electricity consumption per employee and year (Entity)	25.6	23.65
Diesel (central building)	30.7	41.54
Diesel (branch network)	3,199.7	3,427.11
Natural Gas (branch network)	3,720.6	4,465.97
Average consumption of diesel and natural gas per employee and year (Entity)	1.4	1.45

PAPER CONSUMPTION Tm	2019	2020
Type DIN A4 white (entity)	8.17	9.64
Recycled DIN A4 type (entity)	257.3	211.57
Total type DIN A4 (entity)	265.4	221.21
Type DIN A3 (entity)	0.4	0.27
Envelopes	26.5	23.82
Bovine (insert)	77.0	88.03
Average total paper consumption per employee (Entity)	0.1	0.06
Total paper consumption	369.3	333.3

Specific observations on envelopes: Indicator based on the most commonly used envelope size (115x225)

General remarks

Entity = headquarters + network of branches

No. of employees at central headquarters is considered to be the average workforce: 822 in 2019 and 854 in 2020

No. employees per entity is considered to be the average workforce: 5,127 in 2019 and 5,152 in 2020

Remarks Electricity consumption of Red Oficinas: Red Oficinas' annual electricity consumption is calculated on the basis of the electricity invoices of the various companies for the period from December 1 of the previous year to November 30 of the current year. This is because real calendar year data are not available until March of the current year.

Remarks Natural Gas consumption: natural gas consumption is expressed in PCI.

305-1, 305-2, 305-3, 305-4

CO2 EMISSIONS*	2019	2020
Emissions from diesel consumption, in Tn of CO2 (total entity)	250.9	269.22
Emissions from natural gas consumption, in Tn of CO2 (total entity)	209.9	203.43
Emissions for electricity consumption, in Tn of CO2 (Central Building)	0	0
Emissions for electrical consumption, in Tn of CO2 (Branch network)	7,512.36	0
Emissions in Tn of CO2 by displacement of employees by car	1,133.5	607.42
Emissions in CO2 Tn by vehicle displacement (Total Entity)	77.6	44.98
missions in Tn of CO2 by messaging service (Total Entity)	82.42	69.15
Emissions in Tn of CO2 by leakage of fluorinated gases (Total Entity)	570.4	767.39
Emissions in Tn of CO2 by leakage of fluorinated gases (Central Building)	0	0
Total emissions, in Tn of CO2	9,837.04	1,961.60
Average CO2 emissions per employee in Tn CO2 **	1.92	0.38

Specific comments: The carbon footprint calculation tool of the Ministry of Ecological Transition (MITECO), Scopes 1-2, is used to calculate emissions.

The sources of the emission factors for the calculation of the CO2 emissions produced in the displacements are: The GHG Protocol (Greenhouse Gas Protocol) and IDAE (Institute for Energy Diversification and Saving)

The average number of employees is as follows: 5,127 in 2019 and 5,152 in 2020

100% of electricity supplied by ENDESA is generated from renewable energy sources. This amount of energy is accredited through guarantees of origin by the CNMC.

The data on emissions due to electricity consumption in 2019 is updated with the update of the factors of the electric mixes of the marketers of electricity published in April 2020 by the CNMC.

306-2

KILOS	2019	2020
TOTAL NON-HAZARDOUS WASTE (kg)	241,183.0	209,789.40
TOTAL HAZARDOUS WASTE (kg)	3,475.59	7,506.56
CONFIDENTIALLY DESTROYED PAPER (kg) (*)	230,996.0	67,050

(*) The reduction in the amount of Kg of paper destroyed confidentially in 2020 is due to the fact that the billing of the Kg destroyed of documentation from boxes in custody will be performed in 2021, when the certified destruction takes place, hence, from 2020, the data corresponds to the obsolete destruction arising from the daily destruction in 2020.

It is adjusted to the real amount of Kg of documentation destroyed confidentially arising from boxes in custody in 2019, certified in 2020.

FS14

CHANNEL OF RELATIONSHIP WITH CUSTOMERS	2019	2020
Number of offices	1,084	1,031
Number of ATMs	1,316	1,287
% over-the-counter transactions	12.78%	9.53%
% transactions carried out by remote banking	72.03%	75.96%
% transactions carried out at ATM	4.18%	2.98%
% transactions carried out at POS	10.86%	11.33%
% operations performed on updater	0.15%	0.03%
Active digital banking users per month	765,585	842,486
Active mobile banking users per month	432,211	521,551
Active mobile payment users per month	86,040	213,765
Total visits to ibercaja.es homepage	26,375,480	28,008,266

FS8

INVESTEE	ENVIRONMENTAL PROJECT	INVESTMENT IBERCAJA 2019	INVESTMENT IBERCAJA 2020	QUANTITATIVE INDICATOR
Rioja Nueva Economía, S.A.	Bio-diesel plant in Calahorra and wind farm	7,124	5,592	Wind farm with 39 Mw of installed capacity Biodiesel plant of 250 m Tn/year of capacity
Solavanti	Photovoltaic projects	6,030	6,030	Total installed capacity: 44.46 Mw
Foresta Project	Forest plantations in Extremadura	4,553	4,773	640 ha (Reservoir of 232.541 trees)
Energías Alternativas de Teruel	Promotion and exploitation of wind power	26	26	Projects under development with a capacity of 159 Mw
Prames	Mountain landscape improvement	816	816	N/A
Total investment Ibercaja		**18,549**	**17,237**	

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ECONOMIC VALUES IN THOUSANDS OF EUROS	2019	2020
Línea Joven		
Scholarships, postgraduate, etc.		
No. of transactions	27	8
Financing amount	87	23
Home purchases		
No. of transactions	2,219	1,308
Financing amount	214,421	129,473

Individuals		
Citizen Card Zaragoza		
No. of transactions	3,873,480	1,984,572
OPERATIONAL amount	2,495	1,313
Citizen Card Guadalajara		
No. of transactions	33,577	18,384
OPERATIONAL amount	14	8

Corporations		
ICO Lines-Companies and Entrepreneurs		
No. of transactions	525	439
Financing amount	29,480	24,879
EIB agreements		
No. of transactions	1,964	915
Financing amount	111,374	50,446

Agro industry		
No. of transactions	3,598	2,860
Financing amount	137,198	120,069
Young Farmers and Cattle Ranchers		
No. of transactions	109	125
Financing amount	10,211	12,746

FS10, FS11

IBERCAJA INVESTMENTS IN COMPANIES AT WHICH CSR IS OF SIGNIFICANCE

IBERCAJA'S INVESTMENTS IN COMPANIES IN WHICH CSR IS SIGNIFICANT (THOUSANDS OF EUROS)	2019	2020
Amounts	107,306	103,336
Corporations	20	19
% of total equity interests	39%	45%

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BUSINESS SHAREHOLDINGS	2019			2020		
	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION
	Thousands of euros	Thousands of euros	Direct and indirect	Thousands of euros	Thousands of euros	Direct and indirect
Tourism sector	66,647	28,175	13,596	66,647	29,873	13,634
Logistics industry	-	-	-	-	-	-
Food and agriculture industry	1,306	25,292	1,147	1,306	9,984	1,154
Other sectors	6,600	1,173	5,570	6,600	873	5,803
Totals	**74,553**	**54,640**	**20,313**	**74,553**	**40,731**	**20,591**

Investment in strategic sectors (thousands of euros)	2019	2020
Amounts	**77,880**	**75,481**

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APPENDIX

Independent Verification Report

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CORPORATE GOVERNANCE REPORT

EL BANCO DEL Vamos

The Annual Corporate Governance Report is available at the Spanish National Securities Market Commission (CNMV) http://cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?nif=A99319030 and on the Bank's web page under the section “Shareholders and Investors - Corporate Governance and Remunerations Policy”.

ANNUAL CORPORATE GOVERNANCE REPORT FOR ENTITIES OTHER THAN SAVINGS BANKS OR STATE-OWNED COMPANIES OR PUBLIC ENTITIES THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

IDENTIFICATION DETAILS OF THE ISSUER

Financial year end: 31/12/2020

Spanish Company Tax ID (CIF): A99319030

Corporate name:

IBERCAJA BANCO, S.A.

Registered office:

PZ. BASILIO PARAISO N.2 (ZARAGOZA)

A. OWNERSHIP STRUCTURE

A.1. Details regarding shareholders or most significant members of the company at the year end:

Name or corporate name of shareholder or member	% of share capital
FUNDACIÓN CAJA BADAJOZ	3.90
FUNDACIÓN BANCARIA CAJA CÍRCULO	3.33
FUNDACIÓN BANCARIA IBERCAJA	88.04
FUNDACIÓN CAJA DE AHORROS DE LA INMACULADA DE ARAGÓN	4.73

A.2. Indicate if there are family, commercial, contractual or corporate relationships between significant shareholdings or members and, to the extent that the company has knowledge of them, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related person or company	Type of relationship	Brief description

A.3. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings or members and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related person or company	Type of relationship	Brief description
FUNDACIÓN BANCARIA IBERCAJA	Corporate	Protocol for the management of the financial interest held by the Foundation in Ibercaja Banco, S.A. in accordance with the provisions of Law 26/2013 (27 December).

A.4. Indicate whether there are any restrictions (statutory, legislative or otherwise) on the transfer of securities and/or any restrictions on voting rights. In particular, the existence of any type of restriction that could hinder the taking control of the company by means of the acquisition of its shares in the market, as well as those authorisation or prior notices systems that, on the acquisitions or transfers of financial instruments of the company, are applicable to it through industry regulations, will be disclosed:

[√] Yes
[ ] No

Description of the restrictions

The acquisition or transfer of significant holdings in the share capital are subject to the prior authorisation regime of the competent authorities in accordance with the sector regulations applicable to credit institutions. For these purposes, a significant holding is considered to be one which directly or indirectly accounts for at least 10% of the capital or voting rights of an institution, or one which, without reaching that percentage, enables a notable influence to be exercised in it. The same prior authorisation process will be applicable when the holder of a significant interest intends to increase that interest, acquiring control over the entity or exceeding a 20%, 30% or 50% interest.

Article 23 of the Bylaws provides that shareholders that have the status of a banking foundation under Law 26/2013, of 27 December, on savings banks and banking foundations that do not endow a reserve fund under the terms provided for in such law, may not issue, individually or together with the entities of their group or with persons acting in concert with them, a number of votes greater than those corresponding to shares representing a percentage of forty per cent (40%) of the calculated voting share capital, even if the number of shares they hold exceeds forty per cent (40%) of the total share capital. This limitation shall only have effect with regard to Banking Foundations which, individually or together with the entities of their group or with persons acting in concert with the them, hold a number of shares exceeding forty percent (40%) of the share capital of the Company. However, this limitation was not applicable on 31 December 2020, in accordance with the second transitional provision of the Bylaws.

B. GENERAL MEETING OR EQUIVALENT BODY

B.1. List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the bylaws. Describe how this is different from the minimum system established by the Spanish Companies Act or any other applicable legislation.

A General Meeting, whether ordinary or extraordinary, will be validly called to order on first call or on second call when the shareholders that are present or represented hold the percentage of voting rights established by law. Notwithstanding the above, a General Meeting will be validly called to order as a Universal Meeting provided that all share capital is present or represented and those in attendance unanimously agree to hold the meeting and approve the agenda. The validity of calling the meeting to order will be determined with respect to each of the resolutions that must be adopted and any absences that take place once the General Meeting has been validly called to order will not affect the holding of the meeting. In order to validly call the meeting to order, even if held as a Universal Meeting, the attendance of the Company's administrators is not necessary.

For the purpose of establishing the percentage of capital with voting rights, the limitations laid down in article 23 of the Bylaws shall be taken into account, such that the percentage of forty per cent (40%) of the share capital with voting rights shall be calculated on the share capital resulting from subtracting from the total share capital the amount of share capital corresponding to the shares of the shareholder Fundación Bancaria (and of entities of its group and of persons acting in concert with them) representing the excess over forty per cent (40%) of the total share capital. The limitation of voting rights did not apply on 31 December 2020 and in any case will not apply until the second transitional provision of the Bylaws is fulfilled.

B.2. Explain the rules governing the adoption of resolutions. Describe how this is different from the system established by the Spanish Companies Act or any other applicable legislation.

The system for adopting corporate resolutions is in line with the system established by the Spanish Companies Act.

Except in those cases in which the law or the bylaws establish a qualified majority, resolutions will be adopted by the ordinary majority of votes cast shareholders present or represented at the meeting, and a resolution will be understood to be accepted when it obtains more votes in favour than against.

Those attending the General Meeting will have one vote for each share they hold or represent, taking into account, however, the limitations on voting rights affecting banking foundations, as established in Article 23 of the Bylaws, which at 31 December 2020 were not applicable, in view of the provisions of the Second Transitory Provision of the Bylaws.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

B.3. Briefly indicate the Resolutions adopted by shareholders at a General Meeting or equivalent body held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

Pursuant to the provisions of article 40.2 of Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19, and taking into account that all shareholders expressed their agreement to use the voting procedure in writing and without a meeting, in accordance with the provisions of article 248.2 of the Capital Companies Act, the aforementioned article 40.2 of Royal Decree-Law 8/2020 and article 100 of the Regulations of the Mercantile Registry.

With the written votes cast by all the shareholders coinciding in the sense of approving all the resolutions submitted for their consideration, the following resolutions were declared unanimously approved by the General Meeting of Shareholders with effect from 30 March (date of receipt of the last vote): (i) to approve the individual and consolidated financial statements of Ibercaja Banco, S.A. for 2019 (ii) to approve the management of the Board of Directors; (iii) the application of the result for the year and the non-financial information statement for 2019. Also unanimously, the Meeting approved, in a consultative capacity, the Annual Report on Directors' Remuneration; and established the maximum amount of annual remuneration of all the directors, authorising the Board to distribute the remuneration among the different directors, taking into account the functions and responsibilities attributed to each of them.

On 3 April the General Meeting, following the publication on 30 March of the European Central Bank's Recommendation ECB/2020/19, according to which credit institutions should refrain from paying out dividends or making irrevocable commitments to pay out dividends until at least 1 October 2020, unanimously resolved to rescind the resolution to pay out the amount earmarked for dividends. They made dividend payments conditional on a new resolution by the General Meeting once the uncertainties caused by the COVID-19 pandemic situation have disappeared, and in any case no earlier than 1 October 2020.

On 7 October 2020, the General Meeting of Shareholders unanimously resolved to once again authorise the payment to shareholders of the dividend for 2019 for 17.5 million euros, as resolved at the Annual General Meeting held on 30 March 2020, which would be distributed among shareholders in accordance with their interest in the share capital, to be paid during the fifteen days following the date of the Meeting, pursuant to the provisions of Recommendation ECB/2020/35, with regard to dividends, repealing Recommendation ECB/2020/19, which provided for the possibility to pay out dividends in cases where credit institutions considered themselves legally obliged to pay dividends. The General Meeting submitted to the supervisor the legal and financial rationale for the distribution of the dividend, including the zero impact on solvency, which justified the agreed dividend distribution, and requested the supervisor's authorisation. The ECB did not oppose the agreement adopted to distribute the dividend.

B.4. Indicate whether at the general meetings or equivalent bodies held during the year there were any items on the agenda that were not approved by the shareholders.

At the general meetings held during the year, no item on the agenda was not approved by the shareholders.

B.5. State the address and manner of accessing the entity's website to obtain information regarding corporate governance.

The information regarding corporate governance at Ibercaja Banco is accessible through the website https://www.ibercaja.com, under the section "Shareholders and Investors" https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones

B.6. Indicate whether or not meetings have been held with any unions that may exist, holders of securities issued by the entity, the purpose of the meetings held during the year to which this report relates and the main agreements reached.

In 2020 no meeting was held with the various syndicates of the holders of securities issued by Ibercaja Banco or Banco Grupo Cajatres.

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board or governing body

C.1.1 State the maximum and minimum numbers of Directors stipulated in the bylaws:

Maximum number of Directors / members of the governing body	15
Minimum number of Directors/members of the governing body	5
Maximum number of directors/members of the governing body set by general meeting or assembly	11

C.1.2 Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Name of the Director/Member of the governing body	Representative	Latest date of appointment
MR JESUS SOLCHAGA LOITEGUI		13/11/2018
MR JOSE LUIS AGUIRRE LOASO		30/08/2016
MR FELIX SANTIAGO LONGAS LAFUENTE		30/08/2016
MR JESUS TEJEL GIMÉNEZ		30/08/2016
MR VICENTE CONDOR LOPEZ		09/04/2019
MR JESUS MAXIMO BUENO ARRESE		30/08/2016
MR LUIS ENRIQUE ARRUFAT GUERRA		30/08/2017
MS MARIA PILAR SEGURA BAS		30/08/2017
MR VICTOR MANUEL IGLESIAS RUIZ		29/08/2019
MS GABRIELA GONZÁLEZ-BUENO LILLO		13/11/2018
MR EMILIO JIMÉNEZ LABRADOR		29/08/2019

D. Jesús Barreiro Sanz became non-director Secretary as per the resolutions adopted by the General Meeting of Shareholders and the Board of Directors on 29 August 2019.

C.1.3. Name the Board or governing body members, if any, who are also directors, representatives of directors, or executives of other companies in the same group as the entity:

Name of the Director/Member of the governing body	Name of the group company	Position

C.1.4. Fill-in the following table with information regarding the number of female Directors on the Board of Directors and Committees, and the development of this figure over the past four years:

	Number of female Directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Board of directors	2	18.18	2	18.18	2	14.28	2	14.28
Audit and Compliance	0	0	1	20.00	1	20.00	1	20.00
Executive Committee	0	0	1	16.66	1	14.28	1	14.28
Strategy	0	0	0	0.00	0	0.00	1	20.00
Large Risk and Solvency	1	20	2	40.00	1	20.00	0	0.00
Appointments	2	50	1	25.00	1	20.00	0	0.00
Remuneration	2	50	1	25.00	1	20.00	0	0.00

C.1.5. Indicate whether the company has diversity policies in relation to the company's administrative, management and supervisory bodies with regard to issues such as age, gender, disability or professional training and experience. Small and medium-sized entities, according to the definition contained in the Auditing Act, shall report, as a minimum, on the policy it has established in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

If yes, describe this diversity policy, its objectives, the measures and manner in which it has been implemented and its results for the year. The specific measures adopted by the administrative body and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors or administrators must also be indicated.

If the company does not apply a diversity policy, explain the reasons why it does not do so.

Royal Decree Law 18/2017, of 24 November, which amends the Commercial Code, the Capital Companies Law and the Accounts Audit Law, establishes a general policy for listed companies, but also for entities of public interest (as is the case of the Bank) to have a Diversity Policy applied in relation to the Board of Directors, which shall include issues such as training and professional experience, age, disability and gender, which shall refer to the measures, if any, adopted to ensure that the Board of Directors includes a number of women that allows a balanced presence of women and men.

At its meeting held on 28 June 2018, the Board of Directors approved the Suitability and Diversity Policy for the members of the Board of Directors, at the proposal of the Appointments Committee, with the main changes being as follows: the express mention of the principle of independence of criteria (independence of ideas) as an aspect to be assessed in the suitability assessment process; the introduction of criteria for the assessment of the capacity for dedication of time on the part of the person to be appointed for the performance of the position for which it is proposed; the specification of the cases that will determine the need to carry out a (re)assessment of the collective suitability of the Board of Directors; as well as the introduction of a specific section, called “principles to encourage diversity of directors. Thus, it is expressly established that in the selection of candidates to form part of the Board of Directors, the following principles will be taken into account in order to promote the diversity of its members:

- The candidate selection process will be based on a prior analysis of the Entity’s needs, based on the report made by the Appointments Committee.
- It shall be ensured that the number of independent directors is adequate in relation to the total number of directors, bearing in mind, in any case, the regulatory requirements relating to the composition and positions to be occupied by this category of directors in internal committees of the Board of Directors.
- Care shall be taken to ensure that the selection criteria take account of the diversity of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular on grounds of gender, ethnic origin, age or disability).

This is all intended to encourage a diverse and balanced composition on the whole which, in addition to meeting the requirements established with respect to knowledge and experience, enrich the analysis, debate and taking of decisions.

C.1.6 Fill in the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year.

Compensation	Thousands of euros	
	Individual	Group
Fixed remuneration	756	
Variable remuneration	139	
Attendance fees	342	
Other Remuneration	245	
TOTAL	**1482**	

“Other remuneration” indicates the compensation received by Directors for their membership on internal Board committees, other than the per diems received for attending meetings and insurance premiums.

Incomplete years: Although a director has not carried out his or her activity during the entire period subject to information, the remuneration he or she has received is included under this heading.

C.1.7 Identify the members of senior management who are not Executive Directors or members of the governing body and indicate the aggregate compensation accrued to them during the year:

Name or corporate name	Position
MR RODRIGO GALÁN GALLARDO	Deputy Director - Group Finance Director
MS ANA JESÚS SANGRÓS ORDEN	Deputy Director - Director of Corporate Information and Management Analysis
MR FRANCISCO JOSÉ SERRANO GILL DE ALBORNOZ	Assistant General Manager-General Secretary and Director of Internal Control

Name or corporate name	Position
MR JOSÉ IGNACIO OTO RIBATE	Deputy Director - Network Director
MR ANTONIO MARTÍNEZ MARTÍNEZ	Deputy Director - Finance Director
MS MARIA TERESA FERNÁNDEZ FORTÚN	Deputy Director - Director People Area
MR JOSE PALMA SERRANO	Deputy Director - Resources Director
MR LUIS MIGUEL CARRASCO MIGUEL	Assistant General Director - Real Estate Director
MR ANGEL CARLOS SERRANO VILLAVIEJA	Deputy Director - Director Internal Audit
MS MARIA RAQUEL MARTÍNEZ CABAÑERO	Deputy Director - Credit Risk Director
MR IGNACIO TORRE SOLÁ	Deputy Director - Director of Marketing and Digital Strategy

Total remuneration received by senior management (in thousands of euros)	2092

Senior management is understood to be the General Managers and similar positions that carry out management duties directly under the governing bodies, executive committees or CEO. As a result, the members of the Management Committee are considered to be "senior management" for the purposes of this report. In order to calculate the "senior management remuneration", the same remuneration items of section C.1.6 that are applicable to them have been taken into account. Contributions to pension funds are included.

C1.8 Indicate whether the Bylaws or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

[√] Yes
[ ] No

Maximum number of years in office	4

The term limitation of four years is applicable from 2019. For appointments made before that date, the term of office is five years.

C.1.9. Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

[ ] Yes
[√] No

If appropriate, name the person(s) who certify the Entity's individual or consolidated financial statements before they are approved by the Board or Governing Body:

Name	Position
No data	

Both the individual and consolidated financial statements are considered to be “certified” when they are presented to the governing body with a statement signed by the persons certifying them declaring that they reflect, in all material respects, the true and fair view of the financial situation at year-end, as well as the results of the entity’s operations and any changes in its financial situation during the year, and that they contain the necessary and sufficient information for an adequate understanding, in accordance with applicable legislation.

C.1.10 Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

The Audit and Compliance Committee authorities granted by the bylaws and internal regulations are intended to serve as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors’ recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the financial statements. In addition, the Audit and Compliance Committee is also responsible for receiving information regarding the audit plan from the external auditor as well as the results of its execution and verifying that senior management takes into account the recommendations made, ensuring that the opinion on the annual accounts and the main content of the audit report are worded clearly and precisely.

C.1.11. Is the Secretary to the Board of Directors or Governing Body a Director?

[ ] Yes
[√] No

If the secretary does not have the status of a director, fill in the following table:

Name or corporate name of the secretary	Representative
MR JESÚS BARREIRO SANZ	

Mr Barreiro became non-director secretary as a result of the resolutions adopted by the General Shareholders’ Meeting on 29 August 2019, in order to reduce the number of proprietary directors.

C.1.12. Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice:

Among the duties assigned to the Audit and Compliance Committee, Article 19 of the Board Regulations includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor’s independence at risk.

The Entity has a policy to safeguard the independence of the auditor in accordance with the provisions of the Audit Act, and it is intended to establish a relationship between the external auditor, particularly with respect to the process of the selection and appointment of the auditor, the authorisation of services other than the audit of the Ibercaja Banco accounts in accordance with the requirements established by the Audit Act, as well as the tasks attributed by the bylaws and the Regulations for the Board of Directors and the Audit and Compliance Committee in this respect.

In any event, the Audit and Compliance Committee annually receives a written statement of independence from the auditor with respect to the Entity or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor, or by persons or companies associated with the auditor in accordance with the provisions of Law on Audits.

The Committee will issue, prior to the issue of the audit report, an annual report expressing its opinion as to the auditor’s independence. In any event, this report must contain an evaluation of the rendering of the additional services referred to in the preceding section, taken individually or as a whole, other than the legal audit and with respect to the independence system or audit regulations. This is intended to ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors and examine the circumstances of any resignation of an external auditor.

C.2. Board of Directors or Governing Body Committees

C.2.1. List the Board of Directors or Governing Body Committees:

Name of the Committee	Number of members
Audit and Compliance	5
Executive Committee	6
Strategy	5
Large Risk and Solvency	5
Appointments	4
Remuneration	4

C.2.2. List all of the Board or governing body committees, their members and the proportion of executive, proprietary, independent and other outside directors holding positions (the entities that are not legal capital companies will not complete the category of director in the relevant box and will provide an explanation of the category of each director in the text box in accordance with their legal form and the manner in which they comply with the conditions relating to the composition of the audit, appointments and compensation committees):

Audit and Compliance		
Name	Position	Category
MR JESUS TEJEL GIMÉNEZ	CHAIRMAN	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MR FELIX SANTIAGO LONGÁS LAFUENTE	DIRECTOR	Independent
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary
MR VICENTE CONDOR LOPEZ	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	40.00
% of independent Directors	60.00
% of other external Directors	0.00
Number of meetings	12

Mr Jesús Tejel Giménez, Mr Vicente Cóndor López and Mr Jesús Bueno Arrese have been appointed taking into account their knowledge and experience in accounting, auditing or both.

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The committee’s duties are expressly stipulated in the Regulations of the Board of Directors. In particular:

- Inform the Shareholders’ Meeting about issues raised by shareholders regarding matters within its sphere of competence.
- Monitor the effectiveness of internal control: regulatory compliance and internal audit.
- Supervise the process of preparing and presenting regulated financial information.
- Propose the designation or re-election of the auditor.
- Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor’s independence.
- Receive annual written confirmation from the auditor regarding its independence respect to the Entity or the group, issue of the relevant report.

The Chairman shall be an independent Director must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Secretary to the committee will be the Secretary to the Board of Directors.

The Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may request the attendance of the Company’s auditor. One of its meetings will be necessarily dedicated to evaluating the efficiency and compliance with the rules and procedures for the governance of the Company and prepare information that the Board must approve and include in the annual financial reporting documentation.

The Committee was informed during the year of all requests and notifications received from supervisory bodies within the scope of its competencies. It has received information regarding and reported on the transactions to be carried out with related parties and it has received regular reports regarding compliance with regulations and on internal audits, as well as the reports issued by the external auditor. It has received and supervised the process of preparing and presenting regulated financial information. It has reviewed the Entity’s annual accounts and the financial information to be provided on a regular basis to the markets by the Board and supervisory bodies.

Identify the directors pertaining to the audit committee that have been designated based on their knowledge and experience with accounting, audit or both, and report the date of appointment of Chair of this committee in the position.

Names of the directors with experience	MR JESUS TEJEL GIMÉNEZ
Date of appointment of the chair in the position	01/03/2020

Executive Committee		
Name	Position	Category
MR JOSE LUIS AGUIRRE LOASO	CHAIRMAN	Proprietary
MR VICENTE CONDOR LOPEZ	DIRECTOR	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MR VICTOR MANUEL IGLESIAS RUIZ	DIRECTOR	Executive
MR JESÚS TEJEL GIMÉNEZ	DIRECTOR	Independent
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary

% of Executive Directors	16.67
% of proprietary Directors	50.00
% of independent Directors	33.33
% of other external Directors	0.00
Number of meetings	23

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Bylaws and the Regulations of the Board of Directors delegate the following Board of Directors authorities to the Executive Committee:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions which, that fall within its authority in accordance with the provisions of the Loan Risk Management Policies and Procedures Manual approved by the Board of Directors. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.
- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.) except in those cases in which the decision falls to the CEO or the full Board of Directors due to involving employees that directly report to the CEO.
- Hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.
- When appropriate, grant the authority that is necessary or advisable to execute the resolutions adopted.

Its resolutions are valid and binding without the full board having to subsequently ratify the decision. However, In those cases in which, in the opinion of the Chairman, CEO or three members of the committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the course of its regular ordinary meetings the Executive Committee has received reports from the Chair and CEO regarding, among other things, the main macro-economic figures and the evolution of information regarding the Bank: balance sheet and income statement, performance of the Company's securities portfolio, customer funds and customer loans, market share, liquidity management, non-performing and coverage rates, business volumes and the results obtained by the Group's subsidiaries. It has also issued its opinions regarding the financing operations that have been submitted for its consideration when its authorization or ratification is required due to the amount concerned or the status of the applicants. It has ratified the transactions approved, denied or ratified by the Credit Risk Committee, it has adopted several resolutions to divest from investee companies and received disciplinary case files in the terms established by employment legislation and in the collective agreement.

Strategy		
Name	Position	Category
MR JOSE LUIS AGUIRRE LOASO	CHAIRMAN	Proprietary
MR JESUS SOLCHAGA LOITEGUI	DIRECTOR	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MR LUIS ENRIQUE ARRUFAT GUERRA	DIRECTOR	Proprietary
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary

% of Executive Directors	0.00
% of proprietary Directors	60.00
% of independent Directors	40.00
% of other external Directors	0.00
Number of meetings	10

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation.

The Committee will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience of the Directors with respect to the Committee's duties. The Board of Directors will designate the chair, and the Secretary will be the Secretary to the Board.

The Committee will meet as many times as called by the Committee or its Chair and at least once per quarter. The Committee will adopt its resolutions by a majority vote of the directors who form part of the committee and are present or represented at the meeting, and the Chair will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee regularly monitored the Strategic Plan approved by the Board of Directors. It also implemented quarterly follow-up measures regarding the development of the budget (and the mandates set out in the Strategic Plan), reporting the conclusions obtained to the Board of Directors together with the advances made with respect to the new Strategic Plan.

Large Risk and Solvency		
Name	Positio n	Category
MR VICENTE CONDOR LOPEZ	CHAIRMAN	Independent
MR JESUS TEJEL GIMÉNEZ	DIRECTOR	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MR JESUS SOLCHAGA LOITEGUI	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	20.00
% of independent Directors	60.00
% of other external Directors	20.00
Number of meetings	13

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law or by the bylaws or other corporate resolutions.

The Committee has the primary duty of advising the Board of Directors as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

It will consist of a minimum of three and a maximum of five Directors, who will not perform executive duties at the Entity and which possess the appropriate knowledge, capacity and experience to understand and control the risk strategy and the Entity's appetite for risk. At least one third of the members will be independent and the Chair will be independent in any case. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chair will have a casting vote.

During the year Committee informed the Board of Directors of the Entity's Risk Appetite Framework, the quarterly monitoring reports as well as the annual capital and liquidity self-assessment report for 2019. The Committee informed the Board of proposals to amend the Risk Management Procedures and Policies Manuals.

Appointments		
Name	Positio n	Category
MR JESUS SOLCHAGA LOITEGUI	CHAIRMAN	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MS GABRIELA GONZÁLEZ-BUENO LILLO	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	0.00
% of independent Directors	75.00
% of other external Directors	25.00
Number of meetings	2

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law or by the bylaws or other corporate resolutions.

The Nominations Committee is responsible for proposing nominations to the Board of Directors. It is specifically responsible for:

- Evaluating the suitability of the Directors.
- Establishing a representation target for the gender less represented on the board.
- Make proposals for the nomination, re-election or removal of independent directors for Shareholders at a general meeting.
- Report proposed nominations and removal of senior executives and employees with key duties and the basic conditions of their contracts.
- Examine and organize the succession of the Chair and the CEO.

The Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors. The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Chairman (independent in any case) of the meeting will cast the deciding vote in the event of a tie.

A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the year the Committee reported the appointment of new directors and the new members of the Entity’s Management Committee.

Remuneration		
Name	Position	Category
MR JESUS SOLCHAGA LOITEGUI	CHAIRMAN	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MS GABRIELA GONZÁLEZ-BUENO LILLO	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	0.00
% of independent Directors	75.00
% of other external Directors	25.00
Number of meetings	1

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law or by the bylaws or other corporate resolutions.

The Compensation Committee has the duty of reporting, advising and proposing matters regarding compensation for directors, general managers and similar personnel, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

The Compensation Committee shall be made up of a minimum of 3 and a maximum of 5 non-executive directors, at least two of whom must be independent directors (and, in any case, its Chairman).

The Committee will be validly called to order with one-half plus one of the members present or represented. In case of a tie in the voting, the Chairman shall have the casting vote. A minutes book will indicate the resolutions that have been adopted through a majority vote of the members of the committee and be made available to all members of Board of Directors.

During the year, the Compensation Committee informed, advised and presented to the Board of Directors proposals regarding compensation for directors, senior executives, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Provide details of the transactions carried out between the Company or its group companies, and shareholders, cooperative members, proprietary rights holders or those of any other equivalent nature at the Company.

Name or corporate name of significant shareholder or member	Name or corporate name of the company or entity in its group	Nature of the relationship	Type of operation	Amounts (thousands of euros)
IBERCAJA BANCO, S.A.	FUNDACIÓN BANCARIA IBERCAJA	Contractual	Provision of services	143
IBERCAJA BANCO, S.A.	FUNDACIÓN BANCARIA IBERCAJA	Contractual	Operating lease agreements	150
FUNDACIÓN BANCARIA IBERCAJA	IBERCAJA BANCO	Contractual	Provision of services	183
FUNDACIÓN BANCARIA IBERCAJA	IBERCAJA BANCO SA	Contractual	Operating lease agreements	677

The amount of the profit for 2019 earmarked for dividends was distributed among the shareholders on the basis of their interest in the share capital.

D.2. List any transactions between the Company or group companies and directors or members of the governing body or company executives.

Name or corporate name of the directors or executives	Name or corporate name of the related party	Relation	Nature of the operation	Amounts (thousands of euros)
No data				

In accordance with the instructions received from the CNMV on producing the report, with respect to definitions, criteria and type of aggregation, the provisions of Order EHA/3050/2004 of 15 September on the obligatory disclosure of transactions with related parties by companies issuing shares traded on official secondary markets shall apply. As a result, transactions between group companies that have been eliminated from the consolidated financial statements and which form part of the ordinary course of the business of those companies with respect to their purpose and conditions are not reported, nor are those that relate to the company's ordinary course of business, those that are carried out under normal market conditions and are of little importance, which are understood to be those whose reporting is not necessary to express the true and fair view of the equity, financial situation and the results obtained by the Entity.

D.3. Details of intra-group transactions

Name of the group company	Brief description of operation	Amounts (thousands of euros)
No data		

During the year no significant intra-group transactions were carried out.

D.4. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the governing body, or executives.

The Directors have the obligation adopt the measures that are necessary to avoid situations in which there may be a conflict of interest with the business and their duties to the Entity, as is stipulated by Article 33 of the Board of Directors Regulations.

Directors must inform the Board of Directors of any direct or indirect conflict situation that they, or persons related to them, may have with respect to the interests of the Company or its group companies, as well as all positions that they hold and the duties that they perform at other companies or entities and, in general, any event or situation that may be relevant to their duties as a Company Director. Directors must abstain from participating in the deliberation and voting of resolutions or decisions in which the Director or a related person (as defined by Article 36 of the Regulations), has a direct or indirect conflict of interest.

The situations of conflict of interest incurred by directors would, where appropriate, be the subject of information in the annual report.

In addition, the Bank has internal procedures to prevent the granting of credit, guarantees or security without the prior authorisation of the competent governing bodies, under the terms established in the Law on the Organisation, Supervision and Solvency of Credit Institutions.

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the Risk Management and Control System:

The Group's risk management is organised through the "Risk Appetite Framework" (RAF). The main objective of Ibercaja's RAF is to establish a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

Ibercaja Group also has a risk management policy and a procedures manuals that are reviewed and approved by the Board of Directors on an annual basis.

The Risk Appetite Framework is consistent with the capital and liquidity planning in Basel Pillar II, which is intended to ensure an adequate relationship between the Company's risk profile and the equity it effectively has on hand. The Entity carries out a recurring process of self-assessment of capital and liquidity through the identification, measurement and aggregation of risks, determines the capital and liquidity necessary to cover them, plans the capital and liquidity in the medium term and establishes the objective of own resources and liquidity that allows it to maintain an adequate clearance over the minimum legal requirements and supervisory guidelines.

Following the entry into force of the Single Supervisory Mechanism (SSM) in November 2014, European financial institutions are obliged to adapt their risk policies and procedures as well as their control environment. The "Supervisory Review and Evaluation Process" (SREP) is how the SSM performs continuous evaluations of entities.

The internal processes for evaluating the adequacy of capital and liquidity under Pillar II (known as ICAAP & ILAAP) in addition to the stress exercises organised by the European Banking Authority (EBA) and the ECB are key factor in the SREP.

Furthermore, the Ibercaja Group has a Recovery Plan, drawn up in line with the Directive for Bank Recovery and Resolution (Directive 2014/59, BRRD) and the guidelines and recommendations of the EBA that establishes the foundations for the process or restoring the Group's financial strength and viability, in the event of severe stress.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are revised and approved by the Bank's Board of Directors on an annual basis.

The Risk Management System operates in an integral and continuous manner, consolidating that management by business area, geographic zone or subsidiary at the corporate level.

E.2. Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management and Control System:

The Entity has a robust organizational structure that allows it to ensure effective risk management and control. The Governing Bodies are structured as follows:

- The Board of Directors is responsible for establishing and supervising the risk reporting and control systems, approving the Risk Appetite Framework as well as for the policies, manuals and procedures relating to risk management.
- Among other responsibilities, the Large Risk and Solvency Committee proposes the establishment of limits by type of risk and business, reporting the Group's Risk Appetite Framework in a manner consistent with the Entity's other strategic policies and frameworks, evaluating the Group's risk management, reviewing the risk control systems and proposing measures to mitigate the impact of identified risks.
- The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation.
- The Audit and Compliance Committee, which supervises the effectiveness of internal control, internal audit and risk management systems, regularly reviews the matters so that primary risks are identified, managed and adequately reported.

The following Executive Committees have been created with the involvement of the Entity's senior management.

The Comprehensive Risk Committee is responsible for defining and monitoring the Group's risk strategies and policies, establishing objectives and strategies to develop the structure and composition of balance sheet items, analysing the sensitivity of results and the Company's equity in various scenarios, analysing compliance with the tolerance levels that have been established, as well as planning the Group's medium-term capital.

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organizational outline provides the Entity with an overall risk governance and management structure, aligned with market trends and with the Ibercaja Group's current business complexity, using three lines of defence (management, control and audit). This structure guarantees the standardisation of policies and risk control at Ibercaja and all the companies forming part of the Group.

E.3. Indicate the primary risks that could affect the attainment of business objectives:

The material financial and non-financial risks affecting Ibercaja Group that are taken into account in the Risk Appetite Framework are as follows:

• Business and profitability risk: Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred.
• Credit risk: Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.
• Concentration risk: Possibility of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Entity.
• Operational Risk: Risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.
• Interest rate risk: The possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.
• Market risk: The possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.
• Liquidity risk: Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.
• Reputational and compliance risk: The risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the organisation, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to on-going supervision by the authorities.

E.4. State whether the entity has risk tolerance levels:

As mentioned in section E.1, Group risk management is organised through the "Risk Appetite Framework". Ibercaja's RAF has the key objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterised by:

• Alignment with the strategic plan and capital planning.
• Integration into the entity's risk culture, with the involvement of all levels of responsibility.
• Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.
• Associated with the information management systems.

The RAF takes a comprehensive view of the Consolidated Group and takes into consideration all risks that affect the performance of the Group's business and attaining its business objectives described in section E.3.

Ibercaja Group's Risk Appetite Framework is based on strategic principles, corporate governance and risk management that, together, constitute the Group's Risk Appetite Statement.

E.5. State the risks that have materialised during the year:

The risks that affect the Group are inherent to the financial activity carried out by the Entity, and are described in section E.3. During 2020

there have been no material events that have significantly affected the Entity's risk profile.

Notable financial risks include the continuity of the current low interest rate scenario, which has a negative effect on margins and profitability, although the Entity's capacity to generate value in the medium and long-term is high. During 2020, the Entity implemented all the measures to support customer financing in the context of the health crisis caused by the COVID-19 pandemic established by the economic authorities and at the sector level (moratoriums and financing lines with ICO guarantees). A future impairment in the quality of the Entity's loans and receivables cannot be ruled out as a consequence of the aforementioned crisis affecting a high percentage of economic sectors. In this regard, the Entity has significantly strengthened its credit risk monitoring and control activities and has anticipated this potential impact by setting up provisions during 2020 in order to mitigate a sudden impairment in the following years.

E.6. Explain the response and supervision plans for the entity's primary risks, and the procedures followed by the company to ensure that the board of directors responds to the new emerging challenges:

The thresholds that allow the risk profile to be placed into the following categories have been defined for each of the metrics taken into consideration in the Risk Appetite Framework:

- Compliance: the risk level that the Entity is willing to assume to in accordance with its strategic and business objectives. This is a normal risk situation at the target risk level.

- Alert: this is an intermediate level of monitoring the risk appetite with the objective of detecting whether or not the risk profile is significantly deviating from tolerance levels and, therefore, requires additional monitoring.

- Non-compliance: limit at which a non-compliance situation commences that activates specific action plans for measures.

The Comprehensive Risk Committee is the management and control body that is responsible for establishing an action plan to attain the target risk level and must report on the monitoring of the situation at least on a quarterly basis to the Large Risk and Solvency Committee (or more frequently if considered necessary).

The action plans to be implemented will consist of one of the following:

- Proposal of measures to reduce the risk to compliance levels.
- Evaluation of the adequacy of the limits or thresholds as a result of unexpected events or changes in the strategic targets or the Entity's business.
- Temporary approval to exceed limits.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICRMS)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1. Control environment at the Entity.

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is "to be informed of and supervise the procedures that guarantee the quality and integrity of information, as well as the reports that the Audit and Compliance Committee may submit to it for said purpose; to prepare, after a report from the Audit and Compliance Committee, the individual and consolidated financial statements, as well as the proposal for application of the Company's result; To approve, following a report from the Audit and Compliance Committee, the capital self-assessment report, and to agree on its submission to the Bank of Spain; to approve the annual banking report required by the regulations on the organisation, supervision and solvency of credit institutions in force at any given time; to be aware of the contents of the report with prudential relevance, following a report from the Audit and Compliance Committee, on the information not covered by the audit of the financial statements and to approve and agree on the submission to the CNMV of the half-yearly financial report".

The Company has a Financial Information Disclosure Policy that was approved by the Board of Directors on 1 March 2019 and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2017, as well as within the conceptual framework of IFRS.

Senior management has assumed the responsibility of designing and implementing the IFRCS through the Corporate Information and Management Analysis Department since it centralizes most of the activities intended to attain the adequate operation of the IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the information, internal control and financial reporting systems:

- With respect to the reporting and internal control systems, "verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor".
- With respect to the financial information, "be informed of and supervise the process of preparing and presenting the Company's regulated financial information and, if appropriate, that relating to the Group, as well as its integrity by reviewing compliance with legislation, the adequate definition of the scope of consolidation and the proper application of accounting policies. In addition, the review of the company's accounts, supervise compliance with legal requirements and the proper application of accounting principles generally accepted in Spain and receive proposals from management to change accounting principles and policies, review the regular financial information that the Board must provide to the markets and supervisory bodies and, in particular, the information not covered by the audit of the annual accounts that is of prudent relevance. Be informed of and supervise the preparation of the regulated financial information that the Company must regularly make public and ensure that the interim accounts are prepared using the same accounting policies as the annual accounts and, in that respect, consider the appropriateness of a limited review by an external auditor".

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity:**

In accordance with the provisions of the Board regulations the Appointments Committee assists the Board with nominations, elections and the removal of directors and senior executives.

The Organization Department at Ibercaja Banco is responsible for ensuring an efficient organizational structure at the Entity, the finding the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The Human Resources Department, through the Talent Development Unit, is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. In turn, each Department, together with the Organization Department, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity's intranet and it is revised should there be any organizational change made. With regard to the financial information preparation process, this is carried out by the Department of Corporate Information and Management Analysis, which includes the Units of General Accounting, Management Planning and Analysis, Data Governance and Quality, Corporate Information and Analysis, and Supervisor Service and Regulatory Support. The Corporate Information and Management Analysis Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group's consolidation for accounting purposes as subsidiary accounting is decentralised and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Corporate Information and Management Analysis Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:**

The Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity's culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin "RRHH Informa" reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity's Intranet.

In addition, the Entity has a Code of Ethics, which contains the principles that govern the behaviour of the Entity's employees, commitments that transfer corporate values to the daily exercise of their responsibilities. An independent, autonomous and confidential communication channel has also been set up to facilitate communications on possible misconduct in the area of ethics and to raise doubts about the interpretation of the Code of Ethics, which is available to all staff.

Finally, the Group's Internal Audit Charter includes the ethical standards applicable to the Internal Audit function that are known and accepted by all Internal Audit staff.

"Whistle-blowing" channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

In addition to the communication channel relating to the code of ethics, all employees of Ibercaja Banco, through the intranet, have a "Criminal Risk Prevention Reporting Channel" to inform, by e-mail, the Regulatory Compliance Unit of possible risks and breaches of criminal regulations, including those of a financial and accounting nature, that may occur within the organisation in the course of its activities.

The Regulatory Compliance Department maintains a computerised register of all complaints received and processes them in accordance with the provisions of the criminal risk prevention and management model, guaranteeing the confidentiality of the complainant at all times.

The Regulatory Compliance Department periodically issues a report to the Audit and Compliance Committee, which includes, where appropriate, information on the complaints received and their outcome. The Board of Directors is informed of the actions taken in this area at least once per year.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting standards, auditing, internal control and risk management:**

The Entity has an annual Training Plan, which is designed in accordance with the professional category and the Management/Unit to which the staff belongs. These training actions are given by external and internal personnel, both online and in a classroom setting.

It also has mechanisms that allow it to ensure that the personnel directly involved in the preparation and preparation of financial information, as well as in its supervision, have the training and professional competence necessary for the exercise of their functions. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Personnel Area Division through the Talent Development Unit, and keep records of the training given.

The technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as the Spanish Confederation of Savings Banks (CECA). Alerts are also received from various professional services firms providing technical updates.

The Paraninfo e-learning platform is a virtual training space housing courses and other training resources of very diverse types available to all employees and it allows training in essential areas for the development of the Bank's business. skills, products and services, financial regulations, banking business, financial platforms, etc.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2020 was particularly focused on internal training sessions at the Department level covered internal control, risk management and, in particular, legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees that attend accounting courses provided by CECA covering specific training needs that may be identified, and they materialise in seminars or meetings with consultants or regulators.

It should be noted that in 2020, as a result of the health crisis caused by COVID-19, the training provided since March has been carried out online.

F.2. Risk assessment in financial reporting.

Report at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented:**

Ibercaja has a procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.

This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Corporate Information and Management Analysis Department, while supervision and approval is the responsibility of the Audit and Compliance Committee and the Board of Directors, respectively. This Policy was reviewed during the update to the general ICFR framework carried out during 2019 and approved in 2020. This Policy also establishes a minimum annual review periodicity and whenever regulatory and procedural changes occur that affect the validity of its contents.

- **The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:**

The procedure has been designed taking into account all the objectives of the financial information contemplated in the Internal Control Document on financial information in listed companies issued by the CNMV (existence, integrity, valuation, presentation and breakdown and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc:**

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group's structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit.

The possible risks relating to the proper identification of the scope of consolidation are documented in the defined accounting close procedures and the Preparation of the Consolidated Financial Statements, which are two of the five transversal processes at the Bank.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements:**

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) valuation; (iv) presentation; (v) rights and obligations; and effectively takes into consideration other types of risks (operational, technological, financial, legal, fiscal, reputational, environmental, etc.).

- **Finally, which of the entity's governing bodies is responsible for overseeing the process:**

The Board of Directors Regulations stipulate that one of the Board's duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.

Through this procedure in 2020 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3. CONTROL activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market.

The generation, preparation and review of financial information is carried out by the Corporate Information and Management Analysis Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorization procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. On the other hand, technical means and information systems guarantee, through the establishment of control mechanisms, the reliability and integrity of financial information.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralized and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units.

c) An Internal Audit Unit

This third line of defence is responsible for performing an independent review of the first two "lines of defence".

This area includes the participation of the governing bodies and senior management.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.
- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

In addition, during 2019 and 2020 the entity has worked on the implementation of an IFRS risk management tool that will facilitate the control and monitoring of the system and will cover the management of the map of processes, risks and controls defined in the system, as well as the procedure for certification of controls at the bottom up. At year-end 2020, the tool is fully operational and includes all relevant processes and risks, as well as the controls and evidence thereof, identified in the aforementioned documents.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

Transversal processes

- The procedures for closing the financial year and preparing the consolidated financial statements. The group has specific procedures for closing the financial year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.
- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.
- The general computer controls established by the Group at the technology and systems level, physical security, computer security, maintenance and development.
- The Requirements Procedure and calculation of own funds describes the different phases and tasks carried out by different areas of the Entity to comply with Regulation (EU) No. 575 / 2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012.

Business Areas

- Granting, recording and performance of consolidated loans.
- Granting, recording and performance of consolidated loans related to syndicated loans.
- Classification and estimation of the impairment of consolidated loans.
- Investment, recording and valuation of debt securities, deposits, repos and capital (fixed income and equity).
- Investment, recording and valuation of Investee Companies, Associates and Jointly Controlled Entities.
- Investment, recording and valuation of derivative instruments (trading and hedging) - professional counterparties and customers.
- Recording and valuation of received assets in payment for debts.
- Recognition, recording and cost of customer deposits - Retail financing.
- Recognition, recording and cost of corporate issues - Wholesale financing.
- Insurance activity - insurance contract liabilities.
- Estimation of pension commitments – post-employment commitments to employees.
- Estimated provisions for taxes - tax area.
- Estimation of other provisions - legal area.
- Recording of commission income.

In general terms, the Corporate Information and Management Analysis Department is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Entity has a General IT Controls Procedure with its corresponding risk and control matrix detailing the risks and controls relating to governance, strategy and outsourcing of services of the Technology and Systems Department; management of Information and Communication Technology (ICT) projects, operations and changes; information integrity and security; and business continuity management.

The Technology and Systems Department and, specifically, the Technological Services Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, ensuring compliance with legislation and legally required security measures. The Information Security Management and Control Unit is responsible for proposing information security measures and a policy for applying and maintaining proactive contact with the sector to obtain sufficient information regarding technological advances and regulatory compliance in the area of Information Systems Security and their application to Ibercaja Group.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has defined global policies and procedures that are uniform regarding the required security in the information systems involved in the preparation of financial information, including physical and logical security, data processing security and end user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated financial statements that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

The policy currently includes supervision and review procedures for both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out thus specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.

- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship.

- Supervision and review of the information generated or the service provided:

  - For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases in which the relevance of the externalized service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.

  - For measurements prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

  In 2020 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

  - The actuarial calculation of commitments assumed with employees.

  - The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.

  - Certain tax and legal advisory services.

  - Measurement of the Ibercaja Group.

F.4. Information and communications.

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The Corporate Information and Management Analysis Department, through the General Accounting Unit, the Control Department is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office and Control Department (Legislation Compliance Department) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

Furthermore, Ibercaja does not have a single Accounting Policies Manual, but its accounting policies as a whole consist of the International Financial Reporting Standards (IFRS), the Bank of Spain Circular (Circular 4/2017), the policies whose implementation is required by current regulations, as well as the specific policies prepared by the Bank. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to Head of General Accounting. However, in the context of updating the general framework of the IFRS that has been carried out during 2019 and 2020, work has begun on developing an Accounting Policy Manual, which is expected to be approved by the Board of Directors during the first half of 2021.

The Corporate Information and Management Analysis Department is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralised manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information. It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated financial statements that are reported together with other financial information published in the market. The Corporate Information and Management Analysis Department is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own financial statements, always using the guidelines of the Corporate Information and Management Analysis Department.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonize and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5. System monitoring.

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The monitoring activities undertaken by the Audit Committee and whether the Entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The internal audit function is the responsibility of Ibercaja Banco's Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Audit of the Distribution Network, Credit Risk Audit, Internal Models and Systems Audit, Financial Audit and Technical and Quality Supervision.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2020 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the IFRCS is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialised Unit during the year, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management, through the Internal Audit Committee, on the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is critical to the supervision of the IFRCS.

Among the actions carried out within the Internal Audit Annual Operational Plan for 2020, the audit of the Consolidated Financial Statements Preparation Process and the audit of the Own Resources Requirements and Computation Process should be highlighted. The reviews that are carried out may result in audit recommendations that are prioritised in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2 **Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards - TAS), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed? State also whether the entity has an action plan to correct or mitigate the weaknesses found.**

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least quarterly, at which time any significant weakness that may have been detected can be reported. Any action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline. The Internal Audit Department periodically informs the Audit and Compliance Committee of the action plans communicated by the audited areas and their follow-up.

F.6. Other relevant information.

Nothing of note.

F.7. External auditor's report.

Report from:

F.7.1 **The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.**

The Group has submitted information regarding the "Financial Reporting Internal Control Systems" to the external auditor for review and is set out in section F of the ACGR for 2020. The scope of the auditor's review is in line with Circular E 14/2013 issued by the Audit Institute of Spain on 19 July 2013.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

G. OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company or groups companies that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the entity is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

Also state whether the entity voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, the entity will identify the Code in question and the date of adoption.

All the information that must be included in the report and is outside of the control of the Entity, is provided based on the knowledge held by the Company, the reports that have been made in compliance with current legislation and information stated in public registries.

It is hereby stated, for the purposes of recommendation 27 of the Code of Good Governance, that the non-attendance of directors at meetings of the governing bodies of which they form part has been absolutely exceptional: one director excused himself from attending the meeting of the Board of Directors held in January, and another director excused himself from attending the meeting of the Board of Directors held in October 2020.

It should also be noted that in 2020, following the declaration of the state of health alarm derived from COVID-19, the meetings of the Board of Directors and its committees were held remotely (audio or videoconference).

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its Meeting on:

../../2021

List any Directors or members of the governing body that voted against, or abstained from voting on the adoption of this report:

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)"

To the Board of Directors of Ibercaja Banco, S.A.:

In accordance with the request of the Board of Directors of Ibercaja Banco, S.A. (hereafter "the Entity") and our engagement letter dated December 1, 2020, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in the section "F Information regarding the Internal Control System over Financial Reporting" ("ICSFR")" of the Annual Corporate Governance Report of Ibercaja Banco and its subsidiaries (hereafter "Grupo Ibercaja Banco" or "the Group") for the 2020 financial year, which includes a summary of the Group's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Group in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Group's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Group's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Group's annual financial information for the 2020 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Group in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated December 22, 2015.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Group.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Group´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Julián González Gómez

March 3, 2021

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICRMS)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1 Control environment at the Entity

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is "to be informed of and supervise the procedures that guarantee the quality and integrity of information, as well as the reports that the Audit and Compliance Committee may submit to it for said purpose; to prepare, after a report from the Audit and Compliance Committee, the individual and consolidated financial statements, as well as the proposal for application of the Company's result; To approve, following a report from the Audit and Compliance Committee, the capital self-assessment report, and to agree on its submission to the Bank of Spain; to approve the annual banking report required by the regulations on the organisation, supervision and solvency of credit institutions in force at any given time; to be aware of the contents of the report with prudential relevance, following a report from the Audit and Compliance Committee, on the information not covered by the audit of the financial statements and to approve and agree on the submission to the CNMV of the half-yearly financial report".

The Company has a Financial Information Disclosure Policy that was approved by the Board of Directors on 1 March 2019 and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2017, as well as within the conceptual framework of IFRS.

Senior management has assumed the responsibility of designing and implementing the IFRCS through the Corporate Information and Management Analysis Department since it centralizes most of the activities intended to attain the adequate operation of the IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the information, internal control and financial reporting systems:

- With respect to the reporting and internal control systems, "verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor".

- With respect to the financial information, “be informed of and supervise the process of preparing and presenting the Company’s regulated financial information and, if appropriate, that relating to the Group, as well as its integrity by reviewing compliance with legislation, the adequate definition of the scope of consolidation and the proper application of accounting policies. In addition, the review of the company’s accounts, supervise compliance with legal requirements and the proper application of accounting principles generally accepted in Spain and receive proposals from management to change accounting principles and policies, review the regular financial information that the Board must provide to the markets and supervisory bodies and, in particular, the information not covered by the audit of the annual accounts that is of prudent relevance. Be informed of and supervise the preparation of the regulated financial information that the Company must regularly make public and ensure that the interim accounts are prepared using the same accounting policies as the annual accounts and, in that respect, consider the appropriateness of a limited review by an external auditor”.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity:**

In accordance with the provisions of the Board regulations the Appointments Committee assists the Board with nominations, elections and the removal of directors and senior executives.

The Organization Department at Ibercaja Banco is responsible for ensuring an efficient organizational structure at the Entity, the finding the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The Human Resources Department, through the Talent Development Unit, is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. In turn, each Department, together with the Organization Department, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity’s intranet and it is revised should there be any organizational change made. With regard to the financial information preparation process, this is carried out by the Department of Corporate Information and Management Analysis, which includes the Units of General Accounting, Management Planning and Analysis, Data Governance and Quality, Corporate Information and Analysis, and Supervisor Service and Regulatory Support. The Corporate Information and Management Analysis Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group’s consolidation for accounting purposes as subsidiary accounting is decentralised and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Corporate Information and Management Analysis Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:**

The Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity’s culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin “RRHH Informa” reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity’s Intranet.

In addition, the Entity has a Code of Ethics, which contains the principles that govern the behaviour of the Entity’s employees, commitments that transfer corporate values to the daily exercise of their responsibilities. An independent, autonomous and confidential communication channel has also been set up to facilitate communications on possible misconduct in the area of ethics and to raise doubts about the interpretation of the Code of Ethics, which is available to all staff.

Finally, the Group’s Internal Audit Charter includes the ethical standards applicable to the Internal Audit function that are known and accepted by all Internal Audit staff.

- **“Whistle-blowing” channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

In addition to the communication channel relating to the code of ethics, all employees of Ibercaja Banco, through the intranet, have a “Criminal Risk Prevention Reporting Channel” to inform, by e-mail, the Regulatory Compliance Unit of possible risks and breaches of criminal regulations, including those of a financial and accounting nature, that may occur within the organisation in the course of its activities.

The Regulatory Compliance Department maintains a computerised register of all complaints received and processes them in accordance with the provisions of the criminal risk prevention and management model, guaranteeing the confidentiality of the complainant at all times.

The Regulatory Compliance Department periodically issues a report to the Audit and Compliance Committee, which includes, where appropriate, information on the complaints received and their outcome. The Board of Directors is informed of the actions taken in this area at least once per year.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting standards, auditing, internal control and risk management:**

The Entity has an annual Training Plan, which is designed in accordance with the professional category and the Management/Unit to which the staff belongs. These training actions are given by external and internal personnel, both online and in a classroom setting.

It also has mechanisms that allow it to ensure that the personnel directly involved in the preparation and preparation of financial information, as well as in its supervision, have the training and professional competence necessary for the exercise of their functions. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Personnel Area Division through the Talent Development Unit, and keep records of the training given.

The technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as the Spanish Confederation of Savings Banks (CECA). Alerts are also received from various professional services firms providing technical updates.

The Paraninfo e-learning platform is a virtual training space housing courses and other training resources of very diverse types available to all employees and it allows training in essential areas for the development of the Bank’s business. skills, products and services, financial regulations, banking business, financial platforms, etc.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2020 was particularly focused on internal training sessions at the Department level covered internal control, risk management and, in particular, legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees that attend accounting courses provided by CECA covering specific training needs that may be identified, and they materialise in seminars or meetings with consultants or regulators.

It should be noted that in 2020, as a result of the health crisis caused by COVID-19, the training provided since March has been carried out online.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented:**

Ibercaja has a procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.

This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Corporate Information and Management Analysis Department, while supervision and approval is the responsibility of the Audit and Compliance Committee and the Board of Directors, respectively. This Policy was reviewed during the update to the general ICFR framework carried out during 2019 and approved in 2020. This Policy also establishes a minimum annual review periodicity and whenever regulatory and procedural changes occur that affect the validity of its contents.

- **The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:**

The procedure has been designed taking into account all the objectives of the financial information contemplated in the Internal Control Document on financial information in listed companies issued by the CNMV (existence, integrity, valuation, presentation and breakdown and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc:**

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group's structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit.

The possible risks relating to the proper identification of the scope of consolidation are documented in the defined accounting close procedures and the Preparation of the Consolidated Financial Statements, which are two of the five transversal processes at the Bank.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements:**

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) valuation; (iv) presentation; (v) rights and obligations; and effectively takes into consideration other types of risks (operational, technological, financial, legal, fiscal, reputational, environmental, etc.).

- **Finally, which of the entity's governing bodies is responsible for overseeing the process:**

The Board of Directors Regulations stipulate that one of the Board's duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.

Through this procedure in 2020 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3 CONTROL activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market.

The generation, preparation and review of financial information is carried out by the Corporate Information and Management Analysis Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorization procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. On the other hand, technical means and information systems guarantee, through the establishment of control mechanisms, the reliability and integrity of financial information.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralized and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units.

c) An Internal Audit Unit

This third line of defence is responsible for performing an independent review of the first two "lines of defence".

This area includes the participation of the governing bodies and senior management.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.
- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

In addition, during 2019 and 2020 the entity has worked on the implementation of an IFRS risk management tool that will facilitate the control and monitoring of the system and will cover the management of the map of processes, risks and controls defined in the system, as well as the procedure for certification of controls at the bottom up. At year-end 2020, the tool is fully operational and includes all relevant processes and risks, as well as the controls and evidence thereof, identified in the aforementioned documents.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

<u>Transversal processes</u>

- The procedures for closing the financial year and preparing the consolidated financial statements. The group has specific procedures for closing the financial year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.
- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.
- The general computer controls established by the Group at the technology and systems level, physical security, computer security, maintenance and development.
- The Requirements Procedure and calculation of own funds describes the different phases and tasks carried out by different areas of the Entity to comply with Regulation (EU) No. 575 / 2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012.

<u>Business Areas</u>

- Granting, recording and performance of consolidated loans.

- Granting, recording and performance of consolidated loans related to syndicated loans.
- Classification and estimation of the impairment of consolidated loans.
- Investment, recording and valuation of debt securities, deposits, repos and capital (fixed income and equity).
- Investment, recording and valuation of Investee Companies, Associates and Jointly Controlled Entities.
- Investment, recording and valuation of derivative instruments (trading and hedging) - professional counterparties and customers.
- Recording and valuation of received assets in payment for debts.
- Recognition, recording and cost of customer deposits - Retail financing.
- Recognition, recording and cost of corporate issues - Wholesale financing.
- Insurance activity - insurance contract liabilities.
- Estimation of pension commitments – post-employment commitments to employees.
- Estimated provisions for taxes - tax area.
- Estimation of other provisions - legal area.
- Recording of commission income.

In general terms, the Corporate Information and Management Analysis Department is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Entity has a General IT Controls Procedure with its corresponding risk and control matrix detailing the risks and controls relating to governance, strategy and outsourcing of services of the Technology and Systems Department; management of Information and Communication Technology (ICT) projects, operations and changes; information integrity and security; and business continuity management.

The Technology and Systems Department and, specifically, the Technological Services Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, ensuring compliance with legislation and legally required security measures. The Information Security Management and Control Unit is responsible for proposing information security measures and a policy for applying and maintaining proactive contact with the sector to obtain sufficient information regarding technological advances and regulatory compliance in the area of Information Systems Security and their application to Ibercaja Group.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has defined global policies and procedures that are uniform regarding the required security in the information systems involved in the preparation of financial information, including physical and logical security, data processing security and end user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated financial statements that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

The policy currently includes supervision and review procedures for both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out thus specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.

- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship

- Supervision and review of the information generated or the service provided:

  - For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases in which the relevance of the externalized service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.

  - For measurements prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

In 2020 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

- The actuarial calculation of commitments assumed with employees.

- The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.

- Certain tax and legal advisory services.

- Measurement of the Ibercaja Group.

F.4 Information and communications

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The Corporate Information and Management Analysis Department, through the General Accounting Unit, the Control Department is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office and Control Department (Legislation Compliance Department) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

Furthermore, Ibercaja does not have a single Accounting Policies Manual, but its accounting policies as a whole consist of the International Financial Reporting Standards (IFRS), the Bank of Spain Circular (Circular 4/2017), the policies whose implementation is required by current regulations, as well as the specific policies prepared by the Bank. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to Head of General Accounting. However, in the context of updating the general framework of the IFRS that has been carried out during 2019 and 2020, work has begun on developing an Accounting Policy Manual, which is expected to be approved by the Board of Directors during the first half of 2021.

The Corporate Information and Management Analysis Department is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralised manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information. It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated financial statements that are reported together with other financial information published in the market. The Corporate Information and Management Analysis Department is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own financial statements, always using the guidelines of the Corporate Information and Management Analysis Department.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonize and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5 System monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The monitoring activities undertaken by the Audit Committee and whether the Entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The internal audit function is the responsibility of Ibercaja Banco's Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Audit of the Distribution Network, Credit Risk Audit, Internal Models and Systems Audit, Financial Audit and Technical and Quality Supervision.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2020 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the IFRCS is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialised Unit during the year, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management, through the Internal Audit Committee, on the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is critical to the supervision of the IFRCS.

Among the actions carried out within the Internal Audit Annual Operational Plan for 2020, the audit of the Consolidated Financial Statements Preparation Process and the audit of the Own Resources Requirements and Computation Process should be highlighted. The reviews that are carried out may result in audit recommendations that are prioritised in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2. Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards - TAS), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed? State also whether the entity has an action plan to correct or mitigate the weaknesses found.

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least quarterly, at which time any significant weakness that may have been detected can be reported. Any action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline. The Internal Audit Department periodically informs the Audit and Compliance Committee of the action plans communicated by the audited areas and their follow-up.

F.6 Other relevant information

Nothing of note.

F.7 External auditor´s report.

Report from:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Group has submitted information regarding the “Financial Reporting Internal Control Systems” to the external auditor for review and is set out in section F of the ACGR for 2020. The scope of the auditor’s review is in line with Circular E 14/2013 issued by the Audit Institute of Spain on 19 July 2013.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

Ibercaja Banco, S.A. and subsidiaries

Independent Verification Report
on the Consolidated Non-Financial Information Statement
31st December 2020

A free translation from the original in Spanish

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders of Ibercaja Banco, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31st December 2020 of Ibercaja Banco, S.A. (the Parent company) and subsidiaries (hereinafter Ibercaja Banco or the Group) which forms part of the accompanying Group's Consolidated Management Report.

The content of the Consolidated Management Report includes additional information to that required by the current mercantile legislation related to non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in tables 'Requirements of Law 11/2018 on non-financial information and diversity' and 'GRI Content Index' included in the accompanying Consolidated Management Report.

Responsibility of the Board of Directors of the Parent company

The preparation of the NFIS included in the Consolidated Management Report of Ibercaja Banco and the content thereof are the responsibility of the Board of Directors of Ibercaja Banco, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) in accordance with Core option in line with the details provided for each matter in tables 'Requirements of Law 11/2018 on non-financial information and diversity' and 'GRI Content Index' of the aforementioned Consolidated Management Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of any immaterial misstatement due to fraud or error.

The directors of Ibercaja Banco, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial information statement issued by the Spanish Institute of Auditors ('Instituto de Censores Jurados de Cuentas de España').

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several units of Ibercaja Banco that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the Ibercaja Banco's personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2020, based on the materiality analysis carried by Ibercaja Banco and described in section 'Keys to this document', considering the content required under current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in the NFIS for 2020.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.

- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the Group's sources of information.

- Obtainment of a management representation letter from the directors and the management of the Parent company.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS for 2020 of Ibercaja Banco for the year ended 31st December 2020 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and the GRI Standards in accordance with Exhaustive option in line with the details provided for each matter in tables 'Requirements of Law 11/2018 on non-financial information and diversity' and 'GRI Content Index' of the aforementioned Consolidated Management Report.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Margarita de Rosselló Carril

March 3rd, 2021

Ibercaja Banco, S.A.
and subsidiaries
(Grupo Ibercaja Banco)

Auditor's report
on the consolidated annual accounts
and the consolidated Directors' report
December 31, 2019

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Ibercaja Banco, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Ibercaja Banco, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2019, and the income statement, the statement of recognised income and expense, the statement of changes in total equity, the statement of cash flows and the related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis of opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated annual accounts section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

<table>
<tr><th>Key Audit matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment of financial assets for credit risk and foreclosed assets

The estimation of the impairment of financial assets for credit risk and foreclosed assets is one of the most significant and complex estimates in the preparation of the consolidated annual accounts, therefore we consider this estimation as a key audit matter. This impairment is based on individual and collective estimations, using different Group models. Mentioned estimations are included within the International Financial Reporting Standards 9 (IFRS 9) and considers elements such as:

- The classification of the different credit portfolios by their risk and asset type.
- The identification and classification by stages of the impaired assets and the assets with a significant increase in credit risk (SICR).
- The use of assumptions such as macroeconomic scenarios, useful life and segmentation criteria.
- The ddevelopment of parameters for these models such as the probabilities of default (PD) and the loss given default (LGD).
- The value of the collaterals and personal guarantees that are considered effective. The Group has developed internal methodologies to estimate the recoverable value of those collaterals based on haircuts according to their own sale experience on similar assets. The Group also uses information provided by external valuation experts.
- Regular retrospective testing (back-testing and monitoring) on the different parameters included within the model are performed.

The Group, regularly, performs adjustments on its models in order to optimise the estimates, updating, when needed, the data or the algorythms used.

The impairment of the foreclosed assets possess by the Group on the execution of the guarantee is consistent with the criteria used to determine the value of the collaterals.

</td><td>

Our work over the estimation of the impairment of financial assets for credit risk has focused on the analysis and assessment of the internal control, as well as the performance of tests of details over credit risk provisions estimated collectively and individually.

With respect to internal control, we have focused on the following procedures:

- Verify that the internal policies, the procedures and the internal model comply with the regulation applicable requirements.
- Review of the periodic assessment of credit files and follow-up alerts designed by the Group to check the classification and the impairment.

In addition, we performed the following tests of details:

- Tests of principal models with respect to: i) calculation and segmentation methods; ii) methodology utilized for the estimation of the expected loss parameters; iii) methodology used for the generation of the macroeconomic scenarios; iv) information used in the calculation and generation; v) criteria for significant increase in credit risk and loan staging classification; and vi) restrospective methodologies for the most relevant parameters .
- Review of the impairment calculations for the main portfolios.
- Review the foreclosed assets model and the impairment related to them.
- Review, on a sample basis, individual credit files to test its classification and booking, its cash flows discounts and the impairment related to them.

Regarding the assets portfolio sales, we have performed the following procedures:

- Obtained and analysed the evidence for the sale agreements .
- Verify the control transfer requirements referred to the financial assets and consequently, its derecognition from the consolidated balance sheet.

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</table>

Key Audit matters	How our audit addressed the key audit matter
On 27 June 2019 and 24 December 2019, Ibercaja Banco, S.A. sold two portfolios of assets, mostlynon performing ones assets. The loss is registered within the Financial Statement line "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net" of the consolidated income statement (Note 11.4). Refer to notes 2.3 and 11.4 of the consolidated annual accounts as of December 31, 2019.	• Check the estimated results from the operation and booked within the consolidated annual accounts. We have not identified exceptions outside of a reasonable range in the tests outlined above.
Goodwill impairment test	
On annual basis or when there is any evidence of impairment, the Group performs an evaluation to determine if an impairment of the Goodwill exists. In connection with the consolidated annual accounts, the Group's Management assesses the existence of evidence of impairment in the Cash Generating Unit (CGU) since the previous year-end close. This goodwill is related to one CGU, agreeing with the total consolidated balance sheet, using for the estimation the discounted potencial dividends derived from the business projections. These estimations are inherently uncertain and include a high level of judgement as they are based on aspects such as macroeconomic evolution and key hypothesis (credit growth, customer deposits, interest rates, capital requirements, etc..) which determined the cash flows, the discount rates and the long term growth rates used. These estimations are sensitive to variables and assumptions used, which based on their own nature are subject to the risk of material misstatement when being valued. Due to the high level of estimation, we consider this impairment as a key audit matter Refer to note 2.16.1 and 16.1 of the consolidated annual accounts as of December 31, 2019.	We have understood and analysed the estimation process carried by the Group, and performed the following: • Obtained the criteria to decide the Group CGU related to the goodwill. • Assess of the methodology used to estimate the goodwill impairment. Assess the annual valuation report from a third party used to perform the impairment testing. Additionally, we performed analisys of the budget for the main CGUs, considering the regulation, the market and the specific requirements by the sector. This analysis obtained to get comfort over the relevant hypothesis such as the growth rate, the discount rate and the impact of the deviations identified against the budget and the rates that allowed the Group to identify potential evidence of impairment. Finally, we have observed the annual accounts disclosures on this topic. As a result of the above procedures, we believe that the evaluation carried out by Management is reasonable and the estimations of key assumptions employed are not outside a reasonable range in the context of the consolidated annual accounts.

Key Audit matters	How our audit addressed the key audit matter
Legal, tax and regulatory provisions	
As a result of the Group´s ordinary course of its operations, it is party to a range of tax and legal proceedings, including administrative and regulatory. There are also situations that even though still not subject to any legal proceedings, are nevertheless required from the Group to recognise provisions; these include customer conduct related matters and the related compensation. These may include the cancellations from the regulatory organism of the "Floor clauses" or the application of the "Royal Decree 1/2017" to protects the customers regarding the aforementioned clause. These proceedings generally take a long period of time to run their course, giving rise to complex processes dictated by the applicable legislation prevailing in the various jurisdictions in which the Group operates. The Group's Management decide when to recognise a provision for these proceedings based on estimates made using reasonable calculation procedures that are consistent with the uncertainty intrinsic to the obligations they cover. Litigations is one of the estimation areas that requires more judgement, therefore, we consider it as a key audit matter. Refer to note 21 of consolidated annual accounts.	We have obtained our understanding and evaluated the estimation process of the litigation, legal, tax and regulatory provisions performed by the Group and the analysis of the internal control on the mentioned process including the following: • Understanding the process of update of the databases that contain the ongoing litigation and provision needs based on the accounting standards. • Analysis of the main claims, both individually and collectively ones. • Obtaining confirmation letters from Group´s legal department to agree their evaluation with the litigations, provisions and possible unrecorded liabilities. • Follow-up the open inspections using the help of our internal tax and legal experts and evaluation of the final results for the more significant tax open procedures and possible contingencies related to the open to inspection years. • Provisions booking, estimation and movement analysis. Specifically, for the claims and conduct matters related to the "Floor clauses", our procedures focused on: • Understanding the internal control related to the provision to compensate the customers calculations. • Evaluation of the methodology and hypothesis used by the Group, and verify that they are aligned with the ones used in the market. • Sensitivity analysis over the models due to possible deviations on the main assumptions. As result of the work mentioned above, we consider that the judgements and assumptions made by the Group are reasonable based on the available information.

Key Audit matters	How our audit addressed the key audit matter
Valuation of the liabilities related to life insurance contracts The Group operates in the life insurance business offering saving, life insurance and unit linked products. In relation to the life savings insurance products, the Group registers the liabilities related to these contracts in accordance with the Spanish regulation which includes a certain amount of judgement from Group management in the calculation of the mathematical provision. The Group's calculation of mathematical provision is determined by the methodology used and certain critical assumptions made my management which include the determination of the discount rates, future expense assumptions or mortality tables. Due to aforementioned factors included in this estimate, consider mathematical provision as a key audit matter. Refer to note 20 of consolidated annual accounts.	We have obtained an understanding of the processes and registration related to the valuation and account the liabilities for the life insurance contracts included within the mathematical provision. Additionally, we evaluated the internal control environment, including the related IT controls. In collaboration with the Actuarial experts, we have performed determined procedures focused on the following: • Understanding and assessing the methodologies used in the calculation of the mathematical provision for life insurance liabilities, as well as validating consistency year on year • Validation of the appropriate accounting of the life insurance contracts, including the validation of the movements and payments made during the year. • Corroborate the completeness and accuracy of the Actuarial Data used for the calculations. • Recalculation of the mathematical provision for a sample of policies and validating the biometrical assumptions as per current regulation. • Validation of the immunization exercise performed by Management for a sample of groups of policies • Validation of the adequacy of future expenses assumptions. As result of the procedures described above, we consider that the calculations performed by Management related to the mathematical provision for life insurance products are within a reasonable range in the context of the consolidated annual accounts.

Key Audit matters	How our audit addressed the key audit matter
Risk related to IT systems The Group, as per its nature and specifically in the accounting and financial information generating process is dependent of the IT systems. This occurs both because of the platform that runs the majority of the Group´s activity and the personnel that managed it. Therefore, an adequate control over them is relevant to ensure the right recording and flow of information. In addition, as the IT systems become with more complex systems, some functions are externalised, the risks related to the IT systems and the information that runs on them increases. In this context, it is vital to evaluate aspects such as the organisation of the Group's technology and Operations department, controls over software maintenance and development, physical and logical security controls, and controls over computer operations. Therefore, the assessment of risk related to IT systems and the internal control environment are a key audit matter.	We have assessed, in collaboration with our IT system specialists, the internal controls over the IT systems, databases and applications that support the core business activity and have an impact on the Group's financial reporting. For the relevant IT systems related to the financial reporting process, we have performed the following procedures: • Testing the Group internal controls for the development and maintenance of the systems trying to minimize the risk on the program changes. • Check the authorisation access and application limits procedures. On those where can be found some weakness over the access control we identified compensating controls either in the IT or business department. We performed the following procedures: • Obtained comfort over the compensating controls that allow to detect problems in the completeness and accuracy of the information. • On those situations where compensating controls has been implemented, we have increased samples in the test of details performed to verify them. As result of our procedures and testings mentioned above, we have not found any relevant issue affecting the consolidated annual accounts.

Other information: Consolidated director's report

Other information comprises only the consolidated Directors' report for the 2019 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated Directors' report. Our responsibility regarding the information contained in the consolidated Directors' report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

a) A specific level applicable to the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the consolidated Directors' report or, if appropriate, that the consolidated Directors' report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the consolidated Directors' report that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated Directors' report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the information mentioned in paragraph a) above has been provided in the consolidated Directors' report and that the rest of the information contained in the consolidated Directors' report is consistent with that contained in the consolidated annual accounts for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated March 2, 2020.

Appointment period

The General Ordinary Shareholders' Meeting held on April 10, 2018 appointed us as auditors of the Group for a period of three years, from the year ended December 31, 2018.

Previously, we were appointed by resolution of the General Shareholders' Meeting and we have audited the accounts continuously since the year ended December 31, 1989.

Services provided

PricewaterhouseCoopers Auditores, S.L. has provided to the Group, services different to the audit ones, including the issuance of *comfort letters*, assurance services and other regulatory reviews required to the auditor.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Julián González Gómez (20179)

March 2, 2020

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at 31 December 2019 and consolidated directors' report for 2019

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

At its meeting on 28 February 2020 in Zaragoza, pursuant to the prevailing legislation, the Board of Directors of Ibercaja Banco, S.A. resolved to authorise for issue the 2019 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to III) and the 2019 consolidated directors' report, which were set forth on official stamped paper and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2019 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial position, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2019 consolidated directors' report presents fairly the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

SIGNATORIES:

MR JOSÉ LUIS AGUIRRE LOASO
Tax ID No.: 17,109,813-K
Chairman

MR JESÚS BUENO ARRESE
Tax ID No.: 17,841,677-W
First Deputy Chairman

MR VÍCTOR IGLESIAS RUIZ
Tax ID No.: 25,143,242-X
CEO

Ms GABRIELA GONZÁLEZ-BUENO LILLO
Tax ID No.: 50,264,111-A
Director

MR JESÚS SOLCHAGA LOITEGUI
Tax ID No.: 17,085,671-Y
Member

MR EMILIO JIMÉNEZ LABRADOR
Tax ID No.: 8,792,511-W
Member

MR VICENTE CÓNDOR LÓPEZ
Tax ID No.: 17,187,842-B
Director

MR FÉLIX LONGÁS LAFUENTE
Tax ID No.: 17,140,782-D
Director

MR JESÚS TEJEL GIMÉNEZ
Tax ID No.: 17,144,682-E
Member

MR ENRIQUE ARRUFAT GUERRA
Tax ID No.: 17,852,947-W
Member

Ms MARÍA PILAR SEGURA BAS
Tax ID No.: 17,856,825-Q
Member

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at
31 December 2019

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

ASSETS	Note	31/12/2019	31/12/2018 (*)
Cash and cash balances at central banks and other demand deposits	**6**	**3,929,202**	**1,118,206**
Financial assets held for trading	**7**	**8,963**	**7,411**
Derivatives		8,963	7,411
Debt securities		-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**8**	**375,885**	**141,315**
Equity instruments		284,905	38,852
Debt securities		78,783	82,733
Loans and advances		12,197	19,730
Customers		*12,197*	*19,730*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**9**	**8,939**	**9,575**
Debt securities		8,939	9,575
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**8,086,430**	**8,754,640**
Equity instruments		397,831	340,000
Debt securities		7,688,599	8,414,640
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*461,199*	*1,060,771*
Financial assets at amortised cost	**11**	**39,768,768**	**39,378,416**
Debt securities		7,218,228	6,544,456
Loans and advances		32,550,540	32,833,960
Credit institutions		*643,792*	*248,856*
Customers		*31,906,748*	*32,585,104*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		4,924,586	*5,603,706*
Derivatives - Hedge accounting	**12.1**	**137,210**	**161,371**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**-**	**-**
Investments in joint ventures and associates	**13**	**109,815**	**126,235**
Joint ventures		28,161	28,462
Associates		81,654	97,773
Assets under insurance or reinsurance contracts	**14**	**539**	**719**
Tangible assets	**15**	**983,710**	**941,991**
Property, plant and equipment		719,045	637,704
For own use		*645,064*	*592,611*
Assigned under operating lease		*73,981*	*45,093*
Investment property		264,665	304,287
of which: assigned under operating lease		*53,796*	*100,701*
Memorandum items: acquired under finance lease		-	-
Intangible assets	**16**	**212,673**	**203,877**
Goodwill		144,934	144,934
Other intangible assets		67,739	58,943
Tax assets	**25**	**1,339,805**	**1,383,560**
Current tax assets		13,097	18,467
Deferred tax assets		1,326,708	1,365,093
Other assets	**17**	**192,867**	**189,833**
Inventories		135,284	152,397
Other assets		57,583	37,436
Non-current assets and disposal groups classified as held for sale	**18**	**267,209**	**288,590**
TOTAL ASSETS		**55,422,015**	**52,705,739**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

LIABILITIES	Note	31/12/2019	31/12/2018 (*)
Financial liabilities held for trading	**7**	**9,469**	**8,691**
Derivatives		9,469	8,691
Financial liabilities at fair value through profit or loss		**-**	**-**
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	**19**	**43,448,320**	**41,141,636**
Deposits		40,857,849	38,658,120
Central banks		*1,628,990*	*3,341,085*
Credit institutions		*4,304,232*	*1,236,219*
Customers		*34,924,627*	*34,080,816*
Debt securities issued		1,480,421	1,640,432
Other financial liabilities		1,110,050	843,084
Memorandum items: subordinated liabilities		*508,997*	*586,614*
Derivatives - Hedge accounting	**12.1**	**233,888**	**155,200**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**12.2**	**37,617**	**24,961**
Liabilities under insurance or reinsurance contracts	**20**	**7,784,537**	**7,514,769**
Provisions	**21**	**315,695**	**348,811**
Pensions and other post-employment defined benefit obligations		123,610	124,265
Other long-term employee remuneration		466	1,931
Lawsuits and litigation for outstanding taxes		7,930	9,027
Commitments and guarantees given		22,515	33,465
Other provisions		161,174	180,123
Tax liabilities		**178,164**	**181,263**
Current tax liabilities		1,551	2,295
Deferred tax liabilities	25.4	176,613	178,968
Other liabilities	**22**	**173,228**	**170,181**
Liabilities within disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**52,180,918**	**49,545,512**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

EQUITY	Note	31/12/2019	31/12/2018 (*)
Shareholders' equity	**23**	**3,139,017**	**3,091,665**
Capital		214,428	2,144,276
Paid-in capital		*214,428*	*2,144,276*
Called-up capital		-	-
Memorandum items: uncalled capital		-	-
Share premium		-	-
Equity instruments issued other than capital		350,000	350,000
Equity component of compound financial instruments		-	-
Other equity instruments issued		*350,000*	*350,000*
Other equity items		-	-
Retained earnings		545,893	521,762
Revaluation reserves		3,305	3,313
Other reserves		1,941,402	31,510
Accumulated reserves or losses on investments in jointly-controlled entities and associates		*(43,089)*	*(44,004)*
Other		*1,984,491*	*75,514*
(Treasury shares)		-	-
Profit attributable to owners of the parent		83,989	40,804
(Interim dividends)		-	-
Other accumulated comprehensive income		**102,080**	**68,562**
Items that will not be reclassified to profit or loss		48,162	18,464
Actuarial gains/(losses) on defined benefit pension plans	*24.1*	*(24,286)*	*(17,367)*
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*24.3*	*72,448*	*35,831*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Items that may be reclassified to profit or loss		53,918	50,098
Hedges of net investment in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*24.2*	*8,524*	*9,288*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*24.3*	*45,509*	*40,200*
Hedging instruments (undesignated items)			
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised at joint ventures and associates		*(115)*	*610*
Non-controlling interests	**23.2**	**-**	**-**
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,241,097**	**3,160,227**
TOTAL EQUITY AND LIABILITIES		**55,422,015**	**52,705,739**
Memorandum items: off-balance sheet exposures			
Loan commitments given	**27.3**	**2,966,973**	**2,970,560**
Financial guarantees granted	**27.1**	**76,204**	**79,289**
Other commitments given		**856,027**	**908,335**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Note	2019	2018 (*)
Interest income	**28**	**663,561**	**660,894**
Financial assets at fair value through other comprehensive income		131,258	146,763
Financial assets at amortised cost		536,531	530,121
Other		(4,228)	(15,990)
(Interest expense)	**29**	**116,315**	**88,743**
(Expenses on share capital repayable on demand)		**-**	**-**
NET INTEREST INCOME		**547,246**	**572,151**
Dividend income	**30**	**12,652**	**11,487**
Share of profit of entities accounted for using the equity method	**31**	**431**	**(642)**
Fee and commission income	**32**	**412,375**	**391,622**
(Fee and commission expenses)	**33**	**18,636**	**16,707**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**34**	**8,261**	**42,802**
Financial assets at amortised cost		(23,757)	1,542
Remaining financial assets and liabilities		32,018	41,260
Net gains or (-) losses on financial assets and liabilities held for trading	**34**	**1,220**	**404**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		1,220	404
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**34**	**(3,718)**	**(885)**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		(3,718)	(885)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	**34**	**747**	**792**
Net gains or (-) losses from hedge accounting	**34**	**567**	**511**
Net exchange differences	**35**	**1,104**	**646**
Other operating income	**36**	**37,073**	**42,399**
(Other operating expenses)	**37**	**72,473**	**77,567**
Income from assets covered by insurance and reinsurance contracts	**20.2**	**940,528**	**1,327,536**
(Liability expenses covered by insurance or reinsurance contracts)	**20.2**	**940,798**	**1,327,955**
GROSS INCOME		**926,579**	**966,594**
(Administration expenses)		**532,859**	**617,556**
(Staff expenses)	38	360,944	419,505
(Other administration expenses)	39	171,915	198,051
(Amortisation and depreciation)	**15, 16**	**67,228**	**51,291**
(Provisions or (-) reversal of provisions)	**21**	**37,330**	**(32,870)**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)		**124,637**	**154,724**
(Financial assets at fair value through other comprehensive income)	10	(1,242)	3,895
(Financial assets at amortised cost)	11.5	125,879	150,829
(Impairment or (-) reversal of impairment on investments in joint businesses or associates)		**-**	**-**
(Impairment or (-) reversal of impairment on non-financial assets)	**40**	**5,612**	**4,962**
(Tangible assets)		569	1,449
(Intangible assets)		-	673
(Other)		5,043	2,840
Gains/(losses) on derecognition of non-financial assets, net	**41**	**(6,544)**	**(19,201)**
Negative goodwill recognised in profit or loss		**-**	**-**
Gains (losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	**42**	**(23,732)**	**(70,900)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**128,637**	**80,830**
(Expense or (-) income from taxes on income from continuing operations)	**25**	**44,648**	**40,026**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**83,989**	**40,804**
Profit/(loss) after tax from discontinued activities		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**83,989**	**40,804**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		83,989	40,804

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated income statement for 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Note	2019	2018 (*)
PROFIT/(LOSS) FOR THE YEAR		**83,989**	**40,804**
OTHER COMPREHENSIVE INCOME	**24**	**31,813**	**(74,678)**
Items that will not be reclassified to profit or loss		**27,991**	**(42,506)**
Actuarial gains/(losses) on defined benefit pension plans		**(9,884)**	**(8,229)**
Non-current assets and disposal groups of items held for sale		-	-
Share in other income and expense recognised in joint ventures and and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		**42,816**	**(53,560)**
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Income tax relating to items not to be reclassified	25.4	(4,941)	19,283
Items that may be reclassified to profit or loss		**3,822**	**(32,172)**
Hedges of net investment in foreign operations (effective portion)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Currency translation		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Cash flow hedges (effective portion)		(1,091)	14,939
Valuation gains/(losses) taken to equity		*(1,091)*	*14,939*
Transferred to the income statement		-	-
Transferred to initial carrying amount of hedge items			
Other reclassifications		-	-
Hedging instruments (undesignated items)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Debt instruments at fair value through other comprehensive income		7,587	(62,270)
Valuation gains/(losses) taken to equity		*38,256*	*(22,771)*
Transferred to the income statement	*34*	*(30,669)*	*(39,499)*
Other reclassifications		-	-
Non-current assets and disposal groups of items held for sale		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Share in other income and expense recognised in joint ventures and associates		(725)	960
Income tax relating to items that may be reclassified to profit or loss	25.4	(1,949)	14,199
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**115,802**	**(33,874)**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		115,802	(33,874)

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of recognised income and expense at 31 December 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 24)	Other accumulated comprehensive income	Other items	Total (Note 23)
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**83,989**	**-**	**31,813**	**-**	**-**	**115,802**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**24,131**	**(8)**	**1,909,892**	**-**	**(40,804)**	**-**	**1,705**	**-**	**-**	**(34,932)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Capital reduction (Note 23)	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Transfers between equity components	-	-	-	-	41,631	(8)	(2,524)	-	(40,804)	-	1,705	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,432)	-	-	-	-	-	-	(17,432)
III. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (*)
(Thousands of euros)

												Non-controlling interests		
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity items**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(Treasury shares)**	**Attributable to owners of the parent (Note 4)**	**(Interim dividends)**	**Accumulated other comprehensive income (Note 24)**	**Other accumulated comprehensive income**	**Other items**	**Total (Note 23)**
I. Closing balance at 31/12/2017	**2,144,276**	**-**	**-**	**-**	**418,783**	**3,321**	**150,168**	**-**	**138,367**	**-**	**144,077**	**-**	**300**	**2,999,292**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(115,872)	-	-	-	(2,045)	-	-	(117,917)
II. Adjusted opening balance	**2,144,276**	**-**	**-**	**-**	**418,783**	**3,321**	**34,296**	**-**	**138,367**	**-**	**142,032**	**-**	**300**	**2,881,375**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,804**	**-**	**(74,678)**	**-**	**-**	**(33,874)**
Other changes in equity	**-**	**-**	**350,000**	**-**	**102,979**	**(8)**	**(2,786)**	**-**	**(138,367)**	**-**	**1,208**	**-**	**(300)**	**312,726**
Issuance of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	350,000	-	-	-	(2,940)	-	-	-	-	-	-	347,060
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	120,479	(8)	16,701	-	(138,367)	-	1,195	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	(300)	(300)
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(16,547)	-	-	-	13	-	-	(16,534)
III. Closing balance at 31/12/2019	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**

(*) Presented for comparison purposes only (Note 1.4).

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Thousands of euros)

	Note	2019	2018 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**2,916,558**	**(2,899,748)**
Profit/(loss) for the year	**23**	**83,989**	**40,804**
Adjustments to obtain cash flows from operating activities		**329,262**	**316,000**
Amortisation and depreciation	15 and 16	67,228	51,291
Other adjustments		262,034	264,709
Net increase/decrease in operating assets		**(322,634)**	**(2,671,039)**
Financial assets held for trading		(1,552)	1,961
Non-trading financial assets mandatorily measured at fair value through profit or loss		(234,570)	3,613
Financial assets at fair value through profit or loss		636	1,937
Financial assets at fair value through other comprehensive income		621,899	(335,698)
Financial assets at amortised cost		(740,435)	(2,438,856)
Other operating assets		31,388	96,004
Net increase/(decrease) in operating liabilities		**2,591,541**	**(451,573)**
Financial liabilities held for trading		778	1,390
Financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost		2,397,800	(1,030,134)
Other operating liabilities		192,963	577,171
Income tax credit/(payments)		**234,400**	**(133,940)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**22,854**	**260,804**
Payments		**(106,584)**	**(162,854)**
Tangible assets		(78,534)	(66,077)
Intangible assets		(23,427)	(19,216)
Investments in joint ventures and associates		(559)	(10,587)
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		(4,064)	(66,974)
Other payments related to investing activities		-	-
Receipts		**129,438**	**423,658**
Tangible assets		55,998	93,206
Intangible assets		424	-
Investments in joint ventures and associates		5,164	5,031
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		67,852	325,421
Other receipts related to investing activities		-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(119,801)**	**270,637**
Payments		**(119,801)**	**(75,164)**
Dividends	4	(17,500)	(17,500)
Subordinated liabilities	19.4	(77,801)	(45,414)
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities		(24,500)	(12,250)
Receipts		**-**	**345,801**
Subordinated liabilities		-	-
Issuance of own equity instruments		-	345,801
Disposal of own equity instruments		-	-
Other receipts related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**2,819,611**	**(2,368,307)**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD		**1,099,290**	**3,467,597**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**3,918,901**	**1,099,290**
MEMORANDUM ITEMS			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
of which: in the possession of Group companies but not drawable by the Group		-	-
Cash	6	227,234	212,847
Cash equivalents at central banks	6	3,444,265	675,568
Other financial assets	6 and 19.2	247,402	210,875
Less: bank overdrafts repayable on demand		-	-

(*) Presented for comparison purposes only (Note 1.4).

Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of cash flows at 31 December 2019.

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated financial statements for the
year ended 31 December 2019

Contents

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated financial statements for the
year ended 31 December 2019

1. Introduction, basis of presentation and other information

1.1 Introduction

Ibercaja Banco, S.A. (hereinafter, Ibercaja Banco, the Bank or the Company), is a credit institution, 87.8% owned by Fundación Bancaria Ibercaja (hereinafter, the Foundation), subject to the rules and regulations issued by the Spanish and European Union economic and monetary authorities.

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Zaragoza Companies Registry in volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also registered in the Bank of Spain Special Register under number 2085. Its corporate web page (electronic headquarters) is www.ibercaja.es, on which its bylaws and other public information can be viewed.

Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and which, together with it, make up the Ibercaja Banco Group (hereinafter, the "Group" or the Ibercaja Banco Group).

Likewise, the Foundation also prepares consolidated financial statements of the Group of which it is the parent (Ibercaja Group).

Note 45 contains the Bank's balance sheets, income statements, statements of recognised income and expense, statements of total changes in equity and statements of cash flows for the years ended 31 December 2019 and 2018, in accordance with the same accounting policies and measurement bases applied in the Group's consolidated financial statements.

1.2 Basis of presentation of the consolidated financial statements

The consolidated financial statements of the Ibercaja Banco Group for 2019 were authorised for issue by the Company's directors at its Board of Directors' meeting held on 28 February 2020, and have not yet been approved by its Annual General Meeting. However, the Bank's directors believe that they will be approved without any significant modifications. The Group's 2018 consolidated financial statements were approved at the Bank's Annual General Meeting held on 9 April 2019.

The consolidated financial statements have been prepared having regard to the applicable accounting principles, standards and measurement bases in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter EU-IFRS) and with Bank of Spain Circular 4/2017 of 27 November (hereinafter "Circular 4/2017") as amended, which replaced Circular 4/2004 of 22 December on 1 January 2018, so as to provide a true and fair view of the Group's equity and financial position at 31 December 2019, of the results of its consolidated operations and of the consolidated cash flows for the year then ended.

On 6 December 2017, Bank of Spain Circular 4/2017, of 27 November, was published in the Boletín Oficial del Estado [Official State Gazette], addressed to credit institutions, concerning the rules on public and confidential financial information and model financial statements. The purpose of the Circular, which came into force on 1 January 2018, is to adapt the accounting rules of Spanish credit institutions to the changes in European accounting rules arising from the adoption of IFRS 9 and IFRS 15.

The most significant accounting policies and measurement bases used in the preparation of the consolidated financial statements are summarised in Note 2:

These financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Company and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's financial statements for 2019, adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Company.

1.3 Estimates made

The consolidated financial statements corresponding to 2019 contained opinions and estimates have been made on certain occasions to quantify the value of certain assets, liabilities, revenues, expenses and obligations recorded therein. These estimates basically relate to:

- impairment losses on certain assets and the estimate of related security (Notes 10, 11, 13, 15 to 18), in particular as regards the changes arising from changes in portfolios as a result of specific business models, the consideration of the "significant increase in credit risk (SICR)" and "default", and the introduction of forward-looking information
- the assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees (Notes 2.13, 38.2 and 38.3), and those used to calculate liabilities arising under insurance contracts (Note 20),
- the measurement of goodwill and other intangible assets (Note 16).
- useful life of tangible and intangible assets (Notes 2.15 and 2.16),
- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events (Notes 2.20 and 21),
- the fair value of certain financial assets (Note 26),
- the income tax expense and the recoverability of deferred tax assets (Notes 2.14, 25.3 and 25.4),
- the valuation of investments in joint ventures and associates (Note 13),
- the determination of returns from investments in joint ventures and associates (Note 13) and
- the discount used in the measurement of the lease liability (see Note 1.11 "Standards and interpretations that entered into force in 2019" and Note 2.10).

Although these estimates were made on the basis of the best information available at 31 December 2019 on the events analysed, future events may require them to be modified in coming years, which would occur in accordance with prevailing regulations, with a prospective recognition of the effects of modified estimate in the consolidated financial statements for the years in question.

1.4 Comparative information relating to 2018

Under the regulations in force, the information contained in these consolidated financial statements for 2018 is presented exclusively for the purpose of comparison with the information for 2019, in order to aid understanding.

As permitted by legislation, the Group has opted not to restate the comparative information for 2018 by applying the classification and measurement criteria of IFRS 16 and, instead, to recognise at 1 January 2019 the cumulative impact arising from the entry into force of this standard in the Group's consolidated financial statements. This impact is disclosed in Note 1.11 Changes in accounting estimates and criteria.

1.5 Agency agreements

Neither at year-end 2019 and 2018 nor at any time during the two years did the Group have any "agency agreements" in force within the meaning of article 21 of Royal Decree 84/2015, of 13 February.

1.6 Investments in credit institutions

Pursuant to article 28 of Royal Decree 84/2015, neither at 31 December 2019 and 2018 nor at any time during the two years did the Group own direct or indirect equity interests in the capital of Spanish or foreign credit institutions exceeding 5% of the share capital or voting rights of such entities.

1.7 Capital management and requirements

1.7.1 Regulatory framework

In December 2010, the Basel Committee on Banking Supervision approved a new regulatory framework (Basel III), which increased the capital requirements with the best quality instruments, seeking consistency and a uniform application by entity and country. The new agreement improves the transparency and comparability of capital ratios and includes new prudential tools, in the area of liquidity and leverage.

The European Union transfers these agreements to its legal system (Basel III) through the Directive 2013/36/EU (CRD-IV) of the European Parliament and of the Council of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable since 1 January 2014.

In order to adapt the Spanish legal system to international regulatory requirements, Law 10/2014, of 26 June, was approved on the regulation, supervision and solvency of credit institutions, together with Royal Decree 84/2015, of 13 February, enacting the aforementioned law, continuing the transposition commenced by Royal Decree-Law 14/2013, of 29 November, and Bank of Spain Circulars 2/2014 and 3/2014, stipulating the regulatory options for the applicable requirements during the transition period.

In 2015, new regulations were published that complement the (EU) Regulation No. 575/2013 (CRR) on aspects relating to shareholders' equity, liquidity, the risks of Pillar I and capital requirements.

Also, in February 2016, Bank of Spain Circular 2/2016, of 2 February, was published for credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no. 575/2013.

In June 2019, the European govening bodies enacted the new capital regulatory framework, which modifies the previous one (CRR/CRD IV). The reform package included the adoption of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital preservation measures (hereinafter CRD V), and Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20 May 2019 amending Regulation (EU) 575/2013 as regards the leverage ratio, the net stable funding ratio, eligible capital and liability requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and Regulation (EU) 648/2012 ('CRR II').

The main novelty is the implementation of the TLAC Term Sheet established internationally by the FSB (Financial Stability Board) within the European capital framework, called MREL (Minimum Requirement for own funds and Eligible Liabilities) in such a way that systemic banks will have to comply with the MREL requirements in Pillar 1. Within this package of changes, the Resolution Directive (BRRD) is replaced by BRRD II, where MREL requirements are established by Pillar 2 for all banks in resolution, whether systemic or not, and the resolution authority sets requirements on a case-by-case basis.

The minimum requirements for own funds established by the prevailing regulations (Pillar I) are calculated based on the Group's exposure to credit, exchange rate, market and operational risks and risks of financial assets and liabilities held for trading. Also, the Group is subject to compliance with risk concentration limits.

1.7.2 Quantitative information

At 31 December 2019, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following table:

	2019	2018
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	2,498,314	2,495,554
Additional eligible equity tier 1 (thousands of euros) (b)	350,000	350,000
Eligible equity tier 2 (thousands of euros) (c)	482,800	487,640
Risks (thousands of euros) (d)	20,362,850	21,379,068
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	12.27%	11.67%
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.72%	1.64%
Tier 1 capital ratio (Tier 1) (A)+(B)	13.99%	13.31%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.37%	2.28%
Total capital ratio (A)+(B)+(C)	**16.36%**	**15.59%**

	2019	2018
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,848,314	2,845,554
Exposure (thousands of euros) (b)	48,684,555	47,133,663
Leverage ratio (a)/(b)	**5.85%**	**6.04%**

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET 1 ratio of 4.5%, Tier I of 6% and a total capital ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) has notified its decision with respect to the prudent minimum capital requirements for 2020 applicable to Ibercaja Banco, following the supervisory review and evaluation process (SREP).

The decision means that Ibercaja Banco must maintain a phased-in Common Equity Tier 1 (CET1) ratio of 9% and a total capital ratio of 12.50%. This total capital requirement includes the minimum required by Pillar 1 (4.5% of CET1 and 8% of total capital), the Pillar 2 requirement (2%) and the capital conservation buffer (2.5%).

At 31 December 2019, Ibercaja Banco's ratios on a consolidated basis, CET1 of 12.27% and total capital of 16.36%, were 3.27 and 3.86 points, respectively, above the regulatory requirements established for 2020. The total capital ratio includes the Bank's issue in April 2018 of preference shares for a nominal amount of €350 million carried out. The issue is eligible as Additional Tier 1 capital (AT1) (Note 23).

The reconciliation of accounting equity to regulatory equity is as follows:

	Thousands of euros	
	2019	2018
Share capital	*214,428*	*2,144,276*
Equity instruments issued other than capital	*350,000*	*350,000*
Retained earnings	*545,893*	*521,762*
Revaluation reserves	*3,305*	*3,313*
Other reserves	*1,941,402*	*31,510*
Profit/(loss) attributed to the parent	*83,989*	*40,804*
Shareholders’ equity in public balance sheet	3,139,017	3,091,665
Other accumulated comprehensive income	102,080	68,562
Non-controlling interests	-	-
Equity in public balance sheet	**3,241,097**	**3,160,227**
Intangible assets	*(221,292)*	*(212,496)*
Deferred tax assets	*(249,936)*	*(187,411)*
Ineligible valuation adjustments	-	-
Transitional adjustment for first-time application of IFRS9 9	*89,423*	*99,945*
Proposed distribution of dividends	*(17,500)*	*(17,500)*
Securitisations deduction	-	*(2,082)*
Equity instruments ineligible as CET1	*(350,000)*	*(350,000)*
Contingent convertible bonds	-	-
Differences in public equity for prudential purposes	*6,522*	*4,871*
Total adjustments and deductions	(742,783)	(664,673)
Total common equity tier 1 (CET1)	2,498,314	2,495,554
Equity instruments eligible as AT1	*350,000*	*350,000*
Other temporary adjustments for additional tier 1 capital	-	-
Total additional tier 1 capital (AT1)	350,000	350,000
Total tier 1 capital (T1)	2,848,314	2,845,554
Subordinated financing and other	482,800	487,640
Total tier 2 capital (T2)	482,800	487,640
Total eligible shareholders’ equity	**3,331,114**	**3,333,194**

Below are the details at 31 December 2019 and 2018 of the consolidable Group’s eligible own funds, indicating each of its components and deductions, broken down into common equity tier 1 instruments, additional tier 1 capital instruments and tier 2 capital instruments:

	Thousands of euros	
	2019	2018
TOTAL ELIGIBLE SHAREHOLDERS’ EQUITY	**3,331,114**	**3,333,194**
Tier 1 capital (T1)	**2,848,314**	**2,845,554**
Common equity tier 1 (CET1)	**2,498,314**	**2,495,554**
Equity instruments disbursed	214,428	2,144,276
Retained earnings and other reserves	2,487,289	553,812
Admissible results	66,489	23,304
Revaluation reserves	3,305	3,313
Common equity tier 1 instruments in previous system	-	-
Non-controlling interests	-	-
Valuation adjustments of financial assets at fair value through other comprehensive income	115,478	70,061
Actuarial losses and gains on defined benefit plans	(6,870)	2,832
Transitional adjustment for first-time application of IFRS9 9	89,423	99,945
Deductions of common equity tier 1 instruments (CET 1)	(471,228)	(401,989)
Securitisations	-	*(2,082)*
Intangible assets	*(221,292)*	*(212,496)*
Deferred tax assets dependent on future earnings	*(249,936)*	*(187,411)*
Additional tier 1 capital (AT1)	**350,000**	**350,000**
Additional tier 1 capital instruments in previous system	350,000	350,000
Deductions of additional tier 1 capital instruments (AT 1)	-	-
Tier 2 capital (T2)	**482,800**	**487,640**
Subordinated financing, subordinated loans and others	482,800	487,640

Both this information and further details on regulatory capital and risk-weighted assets can be found in the Prudential Relevance Report (Pillar III Disclosures) published on the Company’s website.

1.7.3 *Capital management*

The objective of Basel's Pilar II is to ensure an adequate relationship between the Group's risk profile and the own funds that it effectively holds. Accordingly, the Group performs a recurring capital self-assessment process in which:

- it applies processes for the identification, measurement and aggregation of risks;
- it determines the capital needed to cover them; in addition to the minimum own funds, it maintains a level in keeping with the risks inherent in its activity, in the economic climate in which it operates, in the management and control of such risks, in its governance and internal audit systems and in its strategic business plan;
- it plans capital at medium term; and
- It establishes the own funds objectives.

The Group sets a capital objective enabling it to permanently maintain sufficient means regarding prudential minimum requirements and capital guidelines, ensuring an adequate relationship between its risk profile and its own funds.

The Group's total capital needs were estimated through the aggregation of capital requirements associated with each risk.

In order to adequately plan the Group's future capital requirements, it forecast capital sources and consumption on the basis of business performance and expected results over a three-year period.

Likewise, the Group estimates projected capital levels in line with stress scenarios.

1.7.4 *Information of Prudential Relevance*

In order to comply with market disclosure requirements, the Board of Directors approved the information of prudential relevance disclosure policy (Basel Pillar III); consequently, the Ibercaja Group will make such information public on its web page prior to the publication and approval of the 2019 consolidated financial statements.

1.7.5 *Credit ratings granted*

The credit ratings granted to Ibercaja Banco, S.A. are as follows:

	Date		Short-term		Long-term		Outlook	
Company	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Standard&Poors	May 2019	May 2018	B	B	BB+	BB+	Stable	Positive
Moody's	March 2019	November 2018	NP	NP	Ba3	Ba3	Positive	Stable
Fitch Ratings	March 2019	May 2018	B	B	BB+	BB+	Positive	Positive

1.7.6 *Stock market launch*

The Company maintains its plans for going public on the stock exchange within the period established by current regulations, before the end of 2020. To prepare for this process, begun in 2018, the Company has engaged an institution with significant and successful experience in the execution of these projects as an independent financial advisor.

1.8 Single Resolution Fund and Deposit Insurance Fund

1.8.1 *Single Resolution Fund*

Law 11/2015, of 18 June, together with its regulatory enactment through Royal Decree 1012/2015, led to the transposition into Spanish law of Directive 2014/59/EU, establishing the new framework for the resolution of credit institutions and investment services companies, and regulated the creation of the National Resolution Fund.

As part of the enactment of such regulation, on 1 January 2016, the Single Resolution Fund entered into force, which was established as a financing instrument for the Single Resolution Board, which is the European authority that will take resolution decisions to effectively implement the resolution measures adopted. The Single Resolution Fund will be maintained with the contributions made by investment services companies and credit institutions availing themselves of such Fund.

Under Regulation (EU) 2015/63, the calculation of the contribution of each entity will take into account the proportion that it represents with respect to the total aggregate of total liabilities of all banks included, net of own funds and the guaranteed amount of the deposits, adjusted with the Company's risk profile.

In 2019, the expense incurred as a result of the contribution to this body was 10,350 thousand euros (11,538 thousand euros in 2018; Note 37).

1.8.2 Deposit Guarantee Fund

The Company is a member of the Deposit Guarantee Fund of Credit Institutions.

Royal Decree-Law 2606/1996, of 20 December, amended by Royal Decree 1012/2015, of 6 November, stipulates that the Management Committee of the Deposit Guarantee Fund will calculate the annual contributions of the companies included in the Deposit Guarantee Fund for Credit Institutions.

In 2019, the Management Committee of the Deposit Guarantee Fund for credit institutions, pursuant to article 6 of Royal Decree-Law 16/2011 and article 3 of Royal Decree 2606/1996, set the contribution to be made for all members of the deposit guarantee compartment at 1.8/1000 of the amount of the deposits guaranteed at 30 June 2019. The contribution of each entity will be calculated on the basis of the amount of the deposits guaranteed and of its risk profile, taking into consideration indicators such as capital adequacy and the rating of assets and liabilities, which have been developed by the Bank of Spain Circular 5/2016, of 27 May, amended by Circular 1/2018 of 31 January. Likewise, the contribution to the securities guarantee compartment was set at 2/1000 of 5% of the guaranteed amount of the securities and other financial instruments at 31 December 2019.

The expense for ordinary contributions referred to in the preceding paragraph accrue in full at year end, accordingly, at that time, the balance sheet included the liability for the contribution paid in the first quarter of the subsequent year (41,486 thousand euros and 39,704 thousand euros at 31 December 2019 and 2018, respectively; Note 22).

On 30 July 2012, the Management Committee of the Deposit Guarantee Fund agreed to cover an extraordinary shortfall between Fund members, to be paid by each entity through ten equal annual instalments. The amount of the shortfall corresponding to the Bank is 81,460 thousand euros (ten annual instalments of 8,146 thousand euros each).

In 2019, the expense incurred as a result of all contributions made to this body was 49,247 thousand euros (47,680 thousand euros in 2018). This amount was recognised under "Other operating expenses" (48,520 thousand euros and 46,738 thousand euros in 2019 and 2018, respectively; Note 37) and "Interest costs" (727 thousand euros and 943 thousand euros in 2019 and 2018, respectively; Note 29).

1.9 Minimum reserve ratio

At 31 December 2019, and throughout 2019, the Company complied with the minimums required by the minimum reserve ratio. In compliance with the legal obligations prescribed by the European Central Bank, the daily average of the minimum reserves to be held at 31 December 2019 amounted to 319,247 thousand euros (306,044 thousand euros at 31 December 2018).

1.10 Events after the reporting period

On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback offer in cash to all holders of the subordinated obligations issue called "500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". Following this offer, Ibercaja accepted the purchase of Notes for a nominal amount of 281,900 thousand euros, which was settled on 23 January 2020.

On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an issue of subordinated obligations with a par value of 500 million euros and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2,882%. The disbursement and closure of this issue took place on 23 January 2020.

The new bonds shall qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

On 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"), which represents 4.45% of the share capital and voting rights of this company, for approximately 51 million euros.

The positive impact of this sale on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio is estimated at approximately 22 basis points.

After the formalisation of the aforementioned purchase-sale, Ibercaja will maintain a 9.5% shareholding in Caser and will also enter into with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.), an agreement for a modifying novation of its non-life insurance distribution contract once the purchase-sale described in the purchase-sale agreement has been formalised.

This novation will mean for Ibercaja, in addition to the maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities, plus additional charges for a share in the business results of up to 50 million euros over the next 10 years.

The effectiveness of the aforementioned purchase-sale is subject to obtaining the appropriate regulatory and competition authority authorisations.

On 23 January 2020, the Board of Directors of Ibercaja Banco, S.A. authorised the commencement of talks to reach an agreement with the trade union representatives in relation to the employee termination proposal. Prior to the formal commencement of this process, and in accordance with the Collective Bargaining Agreement for Savings Banks and Financial Institutions, a period of prior negotiation, limited in time, must be initiated with the workers' representatives once the committee representing them has been set up. This negotiation period began on 12 February 2020.

1.11 Changes in accounting estimates and criteria

In 2019, amendments were made to the accounting regulations applicable to the Group with respect to those applied in the previous period. The changes considered to be most important are listed below.

The mandatory standards, amendments and interpretations for the years commencing on 1 January 2019 were as follows:

Standards and Interpretations	**Title**
IFRS 16	Leases
Amendment to IFRS 9	Prepayment features with negative compensation
IFRIC 23	Uncertainty over company tax treatment
Amendment to IAS 28	Long-term interests in associates and joint ventures
Amendment to IAS 19	Plan amendment, curtailment or settlement
Annual improvements to IFRS	Cycle 2015-2017

Adoption of IFRS 16 "Leases".

On 1 January 2019, IFRS 16 "Leases" entered into force which replaced IAS 17 "Leases", and has brought about a change in all accounting requirements for the recognition, measurement, presentation and disclosure of leases in order to ensure that both lessee and lessor provide relevant information that presents a true and fair view of these transactions. The Group has adopted the amended standard retrospectively since 1 January 2019, without restating the comparative financial statements for 2018, as permitted under the specific transitional provisions of the standard.

The adoption of IFRS 16 has led to changes in the Group's accounting policies for the recognition, measurement, presentation and disclosure of leases (see Note 2.10).

With the adoption of IFRS 16, the Group recognised lease liabilities for leases that had previously been classified as "operating leases" under the principles of IAS 17 Leases, in force at 31 December 2018. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessee on 1 January 2019. At that date of first application, the weighted average discount rate was 2.54%.

The reconciliation between operating lease commitments at 31 December 2018 and lease liabilities at 1 January 2019 is shown below:

	Thousands of euros
Operating lease commitments at 31 December 2018	**82,342**
Leases subject to the exemption rules recorded as a straight-line expense	(14,468)
Adjustments resulting from application of the estimated discount rate	(5,867)
Lease liabilities at 1 January 2019	**62,007**

As a result of the entry into force of IFRS 16, the impact of first-time application recognised by the Group relates mainly to the recognition of right-of-use assets amounting to 62 million euros and lease liabilities of the same amount. The first application of this rule had no impact on the Group's consolidated equity, although it reduced the common equity ratio (Tier 1 - CET 1) by 4 b.p.

Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

The terms of instruments with prepayment features with negative compensation, where the lender may be obliged to accept a prepaid amount that is substantially lower than the unpaid amounts of principal and interest, were incompatible with the notion of "reasonable additional compensation" as a result of the early termination of a contract under IFRS 9. Consequently, these instruments would not have contractual cash flows that were only constituted by payments of capital and interest, that led them to be recognised at fair value through profit or loss. The amendment of IFRS 9 clarifies that a party may pay or receive reasonable compensation when a contract is terminated early, enabling these instruments to be measured at amortised cost or at fair value through other comprehensive income.

IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation provides requirements in addition to those of IAS 12 "Income Taxes", specifying how to reflect the effects of the uncertainty in the recognition of income tax. This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when uncertainty exists regarding its accounting treatment.

IAS 28 (Amendment) "Long-term interests in associates and joint ventures"

This limited amendment of scope clarifies that the long-term interests in an associate or joint venture that substantially form part of the net investment of an associate or joint venture, but which are not accounted for using the equity method, are recognised in line with IFRS 9 "Financial instruments". Likewise, the IASB has published an example of how the requirements of IAS 28 and IFRS 9 must be applied with respect to these long-term interests.

Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement".

This amendment to IAS 19 requires an entity to use current actuarial assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement, with recognition in profit or loss as part of past service cost, or as a gain or loss on settlement, or any curtailment in a surplus, even if that surplus was not previously recognised because of the impact of the asset limit.

Cycle 2015-2017

These improvements introduce minor amendments to IAS 12 "Income Taxes", IAS 23 "Borrowing Costs", IFRS 3 "Business combinations" and IFRS 11 "Joint arrangements".

Application of these modifications of accounting standards and interpretations has not had a material effect on the Group's consolidated financial statements.

At the date of authorisation for issue of these consolidated financial statements, following are the main standards, amendments and interpretations issued by the IASB and by the IFRS Interpretations Committee, but which have not yet entered into force, either because their effective date is subsequent to the date of these consolidated financial statements or because they have not yet been adopted by the European Union. The Group has assessed the impact arising from these standards, amendments and interpretations and has elected not to adopt them early:

Approved for use in the EU

Standards and Interpretations	**Title**
Amendment to IAS 1 and IAS 8 (*)	Definition of "material"
Amendment to IFRS (*)	Conceptual framework
Amendments to IFRS 9, IAS 39 and IFRS 7 (*) and (**)	Interest rate benchmark reform

(*) Applicable for financial years beginning on or after 1 January 2020.
(**) These amendments have been approved for application in the EU subsequent to the close of financial year 2019.

Amendments to IAS 1 and IAS 8 "Definition of Material".

These amendments clarify the definition of "material" by introducing, in addition to omitted or misstated items that may influence users' decisions, the concept of "obscuring" information. Such amendments make IFRS more consistent, but are not expected to have a significant impact on the preparation of financial statements.

The changes shall apply to financial years beginning on or after 1 January 2020, although early adoption is permitted.

Amendments to references to the IFRS Conceptual Framework

The Conceptual Framework sets out the fundamental concepts applied in implementation of new IFRS and helps to ensure they are consistent and that similar transactions are recognised in the same way in order to provide useful information to users. It also helps entities to develop their own accounting criteria when there are no fully implemented standards applicable to a particular transaction.

The revised Framework entered into force in March 2019 and, among other things, reintroduces the concept of prudence, modifies the definitions of assets and liabilities, introduces clarifications on the recognition and derecognition of assets and liabilities and on the basis of measurement of financial statement items, and places profit or loss as the key indicator of an entity's performance.

In addition, the IASB released the paper "Amendments to References to the Conceptual Framework in IFRS Standards", which updates the references included in various IFRS to the new Conceptual Framework. These amendments will apply from 1 January 2020, with early adoption permitted.

Amendment of IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform"

These amendments involve replacing the current benchmark interest rate that are the basis for the contractual cash flows of the accounting hedges, both of the hedged items and of the hedging instruments, with an alternative interest rate or modifying its calculation methodology, in order to adapt it to the new regulatory requirements.

The amendments to the standard allow, in the period prior to the modification of the hedge flows, exceptions to compliance with the following requirements: highly probable; prospective and retrospective testing (exemption from compliance with the 80-125% effectiveness ratio) and separately identifiable risk component; it also establishes new disclosure requirements related to the application of these exemptions. These amendments will apply from 1 January 2020, with early adoption permitted.

Not approved for use in the EU

Standards and Interpretations	**Title**
Amendment to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture
IFRS 17 (**)	Insurance contracts
Amendment to IAS 1 (***)	Classification of liabilities as current or non-current
Amendment to IFRS 3 (*)	Definition of a business

(*) Applicable for financial years beginning on or after 1 January 2020.
(**) Applicable for financial years beginning on or after 1 January 2021.
(***) Applicable for financial years beginning on or after 1 January 2022.

IFRS 10 and IAS 28 (Amendment) "Sale or allocation of assets between an investor and its associates or joint ventures"

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of "business", the investor recognises the gain or loss in line with the interests of other investors. The amendments will only be applied when the investor sells or contributes assets to its associates or joint ventures.

Originally, these modifications to IFRS 10 and IAS 28 were applied prospectively and were effective for the annual financial years that began on 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone their date of validity (without setting a new specific date), as it is planning a more extensive review that may result in the simplification of accounting for these transactions and other accounting aspects for associates and joint ventures.

IFRS 17 "Insurance Contracts".

In May 2018, the IASB completed its long-term project to implement an accounting standard on insurance policies, publishing IFRS 17, "Insurance contracts". IFRS 17 replaces IFRS 4 "Insurance contracts", which currently enables a wide variety of accounting practices. IFRS 17 will fundamentally change accounting for all entities that arrange insurance contracts and investment contracts with discretionary participation components.

This standard will be applicable for years commencing as from 1 January 2021. Earlier application is permitted when IFRS 15, "Revenue from contracts with customers" and IFRS 9, "Financial instruments" is adopted at the same time.

Amendments to IAS 1 "Classification of liabilities as current or non-current"

The IASB has issued limited amendments to IAS 1 to clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the end of the period (eg receipt of a waiver or breach of the pact). The amendment also clarifies what is meant in IAS 1 when it refers to the "settlement" of a liability.

These amendments are effective for years commencing as from 1 January 2022, with early adoption permitted.

Amendments to IFRS 3 "Business Combinations"

The purpose of these amendments is to improve the definition of a business in order to help entities differentiate between asset purchases and business acquisitions. This distinction is relevant because it is only business acquisitions that generate goodwill.

The modified definition of a business stresses that the aim of a business is to provide goods and services to consumers, whereas the old definition focused on obtaining dividends, reducing costs or other benefits for investors.

2. Accounting policies and measurement bases

The accounting policies and measurement bases used in the preparation of the Group's 2019 consolidated financial statements were as follows:

2.1 Business combinations and consolidation

2.1.1 Subsidiaries

"Subsidiaries" are those companies over which the Entity has the ability to exercise control, which is generally, although not exclusively, expressed by the direct or indirect ownership of over 50% of the voting rights of the investees or, if this percentage is less or nil, by the existence of other circumstances or agreements that grant control. In line with the prevailing standards, control is deemed to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Appendices I and II provide significant information on these companies.

The financial statements of the subsidiaries are consolidated using the equity method, as defined by the prevailing standards: Consequently, all balances arising from transactions performed between companies consolidated using this method and which were significant were eliminated on consolidation. Also, the ownership interest of third parties in:

- the Group's equity was recognised under "Non-controlling interests" in the consolidated balance sheet,
- consolidated profit for the year was posted under "Profit/(loss) attributable to non-controlling interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are consolidated only taking into consideration those relating to the period between the date of acquisition and the close of that year. Alongside this, the results of subsidiaries disposed of during the year are consolidated only taking into consideration those relating to the period between the start of that year and the disposal date.

2.1.2 Jointly controlled entities

"Jointly controlled entities" are deemed to be those, although not subsidiaries, with which contractual agreements of joint control exist, whereby decisions on significant activities are taken unanimously by the entities that share control, with entitlement to their net assets.

Theses entities are accounted for using the "equity method" (Note 2.1.3).

Appendices I and II provide significant information on these companies.

2.1.3 Associates

An "associate" is an enterprise over which the Bank has significant influence, but with which it does not form a decision-making unit nor is it subject to joint control therewith. In general, although not exclusively, this capacity is presumed when a direct or indirect ownership interest is held equal to or exceeding 20% of the voting rights of the investee.

In the consolidated financial statements, associates are accounted for using the "equity method", as defined by the prevailing standards:

If, as a consequence of the losses incurred, an associate reported negative equity, it would be recognised in the consolidated balance sheet as zero, since the Group is not obliged to provide it with financial support, and a provision for liability would be recognised under "Provisions" on the liability side of the balance sheet.

Appendices I and II provide significant information on these entities.

2.1.4 Structured entities

A structured entity is an entity designed in a manner that its voting and/or similar rights are not a decisive factor when determining control thereover.

When the Group forms or holds ownership interests in entities to transfer risks or to provide access to investments, it analyses whether it has control thereover and, therefore, whether the entities formed should be consolidated, mainly taking into account the following factors:

- Analysis of the Group's influence over the entity's activities that are important with a view to determining said entity's profit.
- Implicit or explicit commitments to provide financial support to the entity.
- Significant exposure of the Group to the variable returns of the entity's assets.

These entities include the so-called "asset securitisation funds" consolidated by the Group when contractual financial aid agreements exist (commonly used on the securitisations market). In virtually all securitisations performed by the Group, the transferred risks cannot be derecognised from the asset side of the balance sheet and the securitisation fund issues are recognised as liabilities on the Group's balance sheet.

Companies, mutual funds and pension funds managed by the Group do not meet the requirements of the regulatory framework to be considered structured entities, accordingly, they are not consolidated.

Note 27.5 provides details of the Group's structured entities.

2.1.5 Business combinations

A business combination is the union of two or more entities or independent economic units within a single entity or group of entities in which the acquirer obtains control over the other entities.

At the acquisition date, the acquirer will include the assets, liabilities and contingent liabilities of the acquired company in its financial statements, including the intangible assets not recognised by the latter, initially booking all of them at their fair value.

Any excess of the cost of the ownership interests in the entities over their corresponding carrying amounts acquired, adjusted on the date of the first business combination, are allocated as follows:

- Where they can be allocated to specific assets of the companies acquired, they are recognised by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets and whose accounting treatment is similar to that of the Group's equivalent assets (liabilities).
- If they are attributable to specific intangible assets, they are explicitly recognised in the consolidated balance sheet provided that their fair value at the date of acquisition can be measured reliably.
- The remaining non-attributable differences are recognised as goodwill, which is allocated to one or more specific cash-generating units.

Negative differences, once their amount has been established, are recognised in the income statement.

Acquisitions of non-controlling interests, subsequent to the takeover of the entity, are recognised as an addition to the business combination.

In those cases in which the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities of the acquired entity cannot be definitively determined, the initial recognition of the business combination will be deemed to be provisional. In any case, the process must be completed within a maximum of one year from the acquisition date, effective on that date.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contract originating them, in accordance with the provisions thereof. Specifically, debt instruments, such as credits and monetary deposits, are recognised from the date on which the legal right to receive or a legal obligation to pay cash, respectively, arises. Financial derivatives are generally recognised on their trading date.

Regular way purchases and sales of financial assets are recognised on the date on which the benefits, risks, rights and duties attaching to all owners are for the purchaser which, depending on the type of financial asset bought or sold, may be the trading date or the settlement or delivery date. In particular, transactions carried out in the spot currency market are recognised on the settlement date, transactions carried out with equity instruments traded on Spanish secondary securities markets are recognised on the trade date and transactions carried out with debt instruments traded on secondary Spanish securities markets are recognised on the settlement date.

2.2.2 Derecognition of financial instruments

A financial asset is derecognised from the consolidated balance sheet when any of the following circumstances occur:

- the contractual rights over the cash flows they generate have expired, or
- the financial asset is transferred, together with substantially all its risks and benefits, or
- the risks and rewards associated with the transferred financial asset are not substantially transferred or retained - this being the case of sales of financial assets with an acquired call or written put option that are not deeply in or out of the money, or securitisations in which the transferor assumes subordinated financing or other credit enhancements for part of the transferred asset and other similar cases - if the transferor does not retain control of the transferred financial asset, it is derecognised and any rights or obligations retained or created as a result of the transfer are recognised.

A financial liability is derecognised from the balance sheet when the related obligation is extinguished or when it is re-purchased by the Group.

2.2.3 Fair value and amortised cost of the financial instruments

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable interested parties in an arm’s length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market (“quoted price” or “market price”).

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence of this information, of valuation techniques commonly used by the international financial community, taking into consideration the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

Specifically, the fair value of the financial derivatives traded in organised, transparent and deep markets, included in the trading portfolios, is similar to their daily quoted price and if, for exceptional reasons, the quoted price at a given date cannot be determined, these financial derivatives are measured using methods similar to those used to measure OTC derivatives.

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

All investments in equity instruments and contracts relating to such instruments are measured at fair value.

Amortised cost is the amount at which a financial asset or liability is measured at initial recognition, as corrected by principal repayments and by the cumulative amortisation of any difference between that initial amount and the maturity amount of the financial instrument, using the effective interest rate method. In the case of financial assets, amortised cost also includes any impairment loss allowances.

The effective interest rate is the discount rate that matches the gross carrying amount of a financial asset or the carrying amount of a financial liability to estimated cash flows over the expected life of the instrument, based on the contractual terms and disregarding expected credit losses. For fixed-rate financial instruments, the effective interest rate is the contractual interest rate set upon acquisition, adjusted by any fees and transaction costs that in accordance with current legislation form part of the effective yield or cost of the instrument and must therefore be considered in the calculation of the effective interest rate. For financial instruments at variable interest rates, the effective interest rate is estimated in a similar way to the transactions at a fixed interest rate, with the contractual interest rate of the transaction being recalculated on each review date, taking into account the changes to future cash flows from the transaction.

2.2.4 Classification and measurement of financial assets and liabilities

Business model and contractual cash flow characteristics of financial assets

Financial assets are classified into different categories depending on the business model under which they are managed and the contractual characteristics of their cash flows.

"Business model" means the way in which the Group manages its financial assets to generate cash flows, having regard to how groups of financial assets are managed together to achieve a specific objective. So a business model does not depend on the Group's intentions for an individual instrument but is determined for a wider set of instruments.

Specifically, the business models used by the Group consist of holding financial assets to collect their related contractual cash flows, selling such assets, or a combination of both approaches (mixed model):

- *Holding financial assets to collect their related contractual cash flows:* the Group's objective is to hold financial assets to collect their related contractual cash flows. In accordance with the requirements of the standard, debt instruments managed under this model are rarely or never sold, i.e., sales are merely accessory and subject to restrictions. However, the Group takes the view that sales of financial assets close to maturity and sales prompted by increased credit risk or the need to manage concentration risk are consistent with this business model.

- *Sale of financial assets:* the Group's objective is to realise gains and losses on financial assets.

- *Mixed model:* the Group's objective combines collection of contractual cash flows and realisation of financial assets. For financial instruments managed under the mixed model, sales are essential and not accessory; therefore, sales are unrestricted.

Based on the characteristics of its contractual cash flows, a financial asset is initially classified into one of the following categories:

- Financial assets whose contractual terms give rise, on specified dates, to cash flows consisting only of payments of principal and interest on principal outstanding.

- Other financial assets:

For the purposes of this classification, the principal of a financial asset is its fair value at the time of initial recognition. That amount may change over the life of the financial asset: for example, after repayments of principal. Interest is defined as the sum of the consideration for the time value of money, for financing and structural costs, and for the credit risk associated with the principal amount outstanding during a specified period, plus a profit margin.

Although, given the nature of the Group's business, almost none of its debt instruments give rise to cash flows other than payments of principal and interest, the Group monitors compliance with the contractual conditions of its financial assets (solely payments of principal and interest, SPPI test) and classifies such assets accordingly.

The main function of this test is to discriminate which products contained in the "holding of financial assets to receive their contractual cash flows" and "mixed model" business models can be measured at amortised cost and at fair value through other comprehensive income, or, conversely, must be measured at fair value through profit or loss.

The following are the judgements that guide the analysis to determine that the contractual cash flows of a financial instrument are only payments of principal and interest on the amount of principal outstanding:

- Principal: variables such as leverage or transaction currency are taken into account.

- Interest: account is taken of variables such as the time value of money, credit risk, other basic risks and costs such as liquidity risk or administrative costs associated with holding the financial asset and the profit margin.

- Contract terms that change the timing or amount of contractual cash flows.

- De minimis or non-genuine features: instruments that do not pass the SPPI test provided that the impact identified is considered to be insignificant or that the event affecting compliance with the SPPI test is extremely exceptional, highly abnormal and very unlikely to occur.

- Non-recourse assets: instruments with contractual cash flows that are described as principal and interest but that are not solely payments of principal and interest on the outstanding amount of principal.

- Contractually related instruments: situations in which an institution prioritises payments to holders of multiple contractually related instruments that create credit concentration risk.

Classification and portfolios of financial instruments for presentation and measurement purposes

Financial instruments are mainly classified in the Group's consolidated balance sheet in accordance with the categories listed below:

▪ **Financial assets at amortised cost**: this category includes financial assets that are managed under a business model that holds assets to collect their contractual cash flows and whose contractual terms give rise to cash flows on specified dates, which are solely principal and interest payments on the outstanding principal amount.

This portfolio includes financing to third parties from typical credit and lending activities, debt securities satisfying the two conditions set out above, and debts incurred by purchasers of goods and by users of services. Finance leases in which the Group acts as lessor are also included.

Financial assets included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. Following their acquisition, the assets classified under this category are measured at amortised cost, using the effective interest rate method.

Income and expenses from financial instruments at amortised cost are recognised on the following basis:

- Accrued interest is recognised under "Interest income" in the consolidated income statement, using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where the rate is applied to the net carrying amount).

- Other changes in value are recognised as income or expense when the financial instrument is derecognised; when it is reclassified; when there are exchange differences (see Note 2.5.3) and when there are impairment losses or gains due to subsequent recovery.

▪ **Financial assets at fair value through other comprehensive income**: this category mainly includes debt instruments acquired to manage the Company's balance sheet, which are managed using a mixed business model whose objective combines collection of contractual cash flows and sales, and whose contractual terms give rise to cash flows on specified dates, which are solely payments of principal and interest on the outstanding principal amount.

  In addition, the Group has opted to include in this portfolio the investments it holds in equity instruments that should not be classified to the portfolio of "Financial assets held for trading" and that, but for the use of this option, would be classified as financial assets mandatorily measured at fair value through profit or loss. This optional treatment is applied instrument by instrument.

  Instruments included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. After acquisition, financial assets included in this category are measured at fair value through other comprehensive income.

  Income and expenses of financial assets at fair value through other comprehensive income are recognised on the following basis:

  - Accrued interest or, where applicable, accrued dividends are recognised in the consolidated income statement.

  - Exchange differences are recognised in the income statement in the case of monetary financial assets and in other comprehensive income, net of tax effects, in the case of non-monetary financial assets.

  - For debt instruments, impairment losses or gains on subsequent recovery are recognised in the consolidated income statement.

  - Other changes in value are recognised, net of tax effects, in other comprehensive income.

  When a debt instrument at fair value through other comprehensive income is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. However, when an equity instrument at fair value through other comprehensive income is derecognised, the amount of the gain or loss recognised in other comprehensive income is reclassified not to profit or loss but to an item of reserves.

▪ **Financial assets and liabilities at fair value through profit or loss:** this category includes the following financial instruments:

  - **Financial assets and liabilities held for trading:** financial assets or liabilities acquired to be sold in the short term or that are part of a portfolio of identified financial instruments managed jointly and for which there is evidence of a recent pattern of short-term profit-taking, together with derivative instruments that do not comply with the definition of a financial guarantee contract and have not been designated as hedging instruments, including those segregated derivatives of hybrid financial instruments pursuant to the regulations in force.

The held-for-trading portfolio also covers short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities.

- **Financial assets not held for trading mandatorily measured at fair value through profit or loss:** financial assets whose contractual terms do not pass the SPPI test, i.e., they do not give rise to cash flows consisting solely of principal and interest payments on the outstanding principal amount, as defined in the previous section.

- **Financial assets and liabilities designated at fair value through profit or loss:** to avoid differences between the measurement bases of the related assets and liabilities, the Group classifies to this portfolio any debt instruments that are managed jointly with insurance contract liabilities ("Unit-linked"), measured at fair value.

A financial asset is classified to the portfolio of financial assets held for trading or the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss if the Group's business model for its management or the characteristics of its contractual cash flows do not warrant classification to any of the financial asset portfolios described above.

Financial instruments classified at fair value through profit or loss are initially measured at fair value, and directly attributable transaction costs are recognised immediately in the income statement.

Income and expenses of financial instruments at fair value through profit or loss are recognised on the following basis:

- Changes in fair value are recognised directly in the consolidated income statement, distinguishing, for non-derivative instruments, between the portion attributable to the instrument's accrued income, which is recognised as interest or dividends depending on its nature, and the remainder, which is recorded as gains/losses on financial transactions with a balancing entry under the headings "Gains/losses on financial assets and liabilities held for trading (net)", "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss (net)" and "Gains/losses on financial assets and liabilities designated at fair value through profit or loss (net)" of the consolidated income statement.

- Accrued interest on debt instruments is calculated using the effective interest method.

In relation to derivative instruments, the Group manages both those classified as "Financial assets and liabilities held for trading" and those classified as hedging derivatives on the basis of their net exposure to their credit risk; accordingly, it estimated their fair value by taking into account such net exposure, as indicated in paragraph 48 of IFRS 13.

▪ **Financial liabilities at amortised cost**: this category of financial instruments includes those financial liabilities that do not belong to any of the above categories and reflect the typical funding activities of financial institutions.
Financial liabilities included in this category are initially measured at fair value, adjusted by the transaction costs directly attributable to their issue. Subsequently, they are valued at their amortised cost, calculated through the application of the effective interest rate method.

The interest accruing on these securities, calculated using such method, is registered under the "Interest cost" heading in the consolidated income statement.

Despite the foregoing, the financial instruments that must be considered to be non-current assets and disposal groups on sale under prevailing regulations are recognised in the consolidated financial statements in accordance with the criteria set forth in Note 2.18.

2.3 Impairment of financial assets

A financial asset or other form of exposure to credit risk is considered to be impaired when there is objective evidence that events have occurred that:

- in the case of debt instruments (loans and advances and debt securities), have an adverse impact on future cash flows as estimated at the time of entering into the transaction.

- in the case of other exposures involving credit risk other than debt instruments, an adverse impact on the future cash flows that would be due in the case of the drawdown of the loan commitment and the cash flows that are expected to be collected if the loan commitment is drawn, or in the case of financial security granted, on the payments that the entity expects to make.

Impairment losses on debt instruments arising in the period are recognised as an expense under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss” in the consolidated income statement. For debt instruments classified as financial assets at amortised cost, such impairment losses are recognised against an allowance account that reduces the carrying amount of the asset, while for debt instruments at fair value through other comprehensive income, impairment losses are recognised against “other accumulated comprehensive income”.

Allowances for impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses arising in the period for these exposures are recognised as an expense in the consolidated income statement.

Subsequent reversals of previously recognised impairment losses are immediately recognised as income in the consolidated income statement for the period.

The calculation of the impairment of financial assets is based on the type of instrument and on other circumstances that may affect them, once the guarantees received have been taken into account. For debt instruments at amortised cost, the Group recognises both allowance accounts, when provisions for bad debts are recognised to cover estimated losses, and direct write-offs against the asset, when it is considered that the likelihood of recovery is remote.

Interest accrual is recognised in the consolidated income statement by applying the effective interest rate to the gross carrying amount of the transaction, in the case of transactions classified as normal risk (stage 1) and normal risk under special watch (stage 2); while such recognition is carried out by applying the effective interest rate at amortised cost, i.e. adjusted for any impairment correction, in the case of transactions classified as non-performing risk (stage 3).

Following are the criteria applied by the Group to determine potential impairment losses in each of the different financial instrument categories, together with the method used to calculate the allowances recognised for such impairment.

Debt instruments and other exposures involving credit risk

Within the framework of EU-IFRS, International Financial Reporting Standard 9, “Financial Instruments”, which sets the criteria for measurement and impairment of financial assets, it is considered important to link credit risk monitoring policies to the accounting recognition of provisions under IFRS.

Credit risk management constitutes a priority for the Group, in order to provide sustainable balanced growth and to guarantee the soundness of the Bank’s financial and equity position at all times and to optimise the return/risk ratio. These principles are followed in the “Loan and discount risk management policy and procedure manual”.

To determine impairment losses, the Group performs an individual monitoring of at least the significant debtors and a collective monitoring of the groups of financial assets with similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it is exclusively analysed individually to estimate the impairment loss.

The credit risk characteristics considered for grouping instruments are, among others: type of instrument, debtor's sector of activity, geographical area of activity, type of security, age of past-due amounts and any other factor relevant to the estimation of future cash flows.

The Group has policies, methods and procedures in place to estimate expected losses as a result of credit risk exposures, relating both to insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied to the arrangement, study and formalisation of debt instruments and off-balance sheet exposure, and to the identification of their possible impairment and, where appropriate, to the calculation of the amounts required to hedge the estimated losses.

The Group has established criteria to identify borrowers and bond issuers displaying significant increases in risk or objective evidence of impairment and classify them on the basis of their credit risk.

The following sections describe the classification principles and methodology used by the Group.

Classification category definitions

Credit exposures are classified according to credit risk as follows:

- Performing (stage 1): a transaction is considered to be at this stage when no significant increase in risk has occurred since its initial recognition. Where appropriate, the impairment loss allowance will reflect the expected credit losses arising from possible *default* during the 12 months following the reporting date.

- Performing on special watch (stage 2): when the risk has significantly increased from the date on which the transaction was initially recognised, but without leading to impairment, the transaction will be classified to stage 2. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses arising from *default* during the residual life of the financial instrument.

- Non-performing (stage 3): a transaction will be catalogued as stage 3 when it shows effective signs of impairment as a result of one or more events that have already occurred and will lead to a loss. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses due to credit risk during the expected residual life of the financial instrument.

    - Due to borrower default: transactions with some part of the principal, interest or contractually agreed expenses is past-due, generally speaking, more than 90 days, unless they should be classified as written-off. Guarantees provided shall also be included in this category when the guarantor has defaulted under the guaranteed transaction. Furthermore, the amounts of all transactions of a single holder are included when the transactions with overdue sums, generally speaking, and as mentioned above, are past-due more than 90 days, account for more than 20% of the amounts receivable.

    - For reasons other than borrower default: transactions in which, not classifiable as written-off or non-performing due to default, there are reasonable doubts about their full repayment under the contractual terms; in addition to off-balance-sheet exposures not classified as non-performing due to default, concerning which payment by the Group is likely and recovery is doubtful.

- Write-off: transactions for which, after an individual analysis, the likelihood of recovery is considered remote due to a significant impairment, or where the solvency of the transaction or of the borrower is considered irrecoverable. This category includes risks involving customers subject to bankruptcy proceedings for which there is notice that the liquidation phase has been or is to be declared, in addition to transactions classified as non-performing due to default that are more than four years old, unless they are covered by sufficient guarantees. Likewise, transactions that do not fulfil any of the above criteria but suffer a significant and irrecoverable impairment in terms of solvency are included in this category. In the above circumstances, the Group derecognises any amount recognised along with the provision from the consolidated balance sheet, without prejudice to any actions that may be taken to seek collection until the contractual rights to receive sums are extinguished definitively by expiry of the statute-of-limitations period, remission or any other cause.

Transactions purchased or originated with credit impairment

As at 31 December 2019, there were no transactions purchased or originated with credit impairment. In recent years, the Bank has not acquired assets at a significant discount in accordance with the materiality threshold established by Group management. The assets acquired at the greatest discount in prior years are not in the portfolio at the current date because they were written off by Group management or because they were converted into repossessed assets.

Transaction classification criteria

The Group applies a range of criteria to classify borrowers, bond issuers and transactions among the different categories, depending on the related credit risk. These include:

- Automatic criteria,
- Specific refinancing criteria, and
- Indicator-based criteria.

Automatic factors and specific refinancing classification criteria constitute the classification and cure criteria against the entirety of the portfolio.

Furthermore, to facilitate advance identification of significantly increased risk or indications of impairment of transactions, the Group has constructed a series of indicators, distinguishing between significant and non-significant borrowers, which encompass all default events and signals depending on the composition of the relevant portfolio. This methodology is based on the Group's experience in Credit Risk, in the composition of its portfolio and loss events identified by the Group; in addition, it proactively seeks to identify potential impairment in advance. Specifically, non-significant borrowers who, having surpassed the automatic classification algorithm, fail to meet any of the conditions to be transferred to either the non-performing or special watch categories, are assessed using indicators; the objective of these indicators is to identify weaknesses that may involve the assumption of greater losses than other similar transactions classified as performing. These indicators are based on the best current estimate of the likelihood of being classified non-performing associated with each transaction.

To evaluate the significant increase in credit risk, the quantitative measurement indicators used in ordinary credit risk management are taken into account, such as the increased risk of default in any of the key indicators for which a threshold has previously been defined that depends on the management practices of each portfolio; for example, defaults of between 30 and 90 days are considered, except in cases where the unpaid amount does not exceed the materiality thresholds established by Group management for each portfolio, or increases in the Probability of Default (PD) at the reporting date with respect to the PD at the time of origination, based on specified thresholds. Other qualitative variables are also considered such as signs of whether an unimpaired transaction is considered to be refinanced, or the consideration of operations included in a special debt sustainability agreement.

The definition of default is based on a non-payment period exceeding 90 days, except in the events referred to in the above paragraph, although according to the EBA (4.3.1.89 a – 4.3.1.90), *unlikeliness-to-pay events* have also been defined, such as the inclusion of an uncured debtor in insolvency proceedings.

Operations classified as doubtful are reclassified to performing when, as result of the partial or full collection of outstanding amounts in the case of doubtful exposures due to default, or because the cure period has been completed in the case of doubtful exposures for reasons other than default, the reasons that gave rise to the classification of the operation as doubtful no longer apply, unless reasons subsist for maintaining it in this category.

As a result of these procedures, the Group classifies its borrowers in the categories of performing under special watch or doubtful due to debtor default, or maintains them under performing.

<u>Individual classification</u>

The Group has established an exposure threshold for considering borrowers as significant, based on EAD (exposure at default) levels.

On the basis of credit risk management and monitoring criteria, the Group has identified the following as individually significant borrowers:

- Borrowers/issuers with EAD (exposure at default) in excess of €3 million.

- Borrowers classified as doubtful for reasons other than default due to non-automatic factors (manually identified default).

- Borrowers without appreciable risk classified as doubtful for accounting purposes, irrespective of EAD.

For significant borrowers assessed through individual analyses, a trigger system has been established to identify significant increases in risks or signs of deterioration. The triggers system covers signs of impairment or of weaknesses through the definition of:

- *Triggers* with different pre-alert thresholds to identify increased risk and signs of impairment

- Specific triggers that indicate a significant increase in risk.

- Specific triggers that indicate signs of impairment.

A team of expert risk analysts analyses borrowers with activated triggers to conclude on the existence of a significant increase of risk or objective evidence for deterioration and, in the event that there is evidence of deterioration, whether the event or events causing the loss have any impact on estimated future cash flows from the financial asset or group of financial assets.

The indicator system for significant borrowers is automated and takes into account the specific characteristics of the differentiated behaviour segments in the loan portfolio. The issues to be identified by the indicator system are as follows:

- Significant financial difficulty faced by the issuer or obligor.

- Breach of contract terms, default or delay in interest payments.

- For financial difficulties, the borrower is granted concessions or benefits that would not otherwise be taken into account.

- Probability of borrower insolvency: cases where there is a high probability that the borrower will be declared insolvent or will have to be restructured.

The Group carries out an annual review of the reasonableness of the thresholds and coverage used in the individual analyses, unless the borrower’s financial situation changes substantially, making a review of that situation necessary.

According to the specified levels, a volume of borrowers that allows a reasonable coverage of the total credit exposure is above the significance threshold, which requires them to be subjected to an individual expert analysis.

Collective classification

Both for borrowers that exceed the aforementioned materiality threshold and those that do not exceed the materiality threshold, and additionally have not been classified as doubtful or under special watch by the automatic classification algorithm, the Group has constructed a synthetic indicator to identify exposures that display significantly increased risk or weaknesses which could entail losses that are higher than those in other similar transactions classified as performing. In this respect the Group has laid down thresholds that, once exceeded, entail an automatic classification as performing exposure under special watch due to the significant increase in risk or weaknesses.

The methods used to determine whether the credit risk of an instrument has increased significantly since initial recognition must take into account the characteristics of the instrument (or group of instruments) and past default patterns in comparable financial instruments. In order to define the significant increase in risk (SICR) at the Group, qualitative variables and quantitative measurement indicators used in ordinary credit risk management are taken into account. The latter include increases in the probability of default (PD) with respect to the PD at the time of the origin of the operation, based on a series of thresholds.

For debtors assessed in line with a group approximation, thresholds were defined based on the comparison of PD during the expected lifetime of the operation. If insufficient past information of a granular nature is available, thresholds were defined based on the comparison of a current 12 months PD PIT versus a PD PIT involving 12 months of origination for such period. These thresholds were determined in such a way that the NPL rates observed, for a sufficiently long period, are statistically different.

Refinancing and restructuring

Once a transaction has been identified as refinancing, refinanced or restructured, it may only be classified as non-performing or under special watch.

The following refinancing or restructuring operations are classified as doubtful:

- Operations reclassified from doubtful exposures or which are refinanced to avoid their classification as doubtful due to default.
- Operations with a grace period exceeding 24 months.
- Operations with reductions higher than the impairment that would be applicable if they were classified under exposures subject to special watch.
- Transactions based on an unsuitable payment plan - because the plan has been repeatedly breached, because it has been modified to avoid default, or because it is based on expectations that are not properly supported by macroeconomic forecasts.

For a refinancing or restructuring classified as non-performing to be upgraded to “under special watch”, all the criteria that generally determine the classification of transactions outside the category of non-performing risk must be satisfied, and, furthermore:

- It has been concluded, following an exhaustive review of the borrower’s assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- One year has elapsed from the date of refinancing or restructuring.
- Accrued principal repayments and interest payments must be met, reducing the renegotiated capital. The transaction cannot have overdue amounts.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid, or other objective criteria evidencing the borrower’s payment capacity must be attested to. The presence of contractual terms that delay repayment, such as grace periods, entails that the transaction remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 90 days on the date of the potential reclassification.

Refinancing or restructuring operations that do not meet the above conditions for classification as doubtful will be classified as exposures under special watch. They must remain under special watch for a trial period until the following requirements are met:

- It has been concluded, following an exhaustive review of the borrower's assets and financial position, that it is unlikely the borrower will encounter financial difficulties.

- A minimum of two years elapse from the formalisation of the operation or from reclassification from doubtful exposures.

- The borrower has paid principal and interest accruing since the date of the refinancing or since the date of reclassification from non-performing exposure.

- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid, or other objective criteria evidencing the borrower's payment capacity must be attested to. The presence of contractual terms that delay repayment, such as grace periods, will imply that the operation remains under special watch.

- The borrower must not have any other operations involving amounts overdue by more than 30 days at the end of the trial period.

During the trial period described, a new refinancing or restructuring of the refinanced or restructured operations, or the existence of amounts overdue by more than 30 days, will entail the reclassification of these operations to doubtful exposures for reasons other than default, provided that they were classified as doubtful before the trial period.

Credit risk management policies and procedures applied by the Group guarantee detailed monitoring of borrowers, indicating that provisions need to be recorded when there is evidence of impairment in a borrower's solvency. The Group records any bad-debt provisions that may be necessary in transactions in which the borrower's situation thus requires, before restructuring or refinancing operations are formally approved.

For refinanced operations, the algorithm provides for their initial classification on the basis of their characteristics, mainly the existence of financial difficulties for the borrower and certain contractual terms, such as lengthy grace periods; subsequently, the algorithm changes the initial classification on the basis of the cure periods established.

The Group's refinancing, restructuring, renewal and renegotiation policies are described in Note 3.5.5.2 to these financial statements.

Determination of provisions

Once the accounting classification of the borrower and of the related transactions has been determined, credit risk allowances are calculated. These allowances can be calculated by individual analysis or collective analysis.

The criteria for selecting portfolios for creating internal models for collective impairment testing follow the principles of materiality and complexity, and provide results that are in line with the real situation of the transactions in the current economic environment.

The Group applies the following policies for calculating credit risk loss provisions:

The amount of impairment loss provisions is calculated on the basis of whether or not there has been a significant increase in credit risk since the initial recognition of the transaction and whether or not an event of default has occurred. Thus, the allowance for impairment losses on transactions is equal to:

- The expected credit losses over twelve months, when the risk of an event of default in the transaction has not increased significantly since initial recognition (stage 1).

- The expected credit losses over the lifetime of the transaction, if the risk of an event of default in the transaction has increased significantly since initial recognition (stage 2).

- The expected credit losses over the lifetime of the transaction, if an event of default has occurred (stage 3).

The Group uses *forward-looking* information in the calculation of the expected loss, for which it uses scenario projection models.

The application of a range of scenarios to reflect the effect of non-linearity of losses entails estimation of the allowances required in different scenarios, including those that are unlikely but plausible. Specifically, three macroeconomic scenarios were considered, a base case scenario, an adverse scenario and a favourable scenario, which were specified at Group level, with their probability of occurrence standing at 60%, 20% and 20% respectively. Timescales of three years are considered to cast these projections and the variables considered are the performance of GDP, the unemployment rate and housing prices, among others.

- <u>Base case scenario:</u>

  The growth environment, together with protectionism, is conducive to higher inflation and tighter overall financing conditions.

  The Spanish economy will show slower growth than in recent years, but will continue to outperform the euro area as a whole. Domestic demand will continue to be the main driver of the economy.

- <u>Adverse scenario:</u>

  Rising inflation in developed countries, with central banks raising interest rates at a faster pace than in the base case scenario. This leads to an upturn in the term premium and long-term government bond yields. Economic activity declines and it is hard to stabilise government debt. Rising oil prices bring about a loss of competitiveness, endangering current account surpluses.

- <u>Favourable scenario:</u>

  Improved productivity and an absence of inflationary pressures. Moderate interest rate hikes. This environment has a positive effect on the financial sector and government finances, prompting upgrades in the rating of sovereign debt on the European periphery.

The Group estimated the pre-payment rates for a range of different products and segments based on observed historical data. These pre-payment rates are applied to determine the expected loss on the exposures classified in Stage 1 and Stage 2. Also, the repayment table agreed for each transaction is applied.

Further, operations identified as not having appreciable risk (essentially operations with central banks, public administrations and companies, and financial institutions, all belonging to the European Union or certain countries regarded as non-risk) are given a percentage of 0% (based on an analysis of past such operations and backtesting analysis), except for operations classed as doubtful, in which an individual impairment estimate is carried out. In this estimate, the amount of the provisions required for the credit risk allocable to the debtor and for the relevant country risk are calculated. When it is necessary to provide for both the debtor's credit risk and the country risk, more demanding provisioning criteria are applied.

The Group's exposure metric for provisioning purposes considers currently drawn down balances and the estimate of the amounts that are expected to be disbursed in the event that off-balance-sheet exposures become doubtful, through the application of a Credit Conversion Factor or CCF.

For transactions classified as non-performing, an estimate is made of expected losses, defined as the difference between the current exposure amount and the estimated future cash flows, as described below.

Subsequently, those cash flows are discounted at the current effective interest rate of the financial asset (if the contractual rate is fixed) or at the contractual interest rate effective on the date of discounting (if the contractual rate is variable).

The various Group methodologies are described in the following paragraphs.

Individualised provision estimates

In order to estimate the credit risk provisions due to the insolvency of a financial instrument, the Group makes an individualised estimate of the expected credit losses of those financial instruments that are considered to be material and with sufficient information to make such calculation.

The Group has developed a method for estimating these allowances: calculating the difference between the carrying amount of the asset and the present value of the future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Furthermore, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from enforcement of the security, less costs of obtaining and selling the collateral, whether or not enforcement is probable, with application of a haircut to the collateral.

The following methods for calculating the recoverable amount of assets tested individually have been established:

a) Generation of cash flows by the activity itself (going concern): this will be applied for borrowers with respect to which it is estimated that future cash flows can be generated in the course of business, which will allow the repayment of part or all of the debt concerned. In addition, these flows could be supplemented by potential sales of equity assets that are not essential for the generation of said cash flows.

b) Enforcement of guarantees (gone concern): this will be applied for borrowers that are not capable of generating cash flows in the course of their business, the only means of recovering the investment being the foreclosure and liquidation of their assets.

c) Mixed approach: individual analysis of the borrower in which the two previous approaches are combined, enforcing secondary (non-essential) collateral.

The Group uses macroeconomic scenarios in its method for calculating provisions for individually material borrowers via an *add-on* calculated on the basis of the Group's internal models.

Collective provision estimates

The Group estimates expected credit losses as a group in cases where they are not estimated individually.

The criteria for selecting portfolios for creating internal models involve the principles of significance and complexity, and provide results that are in line with the real situation of the operations in the current economic environment.

The Group has conducted a prior study of the operations used in the collective calculation of provisions. As a result of this study, the Group has chosen the following portfolios to be used in the development of internal methodologies:

- Home purchases,
- Credit cards and
- Companies.

The following portfolios are excluded from the utilisation of internal models:

- Consumption,
- Self-employed,
- Large corporations and
- Property developers.

For the excluded portfolios, apart from the borrowers that are subject to individual analysis, the Group makes a group calculation of coverage based on the models prepared at sector level by the Bank of Spain on the basis of experience and the information it has on the Spanish banking sector, as well as forecasts of future conditions. In any case, these models are periodically checked retrospectively to ensure the reasonableness of the provision.

When calculating a collective impairment loss, the Group, in accordance with IFRS 9 and taking into account Bank of Spain Circular 4/2017, mainly takes into consideration the following aspects:

- The impairment estimate process takes into account all credit exposures except performing loans with no appreciable risk for which impairment estimation methods are used based on statistical data and models that aggregate the average behaviour across Spanish banking institutions. The Group recognises an impairment loss equal to the best available estimate under internal models, bearing in mind all available relevant information on conditions at the end of the period to which the calculation relates. The Group has identified the following transactions without appreciable risk for the estimation of credit risk allowances:

    - Transactions with central banks.
    - Transactions with the government bodies of European Union countries, including those arising from reverse repurchase loans of debt securities.
    - Transactions with central governments of countries classified in group 1 for country-risk purposes.
    - Transactions in the name of deposit insurance funds and resolution funds, provided that they are comparable in credit quality to those of the European Union.
    - Transactions with credit institutions and credit financial institutions of European Union countries and, in general, of countries classified in Group 1 for country-risk purposes.
    - Transactions with Spanish mutual guarantee companies and with government bodies or government-controlled companies from other countries classified in Group 1 for country-risk purposes whose main activity is credit insurance or guarantee.
    - Transactions with non-financial corporations that qualify as public-sector.
    - Advances on pension benefits and pay packets corresponding to the following month, provided that the paying entity is a government body and the payments are made to the bank on standing orders, and
    - Advances other than loans.

- In order to make a group assessment of impairment, financial assets are grouped according to the similarity in characteristics relating to credit risk (such as type of product, purpose of financing, trade identifier, guarantees, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and allows for a more precise calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturity. The segmentation takes into account historical loss experience observed for a uniform group of assets (segment), once the present economic situation has been analysed, which is representative of the unreported losses incurred that will take place in that segment. This segmentation distinguishes risk, and is aligned with management and is being used in the Group’s internal models, having been applied on various occasions by the internal control units and the supervisor. Finally, it is subjected to backtesting and the regular update and review of estimates to include all available information.

The Group has developed internal models for the collective calculation of impairment losses in which the aggregate amount of a credit risk loss is determined on the basis of the following parameters:

- Probability of impairment (PI): probability of an asset becoming impaired (corresponding to a borrower or uniform borrower group) within a specific time horizon (appropriate to the period for the identification/emergence of impairment).
- Probability of recovery: probability of asset being recovered expressed as a percentage, in the event of the impairment event occurring (determined using the PI parameter).
- Discounting of guarantees: percentage loss in the value of guarantees.
- Exposure at the time of Default: Group's exposure when the borrower impairment materialises (on the basis of which the above-mentioned probability of impairment is determined).

Classification and Provision for credit risk due to country risk

Country risk is considered to be the risk arising in counterparties resident in a specific country due to circumstances other than ordinary commercial risk (sovereign risk, transfer risk or risks arising from international financial activity). The Group classifies transactions with third parties into groups according to the economic performance of the respective countries, their political situation, regulatory and institutional framework, and payment ability and history.

Debt instruments or off-balance-sheet exposures with final obligors resident in countries with persistent difficulties in servicing their debt are considered non-performing assets due to the materialisation of country risk: the possibility of recovery is considered doubtful. The same applies to off-balance-sheet exposures for which the likelihood of recovery is considered remote, unless they are to be classified as write-offs.

Allowances are estimated in two stages: first, we estimate the allowance for insolvency risk and then the additional allowance for country risk.

Provision levels for this risk are not significant in relation to the impairment provisions recognised by the Group.

Guarantees

In-rem and personal guarantees are regarded as efficient when the Group has demonstrated their validity in mitigating credit risk. The analysis of guarantee efficiency takes into account the time required to enforce the guarantees and the Group's capacity and experience in this respect.

Under no circumstances are guarantees whose efficiency depends substantially on the credit quality of the debtor or corporate group to which the debtor belongs regarded as admissible as efficient guarantees.

The Group's measurement policies for guarantees relating to real-estate assets located in Spain are in line with current regulations. Specifically, the Group applies policies for selecting and engaging valuation companies which aim to ensure their independence and the quality of the valuations. All the valuation companies and agencies used are entered in the Special Valuation Companies Register of the Bank of Spain and the valuations are conducted in accordance with the provisions of Order ECO/805/2003 on rules for valuing real estate and certain rights for certain financial purposes.

Real-estate guarantees in loan operations and properties are appraised at the time they are granted or acquired, the latter by purchase, adjudication or dation in payment, and when an asset suffers a significant decline in value. In addition, minimal updating criteria are applied that guarantee an annual frequency in the case of impaired assets (special vigilance, doubtful and repossessed assets or assets received in settlement of debts), or on a three-yearly basis for very large debts performing normally without any symptoms of latent risk. Statistical methods are used to update the appraisals, when the regulations so permit, especially for the above assets when exposure and risk is low.

2.4 Accounting hedges

The Group employs derivative financial instruments as part of its strategy to reduce exposure to interest rate and foreign exchange risks, where the transactions in question fulfil applicable legal requirements.

The Group designates a transaction as a hedge from inception. In the documentation relating to hedge operations, the hedged and hedging instruments are identified adequately along with the nature of the risk to be covered and the criteria or methods followed by the Group to appraise their efficiency over the term of the operation.

The Group only considers hedging operations to be those which are highly efficient throughout their term. A hedge is regarded as being highly efficient if the fluctuations arising in the fair value or in the cash flows attributed to the hedged risk over the duration of the hedge are almost entirely offset by the fluctuations in the fair value or the cash flows, as applicable, of the hedging instruments.

To assess whether a hedge is effective The Group analyses whether, from inception to the finalisation of the term defined for the operation, it may be expected prospectively that any changes in the fair value or the cash flows of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value or the cash flows, as applicable, of the hedging instruments and that, retrospectively, the gains or losses on the hedge operation are within a range of 80% to 125% of the gains or losses on the hedged item.

Hedging operations performed by the Group are classified into the following categories:

- Fair value hedges: they hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects the consolidated statement of profit or loss.

- Cash flow hedges: hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised financial asset or liability or with a highly probable forecast transaction and could affect the consolidated statement of profit or loss.

In fair value hedges, the differences in the fair value of both hedging instruments or hedged items, involving hedged type of risk are recognised directly in the consolidated statement of profit or loss.

In cash flow hedges, changes to the fair value arising in the portion of the effective hedge of the hedging instruments are recognised temporarily in “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedge (effective portion) reserve until the time when the hedged transactions occur. At this moment, the amounts previously recognised in equity are taken to the statement of profit and loss in a symmetrical manner to the hedged cash flows. Gains or losses on the hedging instrument corresponding to the ineffective portion of cash flow hedging operations are recognised directly in the statement of profit or loss. Financial instruments hedged in this type of hedging transaction are recognised in the manner explained in Note 2.2, without any changes for their consideration as hedged items.

As well as the above hedging operations, the Group carries out fair value hedges of foreign exchange risk for a certain amount of financial assets (or financial liabilities) which form part of the instruments in its portfolio, but not specific instruments, which in accounting terms are usually called macro-hedges.

In fair value macro-hedges, changes to the fair value of hedged items attributable to interest rate risk are recognised directly in the statement of profit and loss, but the balancing entry is recognised in “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk” depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.

The accounting technique known as a macro-hedge requires the periodic assessment of its efficiency and therefore efficiency is verified on a quarterly basis by checking that the net position of assets and liabilities that mature or are repriced in the corresponding time band is higher than or equal to the amount hedged (sum of the hedging instruments in that band). Therefore, inefficiencies arise when the amount hedged is higher than the net asset and liabilities in the same time band, with the fair value of the inefficient portion immediately recognised in the consolidated statement of profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or, lastly, when the designation as a hedge is revoked.

Where fair value hedge accounting is interrupted as stated in the preceding paragraph, the value adjustments made for hedge accounting purposes are recognised in the statement of profit or loss until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date of the hedge.

In turn, in the event of an interruption of a cash flow hedge, the cumulative gain or loss recognised in equity remain in equity until the forecast transaction occurs, at which point it is recognised in the statement of profit and loss. However, if it is expected that the transaction will not be carried out, the cumulative gain or loss is recognised immediately in the consolidated statement of profit or loss.

2.5 Foreign currency transactions

2.5.1 Functional currency

Ibercaja Banco's presentation and functional currency is the euro. The Group's presentation currency is also the euro. All balances and transactions denominated in currencies other than the euro are therefore foreign currency balances and transactions.

The equivalent value of the main asset and liabilities balances on the consolidated balance sheet recorded in foreign currency breaks down as follows based on the nature of the items making them up and the most significant currencies in which they are denominated:

	Equivalent value in thousand euro			
	2019		2018	
	Assets	**Liabilities/Equity**	**Assets**	**Liabilities/Equity**
Breakdown by type of portfolio -				
Financial assets/liabilities at fair value with changes in equity	9,660	-	77,438	1,884
Financial assets/liabilities at amortised cost	67,190	40,785	59,400	51,291
Other	-	1,208	-	996
	76,850	**41,993**	**136,838**	**54,171**
Breakdown by type of currency -				
US dollar	61,879	37,546	128,291	47,295
Pound sterling	8,351	2,588	5,254	2,160
Swiss franc	1,423	1,322	1,267	936
Japanese yen	1,066	16	1,097	32
Canadian dollar	33	8	76	10
Norwegian krone	3,616	30	50	12
Other	481	483	803	3,726
	76,850	**41,993**	**136,838**	**54,171**

2.5.2 Conversion criteria for foreign currency balances

Transactions in foreign currencies are initially recognised at the equivalent value in euro based on the exchange rates prevailing at the date of the transactions. Monetary balances denominated in foreign currency are subsequently converted to the functional currency at the exchange rate prevailing on the date of issue of the financial information.

Furthermore:

- Non-monetary items valued at historical cost are translated into the functional currency at the exchange rate prevailing on the date of acquisition.
- Non-monetary items stated at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value is determined.

2.5.3 Recognition of exchange rate differences

Exchange differences that arise when translating balances in foreign currency to the entities' functional currency are recorded in general at net value under Differences on exchange (net) on the consolidated statement of profit or loss, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated statement of profit or loss under "Gain/(loss) on financial assets and liabilities held for trading, net" and "Gain/(loss) on financial assets and liabilities at fair value through profit or loss, net", without differentiating them from other fair value fluctuations.

Exchange differences arising on foreign currency equity instruments whose fair value is adjusted against equity are recognised in consolidated equity under "Other accumulated comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheet until they are realised. When an equity instrument at fair value through other comprehensive income is derecognised, the amount of exchange differences arising on these financial instruments is not reclassified to profit or loss, but to an item of reserves alongside the gains or losses recorded in accumulated other comprehensive income from changes in fair value.

2.6 Recognition of income and expenses

The paragraphs below summarise the most significant accounting criteria applied by the Group in recognising income and expense:

2.6.1 Interest income, interest expenses, dividends and similar items

As a general rule, interest income, interest expense and similar items are recognised on a time proportion basis using the effective interest method. Dividends received from other companies are recognised as income when the right to receive them is declared by the consolidated entities.

2.6.2 Fees, commissions and similar items

Commission and fee income and expenses which are not included in the calculation of the effective interest rate on transactions and/or which do not form part of the acquisition cost of financial assets or liabilities other than those classified at fair value through profit or loss are recognised on the consolidated statement of profit or loss using accounting policies that vary according to the nature of the item concerned. The most significant fee and commission items are as follows:

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the statement of profit or loss when payment is made.
- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated statement of profit or loss over the term of the transaction or service.
- Those relating to a one-off event, which are recorded when the originating event takes place.

2.6.3 Non-financial income and expense

They are recognised for accounting purposes when the goods are delivered or the non-financial service is rendered. To determine the amount and timing of recognition, a five-step model is followed: identify the contract with the customer, identify the separate obligations of the contract, determine the transaction price, allocate the transaction to each identified obligation, and finally recognise revenue as and when obligations are satisfied.

2.6.4 Deferred receipts and payments

Deferred receipts and payment are recognised for accounting purposes at the amount resulting from discounting the expected cash flows to net present value at market rates.

2.6.5 Contributions to the Single Resolution Fund and Deposit Insurance Fund

In accordance with IFRIC 21 Levies, recognition of the obligation, which entails recording the amount accrued to date, takes place upon receipt of the payment notification (second quarter for the contribution to the Single Resolution Fund and fourth quarter for the contribution to the Deposit Insurance Fund).

2.7 Offsetting of financial instruments

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.8 Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the Group transfers substantially all the risks and rewards of transferred assets to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised simultaneously.
- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of financial asset securitisations in which subordinated financing or another kind of credit improvement is maintained which substantially absorbs the loan losses expected for the securitised assets, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the criteria used prior the transfer. Conversely, the following items are recognised and not offset:
  - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.
  - The income from the financial asset which is transferred but not written off, and the expenses derived from the new financial liability.

Therefore, financial assets are only derecognised from the consolidated balance sheet when the cash flows they generate have been extinguished, when the risks and rewards involved have been substantially transferred to third parties, and when the transferor does not retain control of the transferred financial asset.

Notwithstanding the above, financial assets transferred before 1 January 2004 have been derecognised irrespective of the conditions of the transfer of risks and rewards, in accordance with current legislation.

Note 27.5 summarises the most significant circumstances of the main asset transfers in effect in the Group at year-end.

2.9 Financial guarantees and provisions made thereon

Financial guarantees are agreements in which the Group undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: collateral, financial guarantee, irrevocable documentary credit issued or guaranteed by the entity, etc.

At the time of initial recognition, the Group accounts for the financial guarantees provided under liabilities in the consolidated balance sheet at fair value, which is generally equal to the present value of the commissions and returns to be received on such contracts over the term of the same with, as the balancing entry under assets on the consolidated balance sheet, the amount of likened commissions and returns collected at inception and accounts receivable at the present value of the commissions and returns pending collection. These amounts are amortised on a straight-line basis over the term of the contracts in the consolidated statement of profit or loss.

Financial guarantees, whatever the holder or instrumentation, are analysed periodically to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to create a provision for them, which is determined by applying criteria similar to those used to quantify impairment losses on debt instruments, as explained in Note 2.3 above.

Provisions set aside for these operations are recognised under "Provisions – Commitments and guarantees given" on the liability side of the consolidated balance sheet. Additions to and reversals from these provisions are recognised in the consolidated statement of profit or loss under ""Provisions or reversal of provisions".

When a provision is required for financial guarantees, the associated commissions pending accrual, carried in the consolidated balance sheet under "Other liabilities", are reclassified to the relevant provision.

2.10 Accounting of operating leases

The Group should identify at the beginning of the lease whether a contract is a lease or contains a lease component and this conclusion will only be reassessed in the event of a change in the terms and conditions of the contract. According to the criteria of the Standard, a contract is a lease if it gives the customer the right to exercise control over the use of the asset identified in the contract for a period of time in exchange for a consideration.

The Standard provides two exemptions from the recognition of lease assets and liabilities, which may be applied in the case of short-term contracts and those whose underlying asset is of low value, which the Group has decided to use.

<u>Leases in which the bank acts as lessee</u>

The lease term corresponds to the non-cancellable period of a lease, plus the periods covered by the option to extend the lease if it is reasonably certain that the lessee will exercise the option and the periods covered by the option to terminate the lease if it is reasonably certain that the lessee will not exercise the option.

The lease liabilities, which are initially recognised under "Financial liabilities at amortised cost - other financial liabilities" in the balance sheet, include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive receivable,
- variable lease payments that depend on an index or rate,
- amounts expected to be paid by the lessee as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise that option, and
- lease termination penalty payments, if the term of the lease reflects the lessee's exercise of that option.

Subsequent to their initial recognition, they are measured at amortised cost using the effective interest rate method.

Lease payments are discounted using the interest rate implicit in the lease. The discount rate used was determined by the institution's Capital Strategy and Balance Sheet Unit, which calculated a financing curve that approximates the cost of funding the Group through senior debt.

When the implicit interest rate cannot be readily calculated, use is made of the incremental interest rate, which is defined as the interest rate that a lessee would have to pay for borrowing, for a term similar to the duration of the lease and with similar security, funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.

Each lease payment is allocated between liabilities and finance expense. The interest expense is charged to income over the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. Interest expense on lease liabilities are recognised in the consolidated statement of profit or loss under "Interest expense - Other liabilities".

Right-of-use assets are initially measured at cost, which includes the following:

- the amount of the initial valuation of the lease liability,
- any lease payment made on or before the start date less any lease incentive received,
- any initial direct cost and
- restoration costs.

Such assets are measured subsequent to initial recognition at cost less:

- Accumulated depreciation and impairment, and
- Any revaluation of the corresponding lease liability.

Depreciation is calculated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis. The provisions for the depreciation of tangible assets are recognised under "Amortisation and depreciation" in the consolidated statement of profit or loss.

The criteria for impairment of these assets are similar to those used for tangible assets (see Note 2.15).

<u>Leases in which the bank acts as lessor</u>

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

Whenever consolidated entities act as the lessor of an asset in a finance lease operation, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value, are recorded as financing provided to third parties and are therefore recognised under "Financial assets at amortised cost" in the consolidated balance sheet, in accordance with the nature of the lessee.

Note 27.7.1 sets out information on these leases.

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

When the consolidated entities act as lessors in operating leases, the acquisition cost of the leased assets is presented under "Tangible assets" as "Investment property" or as "Other assets leased out under operating lease", depending on the substance of the leased assets. These assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated statement of profit or loss on a straight-line basis under "Other operating income".

Note 27.7.2 sets out information on these leases.

2.11 Assets managed

Third party assets managed by the consolidated companies are not included in the consolidated balance sheet. Fees generated by this activity are recorded under "Fee income" in the consolidated statement of profit or loss. Note 27.4 provides information on the third-party assets managed at year end.

2.12 Investment funds and pension funds managed by the Group

Mutual funds and pension funds managed by consolidated companies are not recognised in the Group's consolidated balance sheet since the related assets are owned by third parties. Fees and commissions earned on the services rendered to these funds by Group companies (asset management services, portfolio deposits, etc.) are recognised under "Fee income" in the consolidated statement of profit or loss.

Note 27.4 provides information on the investment funds and pension funds managed by the Group at the year end.

2.13 Staff expenses

2.13.1 Post-employment benefits

Post-employment remuneration is remuneration paid to employees after the end of their period of employment. All post-employment obligations are classified as defined contribution plans or defined benefit plans, based on the conditions of these obligations.

The Bank's post-employment commitments with its employees are treated as "Defined contribution plans" when the Bank makes predetermined contributions to a separate entity, on the basis of the agreements reached with each specific group of employees, without any legal or effective obligation to make additional contributions were the separate entity unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as "Defined benefit plans".

<u>Defined contribution plans</u>

The Group's pension commitments to active employees are arranged through a defined contribution system for retirement and a defined benefit system for death and disability during active employment, the latter being covered by annual insurance policies.

Defined contribution plans are recognised under "Personnel expenses" in the consolidated statement of profit or loss. The contributions made by the defined contribution plan promoters amounted to €15,030 thousand in 2019 and €15,888 thousand in 2018 (Note 38).

<u>Defined benefit plans</u>

With respect to defined benefit plans, the Group recognises the present value of post-employment obligations less the fair value of the plan assets, under "Provisions - Pensions and other post-employment defined benefit obligations" and "Provisions - Other long-term employee remuneration" on the liabilities side of the balance sheet. The liabilities for defined benefits are calculated annually by independent actuaries using the projected unit credit method.

“Plan assets” are the assets linked to a certain defined benefit obligation that will be directly used to settle these obligations and that meet the following conditions:

- They are not owned by the Bank, but rather by a legally separate, non-related third party.
- They are available to be used only to pay or fund employee benefits and are not available to Bank’s own creditors, even in the event of bankruptcy.
- They cannot be returned to the Bank unless the assets remaining in the scheme are sufficient to meet all obligations of the scheme and of the Bank relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid.
- They may not be non-transferable financial instruments issued by the Bank.

The Group records its reimbursement right under assets on the balance sheet under “Other assets”.

The present value of the defined benefit obligations with staff is determined by discounting the future cash flows estimated at discount rates for corporate bonds with high credit ratings that are consistent with the currency and estimated terms that the liabilities for post-employment benefits will be settled.

The expected return on plan assets for defined benefit plans and reimbursement rights are determined using the same discount rate as for calculating the present value of the obligations.

Post-employment benefits are recognised as follows:

- In the statement of profit or loss: the cost of services provided by employees, both during the year and in prior years (where not recognised in prior years), net interest on the provision (assets), and the gain or loss arising on settlement.
- In the statement of changes in equity: new measurements of the provision (asset) as a result of actuarial gains or losses, of yields on plan assets that have not been included in net interest on the provision (assets), and changes in the present value of the assets due to changes in the present value of flows available to the entity, which are not included in net interest on the provision (assets). The amounts not recorded in net interest under equity will not be reclassified to the statement of profit or loss in a subsequent period.

  Actuarial gains and losses arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Pension supplements for serving or retired personnel

Post-employment commitments acquired by the Group with serving and retired personnel derive from the various Collective Agreements and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

Post-employment commitments acquired by the Group with retired personnel included in the “Ibercaja Employee Pension Plan” derive from the Collective Agreement and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

In addition, the Group has retirement supplements commitments with former retired employees and management personnel which are externalised through insurance policies with Caser, Compañía de Seguros y Reaseguros, S.A. and Ibercaja Vida, S.A.

2.13.2 Other long term employee remuneration

Commitments with staff taking early retirement, widowhood commitments and disability commitments prior to retirement that depend on length of service and other similar items will be processed for accounting purposes, as applicable, as established in defined benefit post-employment plans, except that actuarial gains and losses are recognised immediately in the statement of profit or loss.

The Group has commitments towards early retirees to pay salary complements and other welfare charges from the time of early retirement to the date of actual retirement.

2.13.3 Severance payments

Severance payments are recognised as a personnel expense when the Group undertakes to terminate the employment relationship before the normal retirement date, or to pay severance indemnities as a result of an offer made to encourage voluntary termination of employment by employees.

2.13.4 Other employee benefits

The Group has committed to providing employees with certain goods and services at partially or totally subsidised prices, in accordance with the collective bargaining agreement and the Corporate or Company Agreements. The most relevant employee benefits are credit facilities.

Employees of Ibercaja Banco, S.A. with indefinite contracts are generally entitled to request loans or credit facilities, subject to a maximum limit based on their annual salary, once their trial period has ended.

- Home loans: the maximum amount to be granted is that determined by the value of the dwelling plus the expenses inherent to the acquisition thereof, which must be duly supported and may not exceed five annuities, which are considered as comprising the items referred to in Article 39 of the Collective Agreement, plus the family support. If this second limit is applicable, the resulting amount may not be less than €200,000 under a Resolution of the Board of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 0.50% and a maximum of 5.25%.
- Personal loan/credit: the maximum capital to be financed is 25% of the employee's annual remuneration with respect to the corresponding items from those provided for in Article 39 of the Collective Agreement, plus the family support. However, any employee may obtain up to €30,000. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October.
- Welfare support: to meet fully justified essential needs. The amount will not exceed six gross monthly payments, including all fixed items that make up the monthly salary, and will be repaid in monthly instalments consisting of 10% of the gross salary.

2.14 Income tax

The income tax expense for the is calculated as the tax payable on the taxable profit for the year, adjusted for the changes arising during the financial year in the assets and liabilities recognised as a result of temporary differences, tax credits and relief and possible tax loss carryforwards (Note 25).

As mentioned in Note 25, Ibercaja Banco forms part of a Tax Group, the parent of which is Fundación Bancaria Ibercaja, in accordance with Chapter VII of Title VII of the Corporate Income Tax Law.

A timing difference is a difference between the carrying amount and the taxable amount of an asset or liability. A taxable amount is one which will generate a future obligation to make a payment to the tax authorities and a deductible amount is one that will generate the right to a refund or a reduction in a payment to the tax authorities in the future.

Temporary differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are only recognised when it is probable that sufficient future taxable profit will be obtained against which the deferred tax asset can be utilised.

Tax credits and relief, and credits for tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, provided that the Group considers it probable that they will be used in future periods. Note 25 gives details of the assets recorded in this respect.

Current tax assets and liabilities are those which, respectively, are regarded as being recoverable or payable within 12 months as from the year end. Deferred tax assets and liabilities are those which, respectively, are expected to be recovered or paid in future years.

Deferred tax liabilities are recognised for practically all taxable temporary differences. Notwithstanding the foregoing, deferred tax liabilities are recognised for taxable temporary differences deriving from investments in subsidiaries, associates and jointly controlled entities, except when the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are reviewed at each balance sheet date to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

2.15 Tangible assets

In general, tangible assets are presented on the balance sheet at cost, this being the fair value of any consideration paid plus all cash payments made or committed net of accumulated depreciation and any value adjustment resulting from comparing the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The annual provisions for depreciation are charged to the consolidated statement of profit or loss under "Depreciation - Tangible assets" and are calculated on the basis of the following average years of estimated useful life of the various assets, as follows:

	Years of estimated useful life
Properties for own use	25 to 100
Furniture	6 to 16.6
Fixtures	5 to 16.6
Computer equipment and installations	4 to 8

At each balance sheet date, the consolidated entities assess whether there is any internal or external indication that a tangible asset is impaired (i.e. its carrying amount exceeds its recoverable amount). If any such indication exists, the carrying amount of the asset is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the asset's adjusted carrying amount and its new remaining useful life, in the event that a re-estimation of this is necessary. This reduction in the carrying amount is charged, as necessary to "Impairment or reversal of impairment of the value of non-financial assets (net)" in the consolidated statement of profit or loss.

Similarly, if there is an indication of a recovery in the value of a deteriorated tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods, through the corresponding credit to the heading "Impairment or reversal of impairment of the value of non-financial assets (net)" in the consolidated statement of profit or loss, and adjusts the future depreciation charges accordingly.

Foreclosed assets that, depending on their nature and purpose, are classified as real-estate investments by the Group, are initially recognised at the lower of the fair value net of sales cost and the acquisition cost, which is understood as the net carrying value of the debts that give rise to them, with the net value calculated pursuant to the provisions of the applicable regulations as set out in Note 2.18. Subsequently, these foreclosed assets are subject to the corresponding estimated impairment losses that, as applicable, are generated; to this end, an appraisal is carried out on whether the lease operation meets the following requirements:

- the lessee's payment capacity is sufficient to repay the amounts agreed in the contract, and
- the market value of the asset in the price of the lease exceeds its carrying amount.

In the event that either of these two points are not met, the estimated fair value will be calculated using the internal methodologies set out in Note 2.18.

Additionally, at least once every year, the estimated useful life of the elements of property, plant and equipment is reviewed, in order to detect significant changes in them that, if produced, will be adjusted through the corresponding correction charged to the statement of profit or loss for future years in concept of their depreciation by virtue of the new useful lives.

Repair and maintenance expenses relating to fixed assets for own use are charged to "Other administrative expenses" on the consolidated statement of profit or loss (Note 39).

2.16 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from an acquisition from third parties or have been developed internally.

2.16.1 Goodwill

The positive difference between the price paid in a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entities is recognised under assets on the balance sheet as goodwill. Goodwill represents a payment made by the group in anticipation of the future economic benefits from assets of an acquired entity that are not capable of being individually or separately identified and recognised. It is recognised only if it has been purchased for valuable consideration through a business combination. Goodwill is not amortised, but at the end of each accounting period it is subject to analysis for any possible impairment that would reduce its recoverable value to below its stated net cost and, if found to be impaired, is written down against the consolidated statement of profit or loss.

In order to verify if any impairment has taken place, the goodwill acquired in a business combination will be allocated from the date of acquisition among the cash generating units of the acquiring entity which are expected to benefit from the synergies produced by the business combination, irrespective of whether other assets or liabilities of the acquired entity are allocated to these units or groups of units. Each unit or group of units among which the goodwill is distributed:

a) will represent the lowest level of detail within the entity to which the goodwill is assigned for internal control purposes; and

b) will not be larger than an operating segment, as defined in Note 27.9.

Therefore, in the annual impairment test on goodwill, the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

To detect possible indications of goodwill impairment, value appraisals are undertaken generally based on the medium-term dividend discount model, having regard to the following parameters:

- Key business assumptions. The cash flow projections used in the measurement are based on these assumptions. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates, as well as capital requirements.

- The period covered by the projections: This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.
- Discount rate. The present value of estimated future dividends, from which a value in use is derived, is calculated from a discount rate taken as the capital cost of the entity from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) is used.
- The rate of growth used to extrapolate cash flow projections beyond the year in which they are considered standardised. Based on long-term estimates for the main macroeconomic numbers and key business variables, and bearing in mind the current financial market outlook at all times, a rate of growth in perpetuity is estimated.

Goodwill impairment losses are not reversed in a subsequent period.

2.16.2 Other intangible assets

Intangible assets other than goodwill are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortisation and any impairment losses.

Intangible assets may have indefinite useful lives when, on the basis of the analyses performed, it is concluded that there is no foreseeable limit to the period during which they are expected to generate cash flows and they are not amortised. Rather, at each accounting close, the Group reviews the assets' remaining useful lives in order to ensure that they are still indefinite. The Group has not identified any assets of this kind.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets. Annual amortisation of intangible assets with a definite useful life is recognised in "Amortisation- Intangible assets" in the statement of profit or loss and is calculated on the basis of the useful lives initially estimated, generally 3 to 5 years, except for intangible assets relating to customer relations described in Note 16.2, in which an estimated useful life of 10 years has been estimated for relations associated with sight deposits and 6 years to those associated with term deposits.

The Group recognises any impairment loss in the carrying amount of these assets and makes a balancing entry under "Impairment or reversal of impairment of non-financial assets (net) - tangible assets" in the consolidated statement of profit or loss. The policies for recognising impairment losses on these assets and for reversing impairment losses recognised in prior years are similar to those for property, plant and equipment (Note 2.15).

2.17 Inventories

This item in the consolidated balance sheet includes the non-financial assets that the consolidated entities:

- hold for sale in the ordinary course of business,
- are in the process of making, building or developing for such purposes, or
- expect to consume in production or the provision of services.

Inventories are valued at the lower of their cost, including all acquisition and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated statement of profit or loss in the financial year they are incurred, under "Impairment or reversal of impairment of non-financial assets (net) - Other".

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated statement of profit or loss under "Other operating expenses" in the year the income from their sale is recognised.

For assets foreclosed or received in settlement of debts which, according to their nature and purpose (in production, construction or development), are classified as inventories, the Group applies criteria similar to those described in Note 2.18 for said assets.

2.18 Non-current assets and disposal groups classified as held for sale

Under this heading, assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are recognised, provided that the sale is considered highly probable.

These are valued on the acquisition date and thereafter at the lower of carrying value and fair value of the estimated costs to sell. Assets that would otherwise be subject to depreciation and amortisation are not depreciated or amortised while they remain in the category of non-current assets held for sale.

In particular, repossessed real estate assets or assets received in settlement of debts by the Group in order to partially or fully meet the payment obligations of its debtors are considered non-current assets and disposal groups of items that are classified as held for sale, unless the decision has been taken to make continuing use of these assets or they are used in operations as leased properties.

- The carrying value at the date of acquisition of non-current assets and disposal groups of items that are classified as held for sale from foreclosures or received in settlement of debts is defined as the outstanding amount receivable of loans or credit facilities from which they originate net of any related provisions according to their accounting classification before receiving said assets. These repossessed assets or assets received in settlement of debts are treated as collateral. This carrying amount is compared with the previous carrying amount and the difference is recognised as a an increase or release of provisions, as applicable.

  To estimate the provisions mentioned, the recoverable amount of the guarantee is taken to be fair value less estimated costs to sell of the repossessed assets or assets received in settlement of debts, since the Group has sufficient sales experience to ratify its capacity to realise the assets at fair value.

- To determine the fair value of selling costs, the repossessed assets or assets received in settlement of debts are measured initially on the basis, as a reference value, of the market value calculated in complete individual appraisals applying the policies and criteria described under Guarantees in Note 2.3. In addition, the Group assesses whether it is necessary to apply a discount to this reference value given its experience in sales and the average time that similar assets are held on the balance sheet.

  With the exception of the certain properties, which do not account for a significant amount in this portfolio, classified under Other properties, to which the discount on the reference value provided by the Bank of Spain is applied as an alternative solution given its experience and the information it has on the Spanish banking sector, the Group has developed internal methodologies for estimating discounts on reference values and selling costs, taking into account its experience in selling similar assets.

For the purposes of determining impairment after the foreclosure date or receipt as payment, when the fair value of costs to sell exceeds the carrying amount, the difference is recognised in the consolidated statement of profit or loss as income from impairment reversals, subject to the limit of the accumulated impairment since the initial recognition of said assets. When an asset has surpassed the average period for holding properties, the Company reviews the procedure for determining fair value. Therefore, no impairment reversal income is recognised for these assets.

The Group carries out regular comparison and reference exercises for the estimates made and has devised backtesting methods for comparing estimated and actual losses.

As a result of these analyses, the Group makes changes to internal methodologies when regular backtesting brings to light significant differences between estimated losses and actual losses.

The backtesting methods and analyses are also revised by the internal control department.

Gains and losses generated on the disposal of non-current assets and disposal groups of items classified as held for sale and impairment losses and impairment reversals, where applicable, are recognised under "Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" on the consolidated statement of profit or loss. The remaining income and expenses associated with these assets and liabilities are disclosed by nature.

2.19 Insurance transactions

In accordance with accounting standards specific to the insurance sector, group insurance companies record a revenue for the amount of premiums issued during the year and an expense for the cost of claims when these are made known. These accounting practices require insurance companies to apportion the amounts credited to the statement of profit or loss and not accrued at that date at year-end.

The most significant accruals and deferrals made by the consolidated entities in relation to direct insurance purchased by them are: unearned premiums, benefits, life insurance when the investment risk is assumed by the policyholder, share in profits and returned premiums.

The adjustment of accounting asymmetries is applied to insurance transactions that:

- are financially immunised,
- link the surrender value to the value of the assets specifically assigned,
- envisage a share in the profits of a related asset portfolio,
- are characterised by the fact that the policyholder assumes the investment risk.

The adjustment consists of symmetrically recognising the changes in the fair value of the financial assets linked to insurance activity classified in the categories "Financial assets not held for trading mandatorily measured at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income".

The balancing entry for these changes is the life insurance provision, when this is required by Spanish insurance legislation, or a liability account (with a positive or negative balance) for the portion not recorded as in the life insurance provision which is disclosed under "Other liabilities" on the consolidated balance sheet.

The technical reserves for ceded reinsurance, calculated on the basis of the relevant reinsurance treaties applying the same criteria as for direct insurance, are recognised under "Assets under insurance or reinsurance contracts" (Note 14).

The technical provisions for direct insurance and accepted reinsurance recognised by the consolidated insurance company to cover the obligations arising from the insurance contracts in force at the end of the period are presented in the consolidated balance sheet under "Liabilities under insurance or reinsurance contracts" (Note 20).

Life insurance provisions

They represent the value of the institution's obligations net of the Policyholder's obligations for life insurance at the end of the financial year.

Life insurance reserves are broken down into the unearned premium reserve for insurance whose period of coverage is equal to or less than one year plus, where appropriate, the provision for current risks and, for other insurance, the mathematical reserves.

- **Unearned premium reserve**

  The unearned premium reserve relates to the fraction of the premiums in the year that is allocated to the period between the year-end date and the end of the contract coverage period. The reserve is calculated for each individual policy, applying the actuarial bases contained in its technical notes.

- **Provision for current risks**

  This provision is set up for each line of insurance in so far as the amount of the unearned premium reserve is not sufficient to reflect the value of all the risks and expenses to be covered by the institution for the coverage period not elapsed at the end of the financial year.

  The necessary claims study was carried out to determine the need for a provision for current risks based on the provisions of Article 31 of the Insurance Regulation. This yielded a positive balance, which shows the lack of obligation to make such a provision.

- **Mathematical reserves**

  The mathematical reserves represents the difference between the actuarial present value of the entity's future obligations and those of the policyholder or, if applicable, the insured party. Its calculation is made policy by policy, via an individual system and applying a prospective method, taking as a basis for calculation the inventory premium accrued in the year.

  Calculation of the mathematical reserves was based on the provisions of the Regulation for the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November, Royal Decree 239/2007 of 16 February and Order EHA/339/2007 of 16 February, as well as its subsequent amendments and the Resolutions of the Directorate General of Insurance of 6 July 2012 and 9 March 2015.

  However, pursuant to the Second Transitional Provision of the Regulations, for insurance contracted before the entry into force of the Regulation for the Organisation and Supervision of Private Insurance, if the real yield obtained from the investments concerned in the financial year was lower than the technical rate used, the Company would calculate the mathematical reserves by applying an interest rate equal to the yield actually obtained.

  The insurance company calculates the mathematical reserves of a significant part of its insurance portfolio in accordance with article 33.2 of the Regulation for the Organisation and Supervision of Private Insurance, measuring it by the maximum interest rate derived from the internal rate of return of certain investments allocated to the product, provided that certain requirements established in the applicable regulations are met by means of matching flows.

  On 2 December 2015, Royal Decree 1060/2015 of 20 November was published on the organisation, supervision and solvency of insurance and reinsurance undertakings. It came into force on 1 January 2016 and its main purpose is to complete the transposition of European Solvency II regulations into Spanish law.

  As a result of the foregoing, the institution has applied the fifth additional provision, which is mandatory for it, in relation to the interest rate for the calculation of technical provisions for accounting purposes of life insurance with respect to contracts entered into on or after 1 January 2016.

In 2017, the insurance company, pursuant to the provisions of section 1 of the fifth additional provision of Royal Decree 1060/2015, of 20 November, on the Regulation, Supervision and Solvency of Insurance and Reinsurance Undertakings, accepted, with regard to the interest rate to be used in the calculation of the life insurance provision for contracts concluded before 1 January 2016 and whose calculation is governed by the provisions of sections 1.a.1 and 1.b)1 of article 33 of the Regulation for the Organisation and Supervision of Private Insurance, to the option of adapting to the relevant temporary structure of risk-free interest rates provided for in article 54 of this Royal Decree, including, where appropriate, the component relating to the adjustment for volatility provided for in article 57 of this Royal Decree.

Reserves for benefits pending payment

These include:

- **Reserves for benefits pending payment**

  This represents the amount of the institution's outstanding obligations arising from claims occurring prior to the year-end date, which is equal to the difference between its total estimated or certain cost, including external and internal file management and administration expenses, and all the amounts already paid in respect of such claims.

  In order to determine their amount, claims are classified by year of occurrence, with each claim being measured individually.

- **Reserves for benefits pending declaration**

  The reserves for claims pending declaration has been estimated based on the information and experience in previous years of the Insurer, as established in article 41 of the Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

- **Provision for claim settlement expenses**

  It reflect the amount sufficient to cover the internal expenses of the institution necessary for the total settlement of the claims. The provision for benefits for settlement expenses has been estimated as set out in article 42 of Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

Provision for profit sharing and returned premiums

It contains the amount of the benefits accrued in favour of the policyholders, insured parties or beneficiaries and the amount of the premiums that should be returned to the policyholders or insured parties, if applicable, by virtue of the behaviour experienced by the insured risk, as long as they have not been allocated individually to each of them.

Provisions for life insurance in which the investment risk is borne by the policyholders

The provision for life insurance in which it is contractually estimated that the risk of the investment is borne by the policyholder is determined on the basis of the technical notes for each type and on the basis of the investments concerned in order to establish the economic value of the policyholder's rights.

The Group carries out various procedures and has implemented controls to ensure the sufficiency of technical reserves, including:

- With regard to insurance reserves with mortality risk: the provision for current risks is calculated annually as detailed above. This calculation involves the preparation of a profit or loss account for the last two years of mortality risk in order to determine that the premiums collected, determined with the same mortality tables used for the calculation of technical reserves, are higher than the claims actually incurred. The fact that the mortality business yields profits ensures the sufficiency of the provisions made.

- With regard to insurance reserves with longevity risk: each year, the Group obtains real historical mortality assumptions in relation to this activity, for application in the Solvency II calculations (Best Estimate Liability and Capital Requirements (SCR)). For this generation of assumptions, the company's historical mortality rate in these products compared with the mortality tables applied in the collection of premiums and in the calculation of technical reserves. The fact that the reality does not differ from the tables applied ensures the sufficiency of the provisions made with these tables.

- Every month, from the second line of defence (control), the results obtained by the company are monitored by product, differentiating the financial result from the technical result (result associated with insurance risk). The observation that positive technical results are being generated in the different products ensures the sufficiency of the technical provisions set up.

- The Group has a specific Internal Audit function for the insurance activity which is set up as a third line of defence, independent from the rest of the company's units, which, as part of its action planning, periodically reviews the adequacy of the technical reserves associated with each insurance line.

- Lastly, the Group's external auditor issues the "Report on the Financial Condition and Solvency of the insurance company".

2.20 Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, their respective directors distinguished between:

- Provisions: credit balances covering present obligations at the date of the balance sheet arising from past events which could give rise to pecuniary losses for the entities that are considered likely to occur, are certain as to their nature but uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events not within the control of the consolidated entities.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, although they are disclosed in accordance with applicable regulations (Note 27.1).

Provisions, which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close if new information comes to light, are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

Provisions considered necessary in accordance with the above criteria are debited or credited to "Provisions or reversal of provisions" on the consolidated statement of profit or loss.

At year end, certain litigation and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on the consolidated financial statements in the years in which they are settled.

2.21 Consolidated statements of recognised income and expenses

In accordance with the options established in IAS 1.81, the Group has chosen to present separately a statement showing the components of consolidated profits ("consolidated statement of profit or loss") and a second statement which, on the basis of consolidated profits for the year, reflects the components of the remaining income and expenses for the year recognised directly in equity ("Consolidated statement of comprehensive income").

The “Consolidated statement of comprehensive income” shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between items of income and expense that are recognised in profit and loss for the year and items of income and expense that, as required under current regulations, are recognised directly in consolidated equity.

In general, income and expenses recognised directly in equity are disclosed at the gross amount and the relevant tax effect is reflected under “Income tax”.

Therefore, this statement shows:

a) Consolidated profit/(loss) for the year.

b) The net amount of income and expenses recognised as “Other accumulated comprehensive income” in equity, which will not be reclassified to profit or loss.

c) The net amount of income and expenses recognised in equity, which may be reclassified to profit or loss.

d) Income tax accrued on the items indicated in (b) and (c) above, except for adjustments to other comprehensive income arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented on a net basis.

e) Total consolidated recognised income and expenses, calculated as the sum of the foregoing letters, showing separately the amount attributed to the parent and the amount attributed to non-controlling interests.

2.22 Total statement of changes in equity

The “Total statement of changes in equity” presents all changes in equity, including those arising from changes in accounting criteria and the correction of errors. This statement therefore reflects a reconciliation of the carrying value at the beginning and end of the year for all items forming part of consolidated equity, grouping movements on the basis of their nature into the following items:

a) Adjustments due to changes in accounting principles and correction of errors: Includes changes in consolidated equity due to the retroactive adjustment to financial statement balances because of changes in accounting principles or to correct errors.

b) Comprehensive income for the year: comprises an aggregate of all the aforementioned items recognised in the statement of comprehensive income.

c) Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of earnings, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in consolidated equity.

2.23 Consolidated statement of cash flows

The following expressions are used with the following meaning in the consolidated cash flow statement:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as on-demand investments.
- Operating activities: the ordinary activities of credit institutions. Activities performed with financial instruments are treated as operating activities, with some exceptions, such as financial assets in the portfolio of financial assets at amortised cost, equity instruments classified as financial assets at fair value through other comprehensive income that are strategic investments, and subordinated financial liabilities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities do not form part of operating activities.

For the purposes of preparing the consolidated cash flow statement, "cash and cash equivalents" are considered to be short-term, highly liquid investments with an insignificant risk of changes in value. The Group therefore treats the following financial assets and liabilities as cash or cash equivalents:

- The Group's own cash, which is recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6).
- Net demand balances held with Central Banks, recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6).
- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6). Creditor balances are recognised under liabilities on the consolidated balance sheet under the heading "Financial liabilities at amortised cost – Deposits – Credit institutions" (Note 19.2).

3. Risk management

3.1 General principles

The Ibercaja Group's risk management is based on the strategic principles described below:

- Maintenance of a medium-low risk profile.
- Compliance with regulatory requirements at all times, and with the capital and liquidity targets set in the capital and liquidity self-assessment processes.
- Maintenance of suitable levels of risk-adjusted returns to ensure achievement of profit targets.
- Avoid concentration of risks in any form (individual, economic groups, sectorial, etc).
- Avoid the materialisation of operational, regulatory, legal or reputational risks through active and continuing risk management.
- Strong risk governance with the effective involvement of senior management and the Board of Directors.
- Foster a risk-aware culture and support the Organisation's suitable understanding of the level and nature of risks to which it is exposed.
- Maintain and reinforce the trust of customers, investors, employees, suppliers and other stakeholders.

3.2 Catalogue of material risks for the Ibercaja Group

The material risks identified by the Ibercaja Group in the course of its business are as follows:

- Credit risk: the risk of loss due to borrowers' breach of payment obligations, and loss of value due to impairment in borrowers' credit quality. Includes the following sub-categories:
  - Concentration risk: These are defined as the risk of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Group.
  - Real estate risk: Risk of impairment of properties used as collateral in financing transactions or acquired through foreclosure arising from periods of crisis in the real estate market.
  - Sovereign risk: This relates to the risk that the country in which the investment is made, often in the form of purchase of bonds and government debt, will default on its payment obligations, outside the normal risks of a common credit operation.
- Operational Risk: reflects potential loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or a loss arising from external events. Includes the following sub-categories:
  - Reputational risk: Risk tied to the perception of stakeholders (customers, investors, employees, suppliers and others), from which economic losses may derive.
  - Legal risk: the possibility of financial loss due to failure to comply with applicable legal and administrative provisions, issuance of unfavourable administrative and judicial decisions, application

of fines or sanctions in relation to any of the bank's operations, processes or activities, such as errors in legal opinions, contracts, bonds or any legal document, such as to preclude enforceability of a right or determine the legal impossibility of enforcing a contract due to failures of legal implementation.

- Technological risk: the probability that the bank's ICT (information and communication technologies) services or infrastructure will not achieve the service levels necessary to support business processes with sufficient effectiveness, as a consequence of an event that affects the availability, integrity or confidentiality of the data, applications and networks that make up such infrastructure, causing economic loss or other types of loss.

▪ Market risk: the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, commodity prices, etc.) that determine the value of those positions. This risk affects the trading portfolio and the "hold to collect and sell" portfolio.

▪ Interest rate risk: the risk that the financial margin or economic value of the Bank are affected by adverse variations in interest rates that impact the cash flows of financial instruments.

▪ Liquidity and financing risk: the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

▪ Business and profitability risk: the probability of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. In addition, the risk encompasses extraordinary threats, which may endanger the continuity of the business or the Bank.

▪ Insurance business risk. In addition to its banking business risk, Ibercaja Banco, as a financial conglomerate, must specifically manage and control its insurance business risk. Material risks of this business include interest rate risk, spread risk, concentration risk, counterparty risk, underwriting risk, operational risk and sovereign risk.

3.3 Global risk management processes and tools

Risk Appetite Framework (RAF)

The Group's risk management is organised through the Risk Appetite Framework (RAF). The key aim of the Ibercaja Group's RAF is to establish a set of principles, procedures, controls and systems through which the Bank's risk appetite is specified, communicated and monitored.

Risk appetite is the level or profile of risk that the Ibercaja Group is willing to accept and maintain, in terms of type and amount, and its level of tolerance. Risk appetite must be geared towards achieving the targets of the strategic plan, in accordance with the lines of action established in that plan.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterized by:

- Alignment with the strategic plan and capital planning.
- Integration into the Bank's risk culture, with the involvement of all levels of responsibility.
- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.
- Associated with the information management systems.

Internal Capital/Liquidity Adequacy Assessment Process (ICAAP & ILAAP)

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) seek to provide certainty about the risks to which the Bank is or may be exposed and its ability to remain viable, while maintaining an adequate level of capitalisation and liquidity and managing its risks effectively.

This requires prospective assurance that all material risks are identified, managed effectively (with an appropriate combination of measurement and controls), and covered by a sufficient amount of high-quality capital, in the case of ICAAP, and by a sufficient amount of liquid assets and stable sources of financing, in the case of ILAAP.

The purpose of ICAAP and ILAAP is to ensure an adequate relationship between the Bank's risk profile and the own funds that it effectively holds. To do this, a recurring process is carried out that allows:

- Identify, measure and aggregate material risks (not just Pillar I).
- Define the risk profile.
- Carry out capital planning and medium-term financing (base case and adverse scenarios).
- Set internal targets for own resources and liquid assets that enables us to maintain adequate clearance over minimum requirements.
- Determine and allocate the capital and liquidity needed to cover material risks.
- Establish action plans to respond to any situation of capital or liquidity shortage.
- Present a formal and unequivocal statement on the adequacy of the Group's capital and liquidity approved by the Board of Directors.

Recovery Plan

Ibercaja Banco's recovery plan is a response to the requirement under Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, or "Bank Recovery and Resolution Directive" (BRRD). The main objectives of the plan are:

- To provide a detailed view of the Bank, including an analysis of its main lines of business and critical economic functions.
- To describe the process of development, approval and updating of the plan, and how it is integrated into the Bank's procedures.
- To describe in detail the model of escalation and decision-making in a situation of continuity, early warning and recovery.
- To identify the set of recovery indicators that are to be monitored periodically to anticipate any situations of severe stress.
- To set out the selected recovery measures, which could be taken in a recovery situation to restore Ibercaja's capital and liquidity position. For each recovery measure, a feasibility and financial impact analysis was carried out, an operational plan was designed for its implementation, a communication plan was rolled out, and needs were analysed from an information management point of view. In addition, a test of the effectiveness of the measures in the face of hypothetical stress scenarios is described.

- To design the internal and external communication plan to be carried out in a recovery situation.
- To describe preparatory measures.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are reviewed and approved by the Bank's Board of Directors on an annual basis.

3.4 Governance Model

The Ibercaja Group has a robust organisational structure that allows it to ensure effective risk management and control. The governance structure provides adequate channels of communication to convey information and decisions at all levels of the organisation.

The following are the Governing Bodies and Executive Committees that directly address risk management and control.

3.4.1 Governing Bodies

Board of Directors

The Board of Directors is the body responsible for ensuring a robust risk culture, establishing the strategic lines of risk management and control and approving policies, manuals and procedures relating to risk management.

Its risk management and control duties and powers include:

- Establishing and approving the Ibercaja Group's Risk Appetite Framework (RAF) after a report from the Large Exposures and Solvency Committee, and review it at least once a year or whenever necessary depending on the circumstances.
- Evaluating and supervising the risk profile and its alignment with the established framework and the Group's strategy, and approving the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports.
- To approve and periodically review the strategies and policies for accepting, managing, supervising and reducing the risks to which the Group is or may be exposed, including risks posed by the macroeconomic situation in which it operates in relation to the current stage of the economic cycle.
- To actively participate in the management of material risks covered by solvency regulations and ensure that the organisation has adequate resources for such management.
- To ensure that the necessary action plans and corrective measures are in place to manage limit overshoots.
- To establish and supervise the Group's risk information and control systems, following a report from the Large Exposures and Solvency Committee.
- To ensure that all aspects of capital planning are integrated with management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Financing Plan.

The boards of directors of the subsidiaries are responsible for approving the respective risk appetite proposals once they have been validated by the Global Risk Committee and the Large Exposures and Solvency Committee.

The Ibercaja Group is a financial conglomerate and its insurance business is significant, so it jointly manages the risks arising from the banking and insurance businesses.

Large Exposures and Solvency Committee

The Large Exposures and Solvency Committee has had powers delegated to it by the Board of Directors to carry out the functions of framing and supervising risk management.

Its risk management duties and powers include:

- To report to the Board of Directors, prior to approval, on the Bank's Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS), the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan, ensuring that they are consistent with other policies and with the Bank's strategic framework.
- To review the effectiveness of the risk management framework and internal control systems.
- To periodically review compliance with risk appetite (significant risk exposures, breaches of limits and agreed management measures).
- To receive adequate information from management so as to be able to identify the risks faced by the Bank and its Group; to be able to assess and, where appropriate, propose measures to mitigate the impact of the risks identified.

<u>Strategy Committee</u>

The Strategy Committee has the core function of informing the Board of Directors of the Bank's strategic policy, ensuring that there is a specific organisation in place for its implementation.

<u>Audit and Compliance Committee</u>

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

3.4.2 Executive Committees

<u>Global Risk Committee</u>

Executive body responsible for defining and monitoring the Group's risk strategies and policies. The main functions and responsibilities of the Global Risk Committee are:

- To report periodically to the Large Exposures and Solvency Committee on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the action plans required to correct overshoots or breaches.
- To submit the proposed RAF, the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan to the Large Exposures and Solvency Committee for evaluation and analysis with a view to consistency with the Group's risk management policy and strategic plan.
- To evaluate and approve action plans in response to alerts or overshoots, prior to referral to the Large Exposures and Solvency Committee.
- To ensure that the Group has adequate procedures and means in place for the identification, measurement, follow-up and monitoring of the risk profile.

<u>Audit Committee</u>

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organisational scheme provides the Bank with a global structure of governance and risk management, in proportion to the complexity of the Ibercaja Group's business, with three lines of defence:

- First line of defence: Configured by the Group's risk-taking business and support units.
- Second line of defence: Located organisationally in the General Secretary's Office-Control Department as the head of the second line, it acts independently of the business units. The second line comprises the Risk Control functions, which monitor and report risks and review the application of management policies and control procedures by the first line, and the Compliance functions, in charge of reviewing that business is conducted in accordance with applicable legislation, regulations and internal policies.
- Third line of defence: Internal audit, as an independent function that provides an assessment and proposals for improving risk management and control processes.

3.5 Exposure to credit risk

Defined as the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

3.5.1 Strategies and policies for the credit risk management

Credit risk management is geared towards facilitating sustained and balanced growth in loans and receivables while guaranteeing at all times the soundness of the Company's position in financial and equity terms, so as to optimise the return / risk ratio within levels of tolerance established by the Board of Directors based on the defined management principles and operational policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Credit Risk Management Framework", the "Irregular Assets Management Framework" and the "Risk Models Management Framework" and the various policy manuals that implement those frameworks. . The manuals include, inter alia, the action guidelines for the main operating segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorising risks that exceed the competence of the operating circuit.

3.5.2 Credit risk granting, monitoring and recovery policies

The loan portfolio is segmented into groups of customers with homogeneous risk profiles susceptible to different treatment through the application of specific evaluation models.

a) In relation to the granting of credit risk, the following policies have been implemented:

- Classifications of risk for borrower groups through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.
- Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.
- Methodology for operations analysis based on type and correspondence to different segments.
- Internal credit rating models integrated with decision-taking systems for the various areas of the retail business.
- Requirements necessary to provide each operation with legal safeguards.
- Risk mitigation techniques.
- Pricing policies in line with customers' credit quality.

The credit risk management policy is structured through a decentralised lending arrangement based on a formally established delegation of powers and set out in risk manuals.

The Bank has in place, under its "Acceptance Policy Manual", risk acceptance policies in line with Law 2/2011 of 4 March, on the Sustainable Economy, Order EHA/2899/2011 of 28 October, on banking services transparency and customer protection, and Bank of Spain Circular 5/2012 of 27 June, on transparency in banking services and responsibility in the granting of loans and credit facilities.

With respect to granting loans, the manual considers essential criteria to be the reasonableness of the proposal, the analysis of the borrower's payment capacity and the prudent valuation of guarantees. Real-estate collateral is always appraised by independent valuation companies (authorised by the Bank of Spain).

In terms of banking services customer protection and transparency standards, the Group performs the following actions:

- Current rates (interest, fees and expenses) applied to the various financial products are displayed at branches.
- Rates in force are reported quarterly to the Bank of Spain.
- The rates applied in products can be consulted on the Company's website (http://contransparencia.ibercaja.es).
- Customers are provided with documentation setting out contractual conditions before any contract is signed. A copy of the contract is subsequently given to the customer.
- Every January, customers receive personal reports giving details of interest, fees and expenses applied during the preceding year in the products they have contracted.

The Internal Audit Department, as part of the control actions performed at the branches, is responsible for overseeing compliance with the established policies and procedures.

b) In the area of credit risk monitoring, the main objective is to identify in advance any impairment in borrowers' risk quality, to take corrective action and minimise the adverse impact of any entry into default of the exposure, or of classification of the exposure as Stage 2.

The credit risk monitoring function is carried out on the basis of individualised monitoring of customers who require greater attention due to exposure or risk profile, and on the basis of an analysis of the performance of different portfolios (Individuals, Production Activities, Developers, etc.).

Some of the credit risk monitoring conducted at the Bank, including classification and estimation of allowances for exposures, is based on Annex 9 "Analysis and Coverage of Credit Risk", of Bank of Spain Circular 4/2017, of 27 November. Those regulatory provisions require institutions to have policies in place for credit risk assessment, monitoring and control that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, both when granted and throughout their term of effect. Under this Circular, the Bank considers borrowers with respect to which exposure exceeds €3 million to be individually material borrowers.

The principles, procedures and key tools on which the monitoring function is based to carry out its work effectively are set out in the Bank's Credit Risk Monitoring Policy.

c) Integrated management risk is completed by recovery policies aimed at avoiding or minimising potential default through specific recover circuits based on the quantity and nature of the operations concerned and with the involvement of various internal and external managers to tailor the actions required by each situation.

3.5.3 Country risk

This is defined as the possibility of incurring losses due to the failure of a country to comply with payment obligations due to circumstances other than normal commercial risk. Comprises sovereign risk, transfer risk and other risks inherent to international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2017, on the basis of their rating, economic performance, political situation, regulatory and institutional framework, payment capacity and payment record.

In relation to sovereign risk, the Company has maximum limits for public debt issued by European Union States and other States, also based on their corresponding ratings.

3.5.4 Information on the credit risk of financial instruments

The classification on the basis of the level of risk of the Group's loans and receivables, fixed-income assets and contingent risks that are performing, have not become impaired and are subject to collective impairment testing is as follows:

	Thousands of euros	
	2019	**2018**
No appreciable risk	18,287,767	17,373,015
Low risk	19,218,092	19,488,127
Medium-low risk	2,413,087	590,218
Medium risk	7,432,656	6,879,476
Medium-high risk	1,297,121	1,544,971
High risk	179,644	176,324
	48,828,367	**46,052,131**

The breakdown of exposures with no appreciable risk, by type, is as follows:

	Thousands of euros	
	2019	**2018**
Central banks	3,444,265	675,568
Public administrations and enterprises	11,841,204	12,768,513
Financial institutions	3,002,298	3,928,934
	18,287,767	**17,373,015**

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and of the portfolio of financial assets at amortised cost (Note 11) at 31 December 2019 and 2018:

	Thousands of euros 31/12/2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**37,807,997**	**1,403,209**	**1,293,161**	**40,504,367**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,231**	**2,231**
Allowances for impairment of assets	**60,248**	**65,200**	**516,940**	**642,388**
Of which: calculated collectively	60,248	55,091	392,072	507,411
Of which: calculated separately	-	10,109	124,868	134,977
Net amount	**37,747,749**	**1,338,009**	**773,990**	**39,859,748**

	Thousands of euros 31/12/2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**36,773,579**	**1,551,944**	**2,274,558**	**40,600,081**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,222**	**2,222**
Allowances for impairment of assets	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which: calculated collectively	55,379	76,180	539,394	670,953
Of which: calculated separately	-	9,171	436,856	446,027
Net amount	**36,718,200**	**1,466,593**	**1,296,086**	**39,480,879**

Impairment adjustments to collectively calculated assets amount to €65 thousand at 31 December 2019 (€33 thousand at 31 December 2018) due to country risk.

In relation to the maximum level of exposure to credit risk, the most significant sectors of activity are detailed in relation to non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and financial assets at amortised cost (Note 11), by transaction purpose:

	Thousands of euros	
	2019	**2018**
Public sector	6,114,085	4,854,084
Credit institutions	795,337	461,791
Real estate construction and development	1,203,767	1,574,908
Other production activities	11,118,667	11,330,182
Housing acquisition and refurbishment	19,553,933	20,345,619
Consumer and other household lending	816,234	710,357
Other sectors not classified	902,344	1,323,140
	40,504,367	**40,600,081**

With respect to the maximum level of exposure to credit risk, financial assets at amortised cost (Note 11) secured by collateral or credit enhancements are as follows:

	Thousands of euros	
	2019	**2018**
Mortgage guarantees	22,857,231	24,440,560
Pledges - financial assets	58,096	28,669
Off-balance sheet guarantees – public sector, credit institutions, mutual guarantee funds	1,826,296	1,954,234
Guarantees - public sector debt	1,722,143	1,703,749
	26,463,766	**28,127,212**

Guarantees received and financial guarantees granted break down as follows at 31 December 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Value of collateral	22,303,745	23,504,074
Of which: guarantees risks on special watch	*981,695*	*1,153,800*
Of which: guarantees non-performing risks	*844,728*	*1,509,131*
Value of other collateral	6,995,125	7,500,057
Of which: guarantees risks on special watch	*495,054*	*562,002*
Of which: guarantees non-performing risks	*396,071*	*626,528*
Total value of the collateral received	**29,298,870**	**31,004,131**

	Thousands of euros	
	2019	**2018**
Loan commitments given (Note 27.3)	**2,966,973**	**2,970,560**
Of which: classified as non-performing	*8,048*	*14,518*
Amount recognised under liabilities on the balance sheet (Note 21)	6,896	7,974
Financial guarantees granted (Note 27.1)	**76,204**	**79,289**
Of which: classified as non-performing	*5,255*	*5,795*
Amount recognised under liabilities on the balance sheet (Note 21)	5,687	6,189
Other commitments given	**856,027**	**908,335**
Of which: classified as non-performing	*36,726*	*33,688*
Amount recognised under liabilities on the balance sheet (Note 21)	9,932	19,302

At December 2019 the LTV (loan to value, reflecting the relationship between the financial transaction balance and the value of the guarantee associated with that transaction) of the Ibercaja Group’s mortgage portfolio stood at 51.82% (51.78% at December 2018).

The classification of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8), of fixed-income assets at fair value through other comprehensive income (Note 10) and financial assets at amortised cost (Note 11) that are impaired, distinguishing between those where impairment arises from non-payment and those where it emerges from other factors, is as follows:

	Thousands of euros	
	2019	**2018**
Customer default	1,052,257	1,832,307
Other factors	240,904	442,251
	1,293,161	**2,274,558**

The main factors taken into account to calculate impairment for reasons other than non-payment are those reflected in Note 2.3.

There are generally no non-performing financial assets that are not impaired. The only exceptions to this rule are transactions where the Public Sector is the titleholder or which are secured through a cash guarantee and the amount involved is insignificant.

Note 11.4.1 includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

3.5.5 Information concerning risk concentration, refinancing and restructuring

3.5.5.1 Information concerning risk concentration

Below is a breakdown of the carrying amount of the distribution of customer loans by activity at 31 December 2019 and 2018:

	Thousands of euros							
	31/12/2019							
	Total	Of which: mortgage collateral	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
				Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**757,563**	**58,355**	**-**	**5,070**	**17,931**	**31,256**	**3,028**	**1,070**
Other financial companies and individual entrepreneurs (financial business activity)	**1,622,378**	**3,374**	**1,615,432**	**1,070**	**883**	**1,421**	**1,615,432**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**7,968,585**	**2,803,036**	**23,468**	**827,072**	**750,442**	**497,818**	**314,988**	**436,184**
Real estate construction and development (including land)	1,128,816	1,081,306	3	84,162	215,128	232,029	238,566	311,424
Civil engineering	21,840	36	-	36	-	-	-	-
Other purposes	6,817,929	1,721,694	23,465	742,874	535,314	265,789	76,422	124,760
Large corporations	*1,226,303*	*20,212*	*76*	*10,552*	*2,520*	*6,766*	*50*	*400*
SMEs and individual entrepreneurs	*5,591,626*	*1,701,482*	*23,389*	*732,322*	*532,794*	*259,023*	*76,372*	*124,360*
Other households and non-profit institutions serving households	**20,921,694**	**19,657,099**	**19,805**	**5,878,744**	**7,632,680**	**5,142,441**	**646,574**	**376,465**
Homes	19,374,025	19,127,294	6,710	5,588,720	7,500,874	5,058,499	626,565	359,346
Consumption	794,168	137,445	8,728	99,975	27,227	12,857	4,613	1,501
Other purposes	753,501	392,360	4,367	190,049	104,579	71,085	15,396	15,618
Total	**31,270,220**	**22,521,864**	**1,658,705**	**6,711,956**	**8,401,936**	**5,672,936**	**2,580,022**	**813,719**
Memorandum items: refinancing, refinanced and restructured operations	**745,056**	**671,738**	**133**	**120,625**	**122,113**	**156,026**	**106,042**	**167,065**

	Thousands of euros							
	31/12/2018							
	Total	Of which: mortgage collateral	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
				Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**248,501**	**62,310**	**-**	**4,744**	**17,132**	**37,123**	**3,311**	**-**
Other financial companies and individual entrepreneurs (financial business activity)	**1,718,978**	**2,825**	**1,703,612**	**976**	**1,196**	**498**	**1,703,767**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**8,230,436**	**3,181,008**	**25,248**	**1,248,452**	**981,492**	**622,335**	**176,553**	**177,424**
Real estate construction and development (including land)	1,236,085	1,190,702	2	404,039	398,298	272,100	60,849	55,418
Civil engineering	22,585	39	-	39	-	-	-	-
Other purposes	6,971,766	1,990,267	25,246	844,374	583,194	350,235	115,704	122,006
Large corporations	*1,047,464*	*17,784*	*162*	*8,552*	*2,663*	*5,922*	*83*	*726*
SMEs and individual entrepreneurs	*5,924,302*	*1,972,483*	*25,084*	*835,822*	*580,531*	*344,313*	*115,621*	*121,280*
Other households and non-profit institutions serving households	**21,667,278**	**20,417,059**	**19,576**	**5,789,262**	**7,710,932**	**5,687,230**	**781,287**	**467,924**
Homes	20,087,031	19,831,216	4,548	5,477,141	7,559,292	5,594,006	756,809	448,516
Consumption	687,627	141,787	6,522	101,081	28,541	13,985	2,503	2,199
Other purposes	892,620	444,056	8,506	211,040	123,099	79,239	21,975	17,209
Total	**31,865,193**	**23,663,202**	**1,748,436**	**7,043,434**	**8,710,752**	**6,347,186**	**2,664,918**	**645,348**
Memorandum items: refinancing, refinanced and restructured operations	**1,230,637**	**1,137,616**	**728**	**207,357**	**203,306**	**281,508**	**184,084**	**262,089**

The carrying amount of the risks classified by business and geographic area are set out below, including loans and advances, debt securities, equity instruments, trading derivatives, hedge derivatives, shares and contingent risks.

- Total activity:

	Thousands of euros				
	31/12/2019				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**4,749,638**	**502,009**	**7,473**	**13**	**5,259,133**
Public administrations	**10,732,786**	**1,113,967**	**-**	**-**	**11,846,753**
Central government	9,660,044	1,113,967	-	-	10,774,011
Other public administrations	1,072,742	-	-	-	1,072,742
Other financial companies and individual entrepreneurs (financial business activity)	**3,769,951**	**222,757**	**12,423**	**-**	**4,005,131**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,681,952**	**1,087,006**	**23,854**	**13,633**	**10,806,445**
Real estate construction and development (including land)	1,469,957	-	-	-	1,469,957
Civil engineering	19,767	-	-	2,073	21,840
Other purposes	8,192,228	1,087,006	23,854	11,560	9,314,648
Large corporations	*1,675,088*	*1,042,337*	*6,504*	*10,837*	*2,734,766*
SMEs and individual entrepreneurs	*6,517,140*	*44,669*	*17,350*	*723*	*6,579,882*
Other households and non-profit institutions serving households	**20,954,878**	**72,359**	**13,859**	**34,124**	**21,075,220**
Homes	19,261,281	67,470	12,377	33,705	19,374,833
Consumption	791,752	1,095	971	350	794,168
Other purposes	901,845	3,794	511	69	906,219
Total	**49,889,205**	**2,998,098**	**57,609**	**47,770**	**52,992,682**

	Thousands of euros				
	31/12/2018				
	Spain	Other of the EU	America	Rest of the world	Total
Central banks and credit institutions	**2,057,974**	**118,133**	**1,880**	**1,475**	**2,179,462**
Public administrations	**10,083,006**	**1,094,101**	**75,123**	**-**	**11,252,230**
Central government	9,191,608	1,094,101	75,123	-	10,360,832
Other public administrations	891,398	-	-	-	891,398
Other financial companies and individual entrepreneurs (financial business activity)	**4,002,734**	**138,814**	**10,378**	**369**	**4,152,295**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,813,417**	**944,113**	**42,317**	**11,386**	**10,811,233**
Real estate construction and development (including land)	1,484,278	-	-	-	1,484,278
Civil engineering	20,427	-	-	2,158	22,585
Other purposes	8,308,712	944,113	42,317	9,228	9,304,370
Large corporations	*1,283,012*	*84,563*	*24,784*	*8,283*	*1,400,642*
SMEs and individual entrepreneurs	*7,025,700*	*859,550*	*17,533*	*945*	*7,903,728*
Other households and non-profit institutions serving households	**21,784,772**	**70,775**	**12,653**	**36,092**	**21,904,292**
Homes	19,975,000	64,867	11,532	35,634	20,087,033
Consumption	686,092	334	838	363	687,627
Other purposes	1,123,680	5,574	283	95	1,129,632
Total	**47,741,903**	**2,365,936**	**142,351**	**49,322**	**50,299,512**

- Activity in Spain:

	Thousands of euros								
	31/12/2019								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,022,968**	**3,553,141**	**-**	**4,232**	**60,037**	**-**	**-**	**109,260**	**4,749,638**
Public administrations	**183,731**	**125,291**	**8,079**	**109,948**	**5,247**	**71,795**	**57,905**	**510,746**	**10,732,786**
Central government (*)	-	-	-	-	-	-	-	-	9,660,044
Other public administrations	183,731	125,291	8,079	109,948	5,247	71,795	57,905	510,746	1,072,742
Other financial companies and individual entrepreneurs (financial business activity)	**51,344**	**3,707,140**	**1,495**	**433**	**5,273**	**1,749**	**330**	**2,187**	**3,769,951**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**3,197,910**	**2,245,892**	**1,000,688**	**615,562**	**525,354**	**566,415**	**288,037**	**1,242,094**	**9,681,952**
Real estate construction and development (including land)	348,546	743,736	59,244	75,860	80,917	75,898	30,188	55,568	1,469,957
Civil engineering	2,273	16,886	13	-	80	321	-	194	19,767
Other purposes	2,847,091	1,485,270	941,431	539,702	444,357	490,196	257,849	1,186,332	8,192,228
Large corporations	*463,191*	*469,100*	*227,302*	*123,575*	*67,478*	*68,111*	*38,517*	*217,814*	*1,675,088*
SMEs and individual entrepreneurs	*2,383,900*	*1,016,170*	*714,129*	*416,127*	*376,879*	*422,085*	*219,332*	*968,518*	*6,517,140*
Other households and non-profit institutions serving households	**5,663,265**	**5,289,365**	**1,970,890**	**1,786,924**	**1,321,902**	**963,989**	**1,326,638**	**2,631,905**	**20,954,878**
Homes	4,810,810	5,047,076	1,860,728	1,702,736	1,270,680	881,341	1,251,635	2,436,275	19,261,281
Consumption	309,288	128,036	56,532	45,456	29,815	47,191	43,475	131,959	791,752
Other purposes	543,167	114,253	53,630	38,732	21,407	35,457	31,528	63,671	901,845
Total	**10,119,218**	**14,920,829**	**2,981,152**	**2,517,099**	**1,917,813**	**1,603,948**	**1,672,910**	**4,496,192**	**49,889,205**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

	Thousands of euros								
	31/12/2018								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,131,396**	**813,189**	**-**	**10,133**	**53,931**	**1**	**-**	**49,324**	**2,057,974**
Public administrations	**85,981**	**138,893**	**11,600**	**105,221**	**113,230**	**77,992**	**25,694**	**332,787**	**10,083,006**
Central government (*)	-	-	-	-	-	-	-	-	9,191,608
Other public administrations	85,981	138,893	11,600	105,221	113,230	77,992	25,694	332,787	891,398
Other financial companies and individual entrepreneurs (financial business activity)	**64,099**	**3,932,896**	**1,627**	**523**	**690**	**1,450**	**404**	**1,045**	**4,002,734**
Non-financial companies and	**3,096,939**	**2,231,105**	**1,080,140**	**650,403**	**550,352**	**599,254**	**328,860**	**1,276,364**	**9,813,417**

individual entrepreneurs (non-financial business activity) (broken down by purpose)									
Real estate construction and development (including land)	259,582	702,881	77,541	91,984	107,925	77,694	62,689	103,982	1,484,278
Civil engineering	1,554	18,206	24	-	106	303	-	234	20,427
Other purposes	2,835,803	1,510,018	1,002,575	558,419	442,321	521,257	266,171	1,172,148	8,308,712
Large corporations	*264,727*	*331,255*	*255,494*	*108,311*	*61,382*	*61,393*	*32,196*	*168,254*	*1,283,012*
SMEs and individual entrepreneurs	*2,571,076*	*1,178,763*	*747,081*	*450,108*	*380,939*	*459,864*	*233,975*	*1,003,894*	*7,025,700*
Other households and non-profit institutions serving households	**5,985,974**	**5,412,466**	**2,010,586**	**1,856,943**	**1,380,956**	**1,019,028**	**1,386,127**	**2,732,692**	**21,784,772**
Homes	5,040,146	5,166,208	1,896,720	1,769,598	1,327,314	933,230	1,308,370	2,533,414	19,975,000
Consumption	261,832	111,560	48,071	38,899	26,086	43,746	38,552	117,346	686,092
Other purposes	683,996	134,698	65,795	48,446	27,556	42,052	39,205	81,932	1,123,680
Total	**10,364,389**	**12,528,549**	**3,103,953**	**2,623,223**	**2,099,159**	**1,697,725**	**1,741,085**	**4,392,212**	**47,741,903**

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

The concentration of credit quality risk in debt securities based on the counterparty's rating at 31 December 2019 and 2018 is detailed below:

	Thousands of euros			
	2019			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
AAA / AA	48,340	-	153,743	7,936
A	20,312	5,612	4,929,037	4,690,054
BBB	10,131	3,327	2,545,886	2,439,855
BB	-	-	59,423	75,408
B	-	-	-	4,975
CCC	-	-	510	-
Unrated	-	-	-	-
Total	**78,783**	**8,939**	**7,688,599**	**7,218,228**

	Thousands of euros			
	2018			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
AAA / AA	30,651	-	216,192	5,911
A	41,910	6,079	5,273,102	4,217,762
BBB	10,172	2,130	2,832,261	2,275,118
BB	-	1,366	80,341	45,665
B	-	-	5,846	-
CCC	-	-	6,898	-
Unrated	-	-	-	-
Total	**82,733**	**9,575**	**8,414,640**	**6,544,456**

3.5.5.2 Information concerning refinancing and restructuring

The Group follows a policy aimed at utilising operations refinancing and restructuring as credit risk management instruments which, when implemented prudently and appropriately, contribute to improving risk quality, based on individualised analyses focused on providing economic viability to borrowers that, at some stage of the transaction, undergo transitory difficulties to meeting their payments commitments promptly at the time they fall due. The policy is aimed at:

- Ensuring the economic feasibility of borrowers and operations (grant of interest free periods, increase in timeframes, etc.).
- Improving as far as possible the Group's risk position through the delivery of additional effective guarantees and the review of existing guarantees.

Acceptance of transactions:

In general, refinancing/restructuring transactions must meet the following requirements:

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.
- Assessment of the borrower's/operation's compliance record.
- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. To this end, the following are considered effective guarantees:
  - Guarantees pledged over cash deposits, listed equity instruments and debt securities.
  - Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.
  - Personal guarantees (guarantee deposits, new holders etc.) fully covering the guaranteed risk.

Sanctions:

The branch network is not authorised to sanction refinancing or restructuring operations. Transactions are authorised by the Recoveries Department of the Credit Risk Area, which is entirely separate from the Commercial Network.

In 2012 Ibercaja adhered to the Code of Good Practice for the viable restructuring of debts secured by mortgages over habitual dwellings governed by Royal Decree 6/2012.

A breakdown of refinancing and restructuring balances at 31 December 2019 and 2018 can be seen below:

	Thousands of euros			
	2019		2018	
	Total	Of which: default/not-performing	Total	Of which: default/not-performing
Gross amount	**988,179**	**686,062**	**1,878,722**	**1,451,618**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**2,231**	**2,231**	**2,222**	**2,222**
Allowances for impairment of assets	**240,892**	**219,013**	**645,863**	**607,988**
Of which: collective	151,683	134,385	286,453	252,714
Of which: individual	89,209	84,628	359,410	355,274
Net amount	**745,056**	**464,818**	**1,230,637**	**841,408**
Value of the collateral received	**1,050,843**	**706,263**	**1,878,568**	**1,399,619**
Value of collateral	741,144	499,644	1,358,376	1,015,222
Value of other collateral	309,700	206,619	520,192	384,397

The reconciliation of the gross amounts of refinanced and restructured operations at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Opening balance	**1,878,722**	**2,500,207**

(+) Refinancing and restructuring in the period	73,700	57,298
Memorandum items: impact recognised in the statement of profit and loss for the period	*19,473*	*16,091*
(-) Debt repayments	244,438	284,521
(-) Foreclosures	41,693	36,976
(-) Derecognitions (reclassification to written-off assets)	43,238	113,428
(+)/(-) Other changes (*)	(634,874)	(243,858)
Closing balance	**988,179**	**1,878,722**

(*) Includes operations that are no longer classified as refinancing, refinanced or restructured as the requirements for reclassification from performing exposures under special vigilance to performing exposures have been met (Note 2.3).

On 31 December 2019, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**3**	**2,844**	**5**	**2,705**	**2,044**	**-**	**2,228**	**3,321**
Other financial companies and individual entrepreneurs (financial business activity)	**-**	**-**	**1**	**29**	**29**	**-**	**-**	**29**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,368**	**107,573**	**1,489**	**295,351**	**183,715**	**50**	**150,450**	**252,474**
of which: financing for real estate construction and development (including land)	*12*	*8,748*	*201*	*122,567*	*75,119*	*-*	*49,683*	*81,632*
Other household	**2,886**	**29,366**	**6,078**	**550,311**	**439,049**	**40**	**90,445**	**489,232**
Total	**4,257**	**139,783**	**7,573**	**848,396**	**624,837**	**90**	**243,123**	**745,056**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousands of euros							
	of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**2**	**1,866**	**2**	**874**	**213**	**-**	**2,228**	**512**
Other financial companies and individual entrepreneurs (financial business activity)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**808**	**69,954**	**1,039**	**215,474**	**118,122**	**-**	**138,548**	**146,880**
of which: financing for real estate construction and development (including land)	*9*	*8,464*	*170*	*102,120*	*56,134*	*-*	*48,327*	*62,257*
Other household	**1,557**	**18,961**	**4,083**	**378,933**	**287,323**	**16**	**80,468**	**317,426**
Total	**2,367**	**90,781**	**5,124**	**595,281**	**405,658**	**16**	**221,244**	**464,818**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

On 31 December 2018, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	**7**	**3,777**	**8**	**4,074**	**3,473**	**-**	**1,056**	**6,795**
Other financial companies and individual entrepreneurs (financial business activity)	**6**	**176**	**3**	**132**	**119**	**-**	**157**	**151**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,833**	**180,906**	**2,621**	**884,404**	**493,237**	**324**	**489,299**	**576,011**
of which: financing for real estate construction and development (including land)	*91*	*48,074*	*519*	*512,212*	*255,706*	*-*	*289,311*	*270,975*
Other household	**4,602**	**42,604**	**8,247**	**762,649**	**598,322**	**44**	**157,573**	**647,680**
Total	**6,448**	**227,463**	**10,879**	**1,651,259**	**1,095,151**	**368**	**648,085**	**1,230,637**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousands of euros							
	of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	**3**	**1,941**	**2**	**874**	**273**	**-**	**1,056**	**1,759**
Other financial companies and individual entrepreneurs (financial business activity)	**4**	**140**	**2**	**99**	**87**	**-**	**154**	**85**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,158**	**138,982**	**1,908**	**759,598**	**384,790**	**172**	**472,875**	**425,705**
of which: financing for real estate construction and development (including land)	*88*	*47,274*	*464*	*474,087*	*220,128*	*-*	*287,103*	*234,258*
Other household	**2,522**	**27,663**	**5,379**	**522,321**	**389,427**	**25**	**136,125**	**413,859**
Total	**3,687**	**168,726**	**7,291**	**1,282,892**	**774,577**	**197**	**610,210**	**841,408**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during financial years 2019 and 2018:

	Thousands of euros	
	2019	2018
Public administrations	**-**	**-**
Other legal persons and individual entrepreneurs	**11,611**	**48,946**
Of which: financing for real estate construction and development	771	28,662
Other individuals	**21,152**	**46,986**
Total	**32,763**	**95,932**

On 31 December 2019, the Group assessed the renegotiated transactions, and according to their better judgement identified and provided those that having not mediated renegotiation could have been past-due or impaired, for a global risk amount of 302,117 thousand euros (427,104 thousand euros on 31 December 2018).

3.5.6 Policies for the management of problematic assets

Ibercaja Banco, S.A., establishes specific policies relating to the management of assets of the real estate sector, affected very specifically by the recent crisis.

These policies are focused on favouring the compliance of the obligations of the borrowers and mitigate the risks to which the Group is exposed. In this sense, alternatives are searched for that allow for the completion and sale of the projects, analysing the renegotiation of the risks if it improves the credit position of the Group and with the basic purpose that the borrower can maintain his/her commercial activity. To do so, they keep in mind the previous experience with the borrower, the apparent willingness of payment and the improvement of the Group in terms of expected loss, seeking to increase the guarantees of the credits and not increase the customer's risk.

Additionally the Group supports the promoters once the promotions are finished, working together in the management and speeding up of sales.

In the case that the support measurements are not possible or sufficient, other alternatives are searched for such as the granting in payment or the purchase of assets, with legal claim and subsequent acquisition of real estate being the last option.

All those assets that form part of the Group's balance sheet are managed seeking their divestment or lease.

To do so, the Group has agreements with third parties or has instrumental companies, specialised in the management of urban projects, sale of real estate and lease of real estate assets. The Group has specific Units to implement these strategies and coordinate the actions of instrumental subsidiaries, the branch office network and the rest of actors involved. Additionally, the Group has the website www.ibercaja.es/inmuebles as one of the main tools with which they disclose to the public interested in these assets.

3.5.6.1 Credit investment linked to development and real estate activities and to retail mortgages

On 31 December 2019 and 2018, the details of the financing for the real estate construction and development and the hedging thereof is the following:

	Thousands of euros							
	Gross carrying amount		Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*)		Accumulated impairment		Net value	
	2019	2018	2019	2018	2019	2018	2019	2018
Financing for real estate construction and development (including land) (businesses in Spain)	**1,205,703**	**1,586,107**	**128,728**	**430,806**	**76,785**	**339,426**	**1,128,918**	**1,246,681**
Of which: default/non-performing	134,243	600,566	64,937	352,142	69,631	331,647	64,612	268,919
Memorandum items: written-off assets	**205,094**	**254,431**	**-**	**-**	**-**	**-**	**-**	**-**

(*) Excess of the gross exposure on the maximum recoverable amount of the effective collateral calculated according to Circular 04/2018. That is, the positive difference between the gross carrying amount of the financial assets and the maximum recoverable amount of the effective collateral.

	Thousands of euros	
	Carrying amount	
Memorandum items: Data from the public consolidated balance sheet	**2019**	**2018**
Loans to customers, excluding Public Administrations (businesses in Spain)	30,512,657	31,616,692
Total consolidated asset (total businesses)	55,422,015	52,705,739
Impairment loss and provisions for exposures classified as normal (total businesses)	141,815	163,438

The breakdown of the heading of the financing for the real estate construction and development (including land), on 31 December 2019 and 2018 is the following:

	Thousands of euros	
	Gross carrying amount	
	2019	2018
Without real estate collateral	**41,683**	**73,946**
With real estate collateral (breakdown as per the type of asset received in collateral)	**1,164,020**	**1,512,161**
Buildings and other completed constructions	341,916	437,106
Housing	*318,930*	*386,825*
Other	*22,986*	*50,281*
Buildings and other constructions under construction	712,869	645,769
Housing	*711,995*	*644,502*
Other	*874*	*1,267*
Land	109,235	429,286
Consolidated urban land	*105,398*	*399,261*
Other land	*3,837*	*30,025*
Total	**1,205,703**	**1,586,107**

Below a detail of the collateral received and financial guarantees granted in relation to the financing for property construction and development is shown (including undeveloped land) on 31 December 2019 and 2018.

Collateral received:

	Thousands of euros	
	2019	2018
Value of collateral	1,158,053	1,349,752
Of which: guarantees default/non-performing risks	*79,052*	*335,138*
Value of other collateral	380,462	427,366
Of which: guarantees default/non-performing risks	*20,847*	*87,398*
Total value of the collateral received	**1,538,515**	**1,777,118**

Financial guarantees granted:

	Thousands of euros	
	2019	2018
Financial guarantees granted related to real estate construction and development	**6,525**	**9,125**
Amount recognised under liabilities on the balance sheet	2,808	3,146

On 31 December 2019 and 2018, the breakdown of loans to households for housing acquisition, is the following:

	Thousands of euros			
	Gross amount		Of which: default/non-performing	
	2019	2018	2019	2018
Housing acquisition loans	**19,158,732**	**19,916,029**	**596,978**	**820,226**
Without mortgage loan	231,885	257,738	9,949	27,776
With mortgage loan	18,926,847	19,658,291	587,030	792,450

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) on 31 December 2019 and 2018 is the following:

	Thousands of euros					
	2019					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	Total
Gross carrying amount	5,399,679	7,431,020	5,069,678	645,985	380,485	**18,926,847**
Of which: default/non-performing	58,751	117,035	196,025	95,001	120,218	**587,030**

	Thousands of euros					
	2018					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross carrying amount	5,277,125	7,485,817	5,616,639	789,707	489,003	**19,658,291**
Of which: default/non-performing	64,351	141,930	265,953	143,146	177,070	**792,450**

On 31 December 2019 95% of the housing acquisition loan with real estate collateral has an LTV lower than 80% (93% on 31 December 2018).

3.5.6.2 Foreclosed or received assets in payment for debts.

As at 31 December 2019 and 2018, the following information relates to assets repossessed or accepted as payment for debts:

	Thousands of euros			
	31/12/2019			
	Gross carrying amount (*)	**Total allowances for impairment losses**	**Of which: Allowances for impairment losses from the time of the foreclosure**	**Carrying amount**
Real estate assets acquired from loans for real estate construction and development	**535,894**	**(306,974)**	**(180,591)**	**228,920**
Buildings and other completed constructions	63,644	(26,991)	(13,659)	36,653
Housing	*17,483*	*(8,008)*	*(3,931)*	*9,475*
Other	*46,161*	*(18,983)*	*(9,728)*	*27,178*
Buildings and other constructions under construction	12,261	(4,750)	(1,352)	7,511
Housing	*9,830*	*(3,681)*	*(1,055)*	*6,149*
Other	*2,431*	*(1,069)*	*(297)*	*1,362*
Land	459,989	(275,233)	(165,580)	184,756
Consolidated urban land	*172,131*	*(99,105)*	*(52,650)*	*73,026*
Other land	*287,858*	*(176,128)*	*(112,930)*	*111,730*
Real estate assets acquired in mortgage loans to households for housing acquisition	**62,194**	**(23,474)**	**(8,300)**	**38,720**
Other foreclosed or received real estate assets in payment of debt	**26,802**	**(15,585)**	**(5,306)**	**11,217**
	624,890	**(346,033)**	**(194,197)**	**278,857**

(*) Amount before deducting the allowances for impairment loss

	Thousands of euros			
	31/12/2018			
	Gross carrying amount (*)	**Total allowances for impairment losses**	**Of which: Allowances for impairment losses from the time of the foreclosure**	**Carrying amount**
Real estate assets acquired from loans for real estate construction and development	**673,356**	**(406,690)**	**(262,762)**	**266,666**
Buildings and other completed constructions	92,165	(37,441)	(20,120)	54,724
Housing	*30,743*	*(13,511)*	*(6,712)*	*17,232*
Other	*61,422*	*(23,930)*	*(13,408)*	*37,492*
Buildings and other constructions under construction	10,212	(3,706)	(682)	6,506
Housing	*7,782*	*(2,828)*	*(576)*	*4,954*
Other	*2,430*	*(878)*	*(106)*	*1,552*
Land	570,979	(365,543)	(241,960)	205,436
Consolidated urban land	*213,594*	*(129,159)*	*(72,279)*	*84,435*
Other land	*357,385*	*(236,384)*	*(169,681)*	*121,001*
Real estate assets acquired in mortgage loans to households for housing acquisition	**57,102**	**(19,790)**	**(6,705)**	**37,312**
Other foreclosed or received real estate assets in payment of debt	**36,509**	**(20,289)**	**(6,404)**	**16,220**
	766,967	**(446,769)**	**(275,871)**	**320,198**

(*) Amount before deducting the allowances for impairment loss

On 28 December 2019, the Ibercaja Group entered into an agreement for the contribution of a foreclosed real estate portfolio with a combined gross book value of approximately €641 million and a combined net book value of approximately €285 million. The portfolio was acquired by a new company, Northwind Finco, S.L., 80% owned by Intrum AB and the remaining 20% owned by the Ibercaja Group (Note 12.3). The transaction had a loss of €31 million, mainly recorded under “Gains/losses on derecognition of non-financial assets, net” and “Gains/losses arising from non-current assets and disposal groups held for sale that are ineligible for classification as discontinued operations” in the consolidated income statement (Note 41 and Note 42, respectively).

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item as at 31 December 2019 and 2018 is as follows:

	Thousands of euros				
	31/12/2019				
	Gross carrying amount	**Allowances for impairment losses from lending**	**Accumulated depreciation**	**Allowances for impairment losses from the time of the foreclosure**	**Carrying amount**
Tangible assets - Investment property	12,500	(1,898)	(503)	(2,886)	7,213
Intangible assets	-	-	-	-	-
Other assets - Inventories	188,479	(36,473)	-	(86,713)	65,293
Non-current assets and disposal groups classified as held for sale	423,911	(112,770)	(192)	(104,598)	206,351
	624,890	**(151,141)**	**(695)**	**(194,197)**	**278,857**

	Thousands of euros				
	31/12/2018				
	Gross carrying amount	**Allowances for impairment losses from lending**	**Accumulated depreciation**	**Allowances for impairment losses from the time of the foreclosure**	**Carrying amount**
Tangible assets - Investment property	19,679	(9,343)	(742)	1,963	11,557
Intangible assets	1,616	-	(857)	-	759
Other assets - Inventories	250,644	(30,744)	-	(137,697)	82,203
Non-current assets and disposal groups classified as held for sale	495,028	(128,718)	(494)	(140,137)	225,679
	766,967	**(168,805)**	**(2,093)**	**(275,871)**	**320,198**

3.6 Exposure to operational risk

This is defined as the risk of loss resulting from a lack of adequacy or failure of internal processes, personnel and systems, or a loss arising from external events, and therefore encompasses sub-categories such as conduct risk, technological risk or model risk, among others.

3.6.1 Strategies and policies for the operational risk management

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Framework of operational risk management”.

The Group currently has a management an assessment model for this risk, which basically contemplates the following points:

- General aspects: definition of operational risk, categorisation and assessment of risks.
- Methodologies applied for the identification, assessment and measuring of operational risks.
- Scope of application of the methodologies and personnel that participate in the management of this risk.
- Indicators, limits and tolerance ranges.

- Generation of stress scenarios.
- Models of support to the management (management, control and mitigation of the operational risk): information derived from the previous methodologies and implementation of measures directed at the mitigation of this risk.

The scope of application of the model of management and assessment model of the operational risk is extended both to business units and support of Ibercaja Banco, and the Group companies.

Its application and effective use in each of the units and subsidiary companies are developed in a decentralised manner. For its part, the Market, Operational and Reputational Risk Control Unit, together with other units and subsidiaries, coordinates risk measurement and carries out risk monitoring, analysis and communication.

3.6.2 Procedures for measurement, management and control

The Group, in applying the adopted model for the operational risk management, use the following methodologies combined, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and the existing controls in the processes and activities, together with the breakdown and analysis of risk indicators. During financial year 2019 they reviewed and self-assessed 586 operational risks, concluding in this process, a low risk profile.
- Quantitative methodology, supported in the identification and analysis of the real losses fluctuations in the Group, which are recorded in the database established for that purpose (BDP).

The quantification of real losses recorded in the data base of losses in 2019 shows the total annual net losses (net of direct recoveries and insurance) for operational risk events came to €22,145 thousand, corresponding to 7,988 events, of which 619 events for €9,018 thousand derive from write-downs linked to floor clauses (return of interest totalling €7,427 thousand and legal costs of €1,591 thousand). If the provisions linked to these losses from “floor clauses” and other provisions associated with different losses, which were also extraordinary, are discounted, the total annual net loss is €5,728 thousand.

Stripping out the exceptional impact certain losses such as floor clauses, real operational losses were small in relation to capital requirements, consistently with the overall result of the qualitative assessment mentioned above.

Streamlining in processes of operational risk management and control resulting from the established policies and methodologies, allow the Entity to calculate from December 2010 the capital consumption for Operational Risk by standard method, in accordance with that established in Regulation (EU) No. 575/2013.

3.7 Exposure to the interest rate risk

This is defined as the current or future risk to the Company’s capital or earnings as a result of adverse fluctuations in interest rates affecting the positions of its investment portfolio.

The sources of the interest rate risk are the gap, base or optionality risks. In particular, gap risk arises from the different timing of interest rate-sensitive balance sheet instruments, as a result of differences in the timing of their repricing or maturities. Basis risk derives from the different benchmark indices used for repricing, interest rate-sensitive asset and liability instruments. Optionality risk arises from embedded or explicit options that arise when either the Entity or the customer have the option of altering future cash flows if it benefits them.

3.7.1 Strategies and policies for the interest rate risk management

The aim of risk management is to contribute to the maintenance of the current and future profitability in the adequate levels, preserving the economic value of the Company.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management and control of interest rate risk”.

3.7.2 Procedures for measurement and control

The Group manages the exposure to the risk that derives from the transactions of their portfolio, both at the time of its agreement and in its subsequent monitoring, and incorporate to its analysis horizon the assessment established for the business and the expectations respect to the interest rates, as well as the proposals of management and hedging, simulating different behaviour scenarios.

The Company's tools measure the effects of interest rate movements on the intermediation margin and the economic value, simulate scenarios depending on the assumptions used for interest rate behaviour and business performance, and help estimate the potential impact on capital and on results of abnormal fluctuations of the market, so that the results can be considered in the establishment and review of risk policies and limits and in the planning and decision-making process.

As to optionality risk, behavioural models are available that provide the key assumptions on the sensitivity and duration of demand savings transactions, as their maturity date is not contractually specified, and on early repayments on loans, early redemption of time deposits, and duration of non-performing assets, always based on historical experience for different scenarios.

In the same way, the effect that the variations in interest rates have on the financial margin and economic value is controlled by the establishment of limits to the exposure. The limits allow for maintaining the exposure to the interest rate risk within the levels compatible with the approved policies.

Below, the sensitivity profile is shown of the balance of the Group to the interest rate risk on 31 December 2019 and on 31 December 2018, indicating the carrying amount of those financial assets and liabilities affected by this risk, which appear classified depending on the estimated term until the review date of the interest rate or maturity.

On 31 December 2019:

	€ million						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**10,533**	**8,642**	**16,439**	**35,614**	**12,675**	**2,592**	**10,083**
Financial assets with fixed interest rates and other assets without determined maturity	5,702	1,184	2,490	9,376	9,360	1,965	7,395
Financial assets at fixed rate hedged with derivatives	71	(19)	1,299	1,351	2,357	399	1,958
Financial assets at variable interest rate	4,760	7,477	12,650	24,887	958	228	730
Liabilities	**10,850**	**3,658**	**12,284**	**26,792**	**21,497**	**15,578**	**5,919**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	10,634	1,808	8,923	21,365	22,313	16,052	6,261
Financial liabilities at fixed rate hedged with derivatives	110	1,404	3,357	4,871	(813)	(474)	(339)
Financial liabilities at variable interest rate	106	446	4	556	(3)	-	(3)
Difference or Gap in the period	**(317)**	**4,984**	**4,155**	**8,822**	**(8,822)**	**(12,986)**	**4,164**
Difference or accumulated Gap	**(317)**	**4,667**	**8,822**	**8,822**	**(8,822)**	**(4,164)**	**-**
Average gap	(318)	3,420	3,419	5,594			
% of total assets	(0,66)	7,08	7,08	11,58			

On 31 December 2018:

	€ million						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**7,696**	**8,982**	**15,843**	**32,521**	**13,480**	**5,096**	**8,384**
Financial assets with fixed interest rates and other assets without determined maturity	2,916	850	2,257	6,023	8,655	2,513	6,142
Financial assets at fixed rate hedged with derivatives	27	267	230	524	3,473	2,399	1,074
Financial assets at variable interest rate	4,753	7,865	13,356	25,974	1,352	184	1,168
Liabilities	**7,199**	**3,623**	**11,995**	**22,817**	**23,184**	**17,651**	**5,533**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	6,817	1,721	8,209	16,747	22,356	16,375	5,981
Financial liabilities at fixed rate hedged with derivatives	109	1,415	3,783	5,307	912	1,273	-361
Financial liabilities at variable interest rate	273	487	3	763	-84	3	-87
Difference or Gap in the period	**497**	**5,359**	**3,848**	**9,704**	**(9,704)**	**(12,555)**	**2,851**
Difference or accumulated Gap	**497**	**5,856**	**9,704**	**9,704**	**(9,704)**	**(2,851)**	**-**
Average gap	497	4,516	2,768	5,944			
% of total assets	1,08	9,82	6,02	12,92			

Sensitive balances will be considered those whose maturity or repricing occurs in the next twelve months. This period is established as a reference to quantify the effect of the variation of the interest rates on the annual intermediation margin of the Group.

The Gap that appears in the box represents the difference between the sensitive assets and liabilities in each period, i.e., the net balance exposed to changes in prices. The average gap of the period is 5,593.5 million euros, 11.58% of the asset (5,943.8 million euros, 12.92% of the asset on 31 December 2018).

With data as at 31 December 2019, the impact on the Company's net interest income in the event of a 200-basis point rise in interest rates is 90.38 million euros, 21.88% of the net interest income for the next 12 months and in the event of a 200-basis point fall it is 64.58 million euros, -15.63% of the net interest income for the next 12 months (in December 2018, 104.34 million and 19.56% in the event of increases and -2.23 million and -0.42% in the event of decreases) under the assumption that the size and structure of the balance sheet is remains the same and that interest rate movements occur instantly and are the same at all points on the curve, with a progressive floor going from less than 100 bp, rising by 5 bp each year to zero (in December 2018 floor on the 0% curve).

In turn, the impact on the economic value of the Company in the event of a 200-basis point rise in interest rates is 28.80 million euros, 0.46% of the economic value of equity and in the event of a 200-basis point fall it is 157.36 million euros, 2.54% of the economic value of equity (in December 2018, 301.81 million euros and 4.82% in the event of a rise and 214.03 million and 3.42% in the event of a fall) on the assumption that interest rate movements occur instantly and are the same at all points on the curve, with a progressive floor that goes from minus 100 bp, rising by 5 bp each year to zero (in December 2018 floor on the 0% curve).

3.8 Exposure to liquidity risk

It is defined as the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

3.8.1 Strategies and policies for the liquidity risk management

The management and control of the liquidity risk are governed by the principles of financial autonomy and balance equilibrium, guaranteeing the continuity of the business and the availability of sufficient liquid resources to fulfil the payment commitments associated with the cancellation of the liabilities on their respective maturity dates without compromising the capacity of answering before strategic opportunities of market.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management of liquidity risk”.

The strategies for attracting resources in the retail segments and the use of alternative sources of short-, medium- and long-term liquidity, allow the Group to have the necessary resources to attend the solvent credit demand derived from the commercial activity and maintain the positions of treasury within the parameters of management established in the Framework of risk appetite and in the Liquidity manual.

3.8.2 Procedures for measurement and control

The measurement of the liquidity risk considers the estimated treasury flows of the assets and liabilities, as well as the guarantees or additional instruments that it has to ensure alternative sources of liquidity that could be required.

Likewise, the evolution established for the business and the expectations respect to the interest rates are incorporated, as well as the proposals of management and hedging, simulating different behaviour scenarios. These procedures and analysis techniques are reviewed with the necessary frequency to ensure their correct operation.

Progress is made in the short-, medium- and long-term to know the needs of financing and the compliance of the limits, that have in mind the most recent macroeconomic tendencies, for its incidence in the evolution of the different assets and liabilities of the balance sheet, as well as in the contingent liabilities and derived products. In the same way, the liquidity risk is controlled via the establishment of tolerance ranges compatible with the approved policies.

In addition, the Company is prepared to affront possible crisis, both internal and of the markets in which they operate, with action plans that guarantee sufficient liquidity at the lowest cost possible.

At 31 December 2019, the Company's available liquidity amounted to €11,468 million (€10,917 million at 31 December 2018), coupled with an issuance capacity of €7,307 million (€6,290 million at 31 December 2018). Total availability stood at €18,775 million (€17,207 million at 31 December 2018), €1,569 million up on the close of last year. During 2019, wholesale maturities were outstanding for a nominal amount of 701 million euros: covered bonds (€530 million), securitisation bonds owned by third parties (€111 million), subordinated bonds (€60 million). In addition, they have carried out repurchases of issuances for 24 million euros, instrumented in Securitisation bonds.

The collateral facility with the ECB includes pledged assets with a discounted value of 6,609 million euros at December 31, 2019 (8,133 million euros at 31 December 2018), of which 1,650 million euros have been drawn down (1,722 million euros maturing in June 2020 have been repaid early), leaving 4,959 million euros available (4,761 million euros at 31 December 2018) to meet its liquidity needs.

In addition to the policy mentioned, the Company has very different sources of financing. There is a large base of retail deposits of €29,386 million (€28,866 million as at 31 December 2018), of which 85% had stable balances. The Bank also has financing collateralised by securities in the amount of €5,603 million (€4,494 million at 31 December 2018), €2,520 million of which is transacted with central counterparties. In addition, wholesale issues of a total €3,808 million euros (€4,375 million at 31 December 2018), characterised by diversification of maturities, and deposits from the Group's financial institutions amounting to €736 million (€640 million at 31 December 2018), and deposits from other customers of €2,794 million (€2,241 million at 31 December 2018), among others.

The Company's balance sheet does not have major exposures of liquidity risk in their assets or in their financing sources.

In relation to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that cause the reimbursement depending on reversals in the credit qualification of Ibercaja Banco. At the end of 2019, there was no amount affected by the reversal of a qualification scale.
- Liability derivatives for 77 million euros, that have required the contribution of additional guarantees for 82 million as well as asset derivatives for 27 million euros, for those that have received additional guarantees for 27 million euros. In addition, those transacted through the clearinghouse required additional collateral of €84 million.

- Financing collateralised by securities of €3,809 million, which required the provision of additional collateral of €509 million in cash (collateral includes both repurchase agreements and reverse repurchase agreements).
- Financing of the BEI of 535 million, which requires a contribution of guarantees of 508 million euros in fixed income.

Ibercaja Banco has signed framework agreements of compensation or “netting”, and their appendices of guarantee exchange, with all the entities that operate in OTC (over the counter, for its letters in English) derivatives and in simultaneous transactions. Their signature is a prerequisite for those entities with which this type of transaction will be started. Ibercaja Banco participates as a direct member in the central chambers of compensation of simultaneous transactions LCH Clearnet and MEFFClear, and in Eurex for the operation with some classes of derivatives of interest rates, being a normal market practice extended among the participants after regulation EMIR goes into effect.

Below a breakdown is offered of the available liquidity:

	Thousands of euros	
	2019	**2018**
Cash and central banks	3,671,499	888,415
Available in policy	4,982,938	4,760,526
Eligible assets not included in the policy	2,432,048	4,835,712
Other marketable assets not eligible by the Central Bank	381,397	432,195
Accumulated available balance	**11,467,882**	**10,916,848**

On 31 December 2019, the capacity to issue covered bonds was €7,307 million (€6,290 million euros on 31 December 2018).

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group on 31 December 2019 was 307% (307% on 31 December 2018), while the NSFR (Net Stable Funding Ratio) on 31 December 2019 was at 131% (130% at 31 December 2018). The breakdown of liquid assets at 31 December 2019 under the criteria established for calculating the LCR ratio is as follows:

	Thousands of euros					
	31/12/2019			**31/12/2018**		
	Balance sheet figure	**Weighting (%)**	**Weighted balance**	**Balance sheet figure**	**Weighting (%)**	**Weighted balance**
Cash and central banks	3,350,643	100	3,350,643	578,747	100	578,747
Tier 1 fixed-income	4,293,282	100	4,293,282	7,649,620	100	7,649,620
Central government sovereign debt	*4,033,129*	*100*	*4,033,129*	*4,145,591*	*100*	*4,145,591*
Regional government sovereign debt	*645,317*	*100*	*645,317*	*673,493*	*100*	*673,493*
Foreign government debt	*210,580*	*100*	*210,580*	*228,939*	*100*	*228,939*
SAREB/ICO	*1,740,939*	*100*	*1,740,939*	*1,799,309*	*100*	*1,799,309*
FADE/FROB/State-backed bonds	-	*100*	-	*205,355*	*100*	*205,355*
Reverse repurchase agreement for Tier 1 fixed-income assets	*1,625,780*	*100*	*1,625,780*	*1,700,205*	*100*	*1,700,205*
Fixed-income repos	*(3,962,463)*	*100*	*(3,962,463)*	*(1,103,272)*	*100*	*(1,103,272)*
NCC1 covered bonds	-	93	-	-	93	-
TIER 1 ASSETS	**7,643,925**		**7,643,925**	**8,228,367**		**8,228,367**
Non-financial entity NCC1 bonds	-	85	-	-	85	-
NCC2 covered bonds	132,917	85	112,980	26,130	85	22,210
TIER 2A ASSETS	**132,917**		**112,980**	**26,130**		**22,210**
NCC1 securitisations	-	75	-	-	75	-
Non-financial entity NCC 2/3 bonds	21,773	50	10,887	39,236	50	19,618
NCC3 covered bonds	26,931	70	18,852	27,857	70	19,500
Disposable equities	123,918	50	61,959	108,512	50	54,256
TIER 2B ASSETS	**172,622**		**91,698**	**175,605**		**93,374**
LIQUID ASSETS	**7,949,464**		**7,848,603**	**8,430,102**		**8,343,951**

The LCR ratio data for the Ibercaja Group are:

	Thousands of euros					
	31/12/2019			31/12/2018		
	Balance sheet figure	Weighting (%)	Weighted balance	Balance sheet figure	Weighting (%)	Weighted balance
TIER 1 ASSETS (70% limit)	7,643,925	100	7,643,925	8,228,367	100	8,228,367
TIER 2 ASSETS	132,917	85	112,980	26,130	85	22,210
TIER 2B ASSETS	172,622	53	91,698	175,605	53	93,374
LIQUID ASSETS	**7,949,464**		**7,848,603**	**8,430,102**		**8,343,951**
Stable deposits	*24,982,087*	*5*	*1,249,104*	*23,004,936*	*5*	*1,150,247*
Non-stable deposits	*4,197,591*	*10*	*419,759*	*6,112,303*	*10*	*611,230*
RETAIL CUSTOMER DEPOSITS	29,179,678	6	1,668,863	29,117,239	6	1,761,477
Unsecured wholesale financing	3,422,802	36	1,218,068	2,401,881	37	881,140
Additional requirements	3,562,482	6	223,310	4,014,979	14	557,396
GROSS OUTFLOWS			**3,110,241**			**3,200,013**
INFLOWS- Maximum allowed inflows (75% outflows)	1,033,408	53	554,308	903,888	53	480,132
NET OUTFLOWS			**2,555,933**			**2,719,881**
LIQUIDITY COVERAGE RATIO (LCR)			**307.07%**			**306.78%**

Below the breakdown by terms of the contractual maturities of assets and liabilities is presented (liquidity gap) on 31 December 2019 and 31 December 2018:

	Thousands of euros						
	On demand	Up to 1 month	Between one and three months	Between three months and one year	Between one and five years	After 5 years	Total
ASSET							
Deposits in credit institutions	39,720	3,556	57,200	-	-	149,239	249,715
Loans to other financial institutions	-	21,090	9,270	206	810	-	31,376
Temporary acquisitions of securities and securities lending	-	1,581,606	34,147	-	106,391	-	1,722,144
Loans (including matured, non-performing, written-off and foreclosed)	-	857,558	1,253,044	2,854,929	7,775,397	19,194,259	31,935,187
Securities portfolio settlement	-	(800)	490,544	47,101	1,299,976	5,149,661	6,986,482
Hedging derivatives	-	(338)	15,136	31,516	73,604	5,272	125,190
Trading derivatives	-	-	-	-	-	-	-
Net interest income	-	35,163	61,630	275,547	-	-	372,340
Total on 31 December 2019	**39,720**	**2,497,835**	**1,920,971**	**3,209,299**	**9,256,178**	**24,498,431**	**41,422,434**
Total on 31 December 2018	**37,351**	**2,505,733**	**1,607,989**	**3,307,746**	**9,804,802**	**26,004,171**	**43,267,792**
LIABILITY							
Wholesale issues	-	3,556	223,211	741,598	1,640,708	1,199,015	3,808,088
Deposits from credit entities	4,134	14,836	-	2,000	600	2,386	23,956
Deposits from other financial institutions and bodies	655,631	303	544	31,105	170,660	-	858,243
Deposits from large non-financial companies	86,184	-	-	-	-	-	86,184
Financing from the rest of the customers	27,746,615	575,149	960,513	2,515,253	382,093	972	32,180,595
Funds for brokered loans	-	16,781	21,034	151,985	358,798	120,779	669,377
Financing with secured securities	-	3,870,525	82,019	1,650,000	-	-	5,602,544
Other net outflows	-	34,418	55,396	298,006	92,841	(24,556)	456,105
Hedging derivatives	-	38	3,283	15,250	40,857	(3,927)	55,501
Formalised loans pending settlement	-	434,866	-	-	-	-	434,866
Commitments available for third parties	2,966,973	-	-	-	-	-	2,966,973
Financial guarantees issued	7	2,973	34	181	5,916	13,403	22,514
Total on 31 December 2019	**31,459,544**	**4,953,445**	**1,346,034**	**5,405,378**	**2,692,473**	**1,308,072**	**47,164,946**
Total on 31 December 2018	**29,328,835**	**2,167,766**	**1,347,540**	**4,142,607**	**6,864,350**	**1,360,184**	**45,211,282**
2019 gap period	**(31,419,824)**	**(2,455,610)**	**574,937**	**(2,196,079)**	**6,563,705**	**23,190,359**	
2018 gap period	**(29,291,484)**	**337,967**	**260,449**	**(834,861)**	**2,940,452**	**24,643,987**	
Accumulated gap (without demand savings) 2019	**-**	**(2,455,610)**	**(1,880,673)**	**(4,076,752)**	**2,486,953**	**25,677,312**	
Accumulated gap (without demand savings) 2018	**-**	**337,967**	**598,416**	**(236,445)**	**2,704,007**	**27,347,994**	

Includes maturities of principal and interests and does not take assumptions of a new business.

The maturity of the demand deposits is not determined contractually. It has been entered in the first time slot (demand) even though for the most part, these deposits are stable.

The financing of the rest of the customers include the implicit derivative in the structured deposits.

Loan commitments amounted to €2,967 million (€2,971 million at 31 December 2018). While these commitments are available immediately for the customers, and therefore would have “demand” nature in accordance with IFRS 7, in the practice of cash flow outputs they are distributed in all the time slots.

In relation with the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily have to represent an actual obligation of settlement or of liquidity needs, which will depend on if they meet the conditions so that the amount of the committed guarantee should be settled.

The Group only hopes to produce a cash outflow in relation to financial guarantee contracts that have qualified as non-performing and special watch. The amount that is expected to be settled of these contracts is recorded under "Provisions for contingent risks and commitments", in "Provisions" (Note 21), for an amount of €22.52 million (€33.46 euros on 31 December 2018).

Long-term wholesale financing maturities are shown in the following boxes.

On 31 December 2019:

	Thousands of euros						
	On demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	500,000	350,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	216,667	210,000	1,119,444	1,006,026	2,552,137
Securitisations	-	3,556	6,544	31,598	171,264	192,989	405,951
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,556**	**223,211**	**741,598**	**1,640,708**	**1,199,015**	**3,808,088**
Financing with long-term secured securities	**-**	**-**	**-**	**1,650,000**	**-**	**-**	**1,650,000**
Maturities in the period	**-**	**3,556**	**223,211**	**2,391,598**	**1,640,708**	**1,199,015**	**5,458,088**
Accumulated maturities	**-**	**3,556**	**226,766**	**2,618,365**	**4,259,073**	**5,458,088**	**-**

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

On 31 December 2018:

	Thousands of euros						
	On demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	5,000	-	54,837	850,000	-	909,837
Bonds and mortgage- and sector-covered bonds	-	-	100,000	429,634	1,436,111	1,006,026	2,971,771
Securitisations	-	4,538	9,021	32,501	190,936	256,647	493,643
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**9,538**	**109,021**	**516,972**	**2,477,047**	**1,262,673**	**4,375,251**
Financing with long-term secured securities		**-**	**-**	**-**	**3,372,460**	**-**	**3,372,460**
Maturities in the period	**-**	**9,538**	**109,021**	**516,972**	**5,849,507**	**1,262,673**	**7,747,711**
Accumulated maturities	**-**	**9,538**	**118,559**	**635,531**	**6,485,038**	**7,747,711**	

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

The diversification policy at the time of the maturities of the wholesale issues, will permit the Company to cover the maturities of the next financial years, maintaining ample liquidity. Thus, keeping in mind the available liquidity (11,468 billion euros), the Company could cover the total of the maturities of the long-term wholesale financing (3,808 billion euros). Additionally, it is able to issue 7,307 billion euros (total availability of 18,775 billion euros).

3.9 Exposure to other risks

3.9.1 Exposure to market and counterparty risk

3.9.1.1 Strategies and policies for the market and counterparty risk management

a) Market risk

This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Bank manages the market risk, trying to obtain an adequate financial profitability in relation to the assumed risk level, keeping in mind certain levels of overall exposure, exposure due to segmentation rates (portfolios, instruments, ratings), structure of the portfolio and portfolio/risk objectives. In their management and control they apply analysis of sensitivity and simulation of stress scenarios for the estimation of their impact in the profits and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, as documented in the "Capital Markets Department Policy Manual".

For the market risk management, they have policies on identification, measuring, monitoring, control and mitigation as well as policies on transactions in that relative to their trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approving of new products, relationships with intermediaries and delegation of duties.

b) Counterparty risk

The possibility of default by counterparties in financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Manual for Lines of Risk" of Ibercaja Banco.

For the management of the counterparty risk, the Company has policies for identification, measuring, monitoring, control and mitigation. Additionally the "Manual of Lines of Risk of Ibercaja Banco" establishes the criteria, methods and procedures for the granting of lines of risks, the proposal of limits, the process for formalisation and documentation of transactions, as well as the procedures for monitoring and controlling the risks for financial entities, public administrations with rating and listed and/or qualified companies with rating, with the exception of promoting entities.

The lines of risk are established essentially depending on the ratings assigned by the credit qualification agencies, of the reports that these agencies issue and of the expert analysis of their financial statements.

For the granting of transactions related with the counterparty risk to the entities previously mentioned, it will be the Capital and Balance Sheet Management Unit and the Governing Bodies in charge of managing the assumption of risk, attending to the fixed limits for the lines of credit.

The Company uses specialised tools for the management, control and measuring of the counterparty risk, with the aim of considering the risk consumption of each product and gather the risk consumption at the Group level under one application.

3.9.1.2 Procedures for measurement and control

a) Market Risk

The portfolios exposed to Market Risk are characterised for their high liquidity and for the absence of materiality in the trading activity, which implies that the Market Risk assumed by the trading activity is insignificant as a whole.

The Company monitors the progression of the expected loss of the management portfolio given a trust level of 99% and a time horizon (1 day or 10 days) as a result of the variations of the risk factors that determine the price of the financial assets via the VaR indicator (Value at risk).

The VaR calculation is carried out with different methodologies:

- The parametric VaR assumes normalcy of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a trust level of 99% and a time horizon (1 day or 10 days).
- The diversified parametric VaR keeps in mind the diversification offered by the correlations of the risk factors (interest rates, exchange rates, shares listing, etc.). It is the standard measure.
- The non-diversified parametric VaR assumes the lack of diversification among those factors (correlations equal to 1 or -1 according to the case), and is useful in stress or change periods of the risk factors correlations.

- The Historic Simulation VaR uses the relative variations made in the last year of the risk factors to generate the scenarios in which the loss potential of the portfolio is evaluated given a trust level of 99% and a time horizon.
- The Shortfall VaR measures, given a calculated VaR at 99% and with a time horizon of 1 day, the expected loss in 1% of the worst results beyond the VaR. It provides an average of the losses in case of breakage of the VaR.
- In any case, the impact in absolute terms of the VaR is relativised regarding capital.

Thus, at 31 December 2019, the measurement of VaR presents the following values:

Thousands of euros Confidence level: 99%	Parametric diversified VaR	Parametric VaR vs *PR.*	Parametric non-diversified VaR	Parametric non-diversified VaR vs *PR.*	Historical Simulation VaR	Historical Simulation VaR vs PR.	Shortfall VaR	Shortfall VaR vs PR.
Time horizon: 1 day	(29,832)	0.90%	(51,035)	1.53%	(71,550)	2.15%	(85,077)	2.55%
Time horizon: 10 days	(94,337)	2.83%	(161,387)	4.84%				

The calculation on 31 December 2018 of the VaR, presented the following values:

Thousands of euros Confidence level: 99%	Parametric diversified VaR	Parametric VaR vs *PR.*	Parametric non-diversified VaR	Parametric non-diversified VaR vs *PR.*	Historical Simulation VaR	Historical Simulation VaR vs PR.	Shortfall VaR	Shortfall VaR vs PR.
Time horizon: 1 day	(20,876)	0.63%	(35,374)	1.06%	(22,062)	(0.66%)	(27,499)	(0.83%)
Time horizon: 10 days	(66,108)	1.98%	(111,864)	3.36%				

Likewise, and supplementing the VaR analysis, stress tests have been performed that analyse the impact of different scenarios of the risk factors on the value of the portfolio being measured.

b) Counterparty risk

The limits authorised by the Board of Directors are established by investment volume weighted by the borrower's credit rating, the term of the investment and the instrument type.

Additionally, the legal limits are respected for the concentration and grand exposures in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the consumed risks are kept within the established limits at all times. They incorporate controls regarding the variations produced in the ratings, and in general of the borrower's solvency.

Among the techniques for counterparty risk mitigation appear the compensation or netting master agreements, the guarantee agreements, the reduction of portfolios in the case of adverse credit events, the reduction of the lines of risk in the case of decreases in the rating or negative news of some company and the timely monitoring of the companies' financial information.

With those entities with whom they have agreed on a compensation of risks and an agreement on guarantee contribution, in accordance with the requirements demanded by the Bank of Spain, the risk may be computed by the net resulting position.

3.9.2 Exchange rate risk management

It is defined as the possibility of incurring in losses derived from the negative fluctuations in the exchange rates of the currencies in which the assets, liabilities and transactions are denominated off the Company's balance sheet.

The Company does not maintain significant positions in foreign currency in a speculative nature. They do not hold open positions in foreign money that is not speculative of a significant amount either.

The Company's policy is to limit this type of risk, mitigating it generally speaking, at the time it presents itself via the agreement on symmetrical active or passive transactions or via financial derivatives that allow their coverage.

3.9.3 Exposure to sovereign debt

Below, the following information is detailed regarding the exposure to sovereign debt, which includes all the positions with public entities, on 31 December 2019 and 2018:

- Breakdown of the carrying amount of the exposure per country:

	Thousands of euros	
	2019	**2018**
Spain	10,730,565	10,071,844
Italy	1,031,382	996,636
Portugal	52,617	75,123
France	22,760	23,887
United States	-	63,802
Other	6,646	9,185
	11,843,970	**11,240,477**
of which: from the insurance company	5,257,410	5,113,817

- Breakdown of the carrying amount of the exposure per portfolio in which the assets are recorded:

	Thousands of euros	
	2019	**2018**
Financial assets held for trading	-	-
Financial assets at fair value through profit or loss	7,504	6,079
Financial assets at fair value through other comprehensive income	5,723,384	6,380,314
Financial assets at amortised cost	6,113,082	4,854,084
	11,843,970	**11,240,477**
of which: from the insurance company	5,257,410	5,113,817

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

- Breakdown of the term to residual maturity of the exposure per portfolio in which the assets are recorded:

	Thousands of euros					
	2019					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	-	5,612	1,892	**7,504**
Financial assets at fair value through other comprehensive income	306,219	504,136	1,027,786	823,322	3,061,921	**5,723,384**
Financial assets at amortised cost	134,545	95,109	489,323	396,816	4,997,289	**6,113,082**
Total	**440,764**	**599,245**	**1,517,109**	**1,225,750**	**8,061,102**	**11,843,970**
of which: from the insurance company	180,313	504,136	982,417	812,324	2,778,220	5,257,410

	Thousands of euros					
	2018					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	-	1,536	4,543	**6,079**
Financial assets at fair value through other comprehensive income	23,973	326,052	1,967,645	895,838	3,166,806	**6,380,314**
Financial assets at amortised cost	121,592	84,226	402,201	309,008	3,937,057	**4,854,084**
Total	**145,565**	**410,278**	**2,369,846**	**1,206,382**	**7,108,406**	**11,240,477**
of which: from the insurance company	23,973	325,165	1,260,290	791,349	2,713,040	5,113,817

- Other information

  - Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets designated at fair value through profit or loss and the portfolio of financial assets at fair value through other comprehensive income matches the carrying amount indicated above.

Note 26 specifies the valuation methodology of the portfolio of financial assets at amortised cost, in which it is observed that the fair value detailed does not differ significantly from the carrying amount. The fair value associated with sovereign risk is obtained via valuation techniques from level 1 (the description of them is given in Note 26).

- A 100-basis point shift in the interest rate would have an effect on fair value of -6.76% (-6.24% in 2018).

3.9.4 Reputational risk management

Reputational risk is defined as the unfavourable impact that an event may cause in the corporate reputation of the entities that form part of the Group. It is associated to a negative perception on behalf of the interest groups (customers, employees, company in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that affects the capacity of the Group to maintain the existing business relationships or establish new ones.

The management of this risk aims at protecting one of the main intangible assets, corporate reputation, by preventing events that may have an adverse effect.

Reputational risk has a wide relationship with the rest of the risks due to the amplifying effect that it can have on them. In the majority of the occasions, reputational risk appears due to the materialisation of other risks that could affect any of the entities of the Group, especially with the regulatory risk or regulatory incompliance (imposing sanctions, especially in the case that they were presented to the public). To do so, the policies and procedures directed at ensuring the compliance of the applicable regulations, whether internal or external, are added.

Additionally, and as a key function of control, to mitigate the risk of suffering possible negative impacts derived from regulatory incompliance, the Company and different financial entities of the Group have a verification function for regulatory compliance, with supervisory powers in areas especially relevant such as the prevention of money laundering and terrorism financing, the protection of the investor in the sale of financial instruments and lending of investment services (MIFID), the behaviour regulations in the area of Stock Market, the regulations on communication of transactions suspected of abusing the market, etc.

The Group grants, therefore, the maximum relevancy to the management of the corporate reputation as a method to prevent, avoid and/or manage possible reputational risks, and for its positive impact on the creation of value. Reputation metrics are constructed and regularly measured so as to monitor the perception of the Company by the general public, customers and employees and the Group's evolving footprint in social media. The results are the basis for identifying strong points, improvement areas, possible focuses for reputational risk and to elaborate the action plans to improve the reputation.

In 2019, the Company continued to measure its reputational risk, identifying strengths and areas for improvement and continuing action plans to enhance its reputation involving the Company's main areas.

4. Appropriation of profit and earnings per share

4.1 Appropriation of profit

The proposed appropriation of the profit of Ibercaja Banco, S.A. from financial year 2019, which the Board of Directors will propose for its approval to the General Shareholders' Meeting, and that which was approved from financial year 2018 are the following:

	Thousands of euros	
	2019	**2018**
Distribution		
To dividends:	17,500	17,500
To retained earnings:		
Legal reserve	-	*25,578*
Voluntary reserve	*54,693*	*212,702*
Profit/(loss) for the year	**72,193**	**255,780**

The General Meeting of Ibercaja Banco held on 9 April 2019 approved the distribution of a dividend out of the profit for 2018 amounting to €17,500 thousand, which was paid on 10 April 2019. In addition, the Board of Directors will propose to the General Meeting that it distribute a dividend charged to 2019 profits in the amount of €17,500 thousand.

4.2 Earnings per share

Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year by the weighted average number of outstanding shares, excluding the average number of treasury shares held, during that period.

Diluted earnings per share: for its calculation, both the amount of profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all dilutive effects inherent in potential ordinary shares (share options, warrants and convertible debt).

Basic and diluted earnings per share at 31 December 2019 and 2018 are detailed below:

	31/12/2019	31/12/2018
Earnings per share numerator		
Profit/(loss) attributed to the parent (thousands of euros)	83,989	40,804
Adjusted profit (thousands of euros)	83,989	40,804
Earnings per share denominator		
Average weighted number of shares	737,865,930	2,144,275,998
Basic and diluted earnings per share (euros)	**0,11 €**	**0,02 €**

5. Information on the Board of Directors and Senior Management

Under the provisions of the Bank of Spain Circular 4/2017, the “key management personnel and executives” at Ibercaja Banco, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any member of the Board of Directors and Senior Management. By virtue of their positions, this group of persons is considered a “related party” and, as such, subject to the disclosure requirements described in this Note.

Persons who have certain kinship or personal relationships with “key management personnel and executives” are also considered related parties, along with controlling companies, with significant influence or significant voting rights from key personnel or any of the persons in their family environment. The transactions carried out by the Ibercaja Banco Group with related parties are disclosed in Note 43.

5.1 Remuneration to the Board of Directors

The remunerations and other benefits received in 2019 by the members of the Board of Directors of the Company, in their status as Directors, is detailed below by item individually:

Members of the Board of Directors	Position	Thousands of euros						
		Remuneration		Attendance fees	Life insurance premiums	Remuneration for membership on board committees	Other items	Total
		Fixed	Variable					
José Luis Aguirre Loaso	Chairman	358.0	-	26.6	12.6	-	6.7	403.9
Jesús Bueno Arrese	First Deputy Chairman	-	-	42.7	27.8	-	4.2	74.7
Victor Iglesias Ruiz	Chief Executive Officer	389.6	118.7	26.6	1.5	-	5.5	541.9
Jesús Solchaga Loitegui	Member	-	-	20.3	-	30.4	5.5	56.2
Gabriela González-Bueno Lillo	Member	-	-	31.5	5.9	45.6	1.8	84.8
Vicente Cóndor López	Member	-	-	43.4	4.4	45.6	3.0	96.4
Jesús Tejel Giménez	Member	-	-	26.6	3.2	-	5.5	35.3
Félix Longás Lafuente	Member	-	-	19.6	3.5	-	6.7	29.8
Emilio Jiménez Labrador	Member	-	-	28.0	-	-	0.6	28.6
Enrique Arrufat Guerra	Member	-	-	16.8	4.3	-	6.7	27.8
María Pilar Segura Bas	Member	-	-	18.2	2.2	-	5.4	25.8
Jesús Barreiro Sanz (1)	Non-Director Secretary	-	-	52.5	4.7	-	6.7	63.9
Jorge Simón Rodríguez (2)	Member	-	-	7.7	1.9	-	0.4	10.0
Juan María Pemán Gavín (2)	Member	-	-	21.7	2.3	-	0.4	24.4

(1) Director of the Company who resigned as a member on 29 August 2019. However, he continues to hold the position of Secretary to the Board of Directors and its committees as a non-director secretary.
(2) Company Director who resigned from his/her position on 29 August 2019

The remuneration and other benefits received in 2018 by the members of the Board of Directors of the Company, in their status as Directors, is detailed below by item individually:

Members of the Board of Directors	Position	Thousands of euros						
		Remuneration		Attendance fees	Life insurance premiums	Remuneration for membership on board committees	Other items	Total
		Fixed	Variable					
José Luis Aguirre Loaso	Chairman	354.0	16.0	26.6	11.4	-	6.5	414.5
Jesús Bueno Arrese	First Deputy Chairman	-	-	41.3	24.8	-	4.2	70.3
Victor Iglesias Ruiz	Chief Executive Officer	385.0	122.6	26.6	1.4	-	5.3	540.9
Jesús Barreiro Sanz	Director Secretary	-	-	51.8	4.9	-	6.6	63.3
Jesús Solchaga Loitegui	Director	-	-	16.8	-	30.4	5.4	52.6
Gabriela González-Bueno Lillo	Director	-	-	44.1	5.2	45.6	1.8	96.7
Juan María Pemán Gavín	Director	-	-	36.4	3.2	-	7.7	47.3
Vicente Cóndor López	Director	-	-	42.0	4.1	45.6	2.9	94.6
Jesús Tejel Giménez	Director	-	-	25.9	3.0	-	5.3	34.2
Félix Longás Lafuente	Director	-	-	18.2	3.2	-	6.6	28.0
Emilio Jiménez Labrador	Director	-	-	14.0	-	-	0.6	14.6
Enrique Arrufat Guerra	Director	-	-	14.0	3.9	-	6.6	24.5
María Pilar Segura Bas	Director	-	-	18.9	2.0	-	5.4	26.3
Jorge Simón Rodríguez (1)	Director	-	-	2.1	0.3	-	0.7	3.1
José Ignacio Mijangos Linaza (2)	Second Deputy Chairman	-	-	9.8	-	-	7.7	17.5

(1) Company Director appointed 19 November 2018.
(2) Company Director who resigned on 19 November 2018.

The information regarding the variable remuneration of Mr José Luis Aguirre Loaso corresponds to that accrued in previous years in his position as executive director, which was subject to deferral and paid in 2018.

With respect to the attendance allowances to be received by the proprietary director appointed by the shareholder foundation Fundación Ordinaria Caja Badajoz

- Generally, the attendance allowances are allocated, for the purposes of the above information, to the proprietary director appointed at the request of the mentioned shareholder foundation, although in the application of the sectoral legislation applicable to him, and inasmuch as the director is part of their governance and management bodies, they have been directly paid to the shareholder foundation.

In the section “Remuneration for membership on board committees”, the gross amounts accrued by the Chairmen of the internal committees of the Board of Directors are calculated.

In the section “Other concepts” the insurance premiums other than life insurance (health and accident) are included.

The Company does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

5.2 Remuneration of Senior Management

For the purposes of preparing the financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee).

As at 31 December 2019, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management.

The remuneration accrued by Senior Management are shown in the following table, as was previously defined, for 2019 and 2018:

Thousands of euros	Short-term remuneration		Post-employment benefits		Total	
	2019	2018	2019	2018	2019	2018
Senior Management	2,417	2,397	150	148	**2,567**	**2,545**

Remuneration for pensions or life insurance premiums were not registered in the year for former members of Senior Management.

5.3 Duties of loyalty of the Directors

As of 31 December 2019, with respect to the requirements of articles 229 and 230 of the Corporate Enterprises Act, the members of the Ibercaja Banco Board of Directors, as well as the persons related thereto referenced in article 231 of the aforementioned Law, have confirmed that they do not carry out, on their own account or the account of others, activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company's interests.

5.4 Transactions with significant shareholders

During 2019 and 2018, there have been no transactions outside the ordinary course of business or other than at arm's length with significant shareholders, except:

- Service level agreement (legal, fiscal, technological, marketing, communication, etc. council) formalised with Fundación Bancaria Ibercaja for the amount of 247,794 euros (236,703 euros as at 31 December 2018).
- Rental of Ibercaja Banco property used by Fundación Bancaria Ibercaja to carry out its activities for the amount of €134,630 euros (€133,053 as at 31 December 2018).
- Service level agreement (use and management of installations, artistic assets, etc.) by Fundación Bancaria Ibercaja to Ibercaja Banco for the amount of 860,437 euros (858,286 euros as at 31 December 2018).

All the operations to be formalised with the shareholder foundations are previously reported by the Audit and Compliance Committee and subject to the approval of the Board of Directors.

6. <u>Cash and cash balances at central banks and other demand deposits</u>

The balances in this consolidated balance sheet heading as at 31 December 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Cash	227,234	212,847
Cash balances at central banks	3,444,265	675,568
Other demand deposits	257,703	229,791
	3,929,202	**1,118,206**

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 0.01% (0.01% during 2018).

7. Financial assets and liabilities held for trading

7.1 Breakdown of the balance and maximum credit risk - debit balances

The financial assets included in this category as at 31 December 2019 and 2018 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2019	2018
By geographical areas		
Spain	7,268	7,033
Rest of the countries in the European Monetary Union	1,562	261
Rest of the world	133	117
	8,963	**7,411**
By counterparty classes		
Credit institutions	5,115	3,887
Resident public administrations	-	-
Other resident sectors	3,848	3,524
	8,963	**7,411**
By type of instruments		
Debt securities	-	-
Derivatives not traded in organised markets	8,963	7,411
	8,963	**7,411**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

7.2 Breakdown of the balance - credit balances

The financial liabilities included in this category as at 31 December 2019 and 2018 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2019	2018
By geographical areas		
Spain	7,163	6,893
Rest of the countries in the European Monetary Union	714	489
Rest of the world	1,592	1,309
	9,469	**8,691**
By counterparty classes		
Credit institutions	9,469	7,715
Other resident sectors	-	976
Other non-resident sectors	-	-
	9,469	**8,691**
By type of instruments		
Derivatives not traded in organised markets	9,469	8,691
Of which: segregated embedded derivatives of hybrid financial instruments	-	*4*
	9,469	**8,691**

7.3 Financial derivatives held for trading

The details, by product type, of the fair and notional value of the financial derivatives held for trading as at 31 December 2019 and 2018 are shown below:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2019	2018	2019	2018
Not matured foreign currency purchases and sales	**157**	**490**	**-**	**-**
Security/index options	**-**	**4**	**387**	**153**
Interest rate options	**12**	**46**	**707**	**1,040**
Other interest rate transactions	**8,794**	**6,871**	**8,375**	**7,498**
Interest rate swaps (IRSs)	8,794	6,871	8,375	7,498
	8,963	**7,411**	**9,469**	**8,691**

	Thousands of euros	
	Notional	
	2019	2018

Not matured foreign currency purchases and sales	**40,882**	**102,266**
Security/index options	**10,259**	**156,856**
Interest rate options	**-**	**-**
Security/index embedded derivatives	**-**	**153,949**
Other interest rate transactions	**239,538**	**348,207**
Interest rate swap embedded derivatives	-	-
Retail market derivatives	127,797	219,739
Distribution of derivatives	111,741	128,468
	290,679	**761,278**

In addition to the balances detailed in the previous table, the notional value of the securities options (credit balances) derived from the return guarantee granted by the Group to Investment Funds commercialised by it amounts to 1,025,238 thousand euros as at 31 December 2019 (785,345 thousand euros as of 31 December 2018).

8. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The financial assets included in this category as at 31 December 2019 and 2018 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2019	**2018**
By geographical areas		
Spain	309,683	74,358
Rest of the countries in the European Monetary Union	40,145	20,348
Rest of the world	28,288	48,831
Total gross amount	**378,116**	**143,537**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	(2,231)	(2,222)
Total net amount	**375,885**	**141,315**
Of which: equity instruments related to the insurance activity	*284,905*	*38,852*
Of which: debt securities related to the insurance activity	*68,433*	*69,179*
By counterparty classes		
Credit institutions	68,433	69,580
Other resident sectors	309,683	73,957
	378,116	**143,537**
By type of instruments		
Debt securities	78,783	82,733
Credits and loans	14,428	21,952
Shares	-	400
Ownership interests in Investment Funds	284,905	38,452
	378,116	**143,537**

The Group classifies financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities (“Unit linked”) measured at fair value.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 0.38% (0.58% during 2018).

9. Financial assets at fair value through profit or loss

The financial assets included in this category as at 31 December 2019 and 2018 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2019	**2018**
By geographical areas		
Spain	5,612	6,079
Rest of the countries in the European Monetary Union	3,327	961
Rest of the world	-	2,535
	8,939	**9,575**
By counterparty classes		
Credit institutions	1,435	1,367
Resident public administrations	5,612	6,079
Non-resident public administrations	1,892	-
Other resident sectors	-	-
Other non-resident sectors	-	2,129
	8,939	**9,575**
By type of instruments		
Debt securities	8,939	9,575
Ownership interests in Investment Funds	-	-
	8,939	**9,575**

The Group classifies to this portfolio the fixed-income assets that are managed jointly with insurance contract liabilities (“Unit linked”) measured at fair value.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

10. Financial assets at fair value through other comprehensive income

10.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2019 and 2018 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2019	**2018**
By geographical areas		
Spain	6,185,832	6,524,929
Rest of the countries in the European Monetary Union	1,326,637	879,536
Rest of Europe	208,201	19,413
Rest of the world	373,759	1,341,636
Total gross amount	**8,094,429**	**8,765,514**
(Impairment losses)	(7,999)	(10,874)
Total net amount	**8,086,430**	**8,754,640**
Of which: equity instruments related to the insurance activity	*27,285*	*22,493*
Of which: debt securities related to the insurance activity	*6,939,326*	*6,727,949*
By counterparty classes		
Credit institutions	630,981	744,755
Resident public administrations	5,303,196	5,887,859
Non-resident public administrations	420,188	493,138
Other resident sectors	564,268	655,362
Other non-resident sectors	1,175,796	984,400
Total gross amount	**8,094,429**	**8,765,514**
By type of instruments		
Debt securities:	7,696,598	8,425,514
Public sector debt	*5,042,960*	*5,887,177*
Other public administrations	*260,808*	*312,655*
Foreign government debt securities	*419,616*	*493,137*
Issued by financial institutions	*625,411*	*739,819*
Other fixed-income securities	*1,347,803*	*992,726*
Other equity instruments:	397,831	340,000
Shares in listed Spanish companies	*67,878*	*55,329*
Shares in non-listed Spanish companies	*184,649*	*174,722*
Shares in listed foreign companies	*103,281*	*99,419*
Shares in non-listed foreign companies	*45*	*51*
Ownership interests in Investment Funds	*33,234*	*1,009*
Ownership interests in Venture Capital Funds	*8,744*	*9,470*
Total gross amount	**8,094,429**	**8,765,514**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2019, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), has decreased the value of the interest it holds in this entity by €7,147 thousand, with a charge to consolidated equity. At 31 December 2019, the decrease in the fair value of this ownership interest amounted to €48,629 thousand and the ownership interest was fully impaired (carrying amount of €7,147 thousand at 31 December 2018).

The entirety of losses from impairment related to the hedge against credit risk of debt securities, which are reversible, are detailed in the table above.

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 1.80% (1.75% during 2018), which includes the effect of the revenue reversals from risk hedging for interest rate risk.

10.2 Impaired debt securities

At 31 December 2019 and 2018 there were no impaired debt securities.

10.3 Credit risk hedges and others

The changes in the impairment losses recognised to cover the credit risk of the debt instruments included in this portfolio in 2019 and 2018 are presented below:

	Thousands of euros	
	2019	2018
Opening balance	**10,874**	**3,071**
First-time application of NIIF9 9	-	3,688
Transfer charged to profit for the year	8,745	9,914
Reversal of provisions taken to income statement	(9,987)	(6,019)
Amounts used	(1,956)	-
Exchange differences and other movements	323	220
Closing balance	**7,999**	**10,874**
Of which:		
- Individually determined	1,748	4,820
- Collectively determined	6,251	6,054

The impairment losses indicated in this Note are recognised in the consolidated income statement under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income)".

11. Financial assets at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Debt securities (Note 11.2)	7,218,228	6,544,456
Loans and advances	32,550,540	32,833,960
Credit institutions (Note 11.3)	643,792	248,856
Customers (Note 11.4)	31,906,748	32,585,104
	39,768,768	**39,378,416**

11.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2019 and 2018 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2019	2018
By geographical areas		
Spain	38,947,449	39,590,641
Rest of the world	1,463,707	904,755
Total gross amount	**40,411,156**	**40,495,396**
(Impairment losses)	(642,388)	(1,116,980)
Total net amount	**39,768,768**	**39,378,416**
Of which: debt securities related to the insurance activity	*186,262*	*198,034*
Of which: loans and advances related to the insurance activity	*43,811*	*30,369*
By counterparty classes		
Credit institutions	726,904	392,211
Resident public administrations	5,422,601	4,177,997
Non-resident public administrations	691,484	676,087
Other resident sectors	33,349,874	35,065,550
Other non-resident sectors	220,293	183,551
Total gross amount	**40,411,156**	**40,495,396**
By type of instruments		
Debt securities	7,218,577	6,544,728
Credits and loans	30,284,184	31,258,559
Reverse repurchase agreements	1,722,144	1,803,612
Other	1,186,251	888,497
Total gross amount	**40,411,156**	**40,495,396**

As a result of the first-time application of IFRS 9, impairment losses on financial assets at amortised cost of 140,948 thousand euros were recognised in 2018.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument, except for:

- The asset corresponding to the current value of the fees outstanding on financial guarantees, registered under "Other" (in the breakdown by type of instruments), amounts to 1,703 thousand euros as at 31 December 2019 (1,707 thousand euros as at 31 December 2018). In Note 27.1, the nominal value of the financial guarantees is broken down, which implies the maximum level of exposure to the credit risk. This item also includes the balances of "other financial assets" detailed in notes 11.3 and 11.4.
- The assets transferred to securitisation funds that were not derecognised from the balance, in accordance with that stipulated in Note 2.8, shall be registered under heading "Credits and loans" (in the breakdown by type of instruments) and as at 31 December 2019 they amounted to 2,746,243 thousand euros (3,104,109 thousand euros as at 31 December 2018), with their breakdown detailed in Note 27.5. The maximum level of exposure to credit risk is collected by the value of all the positions of the Group in the mentioned securitisation funds, which amounts to 2,514,856 thousand euros as at 31 December 2019 (2,763,148 thousand euros as at 31 December 2018). The amount of the bonds issued by the securitisation funds that were subscribed by third parties outside to the Group amounts to 377,655 thousand euros as at 31 December 2019 (461,029 thousand euros as at 31 December 2018), with their breakdown detailed in Note 19.4.

11.2 Debt securities

The breakdown by financial assets included in the debt securities category as at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Debt securities	**7,218,577**	**6,544,728**
Impaired assets	-	-
Total gross amount	**7,218,577**	**6,544,728**
(Impairment losses)	(349)	(272)
Total net amount	**7,218,228**	**6,544,456**

This heading includes, among others, SAREB bonds, with an irrevocable guarantee from the Spanish central government, whose nominal value at 31 December 2019 was 1,702,200 million euros (1,794,500 million euros at 31 December 2018).

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 0.88% (1.04% during 2018).

11.3 Credit institutions

The breakdown of the financial assets included in the "credit institutions" category at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Time or at notice:	**106,391**	**107,622**
Reverse repurchase agreement	106,391	100,000
Other accounts	-	7,622
Other financial assets:	**537,498**	**141,092**
Cheques payable by credit institutions	1,152	665
Cash guarantees	395,853	43,672
Other items	140,493	96,755
Impaired assets	**-**	**-**
Valuation adjustments	**(97)**	**142**
Total gross amount	**643,792**	**248,856**
(Impairment losses)	**-**	**-**
Total net amount	**643,792**	**248,856**

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 0.05% (0.10% during 2018).

11.4 Customers

The breakdown by financial assets included in the Loans and advances to customers category as at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Credits and loans	**30,284,184**	**31,258,559**
Commercial loans	578,278	573,237
Secured loans	21,397,683	22,056,364
Other term loans	5,883,115	5,325,825
Finance leases (Note 27.7)	525,452	499,297
Receivables on demand and others	542,924	491,370
Impaired assets	1,290,930	2,272,336
Valuation adjustments	65,802	40,130
Reverse repurchase agreement	**1,615,753**	**1,703,612**
Other financial assets	**648,850**	**739,641**
Financial transactions pending settlement	9,007	12,826
Cash guarantees	230,902	230,141
Financial guarantee fees	1,828	1,707
Other items	407,113	494,967
Total gross amount	**32,548,787**	**33,701,812**
(Impairment losses)	(642,039)	(1,116,708)
Total net amount	**31,906,748**	**32,585,104**

On 27 June 2019, Ibercaja Banco, S.A. entered into a contract for the sale of a book of mostly doubtful loans with a nominal value of 534 million euros to Melf Investment Holding II, S.A.R.L. The negative impact of the operation, 27 million euros, is registered under heading "Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss" of the profit and loss account (Note 34).

Also, on 24 December 2019, Ibercaja Banco, S.A. arranged the sale to DSSV, S.A.R.L. of a loan book in doubtful status for a overall nominal debt amount of 73 million euros. The negative impact of the operation, 15 million euros, is registered under heading "Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss" of the profit and loss account (Note 34).

"Valuation adjustments" at 31 December 2019 included an amount of 42.6 million euros corresponding to the adjustment to the amortised cost of the covered assets pending accrual after the interruption of the macro-hedges described in Note 12.2 (61.1 million euros at 31 December 2018).

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 1.38% (1.33% during 2018).

11.4.1. Overdue, impaired and unimpaired assets

There follows a breakdown of credit to customers considered to be impaired because of credit risk at 31 December 2019 and 2018, classified according to the period elapsed since the maturity of the oldest unpaid amount of each transaction at those dates:

	Thousands of euros					
	Not yet due	Up to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
Balances at 31 December 2019	209,976	102,602	54,770	44,413	879,169	**1,290,930**
Balances at 31 December 2018	412,237	164,299	102,664	107,329	1,485,807	**2,272,336**

The detail of the impaired assets by counterparty classes is as follows:

	Thousands of euros	
	2019	**2018**
Resident public administrations	2,741	2,833
Other resident sectors	1,283,201	2,261,753
Other non-resident sectors	4,988	7,750
	1,290,930	**2,272,336**

In general, the matured assets are not considered impaired until the length of service of the default surpasses 90 days. The detail of the unimpaired matured assets by counterparty classes and length of service as at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	2019			
	Less than one Month	**1 to 2 months**	**Between 2 months and 90 days**	**Total**
Credit institutions	-	-	-	-
Resident public administrations	41	51	-	92
Other resident sectors	34,839	12,939	9,993	57,771
Other non-resident sectors	79	18	9	106
	34,959	**13,008**	**10,002**	**57,969**

	Thousands of euros			
	2018			
	Less than one Month	**1 to 2 months**	**Between 2 months and 90 days**	**Total**
Credit institutions	-	-	-	-
Resident public administrations	599	-	-	599
Other resident sectors	52,687	10,879	7,938	71,504
Other non-resident sectors	120	11	5	136
	53,406	**10,890**	**7,943**	**72,239**

11.5 Credit risk hedges and others

The changes in the gross balance of financial assets included in this category in 2019 and 2018 are presented below:

	Thousands of euros			
	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance at 1 January	**36,671,116**	**1,551,944**	**2,272,336**	**40,495,396**
Transfers:	(22,846)	(10,419)	33,265	-
from stage 1 to stage 2:	*(654,619)*	*654,619*	-	-
from stage 1 to stage 3	*(54,766)*	-	*54,766*	-
from stage 2 to stage 3	-	*(110,484)*	*110,484*	-
from stage 3 to stage 2	-	*128,666*	*(128,666)*	-
from stage 2 to stage 1	*683,220*	*(683,220)*	-	-
from stage 3 to stage 1	*3,319*	-	*(3,319)*	-
Increases	10,724,637	154,302	68,170	10,947,109
Decreases	(9,655,890)	(292,618)	(828,006)	(10,776,514)
Transfers to write-offs	-	-	(254,835)	(254,835)
Other movements	-	-	-	-
Gross balance at 31 December	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**

	Thousands of euros			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**33,614,785**	**2,063,919**	**2,556,949**	**38,235,653**
Transfers:	190,416	(352,327)	161,911	-
from stage 1 to stage 2:	*(599,574)*	*599,574*	-	-
from stage 1 to stage 3	*(73,041)*	-	*73,041*	-
from stage 2 to stage 3	-	*(197,213)*	*197,213*	-
from stage 3 to stage 2	-	*99,984*	*(99,984)*	-
from stage 2 to stage 1	*854,672*	*(854,672)*	-	-
from stage 3 to stage 1	*8,359*	-	*(8,359)*	-
Increases	7,889,316	114,451	63,615	8,067,382
Decreases	(5,023,401)	(274,099)	(267,346)	(5,564,846)
Transfers to write-offs	-	-	(242,793)	(242,793)
Other movements	-	-	-	-
Gross balance at 31 December	**36,671,116**	**1,551,944**	**2,272,336**	**40,495,396**

The changes in impairment losses recognised to cover the credit risk of financial assets included in this category in 2019 and 2018 are presented below:

	Thousands of euros			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which:				
- Individually determined	-	*9,171*	*436,856*	*446,027*
- Collectively determined	*55,379*	*76,180*	*539,394*	*670,953*
Changes through profit or loss:	**(93,348)**	**61,001**	**166,552**	**134,205**
Increases in origination	34,561	-	-	34,561
Changes due to changes in credit risk	(105,082)	70,908	194,409	160,235
Changes in calculation method	-	-	-	-
Other	(22,827)	(9,907)	(27,857)	(60,591)
Changes other than through profit or loss:	**98,217**	**(81,152)**	**(625,862)**	**(608,797)**
Transfers:	98,217	(81,152)	(17,065)	-
from stage 1 to stage 2:	*(20,554)*	*20,554*	-	-
from stage 1 to stage 3:	*(360)*	-	*360*	-
from stage 2 to stage 3:	-	*(17,680)*	*17,680*	-
from stage 3 to stage 2	-	*31,822*	*(31,822)*	-
from stage 2 to stage 1	*115,848*	*(115,848)*	-	-
from stage 3 to stage 1	*3,283*	-	*(3,283)*	-
Existing provisions utilised	-	-	(591,357)	(591,357)
Other movements	-	-	(17,440)	(17,440)
Balance at 31 December	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	-	*10,109*	*124,868*	*134,977*
- Collectively determined	*60,248*	*55,091*	*392,072*	*507,411*

	Thousands of euros			
	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**58,672**	**112,704**	**1,060,363**	**1,231,739**
Of which:				
- Individually determined	-	16,473	535,471	551,944
- Collectively determined	58,672	96,231	524,892	679,795
Changes through profit or loss:	**(119,747)**	**85,541**	**191,158**	**156,952**
Increases in origination	40,637	-	-	40,637
Changes due to changes in credit risk	(113,476)	94,992	253,615	235,131
Changes in calculation method	-	-	-	-
Other	(46,908)	(9,451)	(62,457)	(118,816)
Changes other than through profit or loss:	**116,454**	**(112,894)**	**(275,271)**	**(271,711)**
Transfers:	116,454	(112,894)	(3,560)	-
from stage 1 to stage 2:	*(20,218)*	*20,218*	-	-
from stage 1 to stage 3:	*(980)*	-	*980*	-
from stage 2 to stage 3:	-	*(30,908)*	*30,908*	-
from stage 3 to stage 2	-	*28,942*	*(28,942)*	-
from stage 2 to stage 1	*131,146*	*(131,146)*	-	-
from stage 3 to stage 1	*6,506*	-	*(6,506)*	-
Existing provisions utilised	-	-	(242,793)	(242,793)
Other movements	-	-	(28,918)	(28,918)
Balance at 31 December	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which:				
- Individually determined	-	*9,171*	*436,856*	*446,027*
- Collectively determined	*55,379*	*76,180*	*539,394*	*670,953*

The balance of uses in 2019 includes mainly provisions for transactions derecognised from the consolidated balance sheet amounting to 252,587 thousand euros (188,177 thousand euros in 2018). The balance of uses in 2019 also includes provisions derecognised from the loan portfolio, mostly doubtful, sold to Melf Investment Holding II, S.A.R.L. for 305,035 thousand euros and the loan book sold to DSSV, S.A.R.L., amounting to 22,446 thousand euros.

"Other" includes releases generated by the write-downs of provisions for operations cancelled due to collections during the period. Write-downs of provisions in operations that have been removed from the balance sheet are included in the concept of "Use of provisions".

The concept of "Other movements" includes the transfer of the non-performing loan allowance that the credit transaction had which were paid through the awarding or granting in payment for the overall or partial satisfaction of the debt, in accordance with the criteria described in Note 2.18.

The detail of the impaired losses by counterparty classes is as follows:

	Thousands of euros	
	2019	2018
Resident public administrations	2,229	1,074
Other resident sectors	637,581	1,112,825
Other non-resident sectors	2,578	3,081
	642,388	**1,116,980**

The various items recognised in 2019 and 2018 under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost" in the consolidated income statements for those years are presented below:

	Thousands of euros	
	2019	2018
Impairment losses credited to allowances for assets	134,205	156,952
Recovery of written-off assets	(8,326)	(6,123)
	125,879	**150,829**

The movement of the consolidated Loans and receivables derecognised in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Balances at the start of the year	**732,549**	**592,922**
Use of the Accumulated impairment balance	173,485	242,793
Contractually required interests	33,248	17,136
Direct write-down to the profit and loss account	-	-
Main cash payment to the counterparties	(8,106)	(5,855)
Interest cash payment to the counterparties	(220)	(268)
Forgiveness	(53,640)	(43,164)
Limitation period	(4,406)	(19,309)
Foreclosure of tangible assets	(4,178)	-
Debt refinancing or restructuring	-	-
Sales	(38,527)	(131)
Other items	(11,751)	(51,575)
Balance at the close of the year	**818,454**	**732,549**

"Sales" in 2019 mainly includes the sale of a portfolio of mostly doubtful loans for a total of 38 million euros to Melf Investment Holding II, S.AR.L.

The accrued interest pending payment, registered in memorandum accounts, associated with impaired financial assets, amounts to 62,950 million euros as at 31 December 2019 (106,593 million euros as at 31 December 2018).

12. Derivatives - hedge accounting (assets and liabilities) and fair value changes of the hedged items in a portfolio with interest rate risk hedging

12.1 Derivatives - Hedge accounting

The breakdown, by product type, of the fair value of the financial derivatives designated as hedging instruments in fair value hedge and cash flow transactions at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2019	2018	2019	2018
Interest rate swaps (IRSs)	137,210	161,371	233,888	155,200
	137,210	**161,371**	**233,888**	**155,200**

The carrying amount shown in the previous table represents the maximum level of exposure to credit risk with respect to the financial instruments included therein, except for the derivative assets contracted in which there are netting or compensation agreements, and that also have a collateral agreement consisting of the formalisation of deposits for an amount equivalent to the net fair value of the derivative transactions, so that in the event of non-payment of the derivative operations by one of the parties, the other party is not required to satisfy the obligations associated with the deposit.

The Company has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The breakdown of the carrying amount of the financial instruments associated with these agreements and asset and liability deposits that are generated with the counterparties (for both the hedging and trading derivatives that are detailed in Note 7.3), is as follows:

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2019	2018
Derivative assets	30,080	90,788
Derivative liabilities	71,702	76,839

	Thousands of euros	
	Deposits subject to derivative offset arrangements	
	2019	2018
Deposits recognised under assets	82,117	63,420
Deposits recognised under liabilities	26,790	70,480

The purpose of all fair value hedges carried out by the Company is to hedge the risk of changes in the fair value of debt instruments, assets or liabilities issued at a fixed rate, due to changes in the reference interest rate. This risk is established in the increase of the fair value of the financial liabilities against reference interest rate decreases and decreases in the fair value of the financial assets in the event of their increases. To mitigate this risk, the Group arranges interest rate swaps, the value of which varies similarly and symmetrically to the changes in value of the hedged items.

The purpose of the cash flow hedges is to stabilise the impact on net interest income of interest associated with inflation-indexed public debt, eliminating the underlying risk of the benchmark index. To hedge this risk, interest rate swaps were arranged on the market that convert the issue's inflation-indexed floating rate into a fixed rate.

In the event of ineffectiveness in fair value or cash flow hedges, the Bank mainly considers the following causes:

- Possible economic events affecting the Bank (e.g: default).

- Due to changes and possible differences with respect to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items, respectively.

- Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging instrument.

Note 3 analyses the nature of the Group's main risks covered by these financial instruments.

A breakdown of the maturities of the notional amounts of the hedging instruments used by the Group at 31 December 2019 and 2018 is shown below:

	Thousands of euros					
	2019					
	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Fair value hedges	**-**	**62,800**	**1,866,667**	**2,667,337**	**2,145,897**	**6,742,701**
Interest rate swaps (IRSs)	-	62,800	1,866,667	2,667,337	2,145,897	6,742,701
Average interest rate	-	4.88%	0.33%	0.03%	1.51%	0.54%
Cash flow hedges	**-**	**-**	**-**	**200,000**	**415,000**	**615,000**
Interest rate swaps (IRSs)	-	-	-	200,000	415,000	615,000
Average interest rate	-	-	-	-	-	-

	Thousands of euros					
	2018					
	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Fair value hedges	**-**	**94,871**	**598,773**	**4,872,341**	**2,642,205**	**8,208,190**
Interest rate swaps (IRSs)	-	94,871	598,773	4,872,341	2,642,205	8,208,190
Average interest rate	-	2.29%	0.33%	0.43%	1.58%	0.81%
Cash flow hedges	**-**	**-**	**-**	**225,000**	**370,000**	**595,000**
Interest rate swaps (IRSs)	-	-	-	225,000	370,000	595,000
Average interest rate	-	-	-	-	-	-

A breakdown of the hedging instruments used by the Group at 31 December 2019 and 2018 is shown below:

	Thousands of euros			
	2019			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**6,742,701**	**118,466**	**149,653**	**(144,058)**
Interest rate swaps (IRSs)	6,742,701	118,466	149,653	(144,058)
Cash flow hedges	**615,000**	**18,744**	**84,235**	**8,524**
Interest rate swaps (IRSs)	615,000	18,744	84,235	8,524

	Thousands of euros			
	2018			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**8,208,190**	**148,944**	**96,989**	**(50,197)**
Interest rate swaps (IRSs)	8,208,190	148,944	96,989	(50,197)
Cash flow hedges	**595,000**	**-**	**45,784**	**9,288**
Interest rate swaps (IRSs)	595,000	-	45,784	9,288

A breakdown of the items hedged the Group at 31 December 2019 and 2018 is shown below:

	Thousands of euros					
	2019					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**1,450,908**	**4,894,576**	**142,762**	**(103,438)**	**144,625**	**-**
Transactions with clients	-	182,478	-	(3,243)	(2,232)	-
Loans	-	2,133,108	-	(85,350)	19,555	-
Fixed Income	1,450,908	-	142,762	-	128,179	-
Deposits taken (Money Market)	-	1,628,990	-	(2,475)	578	-
Equities	-	-	-	-	409	-
Savings demand deposit hedge	-	950,000	-	(12,370)	(1,864)	-
Cash flow hedges	**695,965**	**-**	**-**	**-**	**-**	**8,524**
Fixed Income	695,965	-	-	-	-	8,524

	Thousands of euros					
	2018					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**3,131,911**	**6,174,979**	**59,528**	**119,475**	**50,708**	**-**
Transactions with clients	-	1,028,645	-	1,010	(205)	-
Loans	-	2,560,126	-	104,905	34,415	-
Fixed Income	3,131,911	-	59,528	-	28,259	-
Deposits taken (Money Market)	-	1,636,208	-	3,053	(1,254)	-
Savings demand deposit hedge	-	950,000		10,507	(10,507)	
Cash flow hedges	**658,428**	**-**	**-**	**-**	**-**	**9,288**
Fixed Income	658,428	-	-	-	-	9,288

The following table shows the impact on the consolidated income statement and consolidated statement of other comprehensive income of the hedging relationships designated by the Group at 31 December 2019 and 2018:

	Thousands of euros			
	2019			
	Change in value of hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in profit or loss	Amount reclassified from equity to profit or loss	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**567**	**-**	**-**
Transactions with clients	-	81	-	-
Loans	-	230	-	-
Fixed Income	-	(41)	-	-
Deposits taken (Money Market)	-	297	-	-
Equities	-	-	-	-
Cash flow hedges	**(764)**	**-**	**-**	**4,411**
Fixed Income	(764)	-		4,411

	Thousands of euros			
	2018			
	Change in value of hedging instrument recognised in other comprehensive income	Ineffectiveness recognised in profit or loss	Amount reclassified from equity to profit or loss	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**511**	**-**	**-**
Transactions with clients	-	973	-	-
Loans	-	(28)	-	-
Fixed Income	-	(279)	-	-
Deposits taken (Money Market)	-	(155)	-	-
Cash flow hedges	**10,457**	**-**	**-**	**(27,843)**
Fixed Income	10,457	-	-	(27,843)

At 31 December 2019 and 2018, there were no accounting hedges that failed the effectiveness test.

12.2 Fair value changes of the hedged items in a portfolio with interest rate risk hedging

As explained in Note 2.4, these gains or losses arising from changes in the fair value of the interest rate risk of the financial instruments effectively hedged in fair value macro-hedging transactions are charged or credited under these headings of the consolidated balance.

The breakdown of adjustments to financial assets and liabilities via macro-hedges at 31 December 2019 and 2018 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2019	2018	2019	2018
Mortgage loans	-	-	-	-
Financial liabilities	-	-	37,617	24,961
	-	**-**	**37,617**	**24,961**

With respect to the assets affecting the micro-hedges, Banco Grupo Cajatres, S.A.U. signed an option contract on interest rates in 2012, for which it would pay the positive difference between the floor rate and Euribor rate at 12 months (or zero if this difference is negative) on the current notional in each period in 2013-2026. The starting and maximum notional value of the option amounted to 2,672 billion euros, covering the cost of the floor value included in the mortgage loans in the portfolio on interest rate variations. In 2015 the Group decided to interrupt the micro-hedge. The change to the amortised cost of the hedged assets on the hedge interruption date, for an amount of 140.9 million euros, is accrued over the initially designated hedging period. At 31 December 2019, the adjustment pending accrual amounts to 42.6 million euros (61.1 million euros at 31 December 2018) and has been recorded since the interruption of the hedge under the heading "Financial assets at amortised cost - Customers" on the asset side of the balance sheet (Note 11.4). The cancellation of the derivative with the counterparty was made on the same day.

The nominal amount of financial liabilities corresponding to own issues, covered bonds, deposits and transactions with customers, covered by interest rate swaps (IRSs), amounted to 450,897 thousand euros at 31 December 2019 (450,897 thousand euros at 31 December 2018).

At 31 December 2019 and 2018, there were no accounting hedges that failed the effectiveness test.

13. Investments in joint ventures and associates

13.1 Investments in associates

This heading of investments in associates in the consolidated balance sheets as at 31 December 2019 and 2018 is broken down as follows:

	Thousands of euros	
	2019	2018
Equity instruments	81,783	97,902
(Impairment losses)	(129)	(129)
Total net amount	**81,654**	**97,773**

In 2018, the new companies Ibercaja Global Internacional SICAV and the company Northwind FINCO, S.L. were incorporated (Note 3.5.6.2).

The balance of "Investments in subsidiaries, joint ventures and associates – Associates" of the consolidated balance sheets as at 31 December 2019 and 2018 included goodwill associated with these investments. The breakdown of this goodwill, based on the entity in which they originated, is shown below:

	Thousands of euros	
Company	2019	2018
Henneo	11,149	11,149
Total net amount	**11,149**	**11,149**

The movement of the impairment losses of the associated entities in 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Opening balance	**129**	**129**
Net allowances	**-**	**-**
Transfer charged to profit for the year	-	-
Recovered amount credited to profit for the year	-	-
Recovered amount credited to profit for the previous years	**-**	**-**
Amounts used	**-**	**-**
Other movements	**-**	**-**
Closing balance	**129**	**129**

13.2 Investments in joint ventures

Appendices I and II show a breakdown of the investments in joint ventures held by the Group at 31 December 2019 and 2018, with related details.

There are no impairment losses or goodwill associated with these investments.

14. Assets under insurance or reinsurance contracts

As at 31 December 2019 and 2018, the entirety of the budget under this heading of consolidated balances corresponds to the profit-sharing of the reinsured policies.

The reconciliation between the opening and closing balances under this heading in 2019 and 2018 is as follows:

	Thousands of euros
Balances at 31 December 2017	**395**
Transfers	324
Balances at 31 December 2018	**719**
Transfers	(180)
Balances at 31 December 2019	**539**

15. Tangible assets

Movements in this consolidated balance sheet heading in 2019 and 2018 are as follows:

	Thousands of euros			
	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances at 1 January 2018	**1,321,589**	**609,534**	**33,398**	**1,964,521**
Additions	20,833	11,643	33,601	66,077
Disposals due to sales or through other means	(51,071)	(126,059)	(13,168)	(190,298)
Other transfers and other movements	(863)	(13,119)	-	(13,982)
Balances at 31 December 2018	**1,290,488**	**481,999**	**53,831**	**1,826,318**
Additions (*)	95,001	19,521	42,669	157,191
Disposals due to sales or through other means	(31,636)	(106,166)	(14,362)	(152,164)
Other transfers and other movements	(4,514)	15,625	5,578	16,689
Balances at 31 December 2019	**1,349,339**	**410,979**	**87,716**	**1,848,034**
Accumulated depreciation				
Balances at 1 January 2018	**(705,204)**	**(134,656)**	**(7,850)**	**(847,710)**
Disposals due to sales or through other means	30,096	23,227	4,270	57,593
Allowances recognised in profit or loss	(23,037)	(8,749)	(5,158)	(36,944)
Other transfers and other movements	780	(1,509)	-	(729)
Balances at 31 December 2018	**(697,365)**	**(121,687)**	**(8,738)**	**(827,790)**
Disposals due to sales or through other means	30,223	31,708	3,733	65,664
Allowances recognised in profit or loss	(36,704)	(7,163)	(8,730)	(52,597)
Other transfers and other movements	(229)	49	-	(180)
Balances at 31 December 2019	**(704,075)**	**(97,093)**	**(13,735)**	**(814,903)**
Impairment losses				
Balances at 1 January 2018	**(956)**	**(86,441)**	**-**	**(87,397)**
Transfer charged to profit for the year (Note 40)	(806)	(649)	-	(1,455)
Recovered amount credited to profits (Note 40)	-	6	-	6
Applications and other movements	1,250	31,059	-	32,309
Balances at 31 December 2018	**(512)**	**(56,025)**	**-**	**(56,537)**
Transfer charged to profit for the year (Note 40)	(115)	(1,532)	-	(1,647)
Recovered amount credited to profits (Note 40)	-	1,078	-	1,078
Applications and other movements	427	7,258	-	7,685
Balances at 31 December 2019	**(200)**	**(49,221)**	**-**	**(49,421)**
Net tangible assets				
Balances at 31 December 2018	**592,611**	**304,287**	**45,093**	**941,991**
Balances at 31 December 2019	**645,064**	**264,665**	**73,981**	**983,710**

(*) At 31 December 2019, the cost of property, plant and equipment for own use includes the right-of use assets corresponding to the leased tangible assets in which the Group acts as the lessee, amounting to 78,657 thousand euros, of which 15,643 thousand euros had been depreciated at that date (see "IFRS 16 - Leases" in Note 1.11).

As at 31 December 2019, fully-amortised assets still in use amounted to 427,194 thousand euros (431,481 at 31 December 2018).

In 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. availed themselves of the possibility offered by Article 9 of Law 16/2012 to update the tax value of property, plant and equipment, and certain buildings for own use and property investments were accordingly updated.

The amount of the tax update in Ibercaja Banco, S.A. amounted to 17,888 million euros, generating a share of 5% to be paid for this update, for an amount of 894 thousand euros. Given the revaluation of assets as a consequence of a tax law not permitted in the IFRS-EU, the carrying amount of the assets did not incur any variation in consolidated terms.

At Banco Grupo Cajatres, S.A.U., the amount of the tax update amounted to 36,094 million euros, generating a share of 5% to be paid for this update, for an amount of 1,805 million euros. However, given that the fiscally revaluated assets had already been revaluated for accounting purposes in 2010 when the Institutional Protection Scheme founded the Company, there was no increase in their carrying amount since the new tax value did not surpass the carrying amount before the update in any case.

In the Ibercaja Banco, S.A. individual financial statements of 2016, the information required by section 12 of article 9 of Law 16/2012 is set forth on the updated elements that were found in the Company equity.

15.1 Property, plant and equipment for own use

The breakdown, according to its nature, of the parties that include the balance under this heading of the consolidated balance as at 31 December 2019 and 2018 is the following:

	Thousands of euros			
	Cost	Accumulated depreciation	Impairment losses	Net balance
Computer equipment and installations	228,006	(201,049)	-	26,957
Furniture, vehicles and other installations	404,159	(353,865)	-	50,294
Buildings	651,779	(142,451)	(512)	508,816
Construction in progress	6,544	-	-	6,544
Balances at 31 December 2018	**1,290,488**	**(697,365)**	**(512)**	**592,611**
Computer equipment and installations	225,058	(189,901)	-	35,157
Furniture, vehicles and other installations	398,986	(348,671)	-	50,315
Buildings	639,715	(149,860)	(200)	489,655
Construction in progress	6,923	-	-	6,923
Use rights under lease	78,657	(15,643)	-	63,014
Balances at 31 December 2019	**1,349,339**	**(704,075)**	**(200)**	**645,064**

No third party termination benefits were received in 2019 for asset impairment, and there were no pending termination benefits to be received as at 31 December 2018.

There are no significant material asset acquisition commitments for its own use or restrictions on its ownership as at 31 December 2019 and 2018.

15.2 Investment property

The rental income coming from the Group's investment properties amounted to 5,376 thousand euros in 2019 (8,963 thousand euros in 2018) (Note 36), other related expenses amounted to 1,977 thousand euros (2,037 thousand euros in 2018) (Note 37) and operating expenses were incurred due to depreciation and amortisation in an amount of 7,163 thousand euros (8,749 thousand euros in 2018) (Note 15).

89% of the net carrying amount of the investment properties (93.73% in 2018) is based on appraisals made by experts with recognised professional capacity and recent experience in the location and category of the investment properties subject to assessment. The appraisals of these properties were performed out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The following table displays a classification by type of asset of the investment properties. The carrying amount (excluding impairment losses) of these assets, which was valued by an independent surveyor, is as follows:

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2019	2018	2019	2018
Investment property	**313,886**	**360,312**	**260,213**	**322,675**
Residential	24,483	22,896	17,839	16,538
Commercial and industrial	284,513	330,063	237,484	298,783
Agricultural	4,890	7,353	4,890	7,354

The fair value calculated by independent appraisals for the assets amounts to €287,772 thousand at 31 December 2019 (€337,719 thousand at 31 December 2018).

The appraisals are on Level 2 in the fair value hierarchy.

There are no significant commitments for the acquisition or maintenance of investment properties, nor restrictions on their ownership as at 31 December 2019 and 2018.

15.3 Property, plant and equipment assigned under operating lease

The Group includes the assets associated with renting contracts under this heading, which amount to 73,981 thousand euros at 31 December 2019 (45,093 thousand euros at 31 December 2018). In 2019, the rental income coming from these assets amounted to 14,276 thousand euros (8,537 thousand euros in 2018) (Note 36) and the operating expenses due to amortisation and other expenses related to them amounted to 8,730 and 1,977 thousand euros, respectively (5,158 and 2,037 thousand euros in 2018) (Note 37).

15.4 Impairment losses

In 2019, 115 thousand euros of impairment losses on property, plant and equipment for own use and 454 thousand euros of impairment losses on investment property were recognised (impairment losses of 806 thousand euros and 643 thousand euros in 2018, respectively) (Note 40).

16. Intangible assets

16.1 Goodwill

The breakdown of the parties that include the balance of this heading of the consolidated balance as at 31 December 2019 and 2018 is the following:

	Thousands of euros	
Company	**2019**	**2018**
Banco Grupo Cajatres, S.A.U.	128,065	128,065
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	16,869
	144,934	**144,934**

On 23 May 2013, the market was notified that Ibercaja Banco, S.A.U., Banco Grupo Cajatres, S.A. and its respective shareholder savings banks had agreed the inclusion of the banks through a share exchange process and subsequent merger by absorption of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U.

On 25 July 2013, after satisfaction of the conditions precedent and the required administrative exemptions and authorisations having been secured, Ibercaja Banco became the owner of 100% of the share capital of Banco Grupo Cajatres, S.A. To this end, Ibercaja Banco carried out a 325.5 million euro capital increase subscribed for by the shareholders of Banco Grupo Cajatres, S.A. in exchange for all that bank's share capital. The new shareholders thereby obtained a joint holding of 12.20% in the share capital of Ibercaja Banco.

As a result of the difference between the consideration for the business acquired and the total at the acquisition date of the fair value of the assets and liabilities and the amount of the non-controlling interests, goodwill in the amount of 128,065 thousand euros was recognised in the consolidated financial statements. This goodwill takes into consideration, among other factors, the future results, the expected synergies of the combination of the acquirer and the acquiree and other intangible assets that do not qualify for separate recognition.

The goodwill associated with the company Caja Badajoz Vida y Pensiones, S.A de Seguros was established as a consequence of the acquisition of 50% of this entity on 3 September 2014 that was not owned by the Group at the close of 2013.

This acquisition took place as part of the reorganisation of the Group's insurance business as a result of the takeover of Banco Grupo Cajatres, S.A.U. in 2013. In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (absorbed company) was merged by absorption into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Absorbing Company).

For the purposes of distributing the goodwill of that referred to in Note 2.16.1, the Group considered that there was only one cash-generating unit coinciding with the entirety of its balance, since the goodwill is controlled at the highest level for the purposes of internal management and there are no differentiated operational segments, in accordance with that indicated in Note 27.9.

The Group calculated the value in use by the cash-generating unit which constitutes Ibercaja Banco at the close of the year based on the valuation made by an independent expert. It was concluded that there was no need to record any impairment of the same.

The value in use was obtained by discounting the estimated dividends over the medium term according to the business projections based on two components:

- Explicit projection up to 2024.
- Normalised projection for the determination of the estimated perpetual rate for 2036 and thereafter, calculating for the remaining period a residual value that has been determined considering a distributable cash flow of 447 million euros and a 2% growth rate of this flow.

Considering these two components, the expected flows were projected by discounting the generated dividends, assuming the capital ratio as a restriction according to the regulatory requirements and security margins consistent with comparable market observations. These flows have been discounted using market rates and adjusted at the average cost of capital, 9.71%.

A sensitivity analyses of the valuation was made against the possible reasonable changes in the key variables of the valuation (distributable cash flow used to calculate the terminal value, rate of growth in perpetuity of this cash flow and discount rate), observing that with a variation of +0.5% in the discount rate, the calculated value in use would be lower than the carrying amount of the cash-generating unit, which would imply an impairment of goodwill. The discount rate should vary around 28 bp so that, after incorporating the effects at the recoverable amount that are a consequence of this change to other variables, the value in use of the unit is equal to its value carrying amount.

The main criteria used to calculate value in use are as follows:

- Cash flows estimated from the Company's business plan
  - Recovery of interest income and fees in the coming years, as a consequence of the increase and subsequent stabilisation of the rate curve.
  - Reduction of the personnel and general expenses, as a consequence of the different rationalisation plans set in place by the Bank.
  - Normalisation of provisions for asset impairment
- Discount rate

  This magnitude is based on the average yield observed in the 2010-2019 period for the Spanish 10Y bond of 2.89%, an adjusted beta as the average of the one-year beta across listed Spanish banks of 1.24 and a market risk premium of 5.5%.
- Rate of growth in perpetuity of the cash flow starting in 2036.

  The rate was fixed at a level similar to a long-term inflation rate.

16.2 Other intangible assets

The detail of this heading is as follows:

	Thousands of euros			
	Cost	Accumulated depreciation	Impairment losses (Note 40)	Net balance
Computer software	138,484	(94,824)	(673)	42,987
Trade mark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	45,031	(29,833)	-	15,198
Other	1,616	(858)	-	758
Balances at 31 December 2018	**192,631**	**(133,015)**	**(673)**	**58,943**
Computer software	162,637	(105,148)	(673)	56,816
Trade mark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	45,031	(34,108)	-	10,923
Other	-	-	-	-
Balances at 31 December 2019	**215,168**	**(146,756)**	**(673)**	**67,739**

The "trademark" includes the estimated value of the brands of the now extinct savings banks that gave rise to Banco Grupo Cajatres, S.A. (CAI, Caja Círculo and Caja Badajoz).

The cost of the asset "Customer relationships with Banco Grupo Cajatres, S.A.U." includes the net present value that, at the time of the acquisition of this entity, implies the saving of costs that the demand deposits and term of the this entity represent with respect to other alternative financing sources.

Movements in this consolidated balance sheet heading throughout 2019 and 2018 are as follows:

	Thousands of euros				
	Computer software	Trade mark	Customer relationships of Banco Grupo Cajatres	Other	Total
Cost					
Balances at 1 January 2018	**119,267**	**7,500**	**45,031**	**1,616**	**173,414**
Additions	19,217	-	-	-	19,217
Disposals due to sales or through other means	-	-	-	-	-
Other transfers and other movements	-	-	-	-	-
Balances at 31 December 2018	**138,484**	**7,500**	**45,031**	**1,616**	**192,631**
Additions	23,427	-	-	-	23,427
Disposals due to sales or through other means	-	-	-	(1,616)	(1,616)
Other transfers and other movements	726	-	-	-	726
Balances at 31 December 2019	**162,637**	**7,500**	**45,031**	**-**	**215,168**
Accumulated depreciation					
Balances at 1 January 2018	**(86,783)**	**(6,750)**	**(24,409)**	**(726)**	**(118,668)**
Disposals due to sales or through other means	-	-	-	-	-
Allowances recognised in profit or loss	(8,041)	(750)	(5,424)	(132)	(14,347)
Other transfers and other movements	-	-	-	-	-
Balances at 31 December 2018	**(94,824)**	**(7,500)**	**(29,833)**	**(858)**	**(133,015)**
Disposals due to sales or through other means	-	-	-	890	890
Allowances recognised in profit or loss	(10,324)	-	(4,275)	(32)	(14,631)
Other transfers and other movements	-	-	-	-	-
Balances at 31 December 2019	**(105,148)**	**(7,500)**	**(34,108)**	**-**	**(146,756)**
Impairment losses					
Balances at 1 January 2018	**-**	**-**	**-**	**-**	**-**
Transfer charged to profit for the year	(673)	-	-	-	(673)
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances at 31 December 2018	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year					-
Recovered amount credited to profit for the year					-
Applications and other movements					-
Balances at 31 December 2019	**(673)**	**-**	**-**	**-**	**(673)**
Net intangible assets					
Balances at 31 December 2018	**42,987**	**-**	**15,198**	**758**	**58,943**
Balances at 31 December 2019	**56,816**	**-**	**10,923**	**-**	**67,739**

At 31 December 2019, fully-amortised intangible assets still in use amounted to €113,560 thousand (€79,305 thousand at 31 December 2018).

17. Other assets

This heading in the consolidated balance sheets at 31 December 2019 and 2018 breaks down as follows:

	Thousands of euros	
	2019	2018
Accruals and deferred income	50,614	32,822
Inventories	236,774	303,137
Transactions in transit	3,601	1,902
Other	3,368	2,712
Total gross amount	**294,357**	**340,573**
(Impairment losses)	(101,490)	(150,740)
Total net amount	**192,867**	**189,833**

Impairment analysed in the above table relates entirely to Inventories.

Movements in Inventories during 2019 and 2018 are as follows:

	Thousands of euros		
	Foreclosed assets	**Other assets**	**Total**
Cost			
Balances at 1 January 2018	**332,370**	**97,787**	**430,157**
Additions	29,164	-	29,164
Disposals due to sales or through other means	(129,639)	(14,550)	(144,189)
Other transfers and other movements	(11,995)	-	(11,995)
Balances at 31 December 2018	**219,900**	**83,237**	**303,137**
Additions	2,018	1,531	3,549
Disposals due to sales or through other means	(64,607)	-	(64,607)
Other transfers and other movements	(5,305)	-	(5,305)
Balances at 31 December 2019	**152,006**	**84,768**	**236,774**
Impairment losses			
Balances at 1 January 2018	**(191,321)**	**(13,285)**	**(204,606)**
Transfer charged to profit for the year (Note 40)	(2,526)	(365)	(2,891)
Recovered amount credited to profits (Note 40)	51	-	51
Applications and other movements	56,099	607	56,706
Balances at 31 December 2018	**(137,697)**	**(13,043)**	**(150,740)**
Transfer charged to profit for the year (Note 40)	(5,083)	-	(5,083)
Recovered amount credited to profits (Note 40)	40	-	40
Applications and other movements	56,027	(1,734)	54,293
Balances at 31 December 2019	**(86,713)**	**(14,777)**	**(101,490)**
Net inventories			
Balances at 31 December 2018	**82,203**	**70,194**	**152,397**
Balances at 31 December 2019	**65,293**	**69,991**	**135,284**

In inventories, all foreclosed assets consist of real estate.

The valuations of the above assets have been restated principally in the last year. The valuations have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets valued. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The breakdown of the inventory-related expenses for 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Costs to sell inventories sold during the year	20,100	74,620
Impairment losses on inventories (Note 40)	5,043	2,840
Impairment write-downs	5,083	2,891
Reversals of impairment write-downs	(40)	(51)
Total net amount	**25,143**	**77,460**

18. Non-current assets and disposal groups classified as held for sale

At 31 December 2019 and 2018, this consolidated balance sheet item breaks down as follows:

	Thousands of euros	
	2019	**2018**
Foreclosed assets	**310,949**	**365,816**
Residential	263,154	304,467
Industrial	36,337	44,800
Agricultural	11,458	16,549
Other assets	**63,798**	**64,612**
Residential	37,766	39,507
Industrial	22,901	21,974
Agricultural	3,131	3,131
Total gross amount	**374,747**	**430,428**
(Impairment losses)	(107,538)	(141,838)
Total net amount	**267,209**	**288,590**

Movements in this consolidated balance sheet heading in 2019 and 2018 are as follows:

	Thousands of euros		
	Foreclosed assets	**Other assets**	**Total**
Cost			
Balances at 1 January 2018	**752,681**	**81,699**	**834,380**
Additions	90,284	36,759	127,043
Disposals due to sales or through other means	(490,038)	(53,846)	(543,884)
Other transfers and other movements	12,889	-	12,889
Balances at 31 December 2018	**365,816**	**64,612**	**430,428**
Additions	75,321	969	76,290
Disposals due to sales or through other means	(136,816)	(1,783)	(138,599)
Other transfers and other movements	6,628	-	6,628
Balances at 31 December 2019	**310,949**	**63,798**	**374,747**
Impairment losses			
Balances at 1 January 2018	**(278,309)**	**(3,315)**	**(281,624)**
Net transfer charged to profit for the year (Note 42)	(40,523)	-	(40,523)
Applications and other movements	178,695	1,614	180,309
Balances at 31 December 2018	**(140,137)**	**(1,701)**	**(141,838)**
Net transfer charged to profit for the year (Note 42)	(15,691)	(1,266)	(16,957)
Applications and other movements	51,230	27	51,257
Balances at 31 December 2019	**(104,598)**	**(2,940)**	**(107,538)**
Net non-current assets held for sale			
Balances at 31 December 2018	**225,679**	**62,911**	**288,590**
Balances at 31 December 2019	**206,351**	**60,858**	**267,209**

The Group has a Realisation Plan for non-current assets held for sale, which includes the Sales financing policy. The Plan entails the collaboration of the real estate agent network, the disclosure of specific information on the Company's web page and the existence of a unit dedicated to the disposal of assets foreclosed as payment for debts.

According to the Group's historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since the majority relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the market situation.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan, and
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

In 2019, the Group financed 17.09% of sales (17.61% in 2018).

Loans granted during the year to finance sales of this type of assets amount to €14,373 thousand (€85,193 thousand at 31 December 2018) and the accumulated amount of loans granted is €559,437 thousand (€545,064 thousand at 31 December 2018).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance appraised by an independent appraiser is indicated.

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2019	2018	2019	2018
Non-current assets held for sale	**374,747**	**430,428**	**360,519**	**415,569**
Residential	300,920	343,974	293,828	338,575
Industrial	59,238	66,774	52,963	58,175
Agricultural	14,589	19,680	13,728	18,819

The fair value calculated by independent appraisals for the assets amounts to €403,978 thousand at 31 December 2019 (€434,476 thousand at 31 December 2018).

The Group has a corporate policy that ensures the professional competence, independence and objectivity of external appraisal companies, in accordance with the provisions of the regulations, which require appraisal companies to meet the requirements of neutrality and credibility so that the use of their estimates does not undermine the reliability of their appraisals. This policy establishes that all the appraisal companies with which the Group works must be registered with the Official Register of the Bank of Spain and their appraisals must be carried out in accordance with the methodology established in Order ECO/805/2003 of 27 March.

The appraisal techniques are used generally by all appraisal companies depending on the type of real estate asset. By regulatory requirement, these companies generally employ observable market data and other factors that market participants would consider in setting the price, limiting as much as possible the use of subjective considerations and unobservable or unverifiable data.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. Generally speaking, the residual method has been used to value land, the discounted cash flow method for assets for rent and the comparison method for finished buildings and elements thereof. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer's industrial margin, to arrive at the price of the land. In those cases where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate (dynamic residual method).
- Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and/or present rent, taking into account the return required on each type of asset.

- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties, the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

Thus, assets for rent and finished buildings and building items have a level 2 in the fair value hierarchy, while land and buildings under construction have a level 3.

The valuations were carried out by the following appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

19. Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Deposits	**40,857,849**	**38,658,120**
Central banks (Note 19.1)	1,628,990	3,341,085
Credit institutions (Note 19.2)	4,304,232	1,236,219
Customers (Note 19.3)	34,924,627	34,080,816
Debt securities issued (Note 19.4)	**1,480,421**	**1,640,432**
Other financial liabilities (Note 19.5)	**1,110,050**	**843,084**
	43,448,320	**41,141,636**

19.1 Deposits - Central Banks

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2019 and 2018 is shown below:

	Thousands of euros	
	2019	2018
European Central Bank	1,650,000	3,372,460
Valuation adjustments	(21,010)	(31,375)
	1,628,990	**3,341,085**

At 31 December 2019 and 2018 this caption includes financing obtained from the European Central Bank via targeted longer-term refinancing operations (TLTRO II) maturing in 2020.

The average effective interest rate on debt instruments classified in this caption during 2019 was -0.52% (0.52% at 31 December 2018).

19.2 Deposits - Credit institutions

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2019 and 2018 is shown below:

	Thousands of euros	
	2019	**2018**
On demand	**10,301**	**18,916**
Other accounts	10,301	18,916
Time or at notice	**4,294,052**	**1,216,984**
Fixed-term deposits	670,535	560,152
Assets sold under repurchase agreements	3,611,022	647,308
Other accounts	12,495	9,524
Valuation adjustments	**(121)**	**319**
	4,304,232	**1,236,219**

The average effective interest rate on debt instruments classified in this caption during 2019 was 0.17% (0.26% during 2018).

19.3 Deposits - Customer

The breakdown of the balance under this heading in the consolidated balance sheets at 31 December 2019 and 2018, based on the geographical location, nature and counterparties of the transaction concerned, is indicated below:

	Thousands of euros	
	2019	**2018**
Geographic location		
Spain	34,796,186	33,950,989
Rest of the world	128,441	129,827
	34,924,627	**34,080,816**
By nature		
Demand deposits	28,509,031	26,316,080
Current Accounts	*21,514,545*	*19,605,008*
Savings accounts	*6,961,871*	*6,655,077*
Other demand deposits	*32,615*	*55,995*
Term deposits	6,009,517	7,384,711
Fixed-term deposits	*4,113,508*	*4,895,932*
Non-marketable mortgage covered bonds and bonds issued (Note 44.1)	*1,842,137*	*2,271,771*
Hybrid deposits	-	*153,708*
Other term deposits	*53,872*	*63,300*
Assets sold under repurchase agreements	197,319	121,286
Valuation adjustments	208,760	258,739
	34,924,627	**34,080,816**
By counterparties		
Resident public administrations	1,158,839	1,100,777
Other resident sectors	33,637,347	32,850,212
Non-resident public administrations	13	9
Other non-resident sectors	128,428	129,818
	34,924,627	**34,080,816**

The average effective interest rate on debt instruments classified in this caption during 2019 was 0.13% (0.14% during 2018).

The item “Non-marketable mortgage covered bonds and bonds issued” (in the breakdown by nature) includes unique mortgage covered bonds issued under Law 2/1981 (25 March) governing the Mortgage Market in the amount of €1,842,137 thousand (€2,271,771 thousand at 31 December 2018). The mortgage covered bonds were issued at variable or fixed rates of interest. The fixed-interest issues are hedged for interest-rate risk by means of interest rate swaps.

19.4 Debt securities issued

This heading in the consolidated balance sheets at 31 December 2019 and 2018 breaks down as follows:

	Thousands of euros	
	2019	2018
Nominal value of mortgage covered bonds (Note 44.1)	3,900,000	4,650,000
Treasury shares	(3,319,808)	(4,067,057)
Nominal value of other securities linked to transferred financial assets	377,655	461,029
Nominal value of preference shares	-	5,000
Nominal value of subordinated bonds	500,030	572,819
Valuation adjustments	22,544	18,641
	1,480,421	**1,640,432**

During 2019, mortgage covered bonds matured in the nominal amount of 1,180 million euros. In addition, in January 2019, preference shares with a nominal amount of 5 million euros were redeemed.

A breakdown of the security issues associated with financial assets transferred is as follows:

					Thousands of euros	
					Amount subscribed	
Type	**Nominal interest**	**Issuance date**	**Maturity date**	**Nominal value of issue**	**2019**	**2018**
TDA2 securitisation bonds	Variable	13.10,2005	(*)	904,500	74,817	87,142
TDA3 securitisation bonds	Variable	12.05,2006	(*)	1,007,000	71,293	81,436
TDA4 securitisation bonds	Variable	18.10,2006	(*)	1,410,500	88,513	100,926
TDA5 securitisation bonds	Variable	11.05,2007	(*)	1,207,000	47,964	80,059
TDA6 securitisation bonds	Variable	25.06,2008	(*)	1,521,000	15,054	16,750
TDA ICO-FTVPO securitisation bonds	Variable	15.07,2009	(*)	447,200	80,014	94,716
TDA7 securitisation bonds	Variable	18.12,2009	(*)	2,070,000	-	-
					377,655	**461,029**

(*) These bonds are redeemed as the mortgage loans that have been assigned to the relevant securitisation fund are repaid.

The average effective interest rate on debt instruments classified in this caption during 2019 was 0.21% (0.26% during 2018).

Details regarding each issue of subordinated bonds are as follows:

			Thousands of euros	
			Nominal amount	
Issue	**Nominal interest**	**Maturity**	**2019**	**2018**
25 April 2007	Variable	25 April 2019 (*)	-	72,789
15 June 2007	Mixed	15 June 2022	30	30
28 July 2015	Fixed	28 July 2025 (**)	500,000	500,000
			500,030	**572,819**

(*) The Group reserves the right to redeem these issues once seven years have elapsed as from the issue date and subject to authorisation from the competent regulator.
(**) The Group reserves the right to redeem these issues once five years have elapsed as from the issue date. Early redemption by the issuer is also possible within five years as from the issue date for causes deriving from a change in the tax treatment of the product and/or its treatment as an equity instrument. Such redemption must be authorised by the competent regulator.

These issues are subordinated and come behind all common creditors with respect to debt seniority.

Issues of subordinated bonds have been authorised by the competent Regulator to be classified as eligible own funds.

Interest accrued on the subordinated liabilities amounts to €25,408 thousand at 31 December 2019 (€25,847 thousand at 31 December 2018).

The average effective interest rate on debt instruments classified in this caption during 2019 was 4.79% (4.32% during 2018).

Below follows a reconciliation of the carrying value of the liabilities originating from financing activities according to changes that generate cash flows and those that do not:

	Thousands of euros	
	2019	**2018**
Opening balance	**586,614**	**631,751**
Cash flows	(77,801)	(45,414)
Redemption of subordinate bonds issued by Ibercaja Banco, S.A.	*(72,801)*	*(45,414)*
Redemption of preference shares	*(5,000)*	-
No impact on cash flows	184	277
Valuation adjustments	*184*	*277*
Closing balance	**508,997**	**586,614**

19.5 Other financial liabilities

This heading in the consolidated balance sheets at 31 December 2019 and 2018 breaks down as follows:

	Thousands of euros	
	2019	**2018**
Bonds payable	23,568	43,607
Guarantees received	4,958	5,513
Collection accounts	604,955	482,466
Special accounts	40,795	45,065
Financial guarantees	3,056	2,362
Other items	432,718	264,071
	1,110,050	**843,084**

“Other items” include deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repos or reverse repos. Also, the balance includes lease liabilities amounting to 63,756 thousand euros due to the entry into force of IFRS 16 (see Notes 1.11 and 2.10).

The Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The carrying value of financial instruments covered by these agreements and deposits payable and receivable generated with the counterparties are as follows:

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2019	**2018**
Assets under repos	-	4,619
Liabilities under repos	4,376	40,344

	Thousands of euros	
	Deposits subject to repo offset arrangements.	
	2019	**2018**
Deposits recognised under assets	3,270	30
Deposits recognised under liabilities	-	4,118

19.6 Information on average payment period for suppliers. Additional Provision Three. "Disclosure requirement" of Law 15/2010 of 5 July

Pursuant to Final Provision Two of Law 31/2014, of 3 December, amending Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on measures to combat late payment in commercial transactions, and in connection with the information to be included in the notes to the financial statements on the deferral of payments to suppliers in commercial transactions, calculated in accordance with the Spanish Institute of Accounting and Auditing's Ruling of 29 January 2016, the information for 2019 and 2018 is as follows:

	2019	2018
	Days	
Average supplier payment period	20	18
Ratio of settled transactions	19	17
Ratio of transactions pending payment	96	76
	Thousands of euros	
Total payments made	630,686	701,308
Total payments outstanding	10,862	13,020

20. Liabilities under insurance or reinsurance contracts

At 31 December 2019 and 2018, the balances in this consolidated balance sheet heading were as follows:

	Thousands of euros	
	2019	**2018**
Technical reserves for:		
Unearned premium reserves (non-life)	-	-
Life insurance:	7,393,305	7,383,670
Unearned premium reserve and current risks	*22,856*	*21,930*
Mathematical reserves	*7,370,449*	*7,361,740*
Benefits pending payment	71,710	63,788
Profit sharing and returned premiums	5,026	3,397
Life insurance in which the investment risk is borne by the policyholders	314,496	63,914
	7,784,537	**7,514,769**

There is no accepted reinsurance at 31 December 2019 or 31 December 2018.

The reconciliation between the opening and closing balances under this heading in 2018 and 2019 is as follows:

	Thousands of euros
Balances at 31 December 2017	**7,019,204**
Transfers	517,989
Transfers	*1,327,694*
Reversals	*(809,705)*
Other movements	(22,424)
Balances at 31 December 2018	**7,514,769**
Transfers	26,394
Transfers	*1,153,535*
Reversals	*(1,127,141)*
Other movements	243,374
Balances at 31 December 2019	**7,784,537**

20.1 Risk management under insurance contracts

The Group is exposed to market (interest rate, concentration, spread and variable income), liquidity, counterparty, operational and underwriting (life) risks under insurance contracts arranged and related transactions.

Ibercaja Vida has policies describing the management and control strategies applied to each of the abovementioned risks. These policies meet the Solvency II requirements that came into force on 1 January 2016 and have been approved by the Board of Directors.

Additionally, the Three Lines of Defence Model has been deployed in the Entity to assure effective risk management and supervision.

Market, liquidity, counterparty and operational risks affecting this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 on Risk Management. Insurance business risk relates to life underwriting, which is the risk of incurring losses due to an increase in the value of liabilities as a result of a departure from the assumptions (mortality, longevity, policy lapse, expenses, etc.) on the basis of which they were contracted. This risk spans a number of sub-risks, the most significant being:

- Longevity risk: the risk of incurring losses due to an increase in the survival of insured parties in relation to forecasts. Its impact derives from the arrangement of life annuities and liability policies managed by the insurance company. Concerning longevity risk, the insurer performs a monthly follow-up of the technical results from portfolios affected, analysing which portion of these results are affected by survival risk.

- Policy lapse risk: the risk of incurring losses due to variance in surrender rates in relation to forecasts. Its impact relates to volatility in the savings insurance and life-risk insurance lines. The insurer manages policy lapse risk by monitoring historical surrender levels, taking into account prior-year experience. The assumptions obtained from this analysis are used when calculating liabilities for matching flows (joint management of assets and liabilities) so that they reflect the actual situation as accurately as possible at all times. In this way, assurance is obtained that the flows expected from the assets are sufficient in time and quantity to meet expected future commitments.

  Additionally, a mass surrender stress test is performed monthly on products in which interest rates are guaranteed for more than one year, analysing the behaviour of the asset and the liability and thus the impact on results should a mass surrender force an asset sale.

- Mortality risk: the risk of incurring losses due to an increase in mortality rates in relation to forecasts. Its impact relates mainly to the life-risk line. Mortality risk is managed using a pricing system that takes into account the personal characteristics of each insured party in order to arrive at the premium to be charged.

  In order to assess the risk accepted when the policy is contracted, the customer must answer a number of personal questions. The circumstances of insured parties that could aggravate risks accepted are therefore analysed by the Company before contracting, so the premium is in line with the risk level.

  The pricing system is periodically reviewed by the Risk Control Department and is accepted by the reinsurance companies to which Ibercaja Vida cedes a part of its risks.

For the purposes of mortality risk control and monitoring, the Company performs monthly monitoring of the claim rate associated with each product sold, analysing the adequacy of the mortality tables, claim frequency and average cost of claims, as well as of the Entity's management expenditure. The impact of mortality risk on the income statement for each product and departures from claim forecasts are analysed.
Irrespective of the mortality table applied to calculate the premium, which depends on the type of product, date on which it is first sold or other aspects, the PERM/F-2000P mortality tables approved by the Resolution of 3 October 2000 of the Directorate General for Insurance and Pension Funds, which conforms to number 5 of Transitional Provision Two of the Private Insurance Regulations, have been taken as a reference.

Set out below is the behaviour of the claims ratio for direct life insurance as compared with forecast claims.

	Life-savings insurance		**Life annuities**		**Unit linked insurance**		**Individual life-risk insurance**		**Total life insurance**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Portfolio at 31 December (number of contract)	418,590	459,277	67,470	64,331	36,748	6,844	384,323	394,973	907,131	925,425
No. claims expected	1,668	1,828	2,898	2,741	50	55	602	606	5,218	5,230
No. actual claims	981	972	2,348	2,240	29	49	484	467	3,842	3,728
Percentage (actual/expected)	58.81%	53.18%	81.02%	81.71%	58.00%	89.69%	80.40%	77.03%	73.63%	71.28%

The insurance company has a policy for ceding risks to leading reinsurers so as to mitigate both dispersion risk affecting sums insured and the accumulation of claims caused by a single event. The adequacy of this reinsurance policy with respect to business volume was validated in 2008 by an insurance company's actuarial studies department. During 2014 and 2015, Ibercaja Vida's Technical Department completed an extensive review of the reinsurance policy due to the integration of the life insurance business of CAI Vida y Pensiones and Caja Badajoz Vida y Pensiones. Since the entry into force of Solvency II, the Actuarial Function established by this regulation has been implemented in Ibercaja Vida, one of its tasks being the validation of the company's reinsurance and underwriting policies. This Actuarial Function submits a report to the Board of Directors.

The main actuarial assumptions used in measuring the mathematical provisions of the various forms of insurance in the portfolio for 2019 and 2018 are detailed below:

	2019						
			Profit sharing				
	Coverage type	Tables used	With or without profit sharing	Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.32%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.31%
Life annuities	Mixed	GR95/PER2000P	No profit sharing	-	Individual	Single premium	2.21%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.57%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.59%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P	With/without profit sharing	6	Group	Single premium	4.29%
Other groups	Mixed	GK80/GK95	With profit sharing	99	Group	Regular/single premium	1.45%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,350	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	34	Group	Regular premiums	-

	2018						
			Profit sharing				
	Coverage type	Tables used	With or without profit sharing	Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.33%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.31%
Life annuities	Mixed	GR95/PER2000P	No profit sharing	-	Individual	Single premium	2.38%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.59%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.55%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P	With/without profit sharing	28	Group	Single premium	4.29%
Other groups	Mixed	GK80/GK95	With profit sharing	134	Group	Regular/single premium	1.44%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,226	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	59	Group	Regular premiums	-

20.2 Classification of insurance risk

The Group has a policy of diversifying insurance risks and there are mechanisms in place to detect any type of risk concentration. It is common practice to use treaty reinsurance to mitigate the risk of concentration or accumulation of guarantees above the maximum acceptance levels.

Set out below are the premiums issued classified based on their characteristics:

	Thousands of euros	
	2019	**2018**
Life insurance premiums	75,209	72,675
Savings insurance premiums	862,247	1,251,876
	937,456	**1,324,551**
Premiums under individual policies	932,421	1,319,707
Premiums under group policies	5,035	4,844
	937,456	**1,324,551**
Regular premiums	400,540	434,994
Single premiums	536,916	889,557
	937,456	**1,324,551**
Premiums for policies with no profit-sharing	675,027	1,314,637
Premiums for policies with profit-sharing	4,822	4,368
Premiums for policies where the investment risk is assumed by the policyholder	257,607	5,546
	937,456	**1,324,551**

The premiums under the insurance contracts detailed in the table above are presented in the income statement item "Income from assets under insurance or reinsurance contracts", which amounted to €940,528 thousand at 31 December 2019 (€1,327,536 thousand at 31 December 2018). This heading also reflects income from reinsurance amounting to €3,072 thousand at 31 December 2019 (€2,985 thousand at 31 December 2018).

According to the Directorate General of Insurance, individual insurance policies are those in which, despite a group policy being formalised, the premium payment obligations and inherent rights pertain to the insured. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2019 amounting to €940,798 thousand (€1,327,955 thousand in 2018) relate to the technical reserves associated with such contracts.

20.3 Sensitivity to insurance risk

The Group carries out a sensitivity analysis regularly, stressing each of the risk components of its portfolio on a stand-alone basis, affecting both the asset and liability and following Solvency II methodology.

Asset and liability flows are discounted at the euroswap curve rate at 31 December 2019, while the impact resulting from a variation in the interest rate curve is as follows:

- A parallel increase of 50 basis points in the discount curve entails a reduction of 2.65% in the value of the asset and 2.34% in the value of the liability.
- A parallel fall of 50 base points in the discount curve entails an increase of 2.67% in the value of the asset and 2.41% in the value of the liability.

As most of the insurer's portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the income statement.

21. Provisions

The breakdown of movements in 2019 and 2018 indicating the purpose of the provisions recognised in the consolidated balance sheet at 31 December 2019 and 2018, is as follows:

	Thousands of euros				
	Pensions and other post-employment defined benefit obligations	Other long term employee remuneration	Lawsuits and litigation for outstanding taxes	Commitments and guarantees given	Other provisions
Balances at 1 January 2018	**120,751**	**3,863**	**12,814**	**31,656**	**203,695**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	527	-	36,970	35,650
Staff costs (Note 38)	2,482	-	-	-	55,752
Reversal of provisions taken to income statement	-	(315)	(3,589)	(43,790)	(58,323)
Provisions utilised	(8,496)	(2,144)	-	-	(57,189)
Other movements	9,526	-	(198)	8,629	538
Balances at 31 December 2018	**124,265**	**1,931**	**9,027**	**33,465**	**180,123**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	603	333	26,298	50,568
Staff costs (Note 38)	2,225	-	-	-	-
Reversal of provisions taken to income statement	-	-	-	(37,271)	(3,201)
Provisions utilised	(317)	(2,068)	(1,430)	-	(67,452)
Other movements	(2,565)	-	-	23	1,136
Balances at 31 December 2019	**123,610**	**466**	**7,930**	**22,515**	**161,174**

The composition of the provisions items "Pensions and other post-employment defined benefit commitments" and "Other long-term employee remuneration" is broken down in Note 38 "Staff costs". Other movements discloses the variation of exterior commitments implemented through pension plans and insurance policies without breaking down the financial and actuarial components and the benefits paid, with the information provided in the aforementioned Note.

The caption "Provision – Commitments and guarantees given" reflects impairment losses associated with financial guarantees (Note 27.1) and other off-balance-sheet exposures (Note 27.3) granted by the Group.

The item "Other provisions" breaks down as follows:

- A significant portion of the balance relates to the labour cost of redundancy proceedings in 2013, 2014, 2015 and 2018 pending payment (€75,350 thousand at 31 December 2019 and 2018).

- With regard to the possible impact of the refund of the amounts perceived as a result of the application of the so-called floor clauses, either as a result of the hypothetical cancellation by the courts of the floor clauses, either through the application of Royal Decree Law 1/2018, of 20 January, on measures to protect consumers regarding floor clauses, the Company has reserves to cover a hypothetical legal risk deriving from the potential elimination of the floor clauses in mortgages which would cover, where applicable, the maximum estimated amount of €13 million.

  At 31 December 2019, 728.3 million euros of the 848.8 million euros of the balance drawn down on loans containing floor clauses relates to loans amended in negotiated agreements.

Neither the European Court of Justice's judgement published on 21 December 2016 nor Royal Decree-Law 1/2017 (20 January) presuppose or prejudge the validity of the floor clauses in mortgages granted by the Entity, which does business with a firm commitment to transparent customer relations. The Group has also negotiated agreements declared valid by the Supreme Court, with some of the borrowers of mortgage portfolios that contain interest rate floor clauses. On 26 June and 12 December 2018, a Lower Court requested a preliminary ruling from the Court of Justice of the European Union ("CJEU") based on an apparent conflict between the preliminary ruling of the Spanish Supreme Court that confirms the validity of these amendment agreements and EU legislation on unfair terms in consumer contracts. At the date of these consolidated financial statements, the Attorney General of the European Union has still not issued the decision on this matter, but is expected to do so shortly. The effect of an unfavourable decision of the CJEU is difficult to quantify beforehand, as it depends on a variety of factors, including: (i) the criteria that the court may determine to consider whether the negotiated agreement is unfair and the application of those criteria in each specific case, given that the circumstances in which each of the loans were modified were specific and should be evaluated under the new criteria, on a case-by-case basis; and (ii) the number of well-founded claims that will be brought in the Spanish courts and the degree of success of those claims.

On 12 December 2019, the Supreme Court issued a ruling declaring that the termination of a mortgage agreement with interest rate floor clauses does not deprive those who were borrowers of the right to bring an action to obtain the declaration of nullity of the floor clause, as being abusive, and the restitution of what was unduly paid in application of such clause.

- A preliminary ruling has been submitted to the CJEU that questions the validity, due to supposed lack of transparency, of the agreements on mortgage loans subject to the Mortgage Loan Reference Index (MLRI). This preliminary ruling was presented by a Lower Investigation Court several months after the Spanish Supreme Court established the legal status of these contracts on 14 December 2017. On 10 September 2019, the Attorney General of the European Union declared his judgment on this matter (Judgment of the Attorney General) according to which (i) Directive 93/13 is applicable to the matter of reference and (ii) the national judges should be the competent authority to supervise the transparency of the clause in dispute and verify the following, taking into consideration all the circumstances affecting the signing of the contract at the time of execution, (a) if the agreement establishes a transparent method to calculate the interest rate, thereby allowing the consumer to assess the economic consequences that would affect them based in accurate and intelligible criteria (b) if the agreement meets all the information requirements set forth in national regulations. The Judgment of the Attorney General does not consider whether the MLRI or the clause that includes it in the pertinent loan agreements are, per se, abusive or null.

  Pending a pronouncement by the CJEU, in the event that the latter resolves the issue in a manner different from the case law established by the Supreme Court, it is difficult to estimate a priori the impact of such a decision, although, in any case, it is not considered material for the Group. The impact may vary depending on issues such as the interest rate applicable to the financing; whether it recognises any degree of retroactivity, which is not raised in the question referred for a preliminary ruling; and in any event, the conditions required for a supposed lack of transparency.

- The remainder of the balance relates to the coverage of other ordinary business risks of the Group.

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term remuneration commitments, carried as provisions in the balance sheet at 31 December 2019 and 2018, are analysed below:

	Thousands of euros	
	2019	**2018**
Liabilities		
Early retirement agreement	-	43
Externalised post-employment benefits	116,743	118,024
Non-externalised post-employment benefits	6,867	6,241
Fund for labour-related costs of the restructuring plan	466	1,888
	124,076	**126,196**

The net balance in the consolidated balance sheet for defined benefit plans breaks down as follows:

	Thousands of euros	
	2019	**2018**

Commitments relating to:		
Post-employment benefits (Note 38.2)	(30,141)	(26,048)
Other long-term remuneration - pre-retirement (Note 38.3)	(466)	(1,931)
(Shortfall)/Surplus	**(30,607)**	**(27,979)**
Impact of limit on assets	(568)	(388)
Net asset (liability) on balance sheet:	**(31,175)**	**(28,367)**
Assets linked to pensions (*)	89,215	93,264
Net pension assets (**)	3,686	4,565
Net pension (provision)	(124,076)	(126,196)

(*) Financial assets at the subsidiary Ibercaja Vida, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The costs recognised in the consolidated income statement for employee benefits are as follows:

	Thousands of euros	
	2019	**2018**
Defined benefit plans	(2,225)	(2,482)
Contributions to defined contribution plans	(15,030)	(15,888)
interest expense and similar charges (net)	13	72
Transfers to provisions (*)	(519)	(527)
Actuarial gains (-) losses on long-term employee benefits	(84)	315
	(17,845)	**(18,510)**

(*) Includes annual provision for training, educational assistance for children, etc.

The amounts recognised in the consolidated statement of changes in equity are as follows:

	Thousands of euros	
	2019	**2018**
Actuarial gains or losses on post-employment benefits	(9,704)	(8,227)
Limitation on assets	(180)	(2)
	(9,884)	**(8,229)**

The main financial and actuarial assumptions used in measuring the commitments are as follows:

	2019	**2018**
Technical interest rate	0.00% - 1.09%	0.00% - 2.06%
Expected return on assets	0.59% - 1.09%	1.56% - 2.06%
Annual pension revision rate	0.00% - 2.00%	0.00% - 2.00%
Annual salary increase rate	2.00%	2.00%
Growth in Social Security contribution bases	1.00%	1.00%
Retirement age	63 - 67 years	63 - 67 years
Mortality tables	PER 2000P - PER 2000C	PERM/F 2000P
Life expectancy		
Employees retiring in FY 2018/2016		
Men	22,54	22,42
Women	27,03	26,91
Employees retiring in FY 2037/2036		
Men	24,84	24,73
Women	29,12	29,03

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality AA corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the financial statements. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the post-employment obligations is 11.2 years and the weighted average discount rate was 0.69%.

22. Other liabilities

This heading in the consolidated balance sheets at 31 December 2019 and 2018 breaks down as follows:

	Thousands of euros	
	2019	**2018**
Personnel expense apportionment	18,091	16,560
Transactions in transit	7,007	12,845
Contribution to Deposit Guarantee Fund (Note 1.8.2)	41,486	39,704
Other	106,644	101,072
	173,228	**170,181**

At 31 December 2019 and 2018, “Other” mainly includes supplier expenses that have been accrued by the Group.

23. Shareholders’ funds and non-controlling interests

23.1 Shareholders’ equity

The breakdown of shareholders’ equity at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	**2018**
Capital	214,428	2,144,276
Equity instruments issued other than capital	350,000	350,000
Retained earnings	545,893	521,762
Legal reserve	*59,215*	*33,637*
Goodwill reserve	*12,807*	*12,807*
Voluntary reserves	*454,543*	*475,318*
Capitalisation reserves	*19,328*	-
Revaluation reserves	3,305	3,313
Other reserves	1,941,402	31,510
Legal reserve	*13,671*	*214,428*
Accumulated reserves or losses on investments in jointly-controlled entities and associates	*(43,089)*	*(44,004)*
Other reserves	*1,970,820*	*(138,914)*
Of which: from the application of IFRS 9	*(115,872)*	*(115,872)*
Of which: from the issue of equity instruments other than capital	*(32,720)*	*(15,570)*
Profit/(loss) for the year	83,989	40,804
Total	**3,139,017**	**3,091,665**

In 2019 capital was reduced by 1,929,848 thousand euros in order to set up a restricted voluntary reserve for this amount. This reduction was achieved by reducing the nominal value of all the shares into which the share capital is divided by 90%, and then grouping the number of outstanding shares by exchanging each 10 pre-existing shares of ten euro cents in nominal value for a new share of one euro at nominal value. The reduction in capital affects all the Company’s shares equally, and there is no disparity in treatment between them.

In addition, part of the legal reserve has been allocated to the creation of a voluntary reserve of 200 million euros. The legal reserve after the operation amounts to 73 million euros.

In addition, in connection with this restructuring of the Bank’s equity, a capitalisation reserve amounting to 19 million euros was set up, with a charge to voluntary reserves, in accordance with Article 25 of the Corporate Income Tax Law.

On 27 March 2018, Ibercaja, S.A. set the economic terms of an issue of preference shares with a principal reduction mechanism for a nominal amount of 350 million euros. The preferred shares were issued at par value and carry remuneration, to be paid on a quarterly basis, of 7% a year up to 6 April 2023. From that moment onwards, the remuneration will be revised every five years with application of a margin of 6,809% at the five-year mid-swap rate. In any event, payment of the remuneration is subject to certain conditions, and is discretionary for the issuer.

The preferred shares are perpetual, without prejudice to their eligibility for redemption under certain conditions, at the discretion of the Bank. In addition, the nominal value of each of them may decrease to 0.01 euros if the Common Equity Tier 1 capital of Grupo Ibercaja falls below 5,125%. The payout and closing of this issue was carried out on 6 April 2018, and it was listed for trading in the AIAF fixed income market.

This issue of preferred shares has been authorised by the competent supervisor for classification as eligible tier-1 capital (Note 17.2).

Accrual and payment of the dividend of these instruments is recognised in “Other reserves” of equity. At 31 December 2019, payment of this dividend amounts to 24,500 thousand euros.

23.1.1 Capital

Share capital at 31 December 2019 consists of 214,428 shares (2,144,275,998 shares at 31 December 2018), with a par value of €1 each, fully subscribed and paid out, of the same class and series. The Bank’s shares are represented by registered certificates.

The shareholders of Ibercaja Banco, S.A. are as follows:

	Thousands of euros	
	31/12/2019	**31/12/2018**
Fundación Bancaria Ibercaja	87.80%	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%	4.85%
Cajacírculo Fundación Bancaria	3.45%	3.45%
Fundación Ordinaria Caja de Badajoz	3.90%	3.90%

23.1.2 Reserves

Appendix II includes a breakdown by company of the balance in “Accumulated reserves or losses on investments in jointly-controlled entities and associates” and the other accumulated reserves.

23.1.2.1 Legal reserve

In accordance with the consolidated text of the Corporate Enterprises Act, companies that record profits for the financial year must transfer 10% of the profits to the legal reserve until the balance in the reserve reaches at least 20% of share capital. The legal reserve may not be used to offset losses unless it exceeds the aforementioned limit and no other sufficient reserves are available for such purpose.

The legal reserve may be used to increase the share capital provided that the remaining reserve balance does not fall below 10% of the balance of share capital after the increase.

23.1.2.2 Goodwill reserve

The goodwill reserve is recognised pursuant to the previous Article 273.4 of the Corporate Enterprises Act, (eliminated in financial statements for periods commencing on or after 1 January 2016) and is not available for distribution. Law 22/2015 of 20 July on the Auditing of Accounts stipulates that in periods commencing on or after 1 January 2016, the goodwill reserve will be reclassified to voluntary reserves and will be unrestricted as from that date in an amount that exceeds the goodwill recognised on the assets side of the balance sheet.

23.1.2.3 Revaluation reserves

The revaluation reserves are the result of the accounting restatement carried out on the first-time adoption of IFRS-EU and may not be distributed, directly or indirectly, unless the capital gain has been realised, this being understood as when:

a) The part of the restated assets corresponding to the reserve has been depreciated.

b) The restated assets have been transferred or written off the balance sheet.

23.2 Non-controlling interests

The Group had no non-controlling interests in 2019.

Movements in non-controlling interests in 2018 are set out below for each subsidiary included in the balance:

	Thousands of euros					
Company	Balance at 01.01.18	Increases in shareholding	Decreases in shareholding	Attributed profit/(loss)	Other changes in equity	Balance at 31.12.18
Dopar, S.L.	60	(60)	-	-	-	-
Enclama, S.L.	240	(240)	-	-	-	-
Total	**300**	**(300)**	**-**	**-**	**-**	**-**

24. Other accumulated comprehensive income

24.1 Actuarial gains/(losses) on defined benefit pension plans

At 31 December 2019, cumulative actuarial losses on defined benefit pension plans amount to €24,286 thousand (€17,367 thousand at 31 December 2018).

24.2 Hedging derivatives. Cash flow hedge reserve (effective portion)

At 31 December 2019, the amount of gains taken to equity for cash flow hedges amounted to €8,524 thousand (31 December 2018: losses of €9,288 thousand).

24.3 Financial assets at fair value through other comprehensive income

This heading on the consolidated balance sheets reflects the net amount of changes in fair value of assets which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4).

A breakdown of valuation adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26) is as follows:

	Thousands of euros				
	2019				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	3,152	206,897	197,261	9,636	-
Unlisted equity instruments	69,296	190,934	-	160,440	30,494
Listed fixed income	45,509	7,688,599	7,447,877	240,722	-
Total	**117,957**	**8,086,430**	**7,645,138**	**410,798**	**30,494**

	Thousands of euros				
	2018				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	(22,166)	155,754	155,754	-	-
Unlisted equity instruments	57,997	184,246	-	-	184,246
Listed fixed income	40,200	8,414,640	8,125,678	288,962	-
Total	**76,031**	**8,754,640**	**8,281,432**	**288,962**	**184,246**

25. Tax position

25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporate Income Tax Consolidated Group (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore corporate income tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatres, as from the tax period starting 1 January 2014, Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

25.2 Years open to inspection

The Group and its companies are subject to inspection by the tax authorities for corporate income tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2015 onwards.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

25.3 Reconciliation of book and tax income

The reconciliation of consolidated profit before taxes for 2019 and 2018 and corporate income tax expense is as follows:

	Thousands of euros	
	2019	**2018**
Consolidated profit(loss) before tax	**128,637**	**80,830**
Corporate income tax at the 30% tax rate	38,591	24,249
Effect of permanent differences	1,296	8,874
Other adjustments on consolidation	(129)	193
Tax deductions and tax credits	(1,062)	(417)
Write-off of deferred tax assets	-	7,127
Corporate income tax expense for the year	**38,696**	**40,026**
Adjustments to prior-year tax expense	5,952	-
Total corporate income tax expense	**44,648**	**40,026**
of which: current tax expense	*8,618*	*5,901*
of which: deferred tax expense	*36,030*	*34,125*

The item "Effect of permanent differences" includes 6,111 thousand euros (7,285 thousand euros at 31 December 2018) relating to the straight-line reversal over five years of impairment losses on shareholdings that were tax deductible in periods prior to 2013, under Royal Decree-Law 3/2016 of 2 December.

In 2019, pursuant to the provisions of Transitional Provision 16 of the Corporate Income Tax Law, in line with the wording used in Royal Law Decree 3/2016 of 2 December, which adopts tax measures that pursue the consolidation of public finances and other urgent social matters, the Bank has included 25,671 thousand euros in its taxable base to reverse impairment losses on debt securities in the equity of entities that were tax deductible from the Corporate Income Tax base during the tax periods prior to 1 January 2013. Furthermore, as a result of the sale and liquidation of Companies during the year, it will no longer be necessary to include income of 3,097 thousand euros. The amount pending inclusion in the taxable base at the end of the year and for the aforementioned holdings comes to approximately 24,997 thousand euros.

Corporate Income Tax expense increased by 49,641 thousand euros in 2019 due to the deferred taxes related to the origination and reversal of temporary differences (increase of 51,140 thousand euros in 2018).

Years prior to 2015, income was generated that qualified for the then-applicable tax credit for reinvestment of extraordinary profits, the relevant reinvestment commitment having been fulfilled. The following table shows the extraordinary gains that resulted in the tax credit:

	Thousands of euros	
Year income obtained	**Income**	**Year of reinvestment**
1998	3,498	2001
1999	190	2001
2001	6,001	2002
2002	6,017	2002
2003	4,181	2003
2004	6,707	2004
2005	4,486	2007
2006	14,633	2005-2007
2007	3,380	2007
2008	101,953	2007-2011
2009	1,598	2008-2012
2010	4,403	2009-2010
2011	17,729	2010-2011
2012	1,406	2012
2013	1,165	2012-2013
2014	9,229	2013-2014

Note: data for 2010 and prior years relate to operations of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja).

25.4 Deferred tax assets and liabilities

Based on tax legislation in force in Spain, there are certain timing differences and tax credits that should be taken into account when calculating consolidated corporate income tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2019 and 2018 are as follows:

	Thousands of euros	
	Deferred tax liabilities	**Deferred tax assets**
Balance at 1 January 2018	**1,313,418**	**188,478**
Prior-year restatement and other	4,277	19,584
Generated during the year	98,874	513
Applied during the year	(108,862)	(3,105)
Change in deferred tax assets and liabilities applied to equity	6,980	(26,502)
Adjustment for first-time application of IFRS 9	50,406	-
Balance at 31 December 2018	**1,365,093**	**178,968**
Prior-year restatement and other	(15,639)	(6,756)
Generated during the year	25,295	2,044
Applied during the year	(50,186)	(6,678)
Change in deferred tax assets and liabilities applied to equity	2,145	9,035
Balance at 31 December 2019	**1,326,708**	**176,613**

In accordance with the provisions of transitional provision thirty-nine of the Corporate Income Tax Law, as amended by Royal Decree-Law 27/2019, of 28 December, the income or expense recorded directly in reserves as a result of the first application of Circular 4/2017 that have tax effects will be included in equal parts in the tax base of each of the first three years starting on or after 1 January 2018. The amount included in the tax base for 2019 in this connection was 10,733 thousand euros, and 10,733 thousand euros have yet to be included in 2020.

Below follows a breakdown of the Group's deferred tax assets and liabilities by type of temporary difference and tax credit:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Impairment of financial assets	713,660	747,507	1,511	7,747
Pension commitments and other provisions	55,763	63,293	-	-
Fixed assets	13,407	11,092	113,273	113,852
Foreclosed assets	2,193	2,955	-	-
Other adjustments	69,796	91,003	35,231	39,806
Total temporary differences with a balancing item in income statement	**854,819**	**915,850**	**150,015**	**161,405**
Temporary differences with a balancing item in equity	**19,892**	**17,747**	**26,598**	**17,563**
Tax credit for tax-loss carryforwards	435,075	414,215	-	-
Tax credit for deductions pending application	16,922	17,281	-	-
Total tax credits	**451,997**	**431,496**	**-**	**-**
	1,326,708	**1,365,093**	**176,613**	**178,968**

Below follows a breakdown of income tax relating to each item included in the statement of recognised income and expense:

	Thousands of euros	
	2019	2018
Actuarial losses and gains on defined benefit pension plans	2,965	2,469
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(7,906)	16,814
Items that will not be reclassified to profit or loss	**(4,941)**	**19,283**
Debt instruments at fair value through other comprehensive income	(2,276)	18,681
Valuation gains/(losses) taken to equity	*(11,477)*	*6,831*
Transferred to the income statement	*9,201*	*11,850*
Cash flow hedges	327	(4,482)
Other recognised income and expenses	-	-
Items that may be reclassified to profit or loss	**(1,949)**	**14,199**
	(6,890)	**33,482**

No significant temporary differences associated with investments in subsidiaries, branches and associates or interests in joint arrangements have arisen which could give rise to deferred tax liabilities not recognised on the balance sheet.

Under current tax and accounting regulations, certain temporary differences must be taken into account when quantifying the relevant corporate income tax expense on continuing operations.

In 2013, Royal Decree-Law 14/2013 classed as assets guaranteed by Spain's Central Government those tax assets generated by impairment losses on loans or other assets as a result of the possible insolvency of debtors unrelated to the taxpayer; this status was subsequently extended to impairment losses on public corporations and on provisions for or contributions to pension plans and, if applicable, pre-retirement plans ("monetisable tax assets").

Monetisable tax assets may be converted into debt claims against the tax administration in the event that the taxpayer records book losses or the entity is liquidated or declared to be insolvent by a court. They may also be exchange for government securities once 18 years have elapsed as from the last day of the tax period in which the assets were recognised in the accounts. In order to maintain the Central Government's guarantee, the assets are subject to an annual charge of 1.5% of their amount as from 2016 (Note 37).

In 2019, the net amount of deferred tax assets and liabilities related to temporary differences amounted to 698,098 thousand euros (754,629 thousand euros at 31 December 2018). There are no deductible temporary differences, losses or tax credits for which deferred tax assets have not been recognised on the balance sheet.

As noted above, a portion of deferred tax assets arising from temporary differences are enforceable against the public authorities in the above circumstances (monetisable assets), meaning that recoverability is not dependent on the existence of future taxable profits, so the recognition of the relevant amounts is justified. As at 31 December 2019, deferred tax assets amounted to 643 million euros (654 million euros at 31 December 2018).

In addition, at 31 December 2019 there are deferred tax assets for tax-loss carryforwards and for unused tax credits amounting to 451,997 thousand euros (431,496 thousand euros at 31 December 2018). The vast majority of these tax assets result from the prior-year losses, which were extraordinary and non-recurring, due basically to the write-down of real estate assets in 2012 and of renegotiated assets in 2013, as disclosed in the financial statements for those years.

The tax credits described in the preceding paragraph were recorded for accounting purposes on the premise that future tax benefits might be obtained that will allow the tax-loss carryforwards to be offset in a reasonably short period of time. According to applicable regulations, there is no time limit for offsetting these deferred tax assets.

According to Ibercaja Banco's business plan, which has provided the basis for the valuation of the Bank at 31 December 2019, sufficient future taxable profits will be generated to enable the recovery of these deferred tax assets and therefore the Company considers that there is convincing objective evidence for the recognition of the deferred tax assets. Note 16.1 describes the grounds for the basic assumptions used in determining the business plan taken into consideration by the Company.

According to the business plan estimates referred to above, in 2019 the estimated period for recovering these deferred tax assets is no more than 15 years.

26. Fair value of financial assets and liabilities

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2019 and 2018 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the appraisal system (levels 1, 2 and 3):

	Thousands of euros				
	2019				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	3,929,202	3,929,202	-	3,929,202	-
Financial assets held for trading	8,963	8,963	-	8,963	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	375,885	375,885	284,905	-	90,980
Financial assets at fair value through profit or loss	8,939	8,939	8,939	-	-
Financial assets at fair value through other comprehensive income	8,086,430	8,086,430	7,645,138	410,798	30,494
Financial assets at amortised cost	39,768,768	42,611,057	5,057,476	3,717,483	33,836,098
Derivatives - Hedge accounting	137,210	137,210	-	137,210	-
Total financial assets	**52,315,397**	**55,157,686**	**12,996,458**	**8,203,656**	**33,957,572**
Financial liabilities held for trading	9,469	9,469	-	9,082	387
Financial liabilities at amortised cost	43,448,320	43,830,956	-	43,830,956	-
Derivatives - Hedge accounting	233,888	233,888	-	233,888	-
Total financial liabilities	**43,691,677**	**44,074,313**	**-**	**44,073,926**	**387**

	Thousands of euros				
	2018				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	1,118,206	1,118,205	-	1,118,205	-
Financial assets held for trading	7,411	7,411	-	7,407	4
Financial assets not held for trading mandatorily measured at fair value through profit or loss	141,315	141,315	38,852	-	102,463
Financial assets at fair value through profit or loss	9,575	9,575	9,575	-	-
Financial assets at fair value through other comprehensive income	8,754,640	8,754,640	8,281,432	288,962	184,246
Financial assets at amortised cost	39,378,416	42,230,289	4,509,540	3,737,045	33,983,704
Derivatives - Hedge accounting	161,371	161,371	-	161,371	-
Total financial assets	**49,570,934**	**52,422,806**	**12,839,399**	**5,312,990**	**34,270,417**
Financial liabilities held for trading	8,691	8,691	-	8,538	153
Financial liabilities at amortised cost	41,141,636	41,259,598	-	41,259,598	-
Derivatives - Hedge accounting	155,200	155,200	-	155,200	-
Total financial liabilities	**41,305,527**	**41,423,489**	**-**	**41,423,336**	**153**

The criteria used to determine fair value have been as follows:

- Level 1: using prices quoted on active markets for financial instruments.
- Level 2: using prices quoted on active markets for similar instruments or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: using valuation techniques in which some significant inputs are not based on observable market data.

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.
- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.
- Equity instruments measured at fair value: In general, provided that directly or indirectly observable market data is available, their fair value is obtained from listed prices or transactions in active markets for similar instruments. If sufficient market information is not available, fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.
- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early amortisation of 5% of the total has been taken into account. This percentage is based on the Group’s historical data and is used in internal management.

  The impact of a 100 basis point rise in the interbank interest rate curve would bring about a -1.52% reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the expected losses and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.

- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on the evolution of market interest rates. The longer the residual life of the instrument, the greater the variation.
- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins remain constant, the fair value coincides with the carrying value only on repricing dates. On all other dates, there is an interest rate risk for the flows that have already been calculated.

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. During 2019 and 2018 there were no financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

	Thousands of euros	
	2019	**2018**
Level 1	156	(375)
Level 2	1,237	1,129
Level 3	(3,815)	(724)
	(2,422)	**30**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, separately revealing changes during the year attributable to the following:

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2019	**4**	**102,463**	**184,246**	**153**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(3,935)	(7,089)	45
Purchases	-	-	260	342
Sales	-	-	(2,945)	-
Issues	-	-	-	-
Settlements and maturities	(4)	(7,548)	-	(153)
Transfers from or to Level 3 in or outside the portfolios described	-	-	(143,978)	-
Balance at 31 December 2019	**-**	**90,980**	**30,494**	**387**

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2018	**1,274**	**107,714**	**233,488**	**2,458**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	(177)	(794)	(26,678)	(145)
Purchases	-	-	501	149
Sales	-	(44)	(23,065)	-
Issues	-	-	-	-
Settlements and maturities	(979)	(7,129)	-	(978)
Transfers from or to Level 3 in or outside the portfolios described	(114)	2,716	-	(1,331)
Balance at 31 December 2018	**4**	**102,463**	**184,246**	**153**

Financial liabilities and assets held for trading with Level 3 fair values are related, respectively, to embedded derivatives in structured deposits arranged with customers and to derivatives arranged with counterparties to cover the risk of those embedded derivatives. As shown in the table included at the beginning of this Note, the values of both derivatives offset each other since they have the same features and almost the same nominal values. The Group measures both derivatives according to the quotations offered by the counterparty.

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Private Equity Venture Capital Association).

Considering the amount of these investments, the Group believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine the value would not have a significant impact on the results, total assets or equity of the Group.

27. Other significant information

27.1 Contingent risks

The following table breaks down financial guarantees granted at 31 December 2019 and 2018 in accordance with the maximum risk assumed by the Group:

	Thousands of euros	
	2019	**2018**
Guarantees and other sureties	**768,899**	**784,275**
Financial guarantees	76,204	79,289
Guarantees and other sureties	692,695	704,986
Irrevocable letters of credit	**25,571**	**30,681**
Irrevocable documents issued	25,551	30,562
Irrevocable documents confirmed	20	119
Assets associated with third-party obligations	**234**	**234**
	794,704	**815,190**

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties.

The income obtained from collateral instruments is recorded under the headings "Fee and commission income" and "Interest income" (in the amount relating to the restatement of the commission values) in the consolidated income statement and are calculated by applying the rate established contractually based on the nominal amount of the guarantee.

Provisions recorded to cover these guarantees, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the heading "Provisions - Commitments and guarantees given" in the balance sheet (Note 21).

At 31 December 2019 and 2018, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

	Thousands of euros	
	2019	**2018**
Assets under repos	2,663,926	505,760
Assets associated with Bank of Spain policy (*)	2,210,195	2,901,623
Other	511,664	203,974
	5,385,785	**3,611,357**

(*) There is an additional 4,399,276 million euros (5,197,076 million euros in 2018) relating to own securitisation bonds and mortgage covered bonds that are also associated with the Bank of Spain policy obtained to secure monetary policy operations in the Eurosystem.

27.3 Contingent commitments

At 31 December 2019 and 2018, the limits on financing contracts granted and the undrawn balances were as follows:

	Thousands of euros			
	2019		**2018**	
	Limit granted	**Undrawn balance**	**Limit granted**	**Undrawn balance**
Drawable by third parties	**5,906,818**	**2,966,973**	**5,793,090**	**2,970,560**
Available immediately	2,831,634	1,924,342	2,716,651	1,932,945
Available subject to conditions	3,075,184	1,042,631	3,076,439	1,037,615
Securities subscribed pending disbursement	**-**	**1,268**	**-**	**1,267**
Documents in clearing houses	**-**	**136,259**	**-**	**171,167**
	5,906,818	**3,104,500**	**5,793,090**	**3,142,994**

The amounts available relate to variable interest operations.

Provisions recorded to cover these exposures, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the caption “Provisions - Commitments and guarantees given” in the balance sheet (Note 21).

27.4 Third-party funds managed and marketed by the Group and securities depository

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2019 and 2018 are indicated in the following table:

	Thousands of euros	
	2019	**2018**
Collective Investment Institutions	14,708,533	12,821,484
Pension funds	5,668,503	5,068,609
Insurance products	113,853	124,744
Discretionary portfolio management (*)	5,044,760	5,651,758
	25,535,649	**23,666,595**
Of which: managed by the Group	24,744,802	23,086,922

(*) Mainly includes discretionary managed Collective Investment Institutions.

Set out below is a breakdown of the securities deposited by third parties with the Group at 31 December 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Fixed Income	7,584,401	7,706,087
Equities	2,826,839	4,690,219
	10,411,239	**12,396,307**

27.5 Securitisation of assets

The Group performed an operation to securitise assets before 1 January 2004, which were derecognised from the consolidated balance sheet (Note 2.8). Securitised assets outstanding at 31 December 2018 and that the Group amortised in July 2019, are shown below:

	Thousands of euros	
	2019	**2018**
Assets transferred to TDA Ibercaja 1, FTA in 2003	-	62,696
	-	**62,696**

In addition, the Group has securitised assets by assigning loans from its portfolio to a securitisation fund in which, due to the agreed transfer terms, the Company has continued to bear the substantial risks and rewards of the securitised assets and therefore these assets have been retained in full in the balance sheet. Details of the balances recorded in relation to these operations are set out below:

	Thousands of euros	
	2019	**2018**
Assets transferred to TDA Ibercaja 2, FTA in 2005	162,491	190,439
Assets transferred to TDA Ibercaja 3, FTA in 2006	227,274	261,093
Assets transferred to TDA Ibercaja 4, FTA in 2006	349,489	401,181
Assets transferred to TDA Ibercaja 5, FTA in 2007	353,239	403,940
Assets transferred to TDA Ibercaja 6, FTA in 2008	547,365	618,990
Assets transferred to TDA Ibercaja ICO-FTVPO, FTH in 2009	116,089	138,921
Assets transferred to TDA Ibercaja 7, FTA in 2009	990,296	1,089,545
	2,746,243	**3,104,109**

Note 11.1 provides details concerning the Company’s exposure in securitisation funds and the amount of securitisation fund liabilities that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitised assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2019 and 2018, which are backed by the transferred assets mentioned above, is as follows:

	Thousands of euros	
	2019	**2018**
Liabilities issued by TDA Ibercaja 2, FTA in 2005	162,223	188,381
Liabilities issued by TDA Ibercaja 3, FTA in 2006	225,239	256,106
Liabilities issued by TDA Ibercaja 4, FTA in 2006	347,407	394,402
Liabilities issued by TDA Ibercaja 5, FTA in 2007	341,852	388,362
Liabilities issued by TDA Ibercaja 6, FTA in 2008	538,936	600,730
Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009	113,558	134,656
Liabilities issued by TDA Ibercaja 7, FTA in 2009	917,807	982,769
	2,647,023	**2,945,406**

27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2019 amount to €11,359 thousand (€11,359 thousand at 31 December 2018).

27.7 Leases

27.7.1 Finance leases

Finance leases in which the Group is the lessor are described below:

- The interest rate is variable.
- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise this purchase option, its value is recorded as a debt claim together with the rest of the minimum payments to be made by the lessee.

Details of finance leases for the year are as follows:

- At 31 December 2019, the gross investment totals €500,607 thousand (€475,357 thousand at 31 December 2018).
- The present value of future minimum lease payments receivable during the non-cancellable part of the lease period (assuming that any existing rights to extend the lease or purchase options are not exercised) at 31 December 2019 is €174,362 thousand within one year, €298,620 thousand in one to five years and €31,420 after more than five years.
- Unaccrued interest income totals €25,470 thousand in 2019 (€29,301 thousand in 2018).
- The residual value of these leases amounts to €41,410 thousand at 31 December 2019 (€38,307 thousand at 31 December 2018).
- Impairment adjustments to finance leases amount to €10,604 thousand at 31 December 2019 (€11,034 thousand at 31 December 2018).

27.7.2 Operating leases

Most operating leases in which the Group participates may be cancelled and normally the initial term of the lease is five years. Rental income is adjusted annually based on the consumer price index.

Nonetheless, for a set of properties, there are leases that establish a 15-year mandatory compliance period, with a total term of up to 35 years. At 31 December 2019, there are 100 leases in force (56 concluded in 2012, 26 in 2013 and 18 in 2014) which were entered into at the same time as the sale of the property and include a purchase option at market prices at lease expiration. The rental income associated with these properties is updated annually based on the Consumer Price Index (without any correction factor). The value of instalments payable within the mandatory compliance period amounts to €2,925 thousand within one year, €12,322 thousand within one to five years and €11,054 thousand in more than 5 years. The embedded derivative consisting of updating rentals based on the CPI has not been separated from the main lease contract because the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risks of the main contract.

Refurbishing expenses and capital investment relating to leased assets for which the Group is the lessee, net of depreciation, total €45,315 thousand at 31 December 2019 (€45,663 thousand at 31 December 2018).

27.8 Environment

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimise possible environmental impacts, and complies with current environmental legislation. During 2019 and 2018, no significant environment-related investments were made and no significant environment-related contingencies are considered to exist.

27.9 Segmentation

The ultimate decision-making body responsible for defining the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments, as the results of its activities are not examined on an independent basis by Management, for the following reasons:

- The types of products marketed by the Group's insurance companies are, in part, substitutes for bank savings products and are subject to similar risks.
- The use of the commercial network of Ibercaja Banco, S.A. as the majority distribution channel for the products of the Group's insurance companies affects the relationship of dependence between the two sectors.
- The existence of a common customer base and the linkage of the two brands from the consumer's point of view mean that operational risk is interrelated between the two sectors of banking and insurance.
- All strategic, commercial and regulatory analysis is carried out at the Group level.

Nevertheless, in accordance with applicable regulations, information on the distribution of the Group's revenues by geographical area and product type have been included in this Note.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

The breakdown of the Group's ordinary revenue (which includes interest income, dividend income, fees and commissions received, gains on financial assets and liabilities and other operating income) by type of product or service is as follows.

	Thousands of euros			
	Ordinary revenue from third-party customers		Gross margin excl. gains on financial assets and liabilities	
	2019	2018	2019	2018
Banking	978,775	1,012,280	805,030	797,689
Insurance	1,095,595	1,467,895	113,368	127,921
Other	-	(1,967)	-	(3,286)
	2,074,370	**2,478,208**	**918,398**	**922,324**

The reconciliation between total ordinary income and gross income excluding gains and losses on financial transactions is shown below:

	Thousands of euros	
	2019	2018
Ordinary revenue from third-party customers	**2,074,370**	**2,478,208**
(Interest expense)	116,315	88,743
Share of profit of entities accounted for using the equity method	431	(642)
(Fee and commission expenses)	18,636	16,707
(Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss)	8,261	42,802
(Net gains or (-) losses on financial assets and liabilities held for trading)	1,220	404
(Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss)	(3,718)	(885)
(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)	747	792
(Net gains or (-) losses from hedge accounting)	567	511
(Net exchange differences)	1,104	646
(Other operating expenses)	72,473	77,567
(Liability expenses covered by insurance or reinsurance contracts)	940,798	1,327,955
Gross margin excl. gains on financial assets and liabilities	**918,398**	**922,324**

28. Interest income

The breakdown of the balance under this consolidated income statement heading in 2019 and 2018, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2019	2018
Financial assets held for trading	-	3
Non-trading financial assets mandatorily valued at fair value through profit or loss	420	628
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	131,258	146,763
Financial assets at amortised cost	536,531	530,121
Interest rate hedging derivatives	(19,709)	(33,304)
Other assets	751	1,199
Interest income from liabilities	14,310	15,484
	663,561	**660,894**

29. Interest expense

The breakdown of the balance under this consolidated income statement heading in 2019 and 2018, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2019	**2018**
Financial liabilities at amortised cost	135,198	155,504
Interest rate hedging derivatives	(78,143)	(86,237)
Insurance contracts	32,078	8,329
Other liabilities	15,465	6,378
Interest expense from assets	11,717	4,769
	116,315	**88,743**

"Other liabilities" includes interest expense arising from the contribution made to the Deposit Guarantee Fund amounting to 727 thousand euros (943 thousand euros at 31 December 2018) (Note 1.8). Also, at 31 December 2019, it includes 1,410 thousand euros relating to interest expenses on lease liabilities (Note 2.10).

30. Dividend income

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of financial assets at fair value through portfolio other comprehensive income amounting to 12,652 thousand euros at 31 December 2019 (11,487 thousand at 31 December 2018).

31. Share of profit of entities accounted for using the equity method

Appendix II provides a breakdown by company of the balance under this consolidated income statement heading in 2019 and 2018.

32. Fee and commission income

Fee and commission income accrued in 2019 and 2018, classified in accordance with the item generating the fees and commissions, is reflected in the following table:

	Thousands of euros	
	2019	**2018**
Contingent risk fees	10,102	10,003
Contingent commitment fees	3,653	3,921
Foreign currency exchange fees	267	288
Collection and payment services fees	117,601	115,253
Securities services fees	61,501	40,381
Non-bank financial product marketing fees	195,389	188,176
Other fees	23,862	33,600
	412,375	**391,622**

33. Fee and commission expenses

Expenses for fees and commissions accrued in 2019 and 2018, classified in accordance with the item generating the fees and commissions, are reflected in the following table:

	Thousands of euros	
	2019	**2018**
Fees and commissions assigned to other entities	7,597	7,094
Fees for securities transactions	1,791	2,003
Other fees	9,248	7,610
	18,636	**16,707**

34. Gains/(losses) on financial assets and liabilities

The breakdown of the balance under this consolidated income statement heading in 2019 and 2018, based on the financial instrument portfolios from which the balances originate, is as follows:

	Thousands of euros	
	2019	**2018**
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**8,261**	**42,802**
Financial assets at fair value through other comprehensive income	30,669	40,150
Financial assets at amortised cost	(23,757)	1,542
Financial liabilities at amortised cost	477	818
Other	872	292
Net gains/(losses) on financial assets and liabilities held for trading	**1,220**	**404**
Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**(3,718)**	**(885)**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**747**	**792**
Net gain/(loss) from hedge accounting	**567**	**511**
Adjustments to hedged instruments (fair value hedge)	144,625	50,708
Hedge derivative (fair value hedge)	(144,058)	(50,197)
	7,077	**43,624**

35. Exchange differences

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Translation into euro of monetary items denominated in foreign currency	1,194	1,557
Foreign currency trading	(90)	(911)
	1,104	**646**

No gain or loss was obtained on the cancellation of exchange differences recorded in consolidated equity, in accordance with the provisions of Note 2.5.3.

36. Other operating income

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Income from investment property (Note 15.2)	5,376	8,963
Income from other operating leases (Note 15.3)	14,276	8,537
Sales and income from provision of services	5,344	6,054
Other items	12,077	18,845
	37,073	**42,399**

37. Other operating expenses

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Operating expenses on investment properties (Note 15.2)	1,977	2,037
Contribution to National Resolution Fund (Note 1.8.1)	10,350	11,538
Contribution to Deposit Guarantee Fund (Note 1.8.2)	48,520	46,738
Other items	11,626	17,254
	72,473	**77,567**

At 31 December 2018, “Other items” includes the charge of €3,211 thousand (€2,845 thousand at 31 December 2018) for converting deferred tax assets into debt claims against the Spanish tax administration (Note 25.4).

38. Staff expenses

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	2018
Wages and salaries	270,066	276,135
Social security contributions	71,018	66,346
Defined benefit plans	2,225	2,482
Contributions to defined contribution plans	15,030	15,888
Severance payments	-	55,752
Other staff costs	2,605	2,902
	360,944	**419,505**

In May 2017, the Management of Ibercaja and to the representatives of the employees, as part of workforce adjustment, reached an agreement in which 590 employees may opt for voluntary redundancy due to age or the closure of the work centre.

The exit of up to a maximum of 65% of these employees occurred gradually up until December 2018. On 28 March 2019, depending on business requirements and in accordance with the progress of the restructuring process, the Board of Directors of Ibercaja Banco approved the implementation of the rest of the outstanding agreed terminations, which were carried out in the first six months of 2019.

This plan has incurred staff costs of €55,752 thousand in the consolidated profit or loss account for 2018, with a balancing entry under provisions on the liability side of the balance sheet (Note 21).

38.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2019 and 2018 is as follows:

	31/12/2019			31/12/2018		
	Men	Women	Total	Men	Women	Total
GR. 1 Senior Management	9	3	12	9	3	12
GR. 1 Levels I to V	1,374	734	2,108	1,340	711	2,051
GR. 1 Levels VI to X	1,185	1,620	2,805	1,212	1,631	2,843
GR. 1 Levels XI to VIII	151	203	354	152	217	369
GR. 2 and Cleaning service	23	3	26	23	4	27
	2,741	**2,563**	**5,304**	**2,736**	**2,566**	**5,302**

At 31 December 2019 and 2018, the entire workforce is based in Spain.

The average number of Group employees in 2019 and 2018 is as follows:

	2019	2018
GR. 1 Senior Management	12	12
GR. 1 Levels I to V	2,093	2,076
GR. 1 Levels VI to X	2,813	2,854
GR. 1 Levels XI to VIII	432	459
GR. 2 and Cleaning service	27	28
	5,377	**5,429**

At 31 December 2019, the average number of Group employees with a disability of 33% or more is 50 (46 employees at 31 December 2018).

38.2 Staff costs - post-employment benefits

Net figures recognised in the balance sheet for defined benefit post-employment plans at 31 December 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Present value of obligations financed	(265,205)	(256,700)
Fair value of plan assets	235,064	230,652
(Shortfall)/Surplus	**(30,141)**	**(26,048)**
Impact of limit on assets	(568)	(388)
Net asset (liability) on balance sheet:	**(30,709)**	**(26,436)**
Assets linked to pensions (Note 21) (*)	89,215	93,264
Net pension assets (Note 21) (**)	3,686	4,565
Net pension (provision) (Note 21)	(123,610)	(124,265)

(*) Financial assets at the subsidiary Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan obligations during 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Initial value of obligations financed	**(256,700)**	**(264,016)**
Cost of services for the current year	(2,225)	(2,482)
Interest expense	(634)	(690)
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	(23,796)	(6,756)
Gains/(losses) due to experience	(2,411)	(2,032)
Benefits paid	20,561	19,276
Transfers and other	-	-
Final present value of obligations	**(265,205)**	**(256,700)**

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan assets during 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Initial fair value of plan assets	**230,264**	**253,009**
Interest income	645	702
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Yield on plan assets excluding interest (expense)/income	-	-
Gains/(losses) on changes in financial assumptions	15,528	1,200
Gains/(losses) due to experience	970	(645)
Change in asset limit, excluding interest expense	(175)	4
Employer contributions	7,510	(5,056)
Member contributions	-	-
Benefits paid	(20,246)	(18,950)
Transfers and other	-	-
Final fair value of plan assets	**234,496**	**230,264**

The breakdown of the main types of plan assets at 31 December 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Shares	12.26%	10.96%
Debt instruments	83.02%	84.95%
Constructions	-	-
Demand deposits	4.72%	4.09%
Other assets	-	-
Total	**100.00%**	**100.00%**

The analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

	Thousands of euros					
	2020	2021	2022	2023	2024	2025-2029
Probable post-employment benefits	17,835	17,283	16,689	16,067	15,413	66,766

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of post-employment plan obligations to changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(5.35%)	5.96%
Pension increase rate	50 bp	5.75%	(5.24%)
Salary increase rate	50 bp	0.14%	(0.14%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

The value of the obligation and the fair value of the assets for the purposes of the post-employment defined benefit plan for the current year and the previous four are as follows:

	2019	2018	2017	2016	2015
Present value of obligations financed	(265,205)	(256,700)	(264,016)	(294,053)	(301,251)
Fair value of plan assets	235,064	230,652	253,395	270,289	283,805
Surplus/(Shortfall)	**(30,141)**	**(26,048)**	**(10,621)**	**(23,764)**	**(17,446)**
Impact of limit on assets (Note 21)	(568)	(388)	(386)	(235)	(2,058)
Net asset (liability) on balance sheet:	**(30,709)**	**(26,436)**	**(11,007)**	**(23,999)**	**(19,504)**
Insurance contracts related to pensions (Note 21)	89,215	93,264	105,483	112,416	114,827
Net pension assets (Note 21)	3,686	4,565	4,261	3,405	6,296
Net pension assets (Provision) (Note 21)	(123,610)	(124,265)	(120,751)	(139,820)	(140,627)

38.3 Staff costs - long-term remuneration for early retirees

The net figures recognised in the balance sheet for long-term remuneration payable to early retirees under defined benefit plans at 31 December 2019 and 2018 are as follows:

	Thousands of euros	
	2019	2018
Present value of obligations financed	**(466)**	**(1,931)**
Fair value of plan assets	-	-
Net liability on balance sheet:	**(466)**	**(1,931)**
Assets linked to pensions	-	-
Net pension assets	-	-
Net pension (provision) (Note 21)	(466)	(1,931)

The reconciliation of opening and closing balances reflecting the present value of obligations under defined benefit plans for early retirees during 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Initial value of obligations financed	**(1,931)**	**(3,863)**
Cost of services for the current year	-	-
Interest expense	-	-
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:	-	-
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	(84)	615
Gains/(losses) due to experience	-	(300)
Benefits paid	1,549	1,617
Transfers	-	-
Final present value of obligations	**(466)**	**(1,931)**

The analysis of the expected termination of other non-discounted long-term employee remuneration in the coming 10 years is as follows:

	Thousands of euros					
	2020	2021	2022	2023	2024	2025-2029
Probable long-term staff obligations	344	122	-	-	-	-

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of the obligations due to other long-term early retiree remuneration in the event of changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(0.40%)	0.40%
Pension increase rate	50 bp	0.63%	(0.62%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

39. Other administration expenses

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	2018
Buildings, installations and office equipment	30,744	47,872
Equipment maintenance, licences, works and computer software	21,776	19,035
Communications	12,096	14,842
Advertising and publicity	6,493	7,395
Charges and taxes	19,766	25,177
Other management and administration expenses	81,040	83,730
	171,915	**198,051**

The item “Charges and taxes” includes the Tax on Deposits in Credit Institutions amounting to €10,117 thousand at 31 December 2019 (€12,209 thousand in 2018).

- Other information

Fees payable to PricewaterhouseCoopers Auditores, S.L. for auditing the 2019 annual accounts of Ibercaja Bank and its group companies (including the audit of the interim financial statements and securitisation funds) amount to €1,133 thousand (€801 thousand in 2018).

In addition, the audit firm received fees amounting to €326 thousand (€489 thousand in 2018) for other audit work and €1,142 thousand (€551 thousand in 2018) for other services.

The fees accrued for non-audit services provided by the audit firm during the year relate mainly to comfort letters issued, limited reviews of the Group’s interim consolidated financial statements and other services requested of the auditor.

In 2019 and 2018, no services have been provided by other companies that use the PricewaterhouseCoopers brand.

40. Impairment or reversal of impairment on non-financial assets

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Tangible assets (Note 15)	**569**	**1,449**
Property, plant and equipment	115	806
Investment property	454	643
Intangible assets (Note 16)	**-**	**673**
Goodwill	-	-
Other intangible assets	-	673
Other (Note 17)	**5,043**	**2,840**
	5,612	**4,962**

41. Gains/(losses) on derecognition of non-financial assets, net

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(6,576)	(19,333)
Gains/(losses) on disposal of shareholdings	32	136
Other gains/(losses)	-	(4)
	(6,544)	**(19,201)**

42. Profit or loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

This consolidated income statement heading is analysed below for 2019 and 2018:

	Thousands of euros	
	2019	**2018**
Impairment gains/(losses) on other non-current assets for sale (Note 18)	(16,957)	(40,523)
Gains/(losses) on disposal of other non-current assets for sale	(6,775)	(30,377)
	(23,732)	**(70,900)**

43. Related parties

The balances recorded on the consolidated balance sheets at 31 December 2019 and 2018 and in the consolidated income statements for 2019 and 2018 are as follows:

	Thousands of euros									
	2019					2018				
	Shareholder	Associates	Associates entities	Other related parties (*)	Related individuals (**)	Shareholder	Associates	Jointly cont. entities	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and receivables	143,433	2,808	5,782	-	8,767	375,314	1,837	8,211	-	8,383
Counterparties under insurance contracts	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Deposits	147,107	14,383	689	367,753	19,758	407,408	12,482	251	290,223	19,397
Liabilities under insurance contracts linked to pensions	-	-	-	-	-	-	-	-	-	-
Provisions	-	2	-	-	-	-	33	-	-	-
PROFIT / (LOSS)										
Expenses										
Interest expense	111	-	2	-	10	153	1	4	124	10
Fees, commissions and other expenses	909	-	-	-	2	908	-	-	-	2
Income										
Interest income	-	28	104	405	69	-	27	107	-	71
Fees, commissions and other income	382	-	-	-	5	370	-	-	-	9
Dividends	17,500	-	-	-	-	17,500	-	-	-	-
OTHER										
Contingent liabilities	1	3,809	-	-	5	1,145	9,219	-	-	358
Commitments	-	69	4,418	-	406	-	73	6,790	-	435

(*) Investment funds and companies and pension funds.
(**) Senior management, Board of Directors, relatives to the second degree and their related entities.

The financial operations included have been carried out in accordance with the usual operating processes of the Group's parent entity and at arm's length. Arm's length terms are also applied in other operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable uncontrolled price method.

44. Other disclosure requirements

44.1 Information on the mortgage market

In accordance with Royal Decree 716/2009, of 24 April, whereby certain aspects of Law 2/1981, of 25 March, governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2010, of 29 June, the Board of Directors approved the "Loan and discount risk management policy and procedure manual" drawn up by the Company to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation companies authorised by the Bank of Spain.
- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by the borrower and the borrower's solvency, and the existence of other additional guarantees.
- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

The General Shareholders’ Meeting of Ibercaja Banco, S.A. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 31 December 2019, the figure was 36.51% (42.28% at 31 December 2018).

Mortgage covered bonds are securities especially guaranteed by the issuer where the entire portfolio of mortgage loans arranged in its favour guarantees compliance with its payment commitments.

The level of overcollateralisation or backing of mortgage covered bonds by the eligible mortgage portfolio is 273.92% at 31 December 2019 (236.51% at 31 December 2018).

At that date 99.43% of transactions in the mortgage portfolio have been formalised through loans (99.36% at 31 December 2018). Of these, instalments are collected on a monthly basis for 97.50% (97.29% at 31 December 2018). The operations formalised at variable interest rates are 99.53% of the total (99.52% at 31 December 2018) and of these, 82.31% are tied to Euribor (83.36% at 31 December 2018).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage covered bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitizations written off the balance sheet):

	Thousands of euros	
	Nominal value	
	2019	2018
Total loans	**22,911,795**	**24,575,457**
Mortgage participations issued	**1,139,991**	**1,342,807**
Of which: loans recognised on asset side of balance sheet	1,139,991	1,302,055
Mortgage transfer certificates issued	**1,606,253**	**1,823,997**
Of which: loans recognised on asset side of balance sheet	1,606,253	1,802,053
Mortgage loans pledged in guarantee for financing received	**-**	**-**
Loans backing mortgage bonds issues and covered bond issues	**20,165,551**	**21,408,653**
Non-eligible loans	4,420,677	5,012,268
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	3,946,110	4,248,933
Other non-eligible loans	474,567	763,335
Eligible loans	15,744,874	16,396,385
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	15,744,874	16,396,385
Non-computable amounts	16,092	25,536
Computable amounts	15,728,782	16,370,849
Memorandum items	**Updated value**	
Loans backing mortgage bond issues	-	-

Note 3.5.4 sets out the carrying amount of mortgage backed loans and its reconciliation with mortgage market information.

- Information on eligible loans and mortgages:

	Thousands of euros				
	2019				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80%**	**Total**
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15,744,874**
Residential	4,252,019	6,296,233	4,182,029	-	14,730,281
Other properties	554,869	419,121	40,603		1,014,593

	Thousands of euros				
	2018				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80%	Total
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**16,396,385**
Residential	4,369,429	6,388,295	4,494,184	-	15,251,908
Other properties	644,149	455,999	44,329		1,144,477

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

	Thousands of euros			
	2019		2018	
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
Total	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Origin of operations	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Originated by the Entity	13,663,715	10,106,878	14,357,138	10,448,388
Subrogated from other entities	394,539	377,953	444,327	420,161
Other	6,107,297	5,260,043	6,607,188	5,527,836
Currency	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Euro	20,163,463	15,744,874	21,406,433	16,396,385
Other currencies	2,088	-	2,220	-
Payment status	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Payment normality	19,235,732	15,606,856	19,641,277	16,153,050
Other situations	929,819	138,018	1,767,376	243,335
Average residual period to maturity	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Up to 10 years	2,726,453	1,929,909	3,285,935	1,962,845
More than 10 years and up to 20 years	7,402,721	6,174,767	7,569,936	6,140,648
More than 20 years and up to 30 years	8,914,821	6,897,928	8,879,369	7,066,727
More than 30 years	1,121,556	742,270	1,673,413	1,226,165
Interest rate	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Fixed interest rate	135,984	59,763	255,544	57,477
Variable interest rate	18,520,574	14,490,121	19,446,363	14,945,641
Mixed interest rate	1,508,993	1,194,990	1,706,746	1,393,267
Holders	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Legal entities and individual entrepreneurs (business activities)	3,097,908	1,372,245	3,829,992	1,907,919
Of which: real estate construction and development (including land)	*1,316,248*	*292,666*	*1,689,779*	*746,958*
Other household	17,067,643	14,372,629	17,578,661	14,488,466
Type of collateral	**20,165,551**	**15,744,874**	**21,408,653**	**16,396,385**
Finished assets/buildings	19,314,007	15,394,792	20,134,352	16,007,109
Homes	18,539,543	14,890,977	19,215,328	15,470,561
of which: state-subsidised housing	*1,390,668*	*1,295,392*	*1,563,662*	*1,460,017*
Offices and commercial premises	388,633	264,558	474,841	286,430
Other buildings and constructions	385,831	239,257	444,183	250,118
Assets/buildings under construction	391,409	198,093	467,236	229,053
Homes	94,033	3,273	141,490	29,518
of which: state-subsidised housing	*3,197*	*1,196*	*7,446*	*1,508*
Offices and commercial premises	-	-	-	-
Other buildings and constructions	297,376	194,820	325,746	199,535
Land	460,135	151,989	807,065	160,223
Consolidated urban land	192,372	1,493	487,312	3,966
Other land	267,763	150,496	319,753	156,257

- Nominal value of mortgage covered bonds issued by the Company:

	Thousands of euros	
	Nominal value	
	2019	2018
Mortgage covered bonds (Note 19.4)	**3,900,000**	**4,650,000**
Ibercaja April II 2010	100,000	100,000
Ibercaja March 2012 II	-	750,000
Ibercaja September 2012	800,000	800,000
Ibercaja October 2016	500,000	500,000
Ibercaja September 2018 I	750,000	750,000
Ibercaja September 2018 II	750,000	750,000
Ibercaja December 2018	1,000,000	1,000,000
AYT mortgage covered bonds (Note 19.3)	**1,042,137**	**1,171,771**
AYT 8 Single Covered Bond (15 years)	-	104,634
AYT 9 Single Covered Bond (15 years)	216,667	216,667
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	225,000	225,000
AYT Global 2022 Single Covered Bond Series III	19,444	19,444
AYT Cajas Global 2023 Covered Bond Series X	75,000	75,000
AYT Cajas Global 2027 Covered Bond Series XIII	165,000	165,000
AYT Cajas Global 2019 Covered Bond Series XIV	-	25,000
TDA mortgage covered bonds (Note 19.3)	**800,000**	**1,100,000**
TDA 5 Single Covered Bond	-	300,000
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000
TDA Single Covered Bond Series A4	300,000	300,000

- Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	2019		2018	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	-	-	-	-
of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**5,742,137**	**-**	**6,921,771**	**-**
of which: recognised under liabilities	*2,552,137*	-	*2,971,771*	-
Debt securities. Issued through public offering	-	-	-	-
Debt securities. Other issues (Note 19.4)	3,900,000	-	4,650,000	-
Residual maturity up to one year	900,000	-	1,550,000	-
Residual maturity greater than one year and up to two years	-	-	100,000	-
Residual maturity greater than two years and up to three years	750,000	-	-	-
Residual maturity greater than three years and up to five years	1,250,000	-	1,250,000	-
Residual maturity greater than five years and up to ten years	1,000,000	-	1,750,000	-
Residual maturity greater than ten years	-	-	-	-
Deposits	1,842,137	-	2,271,771	-
Residual maturity up to one year	216,667	-	429,634	-
Residual maturity greater than one year and up to two years	525,000	-	216,667	-
Residual maturity greater than two years and up to three years	19,444	-	525,000	-
Residual maturity greater than three years and up to five years	75,000	-	94,444	-
Residual maturity greater than five years and up to ten years	1,006,026	-	1,006,026	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**1,139,991**	**99**	**1,302,055**	**99**
Issued through public offering	-	-	-	-
Other issues	1,139,991	99	1,302,055	99
Mortgage transfer certificates issued	**1,606,253**	**114**	**1,802,053**	**114**
Issued through public offering	-	-	-	-
Other issues	1,606,253	114	1,802,053	114

None of the issues has been made through a public offering and all are denominated in euros. The Company does not issue mortgage bonds and nor does it have replacement assets assigned to them.

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotectarios) and secured mortgage covered bonds (cédulas hipotecarias) (eligible and non-eligible):

	Thousands of euros			
	2019		2018	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance	**16,396,385**	**5,012,268**	**17,389,805**	**4,713,590**
Write-offs in the year	**1,691,972**	**989,843**	**2,368,973**	**762,160**
Due principal received in cash	867,698	462,768	1,107,340	444,700
Repaid early	406,513	194,630	401,304	260,517
Subrogated by other entities	1,665	635	2,806	1,556
Other write-offs	416,096	331,810	857,523	55,387
Additions in the year	**1,040,461**	**398,252**	**1,375,553**	**1,060,838**
Originated by the Entity	804,708	354,343	1,100,151	294,782
Subrogated from other entities	1,429	-	8,277	720
Other additions	234,324	43,909	267,125	765,336
Closing balance	**15,744,874**	**4,420,677**	**16,396,385**	**5,012,268**

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotectarios) and secured mortgage covered bonds (cédulas hipotecarias). Available balances:

	Thousands of euros	
	2019	2018
Total	**645,714**	**155,438**
Potentially eligible	624,197	128,186
Non-eligible	21,517	27,252

At 31 December 2019 and 2018, the Company had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

44.2 Customer service

Law 44/2002, of 22 November, on measures to reform the financial system, established a series of measures to protect the customers of financial institutions by establishing, for these purposes, the obligation of management companies, credit institutions, insurance companies and investment services companies to attend to and resolve any complaints and claims that their customers may present in relation to their legally recognised interests and rights, and to do so they must have a customer service department or service and, where appropriate, a customer ombudsman. By virtue of Order ECO/734/2004, of 11 March, on the customer service department and service and the customer ombudsman of financial institutions, the obligation is established for each institution or group to approve a set of Customer Defence Regulations regulating the activity of the customer service department and, where appropriate, the customer ombudsman, as well as the relations between the two. Subsequently, other regulations have established special features in this area, as is the case with Royal Decree-Law 19/2018, which reduces to 15 working days the period for resolution by the customer service department in relation to claims arising from the provision of payment services, and Law 7/2017 of 2 November, which relates to alternative resolution of consumer disputes.

The Board of Directors of Ibercaja Banco S.A. (“Ibercaja Banco”) in compliance with the aforementioned provisions, and to undertake in the most effective manner the commitment to improve relations with its customers and with those of the companies belonging to its Group that are obliged to set up the customer service department, Ibercaja Leasing y Financiación, S.A., E.F.C., Ibercaja Gestión S.G.I.I.C., S.A, Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U., Ibercaja Mediación, S.A.U. and Ibercaja Pensión, E.G.F.P., S.A.-, in an effort to preserve their confidence and to provide them with an adequate level of protection, approved on 24 October 2019 a new Customer Defence Regulation, the definitive verification of which was communicated to the Chief Executive Officer of Ibercaja banco S.A. on 22 January 2020.

The new Regulation can be viewed at any Ibercaja Group branch and on the website www.ibercaja.es. Users can also visit any branch or access the website to lodge complaints or claims and find out how to do so.

For the purposes of this report, the Ibercaja Group comprises Ibercaja Banco, S.A. and the following companies: Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva; Ibercaja Vida, S.A., Compañía de Seguros y Reaseguros; Ibercaja Pensión, S.A., Sociedad Gestora de Fondos de Pensiones; and Ibercaja Mediación de Seguros, S.A.

In accordance with the regulations and law just discussed, the Customer Service at the Ibercaja Group will present a statistical report to the Board of Directors of Ibercaja Banco S.A. regarding complaints and claims handled, the decisions taken, the general criteria followed when reaching these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a) Claims processed

In 2019, the Customer Care Service (CCS) of the Ibercaja Group managed a total of 11,102 cases, which can be classified into three groups:

- Claims and grievances regarding mortgage arrangement costs and other clauses included in mortgage loan contracts: 3,738.

- Other claims, grievances and suggestions: 7,175, divided into 3,569 claims, 3,570 complaints and 36 suggestions.

- 189 requests relating to exercise of other GDPR rights.

b) Special out-of-court procedure for resolving claims relating to floor clauses under the terms of Royal Legislative Decree 1 of 20 January 2018

A total of 596 claims were registered and processed in 2019 under the framework of this Royal Decree-Law.

The average term for resolving complaints and claims in 2019 was 17 days for the CCS and 22 days for the special floor clause service, both within current legislation and significantly lower than in previous years. The Company is making a clear effort to resolve all complaints and claims within the maximum period of one month provided for in Law 7/2018 of 2 November incorporating into Spanish law Directive 2013/11/EU of the European Parliament and of the Council of 21 May 2013 on dispute alternative resolution for consumer disputes, which supervisors have been applying de facto to institutions, despite the fact that the special law for the protection of financial customers provided for in its first additional provision has not yet been enacted.

General criteria contained in the decisions

The decisions have been issued with the utmost regard for good corporate governance and banking practices, transparency and consumer protection, taking into account the views formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. Moreover, all decisions were reached on the basis of the contractual documents signed with the customers.

45. Financial statements of Ibercaja Banco, S.A. for the years ended 31 December 2019 and 2018

Set out below are the balance sheets at 31 December 2019 and 2018, together with the income statements, statements of recognised income and expense, total statements of changes in equity and statements of cash flow of the parent entity for the years ended 31 December 2019 and 2018, all such statements drawn up in accordance with Bank of Spain Circular 4/2017, as discussed in Note 1.2 to the individual annual accounts of Ibercaja Banco at 31 December 2019.

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

ASSETS	31/12/2019	31/12/2018 (*)
Cash and cash balances at central banks and other demand deposits	**3,710,877**	**917,825**
Financial assets held for trading	**6,097**	**5,632**
Derivatives	6,097	5,632
Debt securities	-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**22,547**	**33,284**
Equity instruments	-	-
Debt securities	10,350	13,554
Loans and advances	12,197	19,730
Customers	*12,197*	*19,730*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through profit or loss	**-**	**-**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income	**1,053,432**	**1,939,719**
Equity instruments	360,456	314,295
Debt securities	692,976	1,625,424
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*561,476*	*1,060,771*
Financial assets at amortised cost	**39,937,627**	**39,816,547**
Debt securities	7,124,375	6,446,612
Loans and advances	32,813,252	33,369,935
Credit institutions	*579,467*	*207,728*
Customers	*32,233,785*	*33,162,207*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*4,967,409*	*5,956,715*
Derivatives - Hedge accounting	**137,210**	**161,371**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	-	**-**
Investments in subsidiaries, joint ventures and associates	**995,891**	**759,221**
Subsidiaries	903,175	650,949
Joint ventures	38,226	38,226
Associates	54,490	70,046
Tangible assets	**783,263**	**736,446**
Property, plant and equipment	567,677	491,318
For own use	*567,677*	*491,318*
Assigned under operating lease	-	-
Investment property	215,586	245,128
of which: assigned under operating lease	*32,342*	*71,842*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**118,531**	**122,760**
Goodwill	51,226	64,033
Other intangible assets	67,305	58,727
Tax assets	**1,275,150**	**1,387,513**
Current tax assets	6,168	7,061
Deferred tax assets	1,268,982	1,380,452
Other assets	**218,648**	**210,566**
Insurance contracts linked to pensions	98,470	97,238
Inventories	820	1,083
Other assets	119,358	112,245
Non-current assets and disposal groups classified as held for sale	**64,898**	**68,681**
TOTAL ASSETS	**48,324,171**	**46,159,565**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

LIABILITIES	31/12/2019	31/12/2018 (*)
Financial liabilities held for trading	**4,888**	**5,147**
Derivatives	4,888	5,147
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**44,238,959**	**42,160,453**
Deposits	41,901,746	40,070,662
Central banks	*1,628,990*	*3,341,085*
Credit institutions	*4,305,679*	*1,236,203*
Customers	*35,967,077*	*35,493,374*
Debt securities issued	1,232,325	1,300,189
Other financial liabilities	1,104,888	789,602
Memorandum items: subordinated liabilities	*508,997*	*590,619*
Derivatives - Hedge accounting	**233,888**	**155,200**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**37,617**	**24,961**
Provisions	**295,053**	**326,811**
Pensions and other post-employment defined benefit obligations	105,622	103,479
Other long-term employee remuneration	466	1,931
Lawsuits and litigation for outstanding taxes	6,385	6,435
Commitments and guarantees given	22,727	33,645
Other provisions	159,853	181,321
Tax liabilities	**146,321**	**157,831**
Current tax liabilities	-	-
Deferred tax liabilities	146,321	157,831
Other liabilities	**181,841**	**187,133**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**45,138,567**	**43,017,536**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2019 AND 2018
(Thousands of euros)

EQUITY	31/12/2019	31/12/2018 (*)
Shareholders' equity	**3,115,698**	**3,080,081**
Capital	214,428	2,144,276
Paid-in capital	*214,428*	*2,144,276*
Called-up capital	-	-
Memorandum items: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	350,000	350,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	*350,000*	*350,000*
Other equity items	-	-
Retained earnings	507,825	269,545
Revaluation reserves	2,327	2,327
Other reserves	1,968,925	58,153
(Treasury shares)	-	-
Profit/(loss) for the year	72,193	255,780
(Interim dividends)		-
Other accumulated comprehensive income	**69,906**	**61,948**
Items that will not be reclassified to profit or loss	63,651	41,582
Actuarial gains/(losses) on defined benefit pension plans	(6,870)	*2,832*
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*70,521*	*38,750*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	6,255	20,366
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*8,524*	*9,288*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*(2,269)*	*11,078*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,185,604**	**3,142,029**
TOTAL EQUITY AND LIABILITIES	**48,324,171**	**46,159,565**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,509,793**	**3,215,623**
Financial guarantees granted	**77,200**	**80,285**
Other commitments given	**859,952**	**912,239**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Thousands of euros)

	2019	2018 (*)
Interest income	**531,276**	**533,824**
Financial assets at fair value through other comprehensive income	9,658	21,757
Financial assets at amortised cost	511,482	523,611
Other	10,136	(11,544)
(Interest expenses)	**110,047**	**96,072**
(Expenses on share capital repayable on demand)	**-**	**-**
NET INTEREST INCOME	**421,229**	**437,752**
Dividend income	**197,270**	**315,854**
Fee and commission income	**305,063**	**285,587**
(Fee and commission expenses)	**11,419**	**10,655**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**5,281**	**38,332**
(Financial assets at amortised cost)	(22,178)	1,542
(Remaining financial assets and liabilities)	27,459	36,790
Net gains or (-) losses on financial assets and liabilities held for trading	**1,220**	**406**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	1,220	406
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**(3,189)**	**(393)**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	(3,189)	(393)
Gains/(losses) on financial assets and liabilities at fair value through profit or loss, net	**-**	**-**
Net gains or (-) losses) from hedge accounting	**567**	**511**
Net exchange differences	**1,104**	**646**
Other operating income	**50,074**	**57,591**
(Other operating expenses)	**66,746**	**70,869**
GROSS INCOME	**900,454**	**1,054,762**
(Administration expenses)	**504,717**	**582,126**
(Staff expenses)	349,058	406,533
(Other administration expenses)	155,659	175,593
(Amortisation and depreciation)	**72,692**	**54,278**
(Provisions or (-) reversal of provisions)	**36,496**	**(34,647)**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)	**122,981**	**278,339**
(Financial assets at fair value through other comprehensive income)	(197)	(230)
(Financial assets at amortised cost)	123,178	278,569
(Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures and associates)	**(681)**	**(189,917)**
(Impairment or (-) reversal of impairment on non-financial assets)	**301**	**2,334**
(Tangible assets)	298	1,613
(Intangible assets)	-	673
(Other)	3	48
Gains/(losses) on derecognition of non-financial assets, net	**(11,597)**	**(6,898)**
Negative goodwill recognised in profit or loss	**-**	**-**
Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**(2,003)**	**(12,270)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**150,348**	**343,081**
Expense or (-) income from taxes on income from continuing operations	**78,155**	**87,301**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**72,193**	**255,780**
Profit/(loss) after tax from discontinued activities	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**72,193**	**255,780**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Thousands of euros)

	2019	2018 (*)
PROFIT/(LOSS) FOR THE YEAR	**72,193**	**255,780**
OTHER COMPREHENSIVE INCOME	**6,252**	**(49,687)**
Items that will not be reclassified to profit or loss	**20,362**	**(34,810)**
Actuarial gains/(losses) on defined benefit pension plans	(13,860)	(3,366)
Non-current assets and disposal groups of items held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	35,894	(47,885)
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Income tax relating to items not to be reclassified	(1,672)	16,441
Items that may be reclassified to profit or loss	**(14,110)**	**(14,877)**
Hedges of net investment in foreign operations (effective portion)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Currency translation	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	(1,091)	14,939
Valuation gains/(losses) taken to equity	*(1,091)*	*14,939*
Transferred to the income statement	-	-
Transferred to initial carrying amount of hedge items		
Other reclassifications	-	-
	-	-
Hedging instruments (undesignated items)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications		
Debt instruments at fair value through other comprehensive income	(19,066)	(36,192)
Valuation gains/(losses) taken to equity	*1,276*	*(1,069)*
Transferred to the income statement	*(20,342)*	*(35,123)*
Other reclassifications	-	-
Non-current assets and disposal groups of items held for sale	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Income tax relating to items that may be reclassified to profit or loss	6,047	6,376
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**78,445**	**206,093**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019
(Thousands of euros)

	Thousands of euros											
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity items**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(Treasury shares)**	**Profit/(loss) for the year**	**(Interim dividends)**	**Other accumulated comprehensive income**	**Total**
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**72,193**	**-**	**6,252**	**78,445**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**238,280**	**-**	**1,910,772**	**-**	**(255,780)**	**-**	**1,706**	**(34,870)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	255,780	-	(1,706)	-	(255,780)	-	1,706	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,370)	-	-	-	-	(17,370)
III. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018
(Thousands of euros)

	Thousands of euros											
	Capital	**Share premium**	**Equity instruments issued other than capital**	**Other equity items**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(Treasury shares)**	**Profit/(loss) for the year**	**(Interim dividends)**	**Other accumulated comprehensive income**	**Total**
I. Closing balance at 31/12/2017	**2,144,276**	**-**	**-**	**-**	**187,357**	**2,327**	**190,981**	**-**	**99,688**	**-**	**113,550**	**2,738,179**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(114,372)	-	-	-	(2,045)	(116,417)
II. Adjusted opening balance	**2,144,276**	**-**	**-**	**-**	**187,357**	**2,327**	**76,609**	**-**	**99,688**	**-**	**111,505**	**2,621,762**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**255,780**	**-**	**(49,687)**	**206,093**
Other changes in equity	**-**	**-**	**350,000**	**-**	**82,188**	**-**	**(18,456)**	-	**(99,688)**	-	**130**	**314,174**
Issuance of common shares	-	-		-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	**-**		**-**	**-**	**-**	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	350,000	-	-	-	(2,940)	-	-	-	-	347,060
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	99,688	-	(130)	-	(99,688)	-	130	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(15,386)	**-**	**-**	**-**	**-**	(15,386)
III. Closing balance at 31/12/2018	**2,144,276**	-	**350,000**	-	**269,545**	**2,327**	**58,153**	-	**255,780**	**-**	**61,948**	**3,142,029**

(*) Presented for comparison purposes only (Note 1.4).

IBERCAJA BANCO, S.A.

STATEMENTS OF CASH FLOWS FOR THE THE YEARS ENDED 31 DECEMBER 2019 AND 2018
(Thousands of euros)

	2019	2018 (*)
H) CASH FLOWS FROM OPERATING ACTIVITIES	**2,936,079**	**(2,660,460)**
Profit/(loss) for the year	**72,193**	**255,780**
Adjustments to obtain cash flows from operating activities	**293,178**	**123,763**
Amortisation and depreciation	72,692	54,278
Other adjustments	220,486	69,485
Net increase/decrease in operating assets	**383,942**	**(1,803,924)**
Financial assets held for trading	(465)	3,740
Non-trading financial assets mandatorily measured at fair value with changes through profit or loss	10,737	1,706
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	835,180	544,902
Financial assets at amortised cost	(489,244)	(2,407,105)
Other operating assets	27,734	52,833
Net increase/(decrease) in operating liabilities	**2,063,978**	**(1,157,651)**
Financial liabilities held for trading	(259)	(2,154)
Financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2,176,501	(1,219,628)
Other operating liabilities	(112,264)	64,131
Income tax credit/(payments)	**122,788**	**(78,428)**
I) CASH FLOWS FROM INVESTING ACTIVITIES	**(10,607)**	**24,897**
Payments	**(54,214)**	**(82,528)**
Tangible assets	(30,076)	(28,732)
Intangible assets	(23,098)	(19,165)
Investments in subsidiaries, joint ventures and associates	(81)	(10,469)
Other business units	-	-
Non-current assets and liabilities classified as held for sale	(959)	(24,162)
Other payments related to investing activities	-	-
Receipts	**43,607**	**107,425**
Tangible assets	42,030	46,506
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	33	4,186
Other business units	-	-
Non-current assets and liabilities classified as held for sale	1,544	56,733
Other receipts related to investing activities	-	-
J) CASH FLOWS FROM FINANCING ACTIVITIES	**(123,805)**	**270,635**
Payments	**(123,805)**	**(75,165)**
Dividends	(17,500)	(17,500)
Subordinated liabilities	(81,805)	(45,414)
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(24,500)	(12,251)
Receipts	**-**	**345,800**
Subordinated liabilities	-	-
Issuance of own equity instruments	-	345,800
Disposal of own equity instruments	-	-
Other receipts related to financing activities	-	-
K) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
L) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**2,801,667**	**(2,364,928)**
M) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**898,909**	**3,263,837**
N) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,700,576**	**898,909**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	227,232	212,846
Cash equivalents at central banks	3,444,265	675,568
Other financial assets	29,079	10,495
Less: bank overdrafts repayable on demand	-	-

(*) Presented for comparison purposes only (Note 1.4).

APPENDIX I

INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies:

Company	Address	Country of residence	Shareholding (%) 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Badajoz Siglo XXI, S.A.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
CAI Inmuebles, S.A. (in liquidation)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Cerro Goya, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	98.70%	1.30%	98.70%	1.30%
Cerro Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.77%	0.23%	99.77%	0.23%
Espacio Industrial Cronos, S.A.(*)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	-	100.00%	-
Ibercaja Gestión de Inmuebles, S.A.	Pº Constitución, 10, entlo. izda., Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Gestión, S.G.I.I.C., S.A.	Pº Constitución, 4, 3ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Leasing y Financiación, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Pensión, E.G.F.P., S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Vida, S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Cajaragón, S.A.U.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	100.00%	-	100.00%	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	100.00%	-	100.00%
Residencial Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Connect, S.L.	C/ Bari, 49, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%

(*) Write-offs due to dissolution and/or liquidation.

Jointly-controlled entities:

Company	Address	Country of residence	Shareholding (%) 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Aramón Montañas de Aragón, S.A.	Pza. Aragón,1, Zaragoza	Spain	50.00%	-	50.00%	-
Ciudad del Corredor, S.L.	C/ Gran Vía, 15, Of. 1-3, Madrid	Spain	-	50.00%	-	50.00%
Corredor del Iregua, S.L.	Avda. Pío XXI, 1, Bajo, Logroño	Spain	-	50.00%	-	50.00%
Montis Locare, S.L. (in liquidation)	Pza. Aragón, 11, Zaragoza	Spain	47.73%	-	47.73%	-
Promociones Palacete del Cerrillo, S.L (*).	Pº Castellana, 95, 18ª pta., Of. 18-24, Madrid	Spain	-	-	-	33.33%

(*) Write-offs due to dissolution and/or liquidation.

Associates:

Company	Address	Country of residence	Shareholding (%) 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
C y E Badajoz Servicios Sociosanitarios, S.A.	Avda. Juan Carlos I, 17, entpta., Badajoz	Spain	33.00%	-	33.00%	-
Centro de Transportes Aduana de Burgos, S.A.	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	25.45%	-	25.45%	-
Cerro de Mahí, S.L.	Pza. Roma, F-1, 1ª planta, of. 5, Zaragoza	Spain	-	33.33%	-	33.33%
Concessia Cartera y Gestión de Infraest., S.A.	C/ Severo Ochoa, 3, of 4B, Las Rozas Madrid	Spain	30.15%	-	30.15%	-
Districlima Zaragoza, S.L.	Avda. Ranillas, 107, Zaragoza	Spain	35.00%	-	35.00%	-
Henneo (formerly Grupo Heraldo)	Pº Independencia, 29, Zaragoza	Spain	39.94%	-	39.94%	-
Ibercaja Global Internacional SICAV (**)	Cl Boulevard Prince Henri, 9 L-1724 , Luxembourg.	Luxembourg	-	-	-	-
Mobart Circulo Participaciones, S.L.(*)	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	-	-	50.00%	-
Northwind Finco, S.L	C/ Vía de los Poblados, 3, Ed.1,Parque Empresarial Cristalia, Madrid	Spain	-	20.00%	-	-
Nuevos Materiales de Construcción, S.A.	C/ San Norberto, 26, Madrid	Spain	21.93%	-	21.93%	-
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Camino Molinos, 32, Zaragoza	Spain	31.29%	-	31.28%	-
Rioja Nueva Economía, S.A.	Gran Vía Rey Juan Carlos I, 9, Logroño	Spain	42.55%	-	42.55%	-
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Pol. Ind. Los Llanos, s/n, Teruel	Spain	23.42%	-	23.41%	-
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	C/ Los Enebros, 74, Teruel	Spain	22.17%	-	22.16%	-
Solavanti, S.L.	Avda. Academia Gral. Militar, 52, Zaragoza	Spain	-	20.00%	-	20.00%
Turolense del Viento, S.L.	C/ Los Enebros, 74, Ed. Galileo, 2ª planta, Teruel	Spain	-	20.00%	-	20.00%
Viacajas, S.L.	C/ Alcalá, 27, Madrid	Spain	16.13%	-	15.87%	-

(*) Write-offs due to dissolution and/or liquidation.
(**) Exclusion from consolidation due to dilution of equity.

APPENDIX II

FINANCIAL INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies:

Company	Date of financial statements	Contribution to consolidated earnings		Contribution to consolidated reserves		Non-controlling interests	
		2019	2018	2019	2018	2019	2018
Badajoz Siglo XXI	Dec-19	(1,387)	(1,286)	(16,530)	(15,249)	-	-
CAI Inmuebles, S.A. (in liquidation)	Dec-19	1,813	(2,504)	(12,440)	(10,429)	-	-
Cerro Goya, S.L.	Dec-19	(341)	(139)	(2,706)	(2,161)	-	-
Cerro Murillo, S.A.	Dec-19	(91,181)	(220,655)	286,058	318,349	-	-
Dopar Servicios, S.L.	-	-	(43)	-	-	-	-
Enclama, S.L.	-	-	(11)	-	-	-	-
Espacio Industrial Cronos, S.A.	-	-	(2)	-	(9,340)	-	-
Gedeco Zona Centro, S.L.	-	-	(5)	-	-	-	-
Ibercaja Cajaragón, S.A.U.	Dec-19	(500)	(389)	5,178	5,057	-	-
Ibercaja Banco, S.A.	Dec-19	57,749	284,706	1,931,000	50,565	-	-
Ibercaja Gestión, S.A.	Dec-19	22,240	23,391	10,358	9,690	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec-19	22	(27)	240	267	-	-
Ibercaja Leasing y Financiación, S.A.	Dec-19	3,332	1,511	22,975	21,466	-	-
Ibercaja Mediación de Seguros, S.A.	Dec-19	25,679	24,687	9,370	9,369	-	-
Ibercaja Pensión, S.A.	Dec-19	11,130	11,641	9,461	9,382	-	-
Ibercaja Viajes, S.A.	-	-	(70)	-	69	-	-
Ibercaja Vida, S.A.	Dec-19	74,883	73,934	202,763	206,660	-	-
Iberprofin, S.L.	-	-	59	-	-	-	-
Inmobiliaria Impulso XXI, S.A.	-	-	295	-	-	-	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-19	1,998	375	34,189	33,710	-	-
Residencial Murillo, S.A.	Dec-19	(21,933)	(154,044)	53,675	(26,912)	-	-
Ibercaja Connect, S.L.	Dec-19	54	22	98	96	-	-

Company	Date of financial statements	Financial information					
		2019			2018		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val. adj.	Profit/(loss)
Badajoz Siglo XXI	Dec-19	40,950	(2,880)	(1,382)	40,950	(1,615)	(1,280)
CAI Inmuebles, S.A. (in liquidation)	Dec-19	64	(13,005)	2,375	64	(6,834)	(604)
Cerro Goya, S.L.	Dec-19	5,024	(1,917)	(363)	5,024	(1,351)	(600)
Cerro Murillo, S.A. (*)	Dec-19	206,385	10	(35,600)	98,354	(75,836)	(57,258)
Dopar Servicios, S.L.	-	-	-	-	-	43	(43)
Enclama, S.L.	-	-	-	-	-	11	(11)
Espacio Industrial Cronos, S.A.	-	-	88	(88)	28	(9,340)	(2)
Gedeco Zona Centro, S.L.	-	-	-	-	-	5	(5)
Ibercaja Cajaragón, S.A.U.	Dec-19	58,041	6,030	(783)	58,041	5,714	315
Ibercaja Banco, S.A.	Dec-19	214,428	2,898,983	72,193	2,144,276	391,973	255,780
Ibercaja Gestión, S.A.	Dec-19	2,705	(7,987)	22,176	2,705	10,679	22,646
Ibercaja Gestión de Inmuebles, S.A.	Dec-19	120	242	22	120	247	(4)
Ibercaja Leasing y Financiación, S.A.	Dec-19	3,006	25,954	5,331	3,006	21,858	4,216
Ibercaja Mediación de Seguros, S.A.	Dec-19	60	(13,653)	25,693	60	9,393	2,479
Ibercaja Pensión, S.A.	Dec-19	11,010	416	11,209	11,010	10,511	11,639
Ibercaja Viajes, S.A.	-	-	-	-	-	71	(71)
Ibercaja Vida, S.A.	Dec-19	135,065	178,444	70,388	135,065	223,496	74,966
Iberprofin, S.L.	-	-	-	-	-	(59)	59
Inmobiliaria Impulso XXI, S.A.	-	-	-	-	-	(315)	315
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-19	40,051	27,719	1,970	40,051	27,485	217
Residencial Murillo, S.A. (*)	Dec-19	197,306	15,400	(23,155)	132,012	(179,442)	(45,428)
Ibercaja Connect, S.L.	Dec-19	480	98	54	480	96	21

Jointly-controlled entities:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2019	2018	2019	2018	2019	2018
Aramón Montañas de Aragón, S.A. (*)	418	361	(29,416)	(29,776)	28,161	27,743
Other companies	(719)	87	(11,000)	(13,786)	-	719

	Thousands of euros			
	Financial information			
	2019		2018	
Company	Aramon, Montañas de Aragón, S.A. (*)	Other	Aramon, Montañas de Aragón, S.A. (*)	Other
Current assets	3,709	-	4,057	-
Non-current assets	118,585	-	125,326	-
Cash and cash equivalents	400	-	675	-
Current liabilities	11,587	-	17,254	-
Non-current liabilities	32,285	-	35,577	-
Current financial liabilities	4,734	-	4,583	-
Non-current financial liabilities	29,624	-	32,863	-
Ordinary income	42,871	-	47,649	-
Dividends paid	-	-	-	-
Total recognised income and expense	275	(1,437)	619	(3)
Profit/(loss) from ordinary activities	275	(1,437)	*619*	*(3)*
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other recognised income and expense	-	-	-	-
Depreciation	626	-	1,832	-
Amortisation/Depreciation	10,552	-	11,395	-
Interest income	-	-	5	-
Interest expense	1,619	-	2,034	-
Income tax expense/(income)	50	-	(46)	-

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Associates:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2019	2018	2019	2018	2019	2018
Concessia Cartera y Gestión de Infraestructuras, S.A. (*)	712	42	37	(13)	5,955	10,368
Henneo (formerly Grupo Heraldo) (*)	(582)	(787)	259	1,179	31,097	31,811
Other companies	602	(345)	(2,969)	(1,608)	44,602	55,594

	Thousands of euros					
	Financial information					
	2019			2018		
Company	Concessia Cartera y Gestión de Infra. , S.A. (*)	Henneo (formerly Grupo Heraldo)(*)	Other	Concessia Cartera y Gestión de Infra. , S.A. (*)	Henneo (formerly Grupo Heraldo)(*)	Other
Current assets	7,201	56,022	-	20,350	59,764	-
Non-current assets	13,730	44,942	-	14,414	50,867	-
Current liabilities	112	31,585	-	382	32,946	-
Non-current liabilities	1,027	11,950	-	-	16,376	-
Ordinary income	64	98,491	64	-	122,169	-
Dividends paid	-	-	-	-	-	-
Total recognised income and expense	2,269		2,269	112	(1,935)	7,051
Profit/(loss) from ordinary activities	*2,269*	*2,290*	*2,269*	*112*	*(1,935)*	*7,051*
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-
Other recognised income and expense	-	-	-			

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

APPENDIX III

ANNUAL BANKING REPORT

On 27 June 2014, the Official State Gazette published Act 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with Article 87 and Transitional Provision 12 of Act 10/2014, credit institutions are required to publish, as an appendix to their audited financial statements and for each country in which they operate, the following information on a consolidated basis for the last completed financial year:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of equivalent full-time employees
d) Gross profit/(loss) before tax
e) Corporate income tax
f) Grants and public aid received

Accordingly, all this information is set out below.

a) Name, nature and geographical location of the activity

Ibercaja Banco is a credit institution. Its registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Companies Registry of Zaragoza at volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also entered on the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.es, where its bylaws and other public information can be viewed.

Ibercaja Banco, S.A. engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and that, together with it, make up the Ibercaja Banco Group. The Bank is therefore required to draw up the Group's consolidated annul accounts, as well as its own individual annual accounts.

The consolidated Group carries out all its activity in Spain.

b) Business volume

Information on consolidated business volume is as follows, by country. Business volume for these purposes means gross income, as shown on the Group's consolidated income statement at the end of 2019.

	Thousands of euros
	31/12/2019
Spain	926,580
	926,580

c) Number of equivalent full-time employees

Equivalent full time employees by country were as follows at year-end 2019:

	Thousands of euros
	31/12/2019
Spain	5,304
	5,304

d) Gross profit/(loss) before tax

	Thousands of euros
	31/12/2019
Spain	128,637
	128,637

e) Corporate income tax

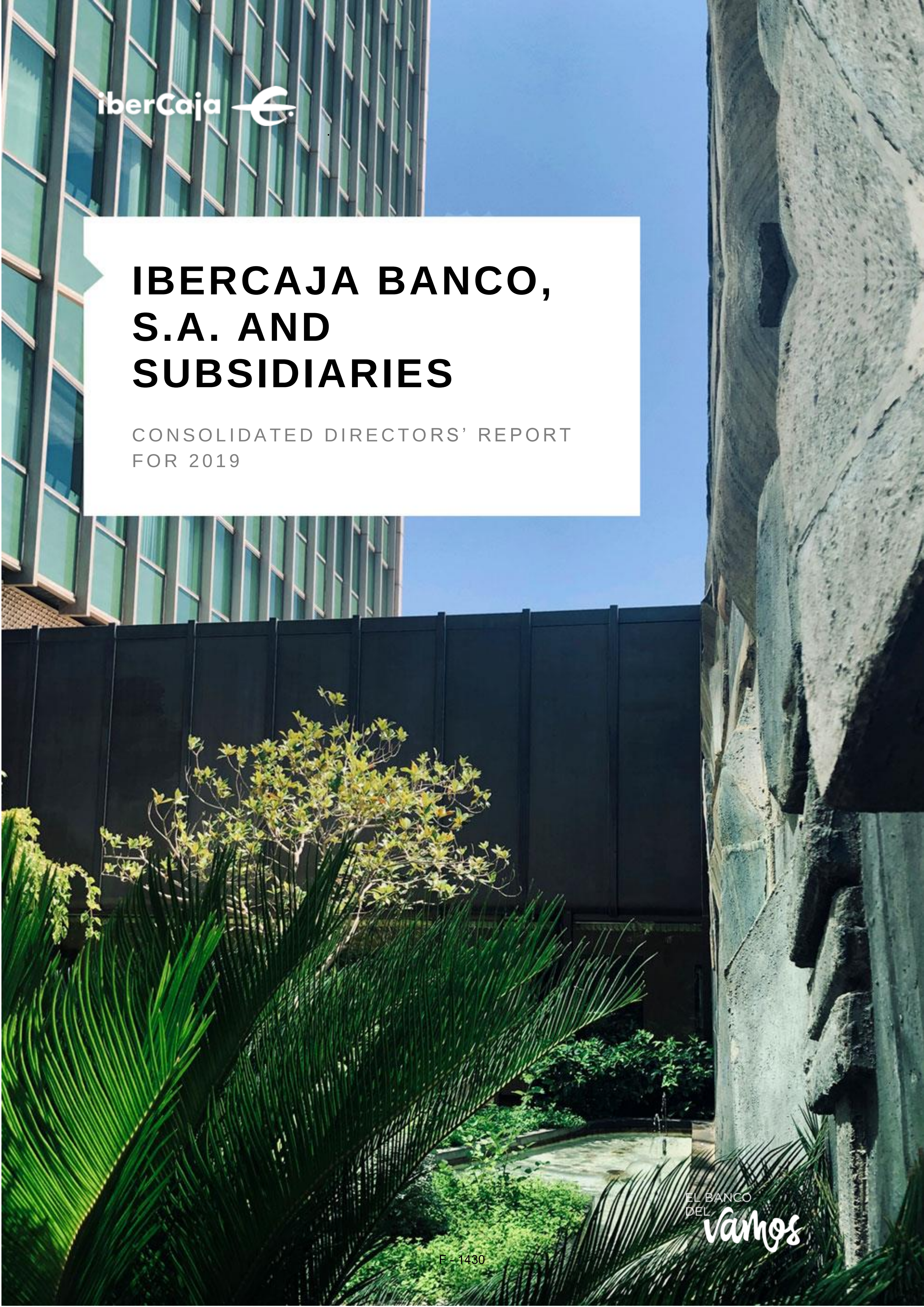
	Thousands of euros
	31/12/2019
Spain	44,648
	44,648

f) Grants and public aid received

No grants or public aid were received by Ibercaja Banco, S.A. or any Group company in 2019.

Other information

The return on the Group's assets during the year, calculated as net profit divided by the total balance sheet, was 0.15%.



IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

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IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT FOR 2019

CONTENTS

1 THE IBERCAJA GROUP: CURRENT SITUATION

EL BANCO DEL vamos

1.1. DESCRIPTION, SHAREHOLDING AND ORGANISATIONAL STRUCTURE

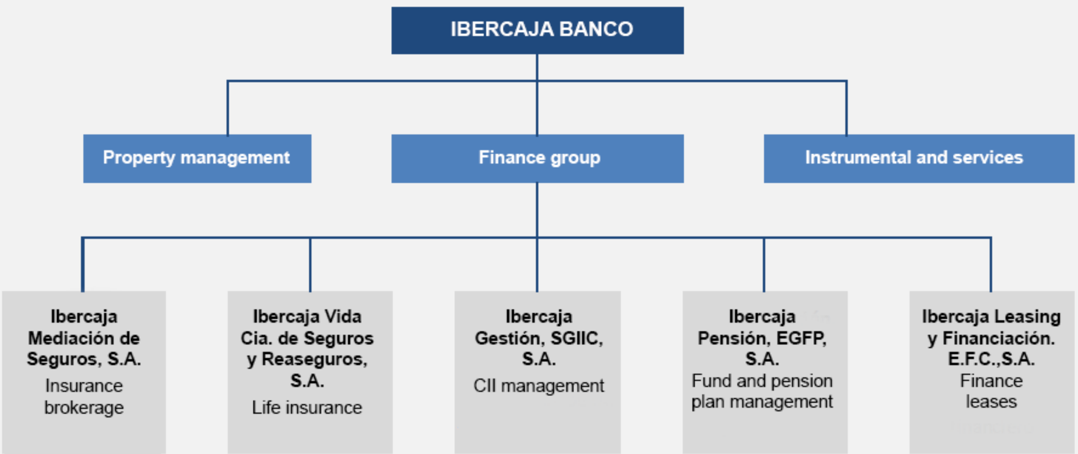
IBERCAJA IS A NATIONAL BANKING ENTITY SPECIALISED IN THE BUSINESS OF INDIVIDUALS AND COMPANIES, WHOSE OBJECTIVE IS TO GENERATE VALUE FOR ITS CUSTOMERS, SHAREHOLDERS AND SOCIETY IN GENERAL.

The **Group primarily engages in retail banking** and carries out practically all of its business in Spain. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

The majority shareholder of Ibercaja Banco is Fundación Bancaria Ibercaja, which owns 87.80% of its capital. Following the acquisition in June 2013 of Banco Grupo Caja3, the following companies are also shareholders of Ibercaja: Fundación Caja Inmaculada (4.85%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.45%).

From an organisational standpoint, the **Bank is the parent of a group of subsidiaries**. Of these, the most notable - due to their wide range of banking products and high levels of profitability - belong to the **Financial Group**, which comprises companies specialising in investment funds, savings and pensions, bancassurance and leasing and rentals.

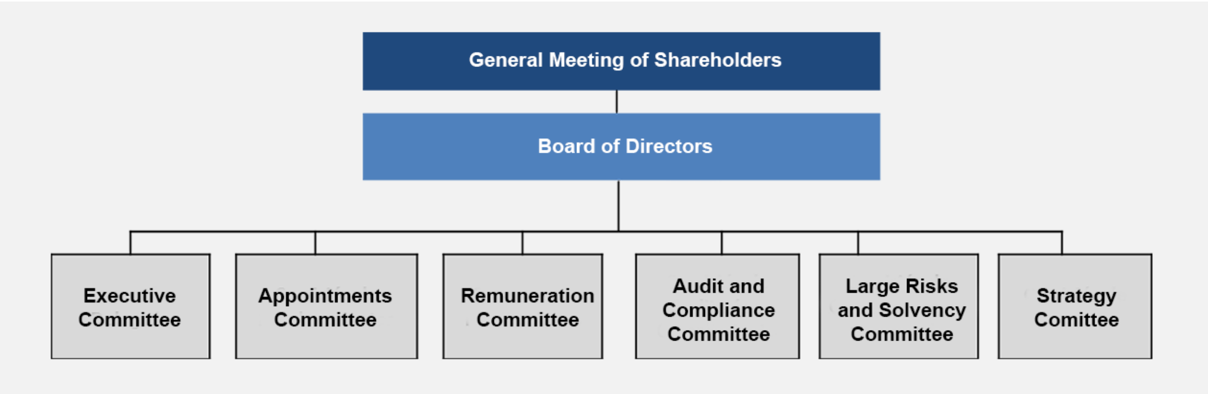
THE KEY COMPANIES THAT MAKE UP THE SCOPE OF CONSOLIDATION ARE:



1.2 CORPORATE GOVERNANCE

IBERCAJA'S GOVERNANCE STRUCTURE CARRIES OUT ITS FUNCTIONS EFFICIENTLY GUIDED BY THE RULES AND CODES OF GOOD CORPORATE GOVERNANCE.

Ibercaja Banco's **governance model** consists of the **General Shareholders' Meeting** and the **Board of Directors**, which in turn has six committees.



The Ibercaja Group's governing bodies, along with their composition and their internal rules, are governed by the **Bylaws** and the **Regulations of the Board of Directors**, the contents of which are compliant, among other regulations, with the law on the organisation, supervision and solvency of credit institutions, the Corporate Enterprises Act, the Audit Act, the guidelines issued by international bodies such as the EBA or the ESMA, and the Code of Good Governance of Listed Companies, which is taken as a benchmark of best practices in this field.

GENERAL SHAREHOLDERS' MEETING

General Shareholders' Meeting **is the most senior decision-making body at the Bank** and its resolutions are binding on the Board of Directors. The General Meeting has the broadest of authorities to govern the Bank and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Bank's own Bylaws.

BOARD OF DIRECTORS

Board of Directors **has the broadest of authorities to manage, administer and represent the Bank and, except for those matters reserved for the General Meeting,** it is the highest decision-making body at the Bank. The Board has six committees: Executive, Nominations, Compensation, Audit and Compliance, Large Risk and Solvency, and Strategy.

EXECUTIVE COMMITTEE

The **permanent delegation of Board authority** to the Executive Committee covers all such authorities, except for those that cannot be delegated in accordance with the law, the Bylaws or the Board Regulations.

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for **proposing nominations** to the Board of Directors. It is specifically responsible for: evaluating the suitability of directors, establishing a target for the gender less represented on the Board, making, together with shareholders at a general meeting, proposals for the nomination, re-election or removal of independent directors, reporting on motions to nominate or remove senior executives and key office holders, including the basic terms of their contracts, and examining and organising the succession of the Chairman and the CEO.

COMPENSATION COMMITTEE

The Compensation Committee **has the duty of reporting, advising and proposing matters regarding compensation for directors, general managers and similar personnel, as** well as for the persons whose professional activity has a significant impact on the Bank's risk profile.

AUDIT AND COMPLIANCE COMMITTEE

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority; to **supervise the effectiveness of the Bank's internal control, internal audit and risk management systems, including tax risks**; to supervise the process of preparing and presenting regulated financial information; to propose the designation or re-election of the financial auditor; to establish appropriate relations with the external auditor and to receive information regarding its independence; to receive annual information from the external auditor confirming its independence with respect to the Bank or its Group; and to issue the relevant report.

LARGE EXPOSURES AND SOLVENCY COMMITTEE

The Committee has the primary duty of advising **the Board as to the overall current and future risk appetite** of the Bank and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by the senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

STRATEGY COMMITTEE

The Strategy Committee has the core function of reporting to the Board of Directors on the Company's strategic policy while ensuring there is a specific organisation in place for implementing this strategy. The committee regularly **evaluated the Strategic Plan** approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented **quarterly follow-up measures regarding the development of the budget** and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

Information on the **composition of the different governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and which is available on the website of the Bank under the section titled "Shareholders and investors - Corporate Governance and Remuneration Policy".

CONTROL FUNCTIONS

The Group has an internal control system in place to oversee the financial and operational risks inherent in its business activities. The **General Secretary's Office and Control area** brings together the **second line of defence**, formed by the Risk Control department and the Compliance department. The General Secretary of the Bank is also the Chief Risk Officer.

The Risk Control Department **verifies compliance with the risk limits approved by the Board of Directors and the** Regulatory Compliance Department **supervises observance of the laws that govern the Group's business activities.** Ibercaja also has an **Internal Audit Department** that reviews the proper functioning of the risk control systems, while verifying compliance with established policies, procedures and standards. The **Audit and Compliance Committee** supervises the effectiveness of internal audit and control and of the risk management systems.

The head of the Risk Control Department reports regularly to the Large Risk and Solvency Committee, while the heads of the Regulatory Compliance Department and the Internal Audit Department report regularly to the Audit and Compliance Committee. The chairmen of the committees, as well as the CRO, report to the plenary session of the Board of Directors within the scope of their respective areas of concern.

1.3 BUSINESS MODEL AND STRATEGIC PLAN 2018-2020

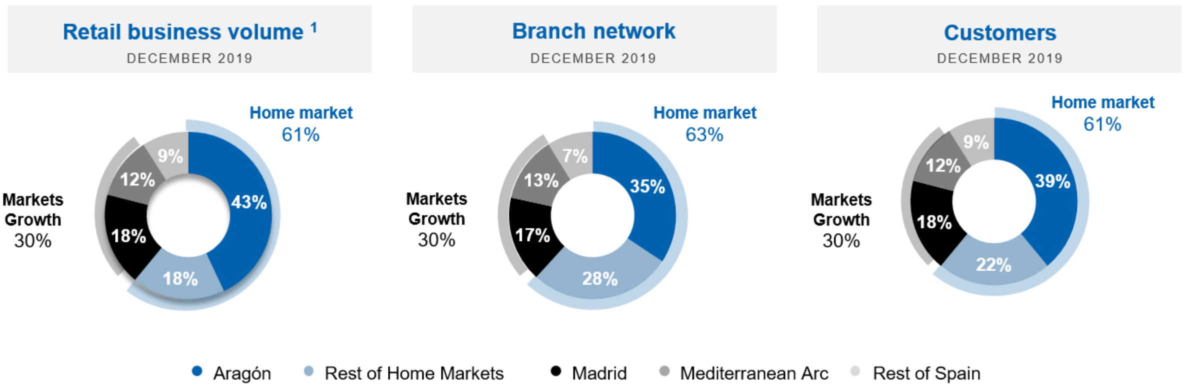
IBERCAJA'S BUSINESS MODEL, WITH A STRONG RETAIL PROFILE, COMBINES UNIVERSALITY WITH SPECIALISATION BY SEGMENTS.

1.3.1 BUSINESS POSITIONING AND MARKETS IN WHICH IT OPERATES

The Group, the **tenth largest in the Spanish banking system, has assets of €55,422 million. It primarily engages** in **retail banking**, focusing on the financing of households, particularly first home mortgages, and SMEs, savings management and other financial services. The eminently retail nature of the business is reflected in the structure of the balance sheet, where loans to individuals and small and medium-size enterprises account for almost 90% of loans and advances to customers, and retail deposits 77% of borrowings. On a national scale, the Group has a **market share** of **2.6%** household and non-financial enterprise **loans, and of 3.9% in the segment of residential property purchases by individuals.** (Source: Bank of Spain), and **3.5% in customer funds** (2.8% in retail deposits and 4.8% in asset management and life insurance) (Source: Bank of Spain, INVERCO and ICEA).

The Bank is **well positioned in its traditional area of operation** (Aragon, La Rioja, Guadalajara, Burgos and Badajoz), where **61% of customers** are concentrated and where it obtains **61% of retail business volume**. The market share in this territory, **31% in private sector deposits** and **24% in credit**, is 43% and 34%, respectively, in Aragon. (Source: Banco de España.) It also has **a significant presence in other areas of major economic significance such as Madrid and the Mediterranean coast** (Catalonia and Valencia), which account for 18% and 12% of customers and 18% and 12% of the business volume.

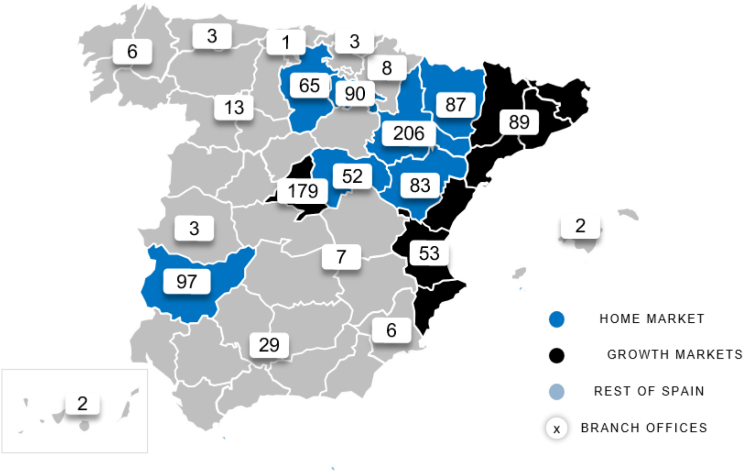
DISTRIBUTION OF TURNOVER, NETWORK AND CUSTOMERS BY AREA OF OPERATION:



[1]RETAIL BUSINESS VOLUME IN NORMAL COURSE OF BUSINESS: LOANS AND ADVANCES TO CUSTOMERS EX REVERSE REPOS OF ASSETS AND DOUBTFUL ASSETS + RETAIL DEPOSITS + ASSET MANAGEMENT AND INSURANCE

As of December 2019, the **network** accounted for **4.4%** of the national total with **1,084 branches**, of which 310 are rural. The distribution of the network by autonomous regions is as follows: 376 points of sale in Aragon, 179 in the Community of Madrid, 100 in Extremadura, 90 in La Rioja, 78 in Castile and León, 89 in Catalonia, 59 in Castilla-La Mancha, 53 in the Community of Valencia, 29 in Andalusia and 31 in the other autonomous regions of Spain. **The Group has a total of 5,304 employees (5,053 in the parent).**

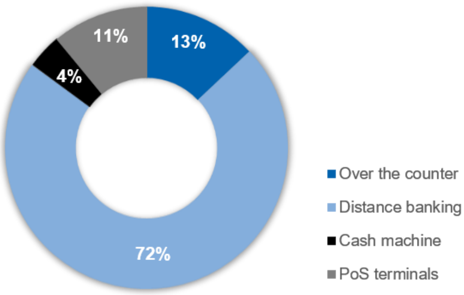
DISTRIBUTION OF IBERCAJA BANCO'S BRANCH NETWORK:



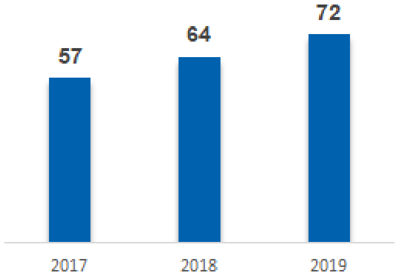
The branch network is complemented by remote channels so that customers can carry out transactions in the most practical and simple remote environment, whether on the Internet or by mobile phone. **Digital banking accounts for 72% of the number of transactions carried out in 2019**. **The number of digital banking customers** who used one of the different channels in the last month reached **766,000**, with a 22% growth since December 2017. **Users of the Ibercaja app** for mobile banking increased to **432,200**; the increase during 2019 is 39% and 78% compared to 2017.

DISTRIBUTION OF NUMBER OF TRANSACTIONS BY CHANNEL AND CHANGE OVER TIME DISTANCE BANKING:

Distr. transactions per channel (%)
2019



Trend in % of distance banking transactions



1.3.2 GOALS AND STRATEGIES

In 2019 the Bank has worked under the guidance of the **"Plan+ 2020" Strategic Plan**, whose objective is to make Ibercaja the best financial institution in the country in terms of having the most satisfied customers and being most commercially efficient bank, anticipating the needs of stakeholders and supporting the transition towards a sustainable economy. **Three major programmes** have been defined to address this challenge: **Customer, Value and Transformation Drivers** that implement the guidelines to compete successfully in an environment of rapid changes affecting consumer habits, technology, the economic and business context and the regulatory framework. **The Plan will end with Ibercaja being listed on the Stock Exchange,** thus complying with the regulations affecting the Ibercaja Banking Foundation (Fundación Bancaria Ibercaja) and becoming standardised with most competitors in Spain and Europe as a listed bank.

At the halfway point of the Plan, most of the proposed milestones have been achieved, so a satisfactory assessment can be made of its performance.

CUSTOMER PROGRAMME

Our customers are the basic foundation underlying the transformation of the business model. To improve the relationship with customers and contribute to the growth of our business, work is being done to strengthen distance channels. **Mobile Banking** incorporated new features such as **Digital On Boarding**, which allows you to become a customer without having to go to the branch, **the payment service through Apple Pay, Samsung Pay and Google Pay and the aggregation of accounts from other banks**. The **website** **www.ibercaja.es** was revamped to offer solutions that are better suited to the financial needs of individuals and the **new Digital Banking for Companies** was developed. Likewise, a **new Commercial and Management System** is being deployed throughout the network, which will contribute to an integrated and streamlined management of customers, focused on acquiring them and with an agenda governed by the manager him/herself. The reform of the organisational model of the branch network, in which "head" and "satellite" branches with different levels of specialisation will coexist, is another of the tasks addressed within the customer programme.

VALUE PROGRAMME

The Value programme seeks to ensure that our business is geared towards the most profitable opportunities. It relates to the reduction of unproductive assets, the development of risk management processes, the more efficient allocation of prices and capital and the optimisation of information systems, all with a view to increasing the Bank's profitability and solvency. Within the framework of this programme, a **new model for the recovery of irregular investment** was implemented and tools were developed for control and monitoring. Unproductive assets fell significantly, allowing the **NPA ratio at year-end to stand at 5.78%, six percentage points lower than at the start of the Plan**. In addition, the Bank is working to implement a **new form of pricing based on risk-adjusted returns.**

TRANSFORMATION DRIVERS PROGRAMME

The Transformation Drivers programme, the third pillar of the Plan, **encompasses technology, processes and people**.

- **Technology** is at the heart of most initiatives, as it streamlines internal processes, opens up business opportunities and improves the customer experience.

- Ibercaja **optimises its processes** to be more efficient, modernising and rationalising applications and infrastructure, so that the network is freed from administrative tasks and can focus on the marketing effort. Progress was made by outsourcing low value-added tasks and initiating pilot experiments for the robotisation of repetitive processes such as document control and database reconstruction.

  Reporting quality supports the credibility of the Bank facing regulators, credit rating agencies and investors. To optimise it, information systems were strengthened and the **Data Governance framework** was established, which involves a modification of organisational structure, the definition of roles, responsibilities, policies and principles regarding data, and adaptation of technological architecture.

- **People** are the key to change. The success of the Plan depends on the capacity and commitment of the staff working in the Bank, for which we need to boost opportunities for professional and personal growth. The People Area works on measures to improve talent and promote the skills of the Group's employees. Among them, the roll-out of **the Inspirational Leadership Model**, a framework for people who lead teams to exercise a uniform and consistent leadership aligned with Ibercaja's strategy.

  The Bank has obtained the "**Empresa Familiarmente Responsible" (efr)** Certification, which endorses the organization's involvement in generating a culture based on efficiency, flexibility and commitment to people. With this achievement, Ibercaja takes an important step forward in terms of equality and balance of personal, family and professional life.

Financial institutions have a key role in sustainable development, mobilizing the necessary capital flows and integrating environmental, social and corporate governance risks and opportunities into management. **Aware of this, Ibercaja has moved forward in a series of projects that show its commitment to sustainability.** A cross-cutting **Sustainable Finance** team was created, involving all business areas, to work on the Bank's sustainability roadmap and incorporate ESG aspects into strategy and decision-making. The organisation's commitment to sustainability was demonstrated by the **signing of the United Nations Principles for Responsible Banking, together with the Bank's adherence to the New Deal for Europe "CEO's call to action" initiative and the recommendations of the Task Force for Climate Related Financial Disclosures (TCDF).**

1.3.3 BUSINESS MODEL LINES OF THE GROUP

Ibercaja is committed to a **full-service banking model** focused on the retail business and based on service quality and innovation. It serves **a stable base of 1.9 million customers** (management units): comprising households, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services with products such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group.

In **Ibercaja's business model**, which is strongly retail and customer-focused, there are **three main areas** depending on the commercial strategy defined for each type of customer:

RETAIL BANKING:
- Households
- Personal Banking
- Private Banking

BUSINESSES AND INSTITUTIONS
- Companies business
- Stores
- Institutions

OTHER BUSINESS LINES
- Financial markets
- Business shareholdings

RETAIL BANKING

The Bank manages **1.7 million customers who contribute more than 80% of the retail turnover**. Their high level of engagement with the Bank can be seen in the average age of 20 years, and in the number of products or services contracted, 6.8. **Retail banking includes the household, personal and private banking segments.**

Households provide the largest number of clients, 1.4 million, and the highest percentages of managed resources and credit investment. The management of the branch network in this segment focuses on capturing new customers and consolidating the loyalty of existing ones. The Bank carries out its mission through proposals adapted to personal needs, depending on the risk profile and available income. Ibercaja has historically specialised in financing homes for individuals. 21.11% of new financing was allocated for this purpose, with the granting of fixed-rate mortgages being particularly important. **The Bank launched new products, both for assets and liabilities, linked to the communication concept "El Banco del Vamos"**, which incorporates attractive conditions and is helping to expand the customer base. The **"Cuenta Vamos"** marked a new stage in the capture of savings from individual customers, achieving a balance of more than €390 million at the end of the year.

The **youngest members of the household unit** have a specific product line. Highlights include the "Cuenta+ Joven", aimed at customers up to the age of 18, and the "Cuenta Joven" which, together with the "Visa One" card, is designed for customers up to the age of 30. This younger group has the benefit of free account maintenance fees, card fees and Internet transfers. In order to give children the benefit of advantages in training, leisure and free time activities, the Bank created the "Iberfan" club, which now has 18,500 members.

The **personal and private banking segment** comprises nearly **275,000 customers** who, with an average of 12.3 products or services, provide a high volume of retail customer funds, **almost 38.2 billion**, mainly 54%, in asset management and insurance.

- Those customers with a savings balance of **more than €100,000 euros or €75,000 euros outside the Home Market** belong to **personal banking**. The model of service to this group is based on a personal manager who proposes the best investment strategy to the saver. The **490 specialised managers**, based on their knowledge of the customer, offer him/her investment alternatives, mainly funds, pension plans and insurance, adjusted to his/her risk profile, objectives and experience in financial products. Advice to personal banking clients is certified according to ISO 22222:2010, which the Bank renewed in 2018 for the seventh consecutive year.

- The **private banking activity** is aimed at people with financial assets that have increased to **500,000 euros** since January 2019. The customer is assisted by a private banking manager who analyses their needs and provides them with the best investment strategies and financial-tax planning. The range of financial assets available to the private banking community is very wide: securities listed on national and international markets, investment funds, both of Ibercaja and of its external suppliers, SICAVs, structured deposits… The team assigned to the private banking service, **75 people**, is distributed in the different offices in Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, as well as in the customer service offices in Huesca, Teruel and Pamplona.

Investment products with a socially responsible profile have been well received by savers. **Ibercaja Megatrends** has joined the **Sustainable and Solidarity Investment Fund**, which, after identifying three trends: technology, environment and sustainability and demography, channels savings by investing, under these criteria, in companies all over the world. In pension plans, Ibercaja Pensión incorporated the **Sustainable Europe Pension Plan** into its catalogue, which complements the already existing **Sustainable and Solidarity Pension Plan**. The latter has the special feature of donating part of the management fee to projects of a social or environmental nature.

The main strategic challenges and trends that will mark the activity of Retail Banking in the near future are: increase customer loyalty by improving their experience and enhancing digital channels, consolidate the progress of the personal and private banking lines with personalised advice as a differentiating factor, and expand the range of investment and financing products based on ESG criteria.

BUSINESSES AND INSTITUTIONS

This area comprises more than **180,000 customers** (management units), companies, retailers, institutions and others and contributes **nearly 16% of the retail business volume**.

Within this group, **80,000 customers** form part of the **strategic business group of corporates**. The companies with the highest potential, business volume and most complex operations, numbering approximately 38,000, are served by 223 specialised managers, supported by 381 office directors. Microenterprises and SMEs, with a turnover of less than €50 million, provide more than 80% of our business volume with companies.

In 2019, progress was made on the roadmap set out in the Plan+ 2020 to position Ibercaja as one of the leading financial institutions in the business world. The goal is to provide a swift and tailored response to the demands of companies, so as to generate a global relationship, profitable for both parties and sustainable over time.

At the network level, **two new business centres have been opened in Bilbao and Alicante**, which join the six existing ones in Zaragoza, Madrid, Alcobendas, Valencia and Barcelona. These centres are responsible for managing customers with a turnover of more than €6 million or €10 million, depending on the area of operation, and who require a greater degree of specialisation.

The **new digital business banking**, framed within the line of digital transformation of the Strategic Plan, is a leading platform that aims to be a benchmark in the sector. Its roll-out, carried out in the last months of the year, enables the user to browse on any device, can be customised to the customer's taste and allows the entire transaction range of the company to be carried out.

More than **16,000 shops**, customers of Ibercaja, require personalised management and generate significant business opportunities in the field of financing, insurance and collection and payment services. The range of products and services adapted to the needs of small and medium-sized businesses ranges from daily cash management to help in the internationalisation of the business, including a range of point of sale terminals with the latest technology or, for those who make their sales through online channels, virtual devices that guarantee the security of the operation and control of the business activity over the Internet. Likewise, the Bank collaborates with **public and private institutions** of state and territorial scope through financing agreements and other specific commercial offers.

The main strategic challenges and trends that will mark the activity of the Businesses and Institutions division in the near future are to cement Ibercaja's establishment within the business segment by growing in market share, to publicise the new digital banking and its functions, to intensify the participation of professionals and companies in the “Ecosystem+ Companies” initiative and to offer specialised solutions for shops, businesses and the agricultural sector.

OTHER BUSINESS LINES

Business at the Group’s Financial Markets area has focused on ensuring the availability of liquid funds on the balance sheet, managing portfolios of fixed-income and equity instruments, planning placements and buybacks of instruments and hedging structured and other deposits.

The Group has **business interests** in several sectors, including **tourism, real estate, media, logistics and services.** Investment in investees aims to support the productive fabric, preferably SMEs, in projects that contribute to creating wealth and jobs in areas where the Bank operates, while helping entrepreneurs. Hence the economic benefit to the Bank also implies a return for the community. Ibercaja seeks to encourage investments in sustainable projects with environmental value and in those companies with high levels of corporate social responsibility.

The **2018-2020 Plan** envisages an active policy of divestment from non-strategic business interests and entrenched projects that have reached a sufficient degree of development and autonomy. The Plan also raises the possibility of investing in initiatives that meet the criteria required by the Bank (profitability, sustainability and development).

FACTORS AND TRENDS THAT MAY AFFECT THE FUTURE PERFORMANCE OF THE GROUP

Trends for 2020 are framed within a context characterised by the prolongation of the negative interest rate situation, the weakening of the Spanish economy, competition between banks and the rise of new challengers coming from the technological world with a growing offer of financial services. In this scenario, in which revenues from lending are under great pressure, the Group's objectives and strategies are **geared towards boosting alternative sources of income**, less dependent on changes in interest rates, and **providing customers with value-added products**

and services. Ibercaja therefore plans to maintain the growth rate of the asset management and insurance business, while strengthening the Personal and Private Banking lines.

At the same time, we must **preserve the profitability of the business** by defending margins, directing new loan originations towards the most profitable segments and continuing to focus on **containing costs and reducing non-performing assets on the balance sheet**. The **progress of digitalisation** in all areas of business is also a priority goal to accelerate efficiency and customer satisfaction by staying ahead of society's rapidly changing habits. **Finally, the transition to a sustainable economy must be encouraged.**

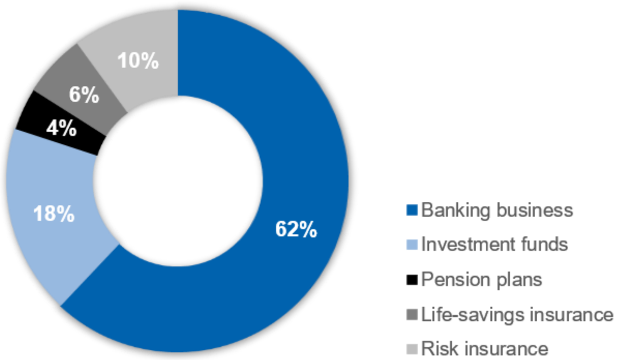
The **specific strategic challenges of each of the business areas** in the short and medium term are described above in the relevant sections.

1.3.4 FINANCIAL GROUP

The Group is **a source of business diversification and generation of recurring revenue**. It provides the branch network with a first-class marketing tool by designing and managing financial products of recognised prestige. Created in 1988 and wholly owned by Ibercaja, the division is made up of **companies specialising in investment funds, savings and pension plans, bancassurance and leasing**. Innovative capacity and specialised offerings place the Financial Group in a prominent position among Spanish financial institutions. Its products, targeted at both individuals and businesses, are marketed and sold through the branch network and supplement the Bank's extensive range of banking services.

CONTRIBUTION TO RECURRING REVENUE:

Assets under management and insurance provide **38% of the Group's recurring revenues and account for 46% of retail customer funds** managed by the Bank. Our market share in this business, 4.8%, places Ibercaja in the sixth position in the industry ranking.



The Financial Group has an **ESG Committee** whose objective is to promote the implementation of responsible investment strategies in asset management. It also forms part of the **Sustainable Finance Team created by Ibercaja Banco** to design and implement the sustainability roadmap, facilitating the Group's adaptation to the regulatory environment derived from the European Sustainable Finance Action Plan, the transition to a low-carbon economy and the United Nations Principles for Responsible Banking, signed by the Bank at the end of the year.

THE KEY COMPANIES THAT ARE PART OF THE FINANCIAL GROUP ARE:

IBERCAJA BANCO

100% OWNED BY IBERCAJA

IBERCAJA MANAGEMENT	IIC manager	Equity €14.0 bn	Mkt share 5.1%	#7
IBERCAJA PENSIÓN	Plan manager pensions	Equity €6.8 bn	Market share 5,8%	#5
IBERCAJA VIDA	Life insurer	Technical reserves €7.4 bn	Market share 3,8%	#8
IBERCAJA LEASING	Leasing & Renting	Outstanding investment €0.6 bn	Market share 2,8%	#10
IBERCAJA MEDIACIÓN	Non-life insurance broker	Premiums €0.3bn	Alliance with Caser	caser seguros

MANAGEMENT OF COLLECTIVE INVESTMENT UNDERTAKINGS

Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's CIUs. It closed the year with assets under management of €13,981 million, 13.43% more than a year earlier, which is a historic record and consolidates the Bank in **seventh position in the sector ranking** (Source: INVERCO). By growth, in percentage terms, it ranks third among the ten largest management companies in our country. Net contributions, €735 million, are 57% higher than in 2018. Almost 99% of our funds ended the year with capital gains (weighted average revaluation of 7.63%). Returns obtained by the equity funds, thirteen of which were over 20%, stand out.

Ibercaja Gestión's market share, **5.06%** (Source: INVERCO), marks a new high for the sixth consecutive year, after **increasing** by **27 basis points**. Since December 2015 the management company's market share in the fund industry has increased by 113 basis points.

Ibercaja Gestión has 63 investment funds tailored to each investor and capable of obtaining returns in any market situation. It also manages 10 SICAVs in Spain with a volume of €60 million and one registered in Luxembourg, with assets of almost €70 million, for private banking customers. The launch of eight new funds in 2019 and the change in investment policy in three others highlights the innovative nature of the management firm.

The **commitment to socially responsible investment** is evident in two funds, with assets of almost €250 million, which respond to the commitment reflected in Ibercaja's Corporate Social Responsibility Policy to offer its customers profitable investments with a socially responsible and supportive profile.

PENSION PLAN MANAGEMENT

Ibercaja Pensión, EGFP, S.A. is the Group company engaged in managing different kinds of pension plans. The company is a signatory of the United Nations Principles for Responsible Investment and a founding member of Spainsif, the Spanish forum for Socially Responsible Investment.

The assets managed at the end of the year, €6,794 million, are 9.50% higher than in 2018. **Market share reached an all-time high of 5.84%**, after adding 4 basis points in the year, and the management company remains in **fifth position in the sector ranking** (Source: INVERCO).

Savings managed in individual system pension plans increased by 14.48% to €2,574 million. Market share, **3.22%, increased 11 basis points** since December 2018, keeping the company in **eighth position in the sector** ranking (Source: INVERCO). The number of customers with individual plans increased by 8,268 to a total of 198,465. Net contributions, €215 million, increased by almost 20% as a result of marketing actions and the advisory work to customers carried out by Ibercaja's branch network.

Assets managed in **employment plans** amount to €4,220 million, 6.64% more than in 2018. **Market share**, **11.82%**, **increased by 17 basis points** in the year and the company consolidated its position as the **third largest Spanish management company**. The average return achieved in 2019 by the employment plans, 9.8%, is more than one percentage point higher than the average for the sector.

The offer of savings instruments with a socially responsible investment profile was reinforced with the launch at the end of 2019 of the **Sustainable Europe Pension Plan**, which joins the already **existing Ibercaja Sustainable and Solidarity Pension Plan**.

INSURANCE BUSINESS

The Group's insurance business is carried on through **two companies operating in the life and non-life lines**, providing products and specialised support to Ibercaja Banco's branch network:

- **Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U.** is a life insurance company that specialises in the bancassurance business since 1996. Its objective is to provide the customer with savings insurance (systematic, investment and income) and unit-linked insurance to cover their needs. Personal provision for death or disability is another of the pillars of its activity. The insurance company ranks eighth in the sector, with a share of 3.79%. (Source: ICEA).
- **Ibercaja Mediación de Seguros, S.A.U.** is engaged in general insurance brokerage. It markets and sells risk and retirement savings insurance for individuals and companies through the Ibercaja branch network.

LIFE-SAVINGS INSURANCE

Provisions for life and savings insurance, €7,270 million, remained practically stable in a year when low interest rates particularly affected the range of guaranteed savings products. **Deferred capital insurance**, **€2.3 billion**, represents 32% of the volume managed in life insurance savings. **Life and temporary annuities**, which account for 30% of the total, increased by almost 5% to **€2,160 million**. **Systematic individual savings plans ("PIAS")** account for 27%, with a volume of nearly **€2 billion**. To make savings profitable in the current interest rate environment and to maintain the tax advantages associated with PIAS, at the end of 2018 **PIAS LINK** was launched: four investment baskets with different weights of equity. The current balance is more than €300 million.

RISK INSURANCE

Risk insurance premiums increased by 3.51% to **€276 million**, distributed between life and non-life insurance.

- **Non-life insurance premiums**, at **€198 million**, increased by 3.73% and the number of policies rose to 641,540. The boost to the activity is the outcome of the commercial effort, the alliance with Caser for distribution through the network of offices of this type of insurance and the effectiveness of the campaigns and promotions carried out throughout the year.
- **Revenues from life insurance risk**, **€78 million**, grew by 2.96%. Ibercaja Vida is the main support for this type of insurance within the "Risk Project".

LEASING AND RENTING

Ibercaja Leasing y Financiación S.A. specialises in financing productive activities through leasing and renting. It provides the branch network with products for SMEs and professionals to finance their investments in fixed assets and access goods under operating leases.

Outstanding exposure, **€619 million**, increased by 10.33% during 2019, a percentage that greatly exceeds the average growth of the industry (6.41%). **Market share, 2.84%**, **totalled 10 basis points** in the last twelve months (Source: Asociación Española de Leasing). Renting performed well, with a 63% increase in outstanding investment and a 71% increase in the vehicle fleet (4,535 units).

2

BUSINESS PERFORMANCE AND RESULTS

EL BANCO DEL Vamos

2.1. ECONOMIC AND FINANCIAL ENVIRONMENT

THE SPANISH ECONOMY HAS WEATHERED THE GLOBAL DOWNTURN, MAINTAINING A GROWTH RATE THAT, ALTHOUGH LOWER THAN THAT OF 2019, IS WELL ABOVE THE EUROPEAN AVERAGE.

WORLD ECONOMIC LANDSCAPE

The **world economy** **slowed in 2019**, with an estimated advance of less than 3%, below the average achieved over the past ten years. The slowdown is due to a number of factors, including: the trade war between the United States and China, uncertainty about the outcome of Brexit, the crisis in the automotive sector due to increased environmental pressures, the adverse effects on emerging countries of the rate hike in the United States in 2018, the appreciation of the dollar and the social conflicts that spread through some Latin American countries.

China's GDP growth of around 6% **is losing momentum, influenced by disputes with the United States** and government control to prevent excessive indebtedness. On the other hand, the transition towards a model based more on domestic demand and less dependent on exports in itself leads to slower growth in the Asian giant than seen in recent years.

The change in **Japanese GDP** for the year as a whole is estimated at close to 0.9%. Public spending emerged as an engine of growth after the government rolled out an ambitious infrastructure plan and implemented fiscal stimulus measures. Private consumption was boosted by the increase in VAT, as purchasing decisions were brought forward, and by the boom in the labour market, where the unemployment rate is less than 2.5%. Exports were hurt by the struggle between China and the United States, Japan's two main customers.

The **US economy**, despite slowing down, maintains an estimated rate of growth of close to 2.3% year-on-year. **Consumption displays great strength**, supported by an unemployment rate at historic lows and a vigorous increase, above 3%, in wages. Investment weakened after the strong push of 2018, while **exports are suffering from the global economic slowdown**, the climate of trade uncertainty and the appreciation of the dollar.

The **growth of the Eurozone** was **modest**. The year-on-year change in GDP, pending final data, could stand at 1.2%. The international environment and the weakening of world trade are taking their toll on a very open economy such as the European one, slowing down exports and hurting sales in the industrial sector. **The German economy was the hardest hit**, bordering even on recession, because of its greater dependence on manufacturing. Consumption behaved well and became the main driver of growth. Strong employment data - the unemployment rate has fallen to 7.5% - together with higher wages and financial tailwinds stimulated household spending. Inflation stood at 1.3% in December, well short from the ECB's target of close to 2% and at a similar level to underlying inflation.

MONETARY POLICY AND FINANCIAL MARKETS

Central banks turned around their monetary policies, as fears of a weakening of activity were confirmed, and adopted expansionary measures to revive the economy. The **Fed** cut the benchmark interest rate three times, bringing it down to the 1.5%-1.75% range. However, according to the statement after the December meeting, the Fed believes that the risks have been mitigated and does not expect further cuts in the short term. In September the ECB updated its monetary stimulus by linking any change in rates to inflation being close to 2%. The Bank set the marginal deposit facility at -0.50%, improved the financing conditions for targeted operations (TLTRO III) and in November resumed the asset purchase programme at a rate of €20 billion per month. It also decided to apply a new remuneration system to the reserves deposited by banks with the ECB, exempting the marginal deposit facility from payment in an amount equal to six times minimum reserves.

Equity markets had an especially good year. The main indices achieved advances of over 20%, driven by high available liquidity and a scarcity of profitable investment alternatives. In Europe, the Eurostoxx 50 was up 24.78%, the German Dax 25.48%, the French Cac 26.37% and the Italian FTSE 28.28%. In Spain, the increase of the Ibex 35, 11.82%, was dragged down by the high weight of the banking sector, which put in the worst relative performance. US markets displayed excellent tone, reaching levels close to historic highs. The Dow Jones closed the year with a 22.34% appreciation, while the Nasdaq, which lists the main technology companies, rose 35.23%.

In **fixed income markets**, expectations of a global economic slowdown and the shift towards more expansionary central bank monetary policies put pressure on sovereign and corporate debt rates. However, in the latter part of the year, in parallel with a general sense of improvement in the financial markets, there was a **rebound**, with fewer falls. In the United States, the 10-year government bond yield was around 1.8%, falling by more than 80 basis points during the year, while in Europe the German bond closed in a negative range of 0.3% to 0.35%.

SPANISH ECONOMY

The Spanish economy continued its expansionary phase with a more moderate advance than in previous years. **GDP growth**, **2% year-on-year**, showed a **clear slowdown compared to 2018, but was higher than the average for the Eurozone and the most advanced peer countries.**

Domestic demand contributes **1.5 percentage points to growth**. Household consumption, although slowing down, was the most important pillar of activity, favoured by wage increases and financing tailwinds. The investment faltered due to symptoms of depletion in the construction sector, while capital goods investment retained more dynamism. The household savings rate, after falling to historical lows in 2018, is recovering in line with expectations of a less benign economic scenario.

The **external sector** contributes **0.4 percentage points to GDP growth**, in a scenario where exports of goods have revived in the latter part of the year and the contribution of tourism, with increases in expenditure and number of visitors, remains key.

The decline in **employment data** and the trend in unemployment suggest that the slowdown is beginning to be transferred to the labour market. The number of unemployed, 3.2 million people, is **3.4% lower** than in December 2018. The Labour Force Survey shows an unemployment rate of 13.78%, 67 basis points lower than at the beginning of the year. The number of Social Security members reached 19.4 million, with an increase of almost 385,000 people, the lowest since 2013.

Inflation remains contained. The year-on-year rate of change in the CPI, after reaching lows in September and October, recovered slightly, due to the rise in fuel prices, to reach 0.8% in December, 20 basis points below that of a year earlier. This figure, which compares favourably with the European average of 1.3%, enables the Spanish economy to become more competitive in foreign markets. Core inflation, without unprocessed food and energy, 1%, remains virtually unchanged.

BANKING AND REGULATORY ENVIRONMENT

In the Spanish banking sector, **the interest rates context continued to adversely affect profitability.** The expansionary about-face in the ECB's policy, postponing once again the rate hike, adds pressure to a difficult situation and makes it necessary to continue to promote alternative sources of income and to influence the reduction of problem assets and cost containment through rationalisation of branch networks and extension of digitalisation.

Retail credit fell by 1.19%, moderating its rate of decline in line with the positive performance of the Spanish economy. Lending for productive activities recorded a fall of 2.25%, due to the excess liquidity amassed by companies and the use of alternative sources of financing. Household lending saw a slight contraction (-0.55%), explained by the decline in loans for home purchases (-0.78%), while consumption moderated its advance to 6.35% as a result of a more uncertain economic environment that encourages savings.

Retail customer funds **increased by 5.64% year-on-year**. Deposits from households and companies are up more than 5%, while mutual funds are up 7.56%, thanks to the gains obtained from the good performance of the markets.

The **volume of problem assets was significantly reduced**. The NPL ratio for credit to the private sector for all deposit institutions, 4.99% at November, fell by 85 basis points since December 2018. However, there was a slower pace of net recoveries, in line with the weakening of the economic cycle.

In the **regulatory sphere**, on 1 January 2019 IFRS 16 came into force, which establishes the principles for the recognition, measurement, presentation and breakdown of leases in order to ensure that the accounting information presents a true and fair view of these transactions. Law 5/2019 of 15 March regulating Real Estate Credit Contracts (LCCI) has been in force since 16 June. This Law transposes Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 into Spanish law with the aim of establishing certain rules for the protection of natural persons who are debtors or guarantors of the loans to which it refers. The law regulates the legal regime of lenders and intermediaries and contains rules of transparency and conduct that are binding upon them. In August the ECB published a review of its supervisory expectations on prudential provisions for new bad loans as a result of the enactment of Regulation 2019/630 of the European Parliament and of the Council amending minimum loss coverage for non-performing exposures. On 7 November the European Banking Authority (EBA) released the methodology and draft templates for the 2020 European banking stress test. This exercise, which will be carried out in the first half of 2020, will assess the resilience of banks to a hypothetical adverse economic shock and will serve as the basis for determining PRES capital requirements in 2020.

2.2 HIGHLIGHTS FOR THE PERIOD AT THE IBERCAJA GROUP

PROBLEM EXPOSURE DECLINED BY 37% AND THE CET1 FULLY LOADED RATIO ADVANCED 82 BASIS POINTS.

Against a backdrop of low interest rates, the Ibercaja Group's activity was aimed at protecting the profitability of the business by defending margins and diversifying sources of income, boosting the most profitable segments of lending, in addition to the asset management business and insurance. In addition, we highlight the reduction in recurring operating costs, the dynamic management of non-productive assets on the balance sheet and the significant increase in the Group's solvency ratios.

HIGHLIGHTS IN THE PERIOD WERE ESSENTIALLY AS FOLLOWS:

IBERCAJA EARNED A NET PROFIT OF €84 MILLION, DOUBLE THAT OBTAINED A YEAR EARLIER, DUE TO THE STABILISATION OF RECURRING REVENUE, A DECREASE IN OPERATING EXPENSES AND GRADUAL NORMALISATION OF THE COST OF RISK.

- **The decline in net interest income**, mainly due to the effect of interest rates on wholesale activity, **is almost entirely offset by the increase in non-banking fees.** The good performance of retail business was reflected in the increase in the return on loans and the lower cost of liabilities, which meant that the customer spread, 1.43%, rose by 4 basis points in the year.

Fee income accounted for 42% of recurring revenue, after growing 5.13%, due to the 13.55% increase in fees linked to asset management.

Recurring operating expenses, excluding those associated with the workforce adjustment of 2018, decreased by **2.12%.** Cost control led to a 99 bp improvement in the recurring cost-to-income of 63.70% in the last twelve months.

Recurring income before write-downs (net interest and fee income less ordinary operating expenses) came to **€342 million**, with a year-on-year change of 2.21%.

The reduction in non-performing assets translates into lower provisioning requirements, so that the cost of risk, **40 basis points**, fell 14 basis points compared to December 2018.

THE GOOD COMMERCIAL DYNAMICS ARE REFLECTED IN THE PROGRESSIVE STABILISATION OF HEALTHY LENDING, THE GROWTH OF RETAIL FUNDS, ESPECIALLY THOSE ASSOCIATED WITH ASSET MANAGEMENT AND INSURANCE, AND THE SUCCESSFUL LAUNCH OF NEW PRODUCTS AND THE IMPROVEMENT OF DIGITAL CHANNELS FOR CUSTOMER RELATIONS

Healthy lending is progressively stabilising owing to the contracting of new transactions, such that the year-on-year decrease is down to **0.31%,** compared to 0.53% a year ago. The generalised decline throughout the Spanish banking system in financing for home purchases is the main obstacle to achieving positive rates of change.

The growth in retail funds of **6.56%** is due to the good performance of the balance sheet (3.91%) and especially to asset management and insurance, the volume of which increased by 9.86%. Ibercaja Gestión and Ibercaja Pensión gained market shares of 5.06% (+27 bp vs. December 2018) and 5.84% (+4 bp vs. December 2018), respectively.

Ibercaja launched new asset and liability products linked to the "Banco del Vamos" communication concept. They feature attractive conditions that are helping attract new customers. Over the year, more than 52,000 "Vamos" accounts were opened, reaching a balance of **€390 million**.

In the area of **digital transformation**, customer relations channels have continued to improve and their use has been encouraged. The number of transactions carried out through distance banking is close to 72% of the total. **Active users** of digital banking now number almost **766,000** and those of mobile banking are up to **432,200.**

SOLID FUNDING STRUCTURE AND SIGNIFICANT IMPROVEMENT IN THE BANK'S RISK PROFILE DUE TO THE REDUCTION OF NON-PERFORMING ASSETS AND THE STRENGTHENING OF SOLVENCY RATIOS

Non-performing assets **fell by more than 40%** in the year, with the NPA ratio falling 277 basis points to below 4%. The balance of foreclosed properties contracted by 18.52% and their net proportion of the balance sheet barely surpasses 0.50%.

The aggregate of problem exposure, doubtful and foreclosed assets was reduced by €1,124 million in twelve months. The **problem asset** ratio, **5.78%,** fell by more than 3 percentage points, exceeding the target for this year of 6%. The coverage ratio of these assets was 51.63%.

The generation of income and the cleaning up of the balance sheet led to an improvement in solvency indicators. The **CET1 fully loaded ratio, 11.35%**, rose 82 basis points, while the total capital ratio rose to 15.45% (+95 bp vs. December 2018), comfortably exceeding, in both cases, the PRES 2020 requirements.

The Group has a **sound funding structure** based on the **deposits of retail** customers who account for 77% of outside funding, so the loan-to-deposit ratio (LTD) ratio is below 100%. The Group's **liquid assets** account for **20.69%** of the balance sheet and comfortably cover all wholesale debt maturities.

KEY INDICATORS:

FIGURES ROUNDED TO MILLION EUROS AND %

BALANCE SHEET	31/12/2019	31/12/2018	Change (%)
Total assets	55,422	52,706	5.15
Gross loans and advances to customers	32,563	33,724	(3.44)
Performing loan portfolio exc. reverse repurchase agreements	29,654	29,746	(0.31)
Total retail funds	60,643	56,907	6.56
Equity	3,241	3,160	2.56
Retail business volume	90,297	86,653	4.21

RESULTS	31/12/2019	31/12/2018	Change (%)
Net interest income	547	572	(4.35)
Gross income	927	967	(4.14)
Profit/(loss) before write-downs	326	298	9.65
Profit/(loss) attributable to the Parent	84	41	105.84

EFFICIENCY AND PROFITABILITY	31/12/2019	31/12/2018	Change
Recurring cost-to-income (ordinary expenses/recurring revenues)	63.70	64.69	(0.99) pp
ROA (profit attributable to the parent company/total average assets)	0.16	0.08	0.08 pp
RORWA (profit attributable to the parent company/RWA)	0.41	0.19	0.22 pp
ROE (profit attributable to the parent company/average own funds)	2.99	1.47	1.52 pp
ROTE (profit attributable to the parent company/average tangible own funds)	3.22	1.59	1.63 pp

RISK MANAGEMENT	31/12/2019	31/12/2018	Change
Non-performing balances (loans and advances to customers)	1,293	2,275	(43.15)
Non-performance rate of loans and advances to customers (%)	3.97	6.74	(2.77) pp
Ratio of Problem assets (%)	5.78	8.82	(3.04) pp
NPL coverage ratio	644	1,119	(42.42)
Coverage of non-performing exposures (%)	49.82	49.19	0.63 pp
Coverage of exposure to distressed assets (%)	51.63	51.48	0.15 pp

LIQUIDITY	31/12/2019	31/12/2018	Change
Available liquidity / total assets	20.69	20.71	(0.02) pp
Loan-to-deposit ratio (LtD)	92.47	97.98	(5.51) pp
LCR ratio (%)	307.07	306.78	0.29 pp
NSFR ratio (%)	131.42	130.45	0.97 pp

SOLVENCY	31/12/2019	31/12/2018	Change
CET1, phase-in (%)	12.27	11.67	0.60 pp
Solvency ratio, phase-in (%)	13.99	13.31	0.68 pp
Leverage ratio, phase-in (%)	5.85	6.04	(0.19) pp
CET1 - fully loaded (%)	11.35	10.53	0.82 pp
Total capital, fully loaded (%)	15.45	14.50	0.95 pp
Leverage ratio, fully loaded (%)	5.48	5.48	0.00 pp

ADDITIONAL INFORMATION	31/12/2019	31/12/2018	Change (%)
No. Group employees	5,304	5,302	(0.04)
No. of offices	1,084	1,115	(2.78)

2.3 ANALYSIS OF THE MAIN BALANCE SHEET FIGURES

A HIGHLIGHT WAS THE STRONG PROGRESS MADE IN RETAIL FUNDS AS A RESULT OF DYNAMIC COMMERCIAL ACTIVITY AND THE CLEANING-UP OF THE BALANCE SHEET.

KEY FIGURES ON THE CONSOLIDATED BALANCE SHEET:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Cash and credit institutions	4,573	1,367	3,206	251.38
Loans and advances to customers	31,919	32,605	(686)	(2.10)
Securities portfolio	15,787	15,556	231	1.48
Tangible assets	984	942	42	4.43
Intangible assets	213	204	9	4.31
Other assets	1,947	2,031	(85)	(4.18)
Total assets	**55,422**	**52,706**	**2,716**	**5.15**
Deposits from credit institutions and central banks	5,933	4,577	1,356	29.62
Customer deposits	34,925	34,081	844	2.48
Debt securities issued	1,480	1,640	(160)	(9.75)
Liabilities under insurance contracts	7,785	7,515	270	3.59
Provisions	316	349	(33)	(9.49)
Other liabilities	1,742	1,383	359	25.95
Total liabilities	**52,181**	**49,546**	**2,635**	**5.32**
Equity	**3,241**	**3,160**	**81**	**2.56**
Total equity and liabilities	**55,422**	**52,706**	**2,716**	**5.15**

ASSETS

Total assets on the consolidated balance sheet come to **€55,422 million**, 5.15% more than at year-end 2018.

Loans and advances to customers recognised as financial assets at amortised cost and financial assets not held for trading which must be measured at fair value through profit or loss came to **€31,919 million**, 2.10% less than at year-end 2018. In gross terms, i.e., without value adjustments for impairment of assets and other impairments, the loan portfolio amounted to €32,563 million. The 3.44% drop during the year is mainly due to the decrease in doubtful credit (-43.15%), which explains more than 80% of the drop. Sound investment, excluding non-performing assets and the temporary acquisition of assets, at €29,654 million, fell by only 0.31%, consolidating the trend towards stabilisation.

Loan and credit formalisations total €5,434 million. Of new production, 52.43% related to non-property production activities, in line with the growth target in this credit segment. 21.11% was allocated to housing financing for individuals, with the granting of fixed-rate mortgages accounting for 41% of the total. Property development accounted for 13.69% of loans and the rest was directed to consumer credit and other purposes. By geographical markets, the Home Markets and Madrid accounted for 37.49% and 30.61%, respectively, of lending in the year, while 17.16% was for the Mediterranean Basin. companies, €7,643 million, were up 8.46%.

DISTRIBUTION OF LOANS AND ADVANCES TO CUSTOMERS BY PURPOSE:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Loans to households	20,434	20,999	(564)	(2.69)
Housing	18,932	19,492	(560)	(2.87)
Consumer loans and other	1,502	1,507	(5)	(0.32)
Loans to companies	7,807	7,745	62	0.80
Real estate development	1,058	959	99	10.28
Non-real estate productive activities	6,750	6,786	(36)	(0.53)
Public sector and other	1,412	1,002	411	41.01
Gross loans, ex impairments and reverse repos	**29,654**	**29,746**	**(91)**	**(0.31)**
Reverse repurchase agreement	1,616	1,704	(88)	(5.16)
Impaired assets	1,293	2,275	(981)	(43.15)
Gross loans and advances to customers	**32,563**	**33,724**	**(1,160)**	**(3.44)**
Impairment losses and others	(644)	(1,119)	475	42.42
Loans and advances to customers	**31,919**	**32,605**	**(686)**	**(2.10)**

Performing credit allocated to productive activities reached €7,807 million, showing growth of 0.80%. Within this segment, financing to non-residential production activities fell slightly, while financing to real estate development rose by 10.28%, reflecting the incipient recovery of this sector. The balance of loans for **home acquisition** and renovation fell by 2.87% as a result of the deleveraging still being seen in the mortgage segment and the brake brought about by the entry into force of the new Ley de Crédito Inmobiliario (Real Estate Credit Act) in mid-year. **Consumer credit and other household financing** remained virtually flat, limited by the prudent policy for exposure expansion in the consumer business and the loss of pace in household spending. **Financing to the public sector and others** increased by 41.01%, although its weight in the portfolio, 4.76%, is limited.

DISTRIBUTION OF LOANS AND ADVANCES TO CUSTOMERS BY TYPE OF COLLATERAL:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Commercial loans	578	573	5	0.88
Loans secured with collateral	21,398	22,056	(659)	(2.99)
Other term loans	5,895	5,346	550	10.28
Finance leases	525	499	26	5.24
Receivables on demand and other	543	491	52	10.49
Valuation adjustments	66	40	26	64.29
Other financial assets	649	740	(91)	(12.28)
Gross loans, ex impairments and reverse repos	**29,654**	**29,746**	**(91)**	**(0.31)**
Reverse repurchase agreement	1,616	1,704	(88)	(5.16)
Impaired assets	1,293	2,275	(981)	(43.15)
Gross loans and advances to customers	**32,563**	**33,724**	**(1,161)**	**(3.44)**
Impairment losses and others	(644)	(1,119)	475	42.42
Loans and advances to customers	**31,919**	**32,605**	**(686)**	**(2.10)**

On the subject of loan security, lending secured by collateral (i.e. secured by real property) - mainly first home mortgages granted to individuals - was down 2.99%. Originations are insufficient to offset natural portfolio maturities and early redemptions. The strong growth in lending to productive activities can be seen in commercial lending (+0.88%), other term loans (+10.28%) and finance leases (+5.24%).

Asset quality indicators performed favourably, and doubtful loans accelerated the pace of reduction they experienced in 2018 due to lower entries into default, increased recoveries and sales of doubtful loan portfolios, with a nominal value of €607 million, carried out during the year. As a result, impaired loans and advances to customers, at €1,293 million, fell by 43.15% during the year. The NPA rate, 3.97%, fell 277 basis points from the previous December. The housing acquisition rate, the highest exposure in the Group's portfolio, is 3.18%, and its doubtful assets, with a lower expected loss from related collateral, represent 48% of total impaired assets vs. 30% sector. The coverage ratio of non-performing exposures rose 63 basis points to 49.82%.

ASSET QUALITY INDICATORS (NON-PERFORMANCE RATE, FORECLOSED ASSETS AND COVERAGE):

€ MILLION AND %

	31/12/2019	31/12/2018
Non-performing loans and advances to customers	1,293	2,275
Loans and advances to customers (gross)	32,563	33,724
Non-performance rate of loans and advances to customers (%)	**3.97**	**6.74**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,918	3,042
Exposure (loans and advances to customers + repossessed assets)	33,188	34,491
Problem asset index (%)	**5.78**	**8.82**
Non-performing loans and advances to customers	1,293	2,275
Coverage of non-performing exposures	644	1,119
Coverage of non-performing exposures (%)	**49.82**	**49.19**
Foreclosed assets (gross carrying amount)	625	767
Coverage of foreclosed assets	346	447
Coverage of foreclosed assets (%)	**55.38**	**58.25**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,918	3,042
Coverage of Problem assets	990	1,566
Coverage rate of Problem assets (%)	**51.63**	**51.48**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,918	3,042
Equity and problem asset coverage	3,812	4,323
Texas Ratio (%)	**50.32**	**70.36**

The **portfolio of foreclosed properties** recorded under the balance sheet captions "investment property", "inventories" and "non-current assets held for sale" totals **€625 million** gross, 18.52% less than at the end of 2018, as a result of the 30% drop in new entries. The coverage of these real estate assets is 55.38%, or 59.83% for unbuilt land. The net value of foreclosed properties stood at €279 million, representing just 0.50% of the balance sheet.

Problem assets, amounting to **€1,918 million**, the sum of non-performing loans and advances to customers and foreclosed properties, fell €1,124 million or 36.94% in relative terms. After deducting coverage, they account for 1.67% of assets. The problem asset ratio, 5.78%, fell by 3.04 percentage points in the last year and the coverage ratio was 51.63%. The Texas ratio, which relates non-performing assets to equity and coverage, decreased to 50.32%, thus improving by more than 20 percentage points.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. **Refinanced loans** amounted to **€988 million**, down 47.40% on year-end 2018 and accounting for 3.03% of gross loans and advances to customers. 69,43% of refinanced loans are classified as non-performing and their coverage is 32.25%.

The **portfolio of fixed income** securities, shares and other equity interests in companies totalled **€15,787 million**, of which €7,515 million relate to the insurance business. The increase, €231 million, was due mainly to the increase in equity, €287 million, owing to Ibercaja Vida's increased investment in units in investment funds that are managed jointly with liabilities under insurance contracts (unit-linked) measured at fair value. Fixed income declined by 57 million.

BREAKDOWN OF THE SECURITIES PORTFOLIO:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Financial assets held for trading	**0**	**0**	**0**	**---**
Debt securities	0	0	0	---
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**364**	**122**	**242**	**199.12**
Debt securities	79	83	(4)	(4.77)
Equity instruments	285	39	246	---
Financial assets at fair value through profit or loss	**9**	**10**	**(1)**	**(6.64)**
Debt securities	9	10	(1)	(6.64)
Financial assets at fair value through other comprehensive income	**8,086**	**8,755**	**(668)**	**(7.63)**
Debt securities	7,689	8,415	(726)	(8.63)
Equity instruments	398	340	58	17.01
Financial assets at amortised cost	7,218	6,544	674	10.30
Investments in joint ventures and associates	110	126	(16)	(13.01)
Total securities portfolio	**15,787**	**15,556**	**231**	**1.48**
Fixed income	**14,995**	**15,051**	**(57)**	**(0.38)**
. of which: ALCO portfolio	7,725	7,972	(247)	(3.10)
Equities	**793**	**505**	**287**	**56.91**
Investments in joint ventures and associates	110	126	(16)	(13.01)
Other equity instruments	683	379	304	80.21

According to the accounting classification, financial assets at fair value through other comprehensive income had a weight of 51.22%, financial assets at amortised cost represented 45.72% and the rest were non-trading financial assets mandatorily at fair value through profit or loss, together with investments in joint ventures and associates.

By type, fixed income, €14,995 million, accounted for 94.98% of the total. Stripping out the insurance business, the ALCO portfolio managed by the parent company, €7,725 million, is made up of low-risk bonds, mainly Spanish government debt and Sareb bonds, with an average duration of 4.07 years. The objective here is to soundly manage balance sheet interest rate risk, generate recurring earnings to strengthen net interest income and help maintain comfortable levels of liquidity. During the year, there was a decrease of €247 million, mainly in private fixed income and Spanish government debt. **Equities**, **€793 million**, mainly comprised listed shares of domestic and foreign companies, and interests in unlisted companies in strategic sectors for the Bank or intended for the territorial development of the regions in which the Bank operates.

The balance of assets at central banks and credit institutions and in cash, **€4,573 million**, increased by €3,206 million, and mainly concentrated in cash balances at central banks. **Liability positions in central banks and credit institutions** amounted to **€5,933 million**, €1,356 million more than in December 2018. The financing from the ECB, €1,629 million, was reduced by €1,712 million, since part of the financing from the TLTRO II programme maturing in 2020 has been repaid in advance. Deposits from credit institutions, €4,304 million, increased by €3,068 million, due to the higher volume of repurchase agreements with other institutions, partly as a result of the aforementioned early repayment of the TLTRO II program and the rest as a result of short-term transactions in the money market, with the higher balance of cash at central banks referred to above as an asset.

BREAKDOWN OF CASH AND ASSETS AT CREDIT INSTITUTIONS AND DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Cash and cash balances at central banks and other demand deposits	3,929	1,118	2,811	251.38
Credit institutions (financial assets at amortised cost)	644	249	395	158.70
Cash and credit institutions	**4,573**	**1,367**	**3,206**	**234.51**
Deposits - central banks	1,629	3,341	(1,712)	(51.24)
Deposits from credit entities	4,304	1,236	3,068	248.18
Deposits from credit institutions and central banks	**5,933**	**4,577**	**1,356**	**29.62**

Tangible assets amounted to **€984 million**, an increase of 4.43% in the year, mostly due to the impact of the initial application of IFRS 16 on 1 January 2019, which led to the recognition of €62 million in right-of-use assets. **Intangible assets** totalled **€213 million**, consisting mainly of goodwill, other items generated from the acquisition of Caja3 and computer software. The variation in the year, 4.31%, is due to the increase in investment in strategic projects derived from the Plan+ 2020 after deducting amortisation for the period.

Tax assets total **€1,340 million** and, within this, monetisable assets, whose recoverability does not depend on future tax earnings, amount to €643 million.

LIABILITIES AND EQUITY

Customer deposits, at **€34,925 million**, increased by €844 million or 2.48% in relative terms. The increase in retail deposits offsets the maturity of single mortgage-backed covered bonds (€430 million). Retail deposits, demand savings and traditional time deposits without mortgage-backed covered bonds or repurchase agreements grew by 3.91%. In the breakdown, the most liquid deposits, demand accounts, increased by 8.33%, including, together with mutual funds, the transfer of traditional time deposits, which fell by 18.38%, due to low profitability in line with the performance of market interest rates.

Debt securities issued, **€1,480 million**, fell by €160 million, due to the maturity of securitisation liabilities (€83 million in nominal value), wholesale subordinated debt (€73 million in nominal value) and the early redemption of preference shares (€5 million in nominal value).

Liabilities under insurance or reinsurance contracts, €7,785 million, were up 3.59% owing to the increase in technical provisions related to life insurance and other liabilities.

Retail customer funds, **€60,643 million**, increased by 6.56%. The balance of asset management and insurance, which accounted for 46% of the total, grew 9.86%, driven by the bank's policy of directing savings towards products with greater expectations of returns for the customer and by the capital gains accumulated during the year. The personal banking segment generated 60% of that growth, which, by geographical market, was particularly intense, almost 11%, in Madrid and Mediterranean Basin. The Group's market share in assets under management (excluding products marketed by third parties) and insurance, 4.80%, rose by 10 basis points over the year. (Source: INVERCO and ICEA).

BREAKDOWN OF CUSTOMER RETAIL FUNDS:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Retail customer deposits	32,772	31,540	1,233	3.91
Demand deposits	28,509	26,316	2,193	8.33
Term deposits (exc. covered bonds)	4,263	5,223	(960)	(18.38)
Asset management and insurance	27,870	25,638	2,502	9.86
Total retail customer funds	**60,643**	**56,907**	**3,735**	**6.56**

Provisions for on-balance sheet liabilities **(€316 million**) comprise funds for pensions and similar commitments, outstanding labour costs and other provisions, which include those covering risks associated with floor clauses in mortgage loan agreements (€13 million). The use of balances from previous years and new allowances in 2019 triggered a reduction of €33 million in this heading.

Equity totals €3,241 million, €81 million more than at the end of 2018. Growth in equity, €47 million, was the result of the period's earnings after deduction of the dividend payment, which was charged to the 2018 results, and of the coupon on the preference shares eligible as AT1. At the end of June, the Bank reduced capital by €1,930 million and, at the same time, set up a voluntary restricted reserve for the same amount. The transaction is purely technical in nature and does not alter the Group's equity or solvency ratios. Accumulated "Other comprehensive income" rose by €34 million, mainly due to the increase in unrealised capital gains on equity instruments (€37 million) and debt securities (€5 million), partially reduced by actuarial losses on defined benefit pension plans.

2.4 INCOME STATEMENT

IBERCAJA EARNED A NET PROFIT OF €84 MILLION, DOUBLE THAT OBTAINED A YEAR EARLIER, DUE TO THE STABILISATION OF RECURRING REVENUE, A DECREASE IN OPERATING EXPENSES AND GRADUAL NORMALISATION OF THE COST OF RISK.

MAIN HEADINGS OF THE INCOME STATEMENT:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)	% ATA (*) DEC-19	% ATA (*) DEC-18
Net interest income	**547**	**572**	**(25)**	**(4.35)**	**1.04**	**1.09**
Net fees and commissions and exchange differences	395	376	19	5.13	0.75	0.72
Gains/(losses) on financial assets and liabilities	7	44	(37)	(83.78)	0.01	0.08
Other operating profit/(loss)	(23)	(25)	2	8.71	(0.04)	(0.05)
Other operating income/expense	(36)	(36)	0	0.23	(0.07)	(0.07)
Dividends	13	11	1	10.14	0.02	0.02
Earnings at equity-accounted entities	0	(1)	1	167.13	0.00	0.00
Gross income	**927**	**967**	**(40)**	**(4.14)**	**1.76**	**1.85**
Operating expenses	600	669	(69)	(10.28)	1.14	1.28
. Of which: Recurring expenses	600	613	(13)	(2.12)	1.14	1.17
Profit before write-downs	**326**	**298**	**29**	**9.65**	**0.62**	**0.57**
Provisions, impairment and other write-downs	185	167	17	10.28	0.35	0.32
Other gains/(losses)	(13)	(50)	36	73.14	(0.03)	(0.09)
Profit/(loss) before tax	**129**	**81**	**48**	**59.15**	**0.24**	**0.15**
Taxes	45	40	5	11.55	0.08	0.08
Consolidated profit/(loss) for the year	**84**	**41**	**43**	**105.84**	**0.16**	**0.08**
Profit/(loss) attributable to the Parent	**84**	**41**	**43**	**105.84**	**0.16**	**0.08**
(*) AVERAGE TOTAL ASSETS	**52,780**	**52,303**	**477**	**0.91**		

Net interest income, at **€547 million**, fell by 4.35% year-on-year, mainly due to the lower contribution of the fixed-income portfolio, the excess liquidity remunerated at negative rates, the higher finance cost resulting from the application of IFRS 16 to leases, and the lower contribution of the Group's insurance business. The **good performance of the retail business** was reflected in the increase in the yield on loans and the lower cost of liabilities.

Loan revenues increased 1.17%. The decline in the average balance, mainly due to portfolio sales, was offset by the higher unit return. The average rate, 1.45%, added 4 basis points in one year, essentially as a result of the favourable impact of new transactions with higher returns and the slight recovery in the level of rates in the first part of the year before the turnaround in central banks' monetary policies. In turn, the cost of retail savings, 0.02%, remained virtually unchanged, with current savings gaining weight in the structure over traditional term deposits. As a result, the **customer spread**, 1.43%, rose by 4 basis points in the year.

The **return on the fixed-income portfolio**, **€69 million**, represents 10.40% of total interest income. The decrease, 14.58%, is due to the lower average balance (-10.44%) and the lower rate (0.97% vs. 1.02% in 2018) after sales and portfolio turnover.

The **spread on the Group's balance** sheet was **1.04%** at the end of 2019, 6 basis points lower than in 2018.

BREAKDOWN OF NET INTEREST INCOME:

(€ MILLION)	2019			2018			CHANGE 2019 / 2018		
	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	EFFECT VOLUME	EFFECT RATE	CHANGE NET
Financial intermediaries	3,868	14	0.36	2,474	16	0.65	9	(11)	(2)
Loans and advances to customers (a)	29,919	435	1.45	30,502	430	1.41	(8)	13	5
Securities portfolio	7,115	69	0.97	7,944	81	1.02	(8)	(3)	(12)
Income from insurance activity	7,511	145	1.92	6,798	133	1.95	14	(2)	12
Other assets	4,367	1	---	4,585	1	---	---	---	0
ASSETS (c)	**52,780**	**664**	**1.26**	**52,303**	**661**	**1.26**	**6**	**3**	**3**
Financial intermediaries	4,211	10	0.24	4,979	4	0.08	(1)	7	6
Retail deposits (b)	31,688	5	0.02	30,829	5	0.02	0	0	0
. Demand	26,920	2	0.01	25,032	1	0.01	0	1	1
. Term	4,767	3	0.06	5,797	4	0.06	(1)	0	(1)
Wholesale issues	3,877	66	1.69	4,373	70	1.59	(8)	4	(4)
Costs of insurance activity	7,765	32	0.41	7,306	8	0.11	1	23	24
Other liabilities	5,239	4	---	4,816	2	---	---	---	2
LIABILITIES & EQUITY (d)	**52,780**	**116**	**0.22**	**52,303**	**89**	**0.17**	**1**	**27**	**28**
Customer spread (a-b)			**1.43**			**1.39**			
Balance sheet spread (c-d)			**1.04**			**1.09**			

Note: In accordance with accounting rules, income from the application of negative rates is allocated according to its nature. "Financial intermediaries" on the assets side includes the negative interest on the financial intermediaries' balances on the liabilities side, the most significant of which is the income from TLTRO II. Symmetrically, "Financial intermediaries" on the liabilities side includes negative interest on the balances of financial intermediaries on the assets side.

Net fees and exchange differences totalled **€395 million**, with year-on-year growth of 5.13%. Fees from marketing and asset management rose by 13.55% due to the increase in fees linked to funds and portfolio management, offsetting the decrease (-6.02%) in fees linked to banking activity, which impacted by the reversal of fees for claiming unpaid balances.

BREAKDOWN OF NET FEES:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Fees for contingent liabilities and commitments	14	14	0	(1.21)
Collection and payment services fees	118	115	2	2.04
Securities services fees	62	40	21	52.30
Non-bank financial product marketing fees	195	188	7	3.83
Other fees	24	34	(10)	(28.80)
Fees received	**412**	**392**	**21**	**5.30**
Fees paid	**19**	**17**	**2**	**11.55**
Exchange differences	**1**	**1**	**0**	**70.90**
Net fees and commissions and exchange differences	**395**	**376**	**19**	**5.13**
Fees for marketing and asset management	243	214	29	13.55
Banking fees and commissions	152	162	(10)	(6.02)

Gains on financial transactions, **€7 million**, was 83.78% lower than in 2018. The realisation of gains on fixed-income securities offset the €42 million in losses resulting from the sale of two loan portfolios and the €3.2 million impairment of the subordinated debt of Sareb.

The **net of other operating income and expenses detracts €36 million** from the gross margin, a figure very similar to that of 2018. This section caption, among others, income and expenses covered by insurance or reinsurance contracts, income and expenses from non-financial activities and contributions to the Deposit Guarantee Fund (€48.5 million), the National Resolution Fund (€10.4 million) and the expense (€3.2 million) of the provision for conversion of deferred tax assets into an account receivable from the Spanish tax authorities.

After adding the balance of €13 million of the remaining items (return on equity instruments and profit/(loss) of companies accounted for using the equity method), **gross income** totalled **€927 million**. The 4.14% decline is basically the result of the reduction in net trading income, as recurring revenue, the sum of net interest income and net fees and commissions, remained practically stable.

Operating expenses, **€600 million**, were down 10.28%. Excluding the impact of workforce adjustment costs in 2018, the decline is 2,12%, in line with the strategic objective of cost containment and improved efficiency. Personnel expenses without extraordinary items fell by 0.77%, due mainly to the decrease in salary costs and contributions to pension plans, as a result of staff layoffs. The implementation of IFRS 16 makes it advisable to examine as a whole the other general administrative expenses and amortisation, since it has resulted in a reduction in rental expenses and, simultaneously, a similar increase in amortisation. As a result, other general administrative expenses and amortisation and depreciation fell 4.09%. The increase in expenditure linked to systems maintenance, licences and IT development and software is offset by a reduction in contributions and taxes, advertising and publicity, together with communications.

The **cost-to-income ratio**, defined as the quotient of ordinary operating expenses and gross income, stood at **64.76%.** The **recurring cost-to-income ratio**, measured as ordinary expenses over recurring revenue, **63.70%,** improved by almost one percentage point from one year earlier.

BREAKDOWN OF OPERATING EXPENSES:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2019	31/12/2018	CHANGE	CHANGE (%)
Wages and salaries	270	276	(6)	(2.20)
Social security contributions	71	66	5	7.04
Contribution to pension funds and insurance policies	17	18	(1)	(6.07)
Severance payments	---	56	(56)	---
Other personnel costs	3	3	0	(10.23)
Personnel expenses	**361**	**420**	**(59)**	**(13.96)**
Buildings, installations and office equipment	31	48	(17)	(35.78)
Systems maintenance, licences, IT development and software	22	19	3	14.40
Communications	12	15	(3)	(18.50)
Advertising and publicity	6	7	(1)	(12.20)
Charges and taxes	20	25	(5)	(21.49)
Other management and administration expenses	81	84	(3)	(3.21)
Other general administrative expenses	**172**	**198**	**(26)**	**(13.20)**
Depreciation and amortisation	**67**	**51**	**16**	**31.07**
Operating expenses	**600**	**669**	**(69)**	**(10.28)**
Operating expenses without workforce adjustment costs	**600**	**613**	**(13)**	**(2.12)**
Personnel expenses ex WAP costs	361	364	(3)	(0.77)
Other general administrative expenses + amortisation	239	249	(10)	(4.09)

Recurring income before provisions, defined as net interest and fee income less ordinary operating expenses, came to **€342 million**, 2.21% more than a year earlier. Provisions and write-downs reported as losses on impairment of financial assets, non-financial assets, non-current assets held for sale and allowances for provisions totalled €185 million. **Write-downs on loans and real estate assets** amounted to **€134 million**, down 28.11%, due to a decrease in new NPLs, an increase in recoveries and a decrease in foreclosed assets and the lesser impact of revised appraisals than in 2018. **The cost of the Group's risk**, calculated as the percentage of impairments on loans and real estate in relation to average exposure, is **40 basis points**, which is 14 basis points less than at December 2018.

"Provisions", which includes provisions for pensions, litigation, pending tax disputes, commitments and guarantees granted and other provisions, gives a net expense of €37 million.

"Other gains and losses" include the results of the sale of property, plant and equipment and business interests, as well as the payment of fees for the marketing of foreclosed properties. This caption detracts **€13 million** from results, compared to €50 million last year, when higher losses were recorded associated with the sale of a portfolio of foreclosed properties and other assets.

The **Group's pre-tax** profit amounted to **€129 million**. After deducting the corporate income tax expense, **profit attributable to the parent** is **€84 million**, almost double that of 2018.

iberCaja

3 FUNDING AND LIQUIDITY STRUCTURE

EL BANCO DEL Vamos

RETAIL DEPOSITS ARE THE MAIN SOURCE OF OUTSIDE FUNDING.

Ibercaja has traditionally employed a **conservative liquidity policy** **as it seeks to finance its lending activity with retail customer funds**. The Bank prudently manages its liquidity and ensures that its sources of financing are balanced and well-diversified, anticipating needs so as to honour its obligations as these fall due without compromising its investment activity.

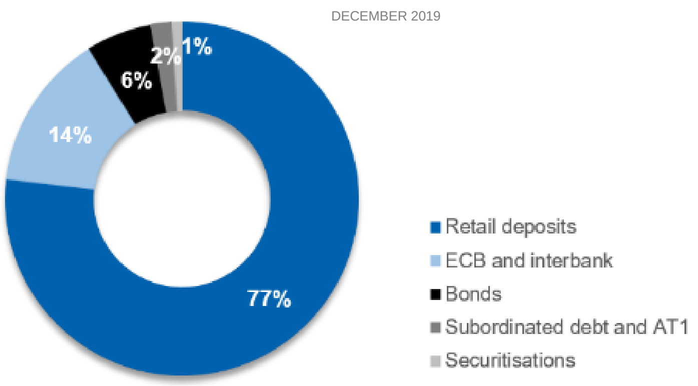
The basic principles governing this strategy are as follows: active management through a continuing control system based on internal limits and indicators documented in the Liquidity Manual; establishing measures and actions to respond to crisis scenarios (Contingency Plan); harnessing the various alternatives offered by the market to diversify investments in relation to their duration and ensure a suitable mix of highly-liquid instruments; and maintaining a significant asset buffer to at the ECB to cover possible tensions.

Liquidity risk is measured by taking into account the estimated cash flows from assets and liabilities, as well as any additional collateral or instruments that may be needed so as to ensure alternative sources of liquidity. Short, medium and long-term outlooks are prepared in order to gauge financing needs and limit compliance. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown on the balance sheet, as well as contingent liabilities and derivative products. Liquidity risk is also controlled by establishing exposure limits, thus keeping the Bank's exposure within ranges that are compatible with the approved policies.

Note 3.8. to the annual accounts for 2019 provides a more detailed explanation of the Bank's strategy and policies for managing liquidity risk, as well as the associated measurement and control procedures.

BREAKDOWN OF FINANCING STRUCTURE:

Retail customer deposits are **the main source of outside funding, accounting for 77% of the total**. Nearly 80% of the total is classified as stable, based on Bank of Spain regulations, which illustrates the engagement and trust our customers place in the Bank. The loan to deposit ratio (LTD) stands at 92.47%.



Wholesale funding supplements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.

Central bank deposits, at **€1,629 million**, fell by 51.24% due to the early repayment of part of the financing under the TLTRO II programme maturing in 2020. As a result, their weight in the total of outside financing decreased from 8.22% in December 2018 to 3.82% at the end of 2019.

Deposits from credit institutions, **€4,304 million**, represent 10.09% of outside financing, compared to 3.04% at the end of 2018. The increase of €3,068 million was due to the higher volume (€2,964 million) of repurchase agreements with other institutions whose assets comprise a higher cash balance at central banks.

Customer deposits, which account for 81.88% of total financing (83.87% in 2018), rose 2.48% from €34,081 million in December 2018 to **€34,925 million** in December 2019. The growth in retail deposits, 3.91%, offset the maturity of single mortgage bonds (€430 million in nominal terms).

Debt securities issued, **€1,480 million**, fell 9.75%, representing 3.47% of outside financing (4.04% in 2018). The decrease is the result of the falling due of securitisation liabilities (€83 million in nominal value), wholesale subordinated debt (€73 million in nominal value) and early redemption of preference shares (€5 million in nominal value).

BREAKDOWN OF OUTSIDE FUNDING:

FIGURES ROUNDED TO MILLION EUROS AND %

	31/12/2019		31/12/2018		CHANGE	
	BALANCE	%	BALANCE	%	BALANCE	%
Deposits - central banks	1,629	3.82	3,341	8.22	(1,712)	(51.24)
Deposits from credit entities	4,304	10.09	1,236	3.04	3,068	248.18
Customer deposits	34,925	81.88	34,081	83.87	844	2.48
Of which: retail deposits	32,772	76.83	31,540	77.62	1,233	3.91
Debt securities issued	1,480	3.47	1,640	4.04	(160)	(9.75)
AT1 issue	317	0.74	334	0.82	(17)	(5.13)
Outside Funding	**42,656**	**100.00**	**40,633**	**100.00**	**2,023**	**4.98**
Retail financing	32,772	76.83	31,540	77.62	1,233	3.91
Wholesale financing	9,883	23.17	9,093	22.38	790	8.68

Available liquidity, **€11,468 million**, increased by 5.05% to 20.69% of assets. Virtually all of these assets are eligible as collateral with the ECB. Meanwhile, the Bank's capacity to issue mortgage covered bonds and public sector covered bonds was €7,307 million, bringing total fund availability to €18,775 million.

The liquidity coverage ratio **(LCR)**, which measures the level of high-quality liquid assets free of charges needed to overcome a liquidity stress scenario at 30 days, stands at 307.07%, well clear of the 100% regulatory requirement. The **NSFR** ratio is **131.42%.** This indicator shows the proportion of funding for one year covered by stable liabilities, the aim being to ensure an even balance sheet structure that limits excessive reliance on short-term wholesale funding.

Available funds under the ECB facility amounted to €4,983 million. Almost all of the Bank's other eligible assets not pledged under ECB facilities are Spanish public debt and would allow the Bank to obtain further liquidity immediately if needed.

The Bank's maturities of wholesale market issuances present a staggered redemption schedule through to 2027. In 2020 and 2021, redemptions, net of treasury shares, will total €927 million and €525 million, respectively, jointly representing 2,6% of the Bank's assets. All these placements can be comfortably redeemed using available liquidity.

LIQUIDITY INDICATORS:

FIGURES ROUNDED TO MILLION EUROS AND %

	31/12/2019	31/12/2018
Cash and central banks	3,671	888
Available in policy	4,983	4,761
Eligible assets not included in the policy	2,432	4,836
Other assets not eligible for ECB	381	432
Available liquidity	**11,468**	**10,917**
Issuance capacity for mortgage covered and public sector covered bonds	7,307	6,290
Total availability of liquidity	**18,775**	**17,207**
Available liquidity / total assets (%)	20.69	20.71
Loan-to-deposit ratio (%)	92.47	97.98
LCR (%)	307.07	306.78
NSFR (%)	131.42	130.45

With regard to **the expected trends and fluctuations in liquidity**, the outlook for the business would indicate that the Group will have adequate levels of liquidity in the short and medium term, and in line with both internal management and regulatory limits, given the scant significance of wholesale maturities, the high weight of retail funding and the situation of capital markets.

4 CAPITAL MANAGEMENT

EL BANCO DEL Vamos

IBERCAJA HAS STRENGTHENED ITS CAPITAL RATIOS, WHICH FAR EXCEED REGULATORY REQUIREMENTS.

The **Group's capital management** is designed **to ensure that regulatory requirements are fulfilled at all times and to maintain an adequate relationship between the risk profile and own funds.** Capital adequacy is self-assessed on a regular basis through processes to identify, measure and aggregate risks in order to determine the capital needed to cover them. Above and beyond minimum regulatory capital requirements, the Group sets itself a capital target that exceeds actual needs and it forecasts capital sources and consumption on the basis of business performance and expected results in the mid term.

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, the Bank will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11 of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity. The ultimate aim here is to maintain sufficient capital and liquidity with which to absorb unexpected losses under severe stress situations.

The ECB has notified its decision with respect to the prudent **minimum capital requirements for 2020** applicable to Ibercaja Banco, following the supervisory review and evaluation process (SREP). The decision, which is unchanged with respect to 2019, means that Ibercaja Banco must maintain a common equity tier 1 (CET1) ratio of 9.0% and a total capital ratio of 12.5%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (2.0%) and the capital conservation buffer (2.5%). In addition, the Single Resolution Board has established that Ibercaja must achieve from 1 January 2023 a minimum volume of own funds and eligible liabilities **(MREL requirement)** of 20.54% in terms of risk-weighted assets calculated at the close of financial year 2017. As of December 2019, this ratio amounts to 16.40%.

SOLVENCY PERFORMANCE AND KEY INDICES:

(MILLIONS OF EUROS AND %)	PHASED IN		FULLY LOADED	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Tier 1 capital	2,848	2,846	2,656	2,570
Common Equity Tier 1	2,498	2,496	2,306	2,220
Additional Tier 1 capital	350	350	350	350
Tier 2 capital	483	488	483	488
Eligible own funds	3,331	3,333	3,138	3,057
Risk-weighted assets	20,363	21,379	20,312	21,084
RWA density (RWAs/total assets)	36.74	40.56	---	---
CET1 (%)	**12.27**	**11.67**	**11.35**	**10.53**
AT1 (%)	**1.72**	**1.64**	**1.72**	**1.66**
Tier I (%)	**13.99**	**13.31**	**13.07**	**12.19**
Tier 2 (%)	**2.37**	**2.28**	**2.38**	**2.31**
Solvency ratio (%)	**16.36**	**15.59**	**15.45**	**14.50**
Leverage ratio (%)	**5.85**	**6.04**	**5.48**	**5.48**
MREL ratio (%)	**16.40**	**15.81**		

Total eligible own funds come to €3,331 million and represents a solvency ratio of 16.36%, with an increase of 77 basis points in the year. The phased-in CET1 ratio, which measures the relationship between Tier 1 capital and risk-weighted assets, was 12.27%, increasing 60 basis points in the year. These capital levels imply, based on the SREP requirements communicated by the Supervisor, an excess of CET1 and total Capital of 3.27 and 3.86 percentage points, respectively.

In fully loaded terms, CET1 amounts to 11.35%, representing a growth of 82 basis points in the year, while the total capital ratio adds 95 basis points, to 15.45%. The Group strengthened its solvency through the organic generation of capital via earnings, the decline in doubtful assets which reduced the risk weighting and the healthy performance of latent capital gains in fixed-income and equity portfolios. The leverage ratio, 5.48%, is well above the minimum requirements.

BREAKDOWN OF CET1 FULLY LOADED RATIO:

In accordance with the definition of distributable items in the CRR regulation, the balance of these items in Ibercaja Banco individually, as at 31 December 2019, amounted to €313 million.

5

RISK MANAGEMENT

EL BANCO DEL Vamos

RISK MANAGEMENT, BOTH FINANCIAL AND NON-FINANCIAL, IS KEY IN IBERCAJA'S BUSINESS DEVELOPMENT STRATEGY.

Global risk management is essential to preserving the Bank's solvency and capital adequacy. Its **strategic priorities** include the development of systems, tools and structures that will allow for the permanent measurement, monitoring and control of risk exposure levels, while assuring an adequate relationship with the Bank's own funds and responding to the requirements of regulators, supervisors and markets.

Risk management is organised through the **Risk Appetite Framework**, the key aim of which is to establish a set of principles, procedures, controls and systems through which the Group's risk appetite is specified, communicated and monitored. Risk appetite is the level or profile of risk that the Bank is willing to accept and maintain, in terms of type and amount. Risk appetite must be geared towards achieving the targets of the Strategic Plan, in accordance with the established lines of action.

While **credit risk** is the most significant threat to the Bank's business, risk management also covers counterparty, concentration, market, liquidity, interest rate, operational, business, reputational and insurance risks. Additionally, the Bank established a range of measures and procedures to minimise **non-financial risks**, such as reputational and compliance risks, and takes into account risks related to social issues, human rights and sustainability, analysing and incorporating them progressively in the Risk Appetite Framework. Ibercaja hence joined the **United Nations Global Compact** in 2006 and in October 2019 signed the **United Nations Principles for Responsible Banking**, ratifying its commitment to sustainability. Since 2016, the Bank has had a **Corporate Social Responsibility Policy** that sets out the principles of action and commitments to responsible management that it assumes. In addition, it is developing the **Integrated Sustainability Plan** for the integration of environmental, social and good governance aspects into business and decision-making at all levels. It has an appropriate governance structure that is detailed in the Non-Financial Statement. Also in 2019, the Bank signed the "Business Commitment for a Fair Transition and Decent Green Jobs" promoted by the CEOE, the New Deal for Europe initiative, "CEOs call to action", which shows the commitment of European companies to sustainability, the CEOPorLaDiversidad Alliance, led by the Adecco Foundation and the CEOE Foundation, and the Collective Commitment to Climate Action of the Spanish financial sector, presented at the COP25 summit in Madrid.

Note 3 to the Grupo Ibercaja Banco's 2019 consolidated financial statements provides more extensive and detailed information on the management of each type of risk.

6

RESEARCH, DEVELOPMENT AND TECHNOLOGY

IBERCAJA, AWARE OF THE NEW CHALLENGES THAT THE BANKING SECTOR MUST FACE, IS IMMERSED IN AN AMBITIOUS PROGRAMME OF DIGITAL TRANSFORMATION.

Technological innovation plays a key role in the banking sector at a time of significant change for the sector: transformation of customer habits, need to improve the efficiency of operational processes to gain competitiveness, emergence of new players, fintech, which are making inroads in the retailing of financial products, and regulation in continuous change.

Ibercaja, aware of the need to face the new challenges, has devised an ambitious **programme of digital transformation** within its Strategic Plan 2018-2020. Its objective is to satisfy the customer needs and expectations, boost competitive advantages by enhancing omnichannel as a supplement to the personal attention given by managers, and ensure maximum agility and efficiency of the operational processes of both the branch network and central services.

THE MOST RELEVANT ACTIONS BEING TAKEN IN THIS AREA, SOME OF WHICH ARE COMPLETE AND OTHERS IN PROGRESS, INCLUDE THE FOLLOWING:

Deployment of the new Commercial and Management System, aligned with the Leadership Model, which contributes to driving change in the way offices work, makes them more efficient and, at the same time, improves the experience of both customers and employees.

Completion of the **irregular risk management tool** that optimises recovery processes, making them more effective in recovery and in the building of viability solutions.

As part of the strategic project for the **implementation and development of a Data Governance Framework**, progress has continued to be made towards promoting continuous improvement in the standardisation, traceability, quality and availability of data in order to maximise the value of data as an engine for generating business. Governance and data quality procedures have been deployed in two areas selected as pilots: Datamart of guarantees and regulatory reporting of non-performing assets.

The **Ibercaja App for mobile banking** has evolved and incorporates new functionalities, such as the payment of taxes by taking a photo, the ability to sign documents without having to go to an office and the new functionality of aggregation of positions in other financial institutions. The sale of the main non-life risk insurance lines (health, car and home) is planned through this channel in the near future.

The **digitalisation of processes** facing the end customer, such as the omnichannel signature of documents that can be done through any mobile device prior to generation of a copy of the document that is sent to the client's mailbox for verification and consultation.

The new website www.ibercaja.es and digital banking for companies focused on enhancing user experience and promoting business and the relationship with Ibercaja.

Ibercaja is developing **the first chat bot in insurance that answers specialised questions** through artificial intelligence.

Renovation and updating of the **ATM park** to offer maximum simplicity and ease of use and incorporate new functionalities that allow users improved interaction and better accessibility for people with functional diversity and support multiple transactions with less waiting time. In addition to a cash withdrawal, it is possible to deposit cash, recharge one's mobile phone, buy tickets for shows and pay tax, among others.

7

CONSOLIDATED NON-FINANCIAL STATEMENT

EL BANCO DEL Vamos

7.1 INTRODUCTION

This statement is in response to **Law 11/2018** amending the Commercial Code, the consolidated text of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, in the area of **non-financial information and diversity**. This statement has been prepared taking into account the **European Commission's Guidelines** on non-financial reporting and its supplement on **climate-related information**, as well as the recommendations provided by the CNMV to the Bank.

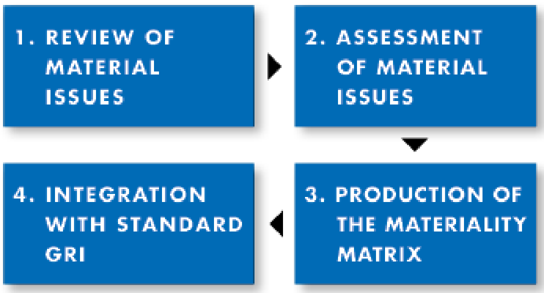
The **scope of the report** coincides with that of the consolidated financial statements, except for those aspects indicated in the final table of this section “Requirements of Spanish Law 11/2018 regarding Non-financial Information and Diversity”.

Ibercaja has adhered to the recommendations of the **Task Force for Climate Related Financial Disclosures**, as a guide for the development of climate related information, and signed in October the United Nations **Principles for Responsible Banking**, as a framework for action for a financial system that acts as a lever for sustainable development.

This **Non-Financial Statement** contains significant information for the Bank on environmental, social and personnel issues, on respect for human rights, on the fight against corruption and bribery and on society. It also includes a number of key non-financial performance indicators of the Entity.

The selection of significant aspects in these questions reflects the **materiality analysis** carried out by the Bank last year. The analysis identified, through surveys, those issues that are most relevant to stakeholders, both internally and externally, and which therefore form an essential part of this report.

THE MATERIALITY MATRIX WAS CARRIED OUT IN FOUR PHASES:



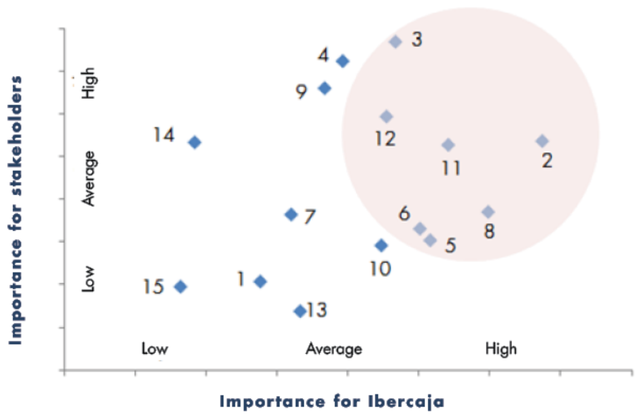
THE MATERIAL ISSUES IDENTIFIED WERE:

1. Corporate governance of the Bank	6. Marketing model and advice to customers	11. Talent attraction and retention
2. Solvency/profitability/ financial strength	7. IT security and data protection	12. Social action/projects in support of the community
3. Ethical conduct and integrity	8. Digital transformation and multichannel model	13. High social or environmental value financial products
4. Risk management and compliance	9. Respect for human rights	14. Environmental management
5. Transparency in customer relations and communications	10. Diversity and work-life balance	15. Relations with suppliers and partners

AN INTERNAL AND EXTERNAL CONSULTATION WAS CARRIED OUT BY MEANS OF PERSONALISED ONLINE SURVEYS WITH THE MAIN STAKEHOLDERS:

EXTERNAL CONSULTATION		INTERNAL CONSULTATION
CUSTOMERS	SUPPLIERS	EXECUTIVES
SOCIETY	SHAREHOLDERS	FINANCIAL AREA (STRATEGY)
EMPLOYEES	INVESTORS	FINANCIAL GROUP
ADVISORY BOARD OF THE REVISTA DE ECONOMÍA ARAGONESA		

The **survey results** are the basis of the matrix constructed (attached graph), which identifies the material aspects that are addressed in this non-financial statement and in the Annual Report of the Ibercaja Banco Group:



MATERIAL ASPECTS IDENTIFIED:

Ibercaja has included all such non-financial information in this directors' report. It also draws up an **Annual Report**, which explains the Bank's social and environmental policies and its commitment and performance when it comes to Sustainability. In it, the Bank provides detailed information on its actions in the matters described above.

For the preparation of non-financial information, Ibercaja follows the Standards of the Global Reporting Initiative (GRI). **The selection of GRI standards included, in response to the study of materiality, is shown in the following table:**

LIST OF MATERIAL ISSUES AND STANDARD GRI

MATERIAL ISSUES IDENTIFIED	RELATED GRI STANDARDS
SOLVENCY / PROFITABILITY /FINANCIAL STRENGTH	Financial performance * Market presence Indirect economic impacts
ETHICAL CONDUCT AND INTEGRITY	Ethics and integrity * Governance Unfair competition Anticorruption * Audit Non-discrimination *
TRANSPARENCY IN RELATIONS WITH CUSTOMERS AND COMMUNICATIONS	Organisation profile Customer privacy * Customer health and safety Marketing and labelling * Active ownership
MARKETING MODEL AND ADVICE TO CUSTOMERS	Customer health and safety Customer privacy Marketing and labelling Product portfolio *
DIGITAL TRANSFORMATION AND MULTICHANNEL MODEL	Strategy
TALENT ATTRACTION AND RETENTION	Employment * Worker-employer relations * Training and education * Occupational health and safety *
SOCIAL ACTION / PROJECTS IN SUPPORT OF THE COMMUNITY	Local communities * Socioeconomic compliance
ENVIRONMENTAL MANAGEMENT	Materials; Energy; Waters, Emissions; Effluents and wastes * Environmental compliance

* MATERIAL ASPECTS INCLUDED IN THE NON-FINANCIAL STATEMENT, IN COMPLIANCE WITH LAW 11/2018 ON NON-FINANCIAL INFORMATION AND DIVERSITY. (CNMV RECOMMENDATION 13.I)

Ibercaja's **Corporate Purpose** is

**"TO HELP PEOPLE BUILD
THE STORY OF THEIR LIVES,
BECAUSE IT WILL BECOME OUR STORY."**

Ibercaja is hence committed to a universal banking model focused on the retail business, with **customers at the heart of its strategy** and with **quality service** and **sound advice** as its **hallmarks**.

When carrying on its financial activity, the Bank firmly believes that its plans and actions should help ensure well-balanced economic growth, social cohesion and environmental protection. Sustainable action is part and parcel of the Bank's internal management model and inspires all its business activities: Ibercaja is committed to the **Sustainable Development Goals** of the United Nations, and each year it deepens the implementation of actions in the SDGs where we can have a greater impact.

Risk control, identification, measurement and monitoring are key to Ibercaja's business. The Bank takes into consideration both financial and **non-financial risks** (operational, reputational, technological and legal), the latter of which are becoming ever more important in global risk management. These risks were analysed and, in some cases, progressively incorporated into the Bank's Risk Appetite Framework, and are taken into account for management, both in the short and long term. In identifying reputational risks, those having an environmental source are also considered. Likewise, within the framework of the Bank's Environmental Management System, risks and opportunities relating to climate change were identified.

Ibercaja Banco has a **Corporate Social Responsibility Policy**, approved by the Board of Directors in 2016, which includes the principles of action and commitments of responsible management that the Bank takes on facing its main stakeholders, which are: **customers, people, investors and shareholders, suppliers, environment and the wider community.**

Corporate Social Responsibility is part of the **Comprehensive Sustainability Plan** being developed by the Bank. The Bank has the following governance structure for **managing sustainability** and integrating environmental, social and **governance issues** into its business and strategy:

- **BRAND, REPUTATION AND SUSTAINABILITY UNIT**, reporting directly to the CEO, is tasked with promoting, defining and coordinating the sustainability strategy of Ibercaja Banco while collaborating with the areas involved in implementing that strategy.

- **REPUTATION AND SUSTAINABILITY COMMITTEE**, operating at senior management level and chaired by the CEO, is responsible for validating and supervising the Bank's Sustainability Strategy, as well as all programmes and initiatives that are launched under the strategy. The Unit refers to the Strategy Committee the relevant matters to be approved by the Board of Directors (CSR Policy, Code of Ethics, Corporate Purpose).

- **SUSTAINABLE FINANCES TEAM**, a transversal task force comprising the Bank's main business areas, is responsible for defining and implementing **the sustainability road map** at the Ibercaja Banco Group.

- **ENVIRONMENT COMMITTEE**, oversees compliance with the current Environmental Policy and promotes good environmental management at the Bank by ensuring the sound and proper functioning of the Environmental Management System.

- **ENVIRONMENT TEAM**, comprising volunteer employees from various areas and departments, who are asked to come up with actions for raising awareness and driving best environmental practices across the Group.

- **EFR COMMITTEE**, responsible for implementing the efr plan to ensure a healthy balance between the personal, family and working lives of employees. Ibercaja has earned the **EFR** (empresa familiarmente responsable in Spanish) badge, which certifies the Bank's proactive commitment to ensuring a suitable work-life balance.

Ibercaja has been a signatory to the **UN Global Compact since 2006**, thus ratifying that its activities are carried out in accordance with the principles enshrined in the Global Compact. The Annual Report describes the progress made in implementing the ten principles of the UN Global Compact when it comes to corporate social responsibility.

IN 2019, RATIFYING ITS COMMITMENT TO SUSTAINABILITY, IBERCAJA JOINED THE FOLLOWING INITIATIVES:

- **Business Commitment for a Fair Transition and Green Jobs**, promoted by CEOE, which was presented at the United Nations Climate Action Summit on October 23, 2019.

- Ibercaja's CEO signed the Bank's adherence to the **New Deal For Europe initiative, "CEOs call to action"**, which shows the commitment of European companies to sustainability.

- **Alliance #CEOPorLaDiversidad**, led by the Adecco Foundation and the CEOE Foundation, which reinforces the inclusive model that the entity works on, promoting a diverse workforce and fostering the integration of disability.

- **Collective Commitment to Climate Action**: On 9 December 2019, Ibercaja signed a climate action commitment by the Spanish financial sector in the framework of COP25, promoted by the AEB, the CECA and the ICO. The agreement specifies the collective commitment of the main Spanish banks to measure the carbon footprint of their balance sheets and reduce the climate impact of their financial activity.

7.2 MATTERS RELATING TO THE ENVIRONMENT

To advance in the integration of climate change in reporting, following the guidelines developed at international level, **Ibercaja adhered to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)**. In its annual report, the Bank sets out a first approach to each of the areas proposed by the TCFD: governance, strategy, risk management and metrics and objectives, which will serve to advance the identification of risks and opportunities related to climate change.

THE IBERCAJA GROUP IS AWARE OF ITS IMPORTANT ROLE IN THE PROTECTION OF THE ENVIRONMENT, THE FIGHT AGAINST CLIMATE CHANGE AND SUSTAINABLE DEVELOPMENT. THE BANK TAKES ON THIS COMMITMENT, WHICH IT IMPLEMENTS THROUGH THE FOLLOWING VECTORS:

ENVIRONMENTAL POLICY

Approved by the Board of Directors, and published: The policy is based on the **observance of general law** and regulations, **preventing pollution and contamination** from its own processes, ensuring **proper waste management**, raising **employee awareness** regarding the responsible use of natural resources and **disseminating good practices** among customers and suppliers to raise their awareness.

ENVIRONMENT COMMITTEE

At the management level, it is responsible for **ensuring compliance**.

ENVIRONMENTAL MANAGEMENT SYSTEM

Supervised by the Environmental Committee, it has a Coordinator and a specific budget for correct implementation, which supports the launch of environmental initiatives proposed by the **Environmental Team**: made up of 19 volunteer employees, the team proposes, implements and promotes initiatives in the field of environmental protection

The Environmental Management System (EMS) has been in place since 2007, and is externally certified by AENOR, which verifies compliance by the headquarters office building with the requirements of the ISO 14001:2015 standard. As a requirement of this Standard, the **risks and opportunities** arising from the system are identified, as well as the actions to be taken for each risk. The risks include the impact of climate change on financial activity, which will be developed as part of the Bank's sustainability roadmap in accordance with the TCFD approach (transition risks and physical risks). Opportunities include those arising from the transition to a more sustainable economy: SRI drive, green finance, environmental solidarity initiatives, etc.

In 2019 Ibercaja renewed its certification under the 14001:2015 standard, which evaluates the environmental management carried out by the Bank, highlighting the important work of internal and external awareness carried out, the inclusion of environmental criteria in the design of financial products, and the obtaining of the RSA+2019 seal, within the framework of the Social Responsibility Plan, promoted by the Government of Aragon.

IN 2019 THE MAIN LINES OF ACTION WERE THE FOLLOWING:

USE OF RESOURCES MANAGEMENT

One of the Bank's objectives is efficient consumption, and it implements initiatives aimed at optimising resources, especially those that are material for Ibercaja: water, energy and paper, as well as raising awareness of their proper use.

TOTAL CONSUMPTION	2018	2019
Water consumption (m3)	41,197	41,451
Energy consumption (GJ)**	147,162,9***	138,107,1***
Paper consumption in Tm *	480,7	369,4

* 96% of DIN A4 paper consumed is recycled

** The total electricity consumption at Headquarters comes from renewable sources.

*** In 2019, the calculation of energy consumption in the branch network (electricity consumption) was based on the calculation of the electricity bills of the utilities, achieving an improvement in data accuracy. The recalculation for the years 2016, 2017 and 2018 was done with this same criterion (2018 data in bold)

Highlights in 2019:

- **Energy efficiency:** since 2017, energy was sourced from renewable sources for the Zaragoza headquarters.

  In all the reforms, works and maintenance actions carried out in branch offices, the criterion of replacing, as far as possible, the existing lighting with LED systems and improving air conditioning systems with more efficient equipment was maintained.

  In addition, the design and creation of new centres and spaces took into account policies for the optimisation of resources and the correct management of waste.

- **No Plastics Team:** In response to the concern expressed internally about the amount of single-use plastics generated in our professional activity and personal life, this team, made up of 14 volunteer employees, was created with the aim of working to achieve better use of plastics and raise awareness internally.

- **Environmental Sustainability Mailbox:** focusing on promoting employee involvement in efficient use of resources, the Internal Improvement Service - IBERSIM - introduced an environmental sustainability mailbox that enables employees to express concerns and suggestions for the improvement of environmental performance in their activity.

CIRCULAR ECONOMY AND WASTE MANAGEMENT

The waste generated is segregated, ensuring the correct destination of each in order to reduce their environmental impact at all stages of the value chain. The Waste Coordinator is in charge of their integral management. **In 2019, efforts focused on the continuous improvement of waste management, highlights being:**

- Preparation of a **waste management protocol** for warehouses owned by the Bank, which has been distributed to the people in charge of the areas of the organisation affected by this task. Training and awareness-raising activities for internal and external personnel directly involved in environmental and waste management.
- **Internal and external environmental awareness and information actions**, aligned with key global events related to recycling and environmental education.

EMISSIONS

The Bank works to **reduce CO2 emissions** based on a calculation of the carbon footprint. In 2019, the Bank registered the organisation's carbon footprint for the years 2016, 2017 and 2018 with the Ministry of Ecological Transition's (MITECO) Carbon Footprint, Offset and Carbon Dioxide Absorption Projects Register.

In 2019, total emissions in Tn of CO2eq (Scope 1 and 2) amounted to 11,682, which represents a reduction of 10.5% compared to the previous year. (The percentage reduction in emissions was calculated based on the data from the recalculation of electricity consumption in 2018.)

The Bank's commitment to the environment is reflected in our **Emission Reduction Plan**, which includes **emissions neutrality in 2030** as its main goal.

Standout measures planned and implemented during 2019 to reduce the carbon footprint include gradual **replacement of the vehicle fleet** under sustainable criteria.

AWARENESS-RAISING AND COMMUNICATION

This is a key **aspect for Ibercaja** because of the impact it could have internally and externally. **Environmental content is planned and scheduled** annually, aligned where appropriate with global awareness initiatives relating to environmental preservation and the fight against climate change. Dissemination is carried out through a range of channels, both internal and external, operated by the Bank.

2019 ENVIRONMENTAL COMMUNICATIONS TIMETABLE

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
26- Environmental Education Day TeloReciclo initiative	**14**- World Energy Day	**22**- World Water Day **23**- Earth Hour	Launching information for visitors AL ACCEDER AL EDIFICIO EN CASO DE EVACUACIÓN	**17**- World Recycling Day Social Impact Message Healthy and inclusive Tuesdays	**5**- World Environment Day Socially Responsible Investment Week Healthy and inclusive Tuesdays

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
Actions to raise awareness of recycling	Actions to reduce energy consumption	**16 to 22**- European Mobility Week	**24**- United Nations Day	Actions to reduce paper consumption	**5**- World Volunteer and Environmental Citizen Day

ENVIRONMENTAL ALLIANCES

Ibercaja, within the framework of the promotion of SDG 17 (alliances), promotes cooperation and participation in environmental initiatives and the fight against climate change.

This is part of **COEPLAN** (Coalition of Companies for the Planet), an initiative that promotes innovative and sustainable companies.

It also participates in the **Sustainable Finance Sector Working Group** to analyse and adapt to legislative proposals supported by the European Commission in its Action Plan on Financing Sustainable Growth.

As part of the COP25, the Bank signed the **"Collective Commitment to Climate Action"** of the Spanish financial sector, promoted by the United Nations Environment Programme Finance Initiative, and joined the commitment to measure and reduce the carbon footprint.

7.3 EMPLOYEE-RELATED MATTERS

AT IBERCAJA WE BELIEVE THAT THE PEOPLE WHO WORK IN THE ORGANISATION ARE THE KEY TO SUCCESS, AND THEIR TALENT IS A COMPETITIVE EDGE AND A FUNDAMENTAL PILLAR ON WHICH OUR BUSINESS PROJECT IS BASED.

People are the **main underpinning** on which Ibercaja rests: they increase the value of the Bank with their dedication, professionalism, involvement and commitment, and contribute significantly to its progress.

The human resource policy focuses on individual development and is governed by strict respect of the law, equal opportunities, non-discrimination due to gender or any other circumstance, social dialogue and a commitment to the reconciliation of family and working lives.

The Group has **5,304 employees**, of which 5,053 work for the parent company. **97%** of the Ibercaja Banco workforce have **permanent contracts**, the average length of service stands at 20 years and the average age is 46. **Men** make up **52%** of employees while **women** make up the remaining **48%**. Women make up 51% of employees that are 50 years of age or less. The employees of Ibercaja Banco are fully covered by the collective agreement.

The following tables present the distribution of the workforce of Ibercaja Banco by gender, job category, age and type of contract in terms of average number of days. The information for 2018 was reconstructed according to the new classification of job categories applied in 2019:

2018 JOB CATEGORY**	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	667	287	954	46
Middle managers	587	520	1,107	46
Technicians	667	812	1,479	45
Clerical staff	724	797	1,521	45
Total	**2,645**	**2,416**	**5,061**	**45**

2019 JOB CATEGORY**	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	649	279	928	47
Middle managers	593	524	1,117	46
Technicians	699	851	1,550	45
Clerical staff	707	751	1,458	47
Total	**2,648**	**2,405**	**5,053**	**46**

** Job categories are defined as:

EXECUTIVES: up to branch managers
MIDDLE MANAGERS: up to assistant managers-officers
TECHNICIANS: specialised branch office roles and Head Office Technicians/Experts
CLERICAL STAFF: branch network and Head Office employees

2018 AGE	GENDER		TOTAL
	MEN	WOMEN	
Under 30 years	99	125	224
31 - 40 years	537	568	1,105
41 - 50 years	1,099	1,136	2,235
51 - 60 years	903	585	1,488
61 - 70 years	7	2	9
Total	**2,645**	**2,416**	**5,061**

2019 AGE	GENDER		TOTAL
	MEN	WOMEN	
Under 30 years	106	122	228
31 - 40 years	426	459	885
41 - 50 years	1,076	1,109	2,185
51 - 60 years	1,032	714	1,746
61 - 70 years	8	1	9
Total	**2,648**	**2,405**	**5,053**

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND JOB CATEGORY

In 2018 and 2019, there were no part-time employees.

	PERMANENT			TEMPORARY*		
2018	M	F	TOTAL	M	F	TOTAL
1-EXECUTIVES	100.00%	99.83%	99.95%	0.00%	0.17%	0.05%
2-MIDDLE MANAGERS	99.92%	100.00%	99.96%	0.08%	0.00%	0.04%
3-TECHNICIANS	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%
4-CLERICAL STAFF	84.11%	81.79%	82.92%	15.89%	18.21%	17.08%
Total	**95.34%**	**93.74%**	**94.58%**	**4.66%**	**6.26%**	**5.42%**

* In job categories 2 and 3 there are no people on staff with temporary contracts.

	PERMANENT			TEMPORARY		
2019	M	F	TOTAL	M	F	TOTAL
1-EXECUTIVES	100%	100%	100%	0%	0%	0%
2-MIDDLE MANAGERS	100%	100%	100%	0%	0%	0%
3-TECHNICIANS	100%	100%	100%	0%	0%	0%
4-CLERICAL STAFF	84.91%	83.24%	84.05%	15.09%	16.76%	15.95%
Total	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

* In job categories 1, 2 and 3 there are no people on staff with temporary contracts.

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND AGE RANGE

In 2019, there were no part-time employees.

2018	PERMANENT			TEMPORARY		
	M	F	TOTAL	M	F	TOTAL
UNDER 30 YEARS	15.10%	15.06%	15.08%	84.90%	84.94%	84.92%
31 - 40 YEARS	96.04%	97.21%	96.64%	3.96%	2.79%	3.36%
41 - 50 YEARS	99.70%	99.47%	99.58%	0.30%	0.53%	0.42%
51 - 60 YEARS	99.85%	99.84%	99.85%	0.15%	0.16%	0.15%
61 - 70 YEARS	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%
Total	**95.34%**	**93.74%**	**94.58%**	**4.66%**	**6.26%**	**5.42%**

2019	PERMANENT			TEMPORARY		
	M	F	TOTAL	M	F	TOTAL
21 - 30 YEARS	26.05%	25.97%	26.01%	73.95%	74.03%	73.99%
31 - 40 YEARS	97.75%	98.35%	98.06%	2.25%	1.65%	1.94%
41 - 50 YEARS	100.00%	99.70%	99.85%	0.00%	0.30%	0.15%
51 - 60 YEARS	100.00%	99.93%	99.97%	0.00%	0.07%	0.03%
61 - 70 YEARS	100.00%	100.00%	100.00%	0.00%	0.00%	0.00%
Total	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

In 2019, the number of **permanent employees** **increased by 26**; 14 people were laid off due to dismissal or termination of contract, with an average age of 47, and none of them is under 35 nor has children under 12.

2018 JOB CATEGORY	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	27	4	31	57
Middle managers	30	11	41	57
Technicians	27	15	42	57
Clerical staff	108	35	143	57
Total	**192**	**65**	**257**	**57**

2019 JOB CATEGORY	GENDER		TOTAL	AVERAGE AGE
	MEN	WOMEN		
Executives	0	0	0	
Middle managers	2	0	2	43
Technicians	1	1	2	44
Clerical staff	4	6	10	49
Total	**7**	**7**	**14**	**47**

Ibercaja's activity is carried out entirely in Spain and its workforce is made up of people of different nationalities.

92% of employees are on a **continuing working day** basis (except Thursdays in winter). The Collective Agreement for the years 2015-2018 establishes an annual working time of 1,680 hours of effective work. Abiding by this timetable, and without prejudice to its being irregularly distributed, in accordance with current legislation and applicable industry regulations, **working hours** are as follows:

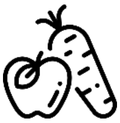
- From 1 May to 30 September, the schedule is from Monday to Friday: from 8 to 15 hours.
- From 1 October to 30 April, the schedule is, on Monday, Tuesday, Wednesday and Friday: from 8 to 15 hours. Thursdays: 8 to 14 hours and 16 to 19 hours.

In Ibercaja there are 414 employees subject to tailored schedules, requested on a voluntary basis. Of these, 88% requested three afternoons, 3% two afternoons and 8% one afternoon.

The Bank has in place various measures aimed at **improving the psychosocial climate**, with **the aim of contributing to the reduction of stress and to disconnection** during rest periods, promoting the welfare of the individual through networking between peers in a different and enjoyable way. Some of these initiatives are: **Ibercaja CoffeeWork**, a multipurpose space to facilitate the relationship between employees, generate ideas and share leisure and relaxation time; and **the promotion of sports activities** in free time through 12 cultural and sports sections.

Within the strategic commitment to continue advancing towards a new culture focused on the welfare of the person, improvement in quality of life and social commitment, the initiative **"Healthy and Inclusive Tuesdays"** was launched in 2019 at the Ibercaja CoffeeWork space.

The space was inaugurated with two **cycles of programmed activities** for Tuesday afternoons, to which all employees had access voluntarily and free of charge, in person or via streaming, in the form of different proposals:



HEALTHY SPACE
"Health and Wellness Workshops": health care and promotion of healthy habits among employees

SHOW COOKING
Healthy cooking workshops for a responsible, sustainable and environmentally friendly diet.

CONVERSATIONS WITH ...
Examples of overcoming difficulties and social awareness and #TalentWithoutLabels. Spaces for dialogue with first-hand testimony of outstanding talent, examples of self-improvement and motivation, to generate a space for opinion on disability, diversity and solidarity.

As of today, the **"digital disconnection"** is being negotiated as part of the Collective Bargaining Agreement which will remain in force until June 2020.

7.3.1. CULTIVATING TALENT

The **human resource policy** has the **objective of developing professional and personal capacities**, as well as adapting profiles to each job post and there is an employee evaluation system that measures performance and competencies and identifies capacities and areas for improvement.

The 2019 Career Development Plan was drawn up looking to the future with the strategic challenge of making Ibercaja the best financial institution in Spain in terms of being the bank with the most satisfied customers and the most commercially efficient operations. New lines of work were accordingly introduced, with which it is intended to respond to business needs, focusing primarily on two of the major goals of the 2018-2020 Strategic Plan. Plan+ 2020: **Customers and Transformation.** In 2019 new proposals were accordingly introduced through the **six schools** of Paraninfo: **Transforma, Colabora, Lidera, Avanza, Especialista and Ibercampus+**, with the following goals:

CUSTOMER FOCUS
Training actions to adapt to new ways of working

DIGITALISATION
Customised training pathways adapted to the level of digitalisation

CROSS-CUTTING
Actions aimed at promoting new work methodologies, encouraging cooperation

SELF-DEVELOPMENT
Courses to promote personal and professional growth

SPECIALISATION
Specialised content by business segment

LEADERSHIP
Consolidation of the Inspirational Leadership Programme

The Bank encourages talent development through training programs and internal promotion for the highest number of employees possible. In **2019**, **764 people** received professional promotions through the application of the criteria defined in each of the professional career plans, length of service, unrestricted designations and office classifications. There are professional career plans for all central service departments and for the strategic company and personal and private banking segments. There is a **total of 1,117 professionals pertaining to these promotion plans.**

The aim of the training programmes is to **promote professional** development meeting the needs that arise in an environment as dynamic environment as banking. Among the main training programs undertaken are those related to tools and operations, products and services, standards/regulation, taxation, development of attitude and personal motivation, digital environment and new trends. A total of **28,802 hours of face-to-face training** was provided, and **306,090** hours of **distance training**, and by job category the distribution is as follows:

JOB CATEGORY (2018)	TRAINING HOURS
Executives	52,216
Middle managers	83,107
Technicians	103,663
Clerical staff	148,040
Total	**387,026**

JOB CATEGORY (2019)	TRAINING HOURS
Executives	71,124
Middle managers	78,229
Technicians	98,865
Clerical staff	86,674
Total	**334,892**

7.3.2. EQUALITY AND WORK-LIFE BALANCE:

In July 2019 Ibercaja achieved the **efr (empresa familiarmente responsible in Spanish) certification**, one of the milestones highlighted as relevant in its Strategic Plan 2018-2020, thus **reinforcing its commitment to the people who are part of the organisation**, in accordance with its purpose and corporate values.

This certificate is a **recognition** of the work done so far in the field of work-life balance and equality and the **commitment to the welfare of employees**, and promotes the active management of work-life balance and equality through a **management model based on continuous improvement**. Achieving the certificate is a firm **commitment of Management**, showcasing the leadership model of Ibercaja.

To achieve the efr certification, an **exhaustive diagnosis** was conducted: the policies of the organisation, the positions, the management of work-life balance and equality were analysed and the involvement of all employees and the Management Committee was key for the identification and detection of the real needs of our staff.

Based on the results of this diagnosis, **the more than one hundred work-life balance and equality measures that Ibercaja has in place for its employees** (exceeding statutory requirements) were grouped into the categories stipulated in the efr 1000-1 standard, and Ibercaja's efr Plan was drawn up for the first certification cycle (2019-2021).

The efr Plan is based on **5 quantitative and measurable goals**, with concrete action plans for each goal, including: **implementation of flexibility** and enhancing the positioning of **women in management positions**.

To achieve the goals set out in the efr Plan, the **efr Committee** was set up at management level for decision-making, as well as the **efr Team**, a multidisciplinary team made up of 10 people from different areas and profiles (People Area, Internal Audit and Brand, Reputation and Sustainability) that works with a cross-cutting brief for the progress of the project.

UPDATE OF THE EQUALITY PLAN:

In parallel to achieving efr certification in 2019, Ibercaja started **updating the Equality Plan**, which promotes equal opportunities between the sexes and a work-life balance so as to contribute to the welfare of our employees and their families.

The Equality Plan, which has been agreed with employee representatives, faces the challenge of **attaining a balanced composition of men and women at any professional level.** These principles are present in all aspects of human resource management, such as recruitment, hiring, promotion, remuneration and communication.

Given the relevance of some of the goals under the efr plan and on the occasion of the updating of the Equality Plan, the following were added as areas of action for this plan:

IMPLEMENTATION OF FLEXIBILITY MEASURES

Flexibility at work facilitates the organisation of work and family life, positioning it as one of the levers for improving work-life balance. A study was conducted of the alternatives for the implementation of flexibility measures in Ibercaja to be specified in the update of the Equality Plan (flexible hours at the beginning and end of the day, meeting procedure, etc).

PAID LEAVE

As part of the negotiation of the equality plan, modifications were proposed to some of the paid leave options that employees currently enjoy, improving the conditions set out in legislation (Workers' Statute, collective agreement, etc).

ENHANCE THE POSITIONING OF WOMEN IN MANAGEMENT POSITIONS:

To achieve this, we shall promote the "**Plan Lidera**" women's leadership programme, with lines of action to promote gender equality and strengthen the role of women in the company and society at large.

Taking into account the preferences expressed by women and the fact that the women's representation in Ibercaja stands at 48%, professional development opportunities in **2019** have been carried out on the **basis of equality**.

Women received **51%** of the **promotions in 2019.** The positioning of women in positions of responsibility is continually advancing. Over the year, 36% of Bank Manager positions, 54% of Assistant Manager positions and **63%** of Personal Banking Manager positions were awarded to women. **Every year, more positions are applied for by, and awarded to, women. The presence of women in management positions is increasing.**

Employees benefit from measures to **reconcile working and family** lives that expand or improve those set out in labour legislation and in the collective bargaining agreements. During the year, **272** employees have taken leaves of absence, working time reductions and maternity leave in order to perform family care.

In relation to the **integration of people with disabilities**, Ibercaja, in addition to complying with the General Disability Law, promotes the participation of disabled people through agreements with social entities and awareness through training and volunteer actions. Currently, **50** people with disabilities work at the Bank **(6.38% more than the previous year)**.

The Bank has **protocols in place for dealing with any type of discrimination**, including cases of sexual harassment and harassment for reasons of gender.

7.3.3. REMUNERATION POLICY

In line with the rest of Ibercaja's Human Resources policies, the Remuneration Policy is based on the principle of equality between men and women, with no type of salary differentiation between genders.

The following are details of the **average remuneration received** by the employees of Ibercaja as at 31 December **2019**. These remunerations are made up of fixed remuneration, salary complements and variable remuneration received in 2019.

AVERAGE TOTAL REMUNERATION BY GENDER (IN EUROS)

	FIXED + BONUS 2019	INCR. RESP. 2018	FIXED + BONUS 2018
Men	52,456	0.74%	52,072
Women	45,475	1.07%	44,993
Total	**49,133**	**0.90%**	**48,693**

AVERAGE TOTAL REMUNERATION BY AGE RANGE (IN EUROS):

AGE RANGES	FIXED + BONUS 2019	INCR. RESP. 2018	FIXED + BONUS 2018
21 - 30 YEARS	23,717	7.45%	22,072
31 - 40 YEARS	41,942	0.42%	41,768
41 - 50 YEARS	49,379	-1.14%	49,948
51 - 60 YEARS	55,563	-0.39%	55,781
61 - 70 YEARS	92,983	19.41%	77,867
Total	**49,133**	**0.90%**	**48,693**

AVERAGE TOTAL REMUNERATION BY JOB CATEGORY (IN EUROS):

JOB GROUPING	FIXED + BONUS 2019	INCR. RESP. 2018	FIXED + BONUS 2018	INCR. RESP. 2017	FIXED + BONUS 2017
1-EXECUTIVES	63,306	1.16%	62,581	-0.18%	62,694
2-MIDDLE MANAGERS	51,703	0.36%	51,516	-0.24%	51,643
3-TECHNICIANS	45,899	-0.38%	46,074	1.39%	45,441
4-CLERICAL STAFF	41,589	2.79%	40,461	-0.62%	40,715
Total	**49,133**	**0.90%**	**48,693**	**0.59%**	**48,408**

In relation to the wage gap, if the base salary of the collective agreement is taken as a reference and the additional remuneration for length of service, social benefits or other benefits is excepted, the male/female wage ratio in Ibercaja is 1.

Analysing this information weighted by job grouping (executives, middle management, technical and clerical), a salary gap of 9.03% was determined in 2019.

The wage difference shown by the results is in line with the sector, mainly generated by the historical gender composition of the company, which translates into a higher average length of service of men compared to women. Evidence of this is **the reduction of the gap with respect to 2018 by 2.25%**, **from 13.59% to 13.3%** and with **respect to 2017 by 9.77%**, **from 14.30% to 13.3%.**

This calculation takes into account fixed remuneration, wage complements and variable remuneration received in 2019.

This trend is partly due to the measures developed to reduce it:

- **Increase in the representation of women in management positions.**
- **51% of promotions in 2019 went to women.**

ASPECTS RELATING TO THE REMUNERATION OF DIRECTORS

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Bylaws. Only the Chief Executive Officer and the Chairman receive a salary for the performance of their duties, as well as allowances for attending meetings of governing bodies, in accordance with the provisions of the Bylaws. The remuneration of the other directors, in their capacity as such, consists of (a) allowances for attending meetings of the Board of Directors and its committees, and (b) an annual allocation to be determined by the Board for directors with special dedication and duties (chair of the internal committees of the Board of Directors).

Hence the average remuneration of directors, including the CEO and the Chairman, amounted to €107 thousand. On the other hand, the average remuneration of directors in their capacity as such is €45.5 thousand (the average remuneration of male directors is €43.8 thousand and that of female directors is €55.3 thousand.

As a result of the resolutions adopted by the shareholders at the General Meeting held on 29 August 2019, the number of directors at 31 December 2019 was 11 (9 men and 2 women), although the above data includes the remuneration of all directors, including those who did not hold their position during the entire year.

Information on directors' remuneration is disclosed on the Bank's corporate website (www.ibercaja.com), in the section on Corporate governance and remuneration policy and in the Annual Corporate Governance Report.

ASPECTS RELATING TO THE REMUNERATION OF SENIOR MANAGEMENT

The members of the Bank's Management Committee, made up of 11 people (8 men and 3 women) at 31 December 2019, are considered senior management. Information on senior management remuneration includes both fixed and variable remuneration, long-term pension systems and any other payments. The average remuneration is €182 thousand (average remuneration of executives of €193 thousand and €153 thousand in the case of executives, which is mainly affected by the length of service of the officials in the Bank).

7.3.4. SOCIAL DIALOGUE

Labour relations are based on **open and transparent dialogue** with employee representatives. These relationships attempt to facilitate mutual implication and commitment, in order to make advances in the improvement of the employment conditions for the professionals that work at Ibercaja.

Thus, the Bank encourages social dialogue, in accordance with the provisions of the collective bargaining agreement for savings banks and financial institutions, by means of information, consultation and negotiation with the employees' representatives in all significant matters.

7.3.5. OCCUPATIONAL HEALTH AND SAFETY.

Ibercaja is committed to the **safety and protection of its employees** to ensure their well-being and occupational health, by minimizing risks and assigning the resources that are necessary to implement preventive actions.

The Bank accords priority and its utmost support to the Prevention of Occupational Risks as a means of protecting the health and safety of its employees, which is why it has a **Policy on the Prevention of Occupational Risks**, which sets out the commitments acquired by the company in the area of prevention.

The Bank has its own **prevention service**, as it is a company with more than 500 workers. The in-house prevention service is a specific organisational unit covering two of the four prevention disciplines ("Health Surveillance" and "Ergonomics and Applied Psychosociology") provided for in Article 34 of the regulations. The preventive specialities of "Safety in the Workplace" and "Industrial Health" are agreed with an external prevention service: "MÁS PREVENCIÓN".

The Bank has implemented an **occupational risk prevention plan**, with the aim of integrating preventive activity into management.

The Bank has set up a **Health and Safety Committee**, composed of 10 members: 5 of them are the Prevention Officers and the other 5 are representatives of Ibercaja. Ibercaja's Health and Safety Committee has its own internal regulations that govern its functioning.

Given the activity carried out, no specific risk or illness for employees is identified.

In 2019 there were 25 **occupational accidents** (12 men and 13 women), **34% less than in the previous year**, and the total number of hours of absenteeism was 331,274 (314,559 in 2018).

2019*	TOTAL	MEN	WOMEN
FREQUENCY INDEX (**)	1.2273	0.9789	1.4989
SEVERITY INDEX (**)	0.0001	0.0001	0.0001

* Information for 2018 is not included since this calculation was not made due to unavailability of the baseline data.

$$(**)\ IdF = \frac{\text{Number of occupational accidents with sick leave (ex in itinere)}}{\text{Total number of hours actually worked}} \cdot 10^6$$

$$(***)\ IdG = \frac{\text{Number of days not worked due to an accident at work, with leave}}{\text{Total number of hours actually worked}} \cdot 10^3$$

EL BANCO DEL Vamos

Ibercaja is **committed to the welfare and health of its employees** and hence works on the **Ibercaja Saludable** project. Thus, in 2019 the **Healthy Team (Equipo Saludable)** was created, made up of employees from different areas, with the aim of arriving at an initial diagnosis and an action plan to promote healthy living habits among the people of the Organisation.

In this new strategic cycle 2018-2020, the people management model once again aligned its strategic objectives with the Corporate Purpose and the objectives set out in the Plan+ 2020. These include **improving the Employee Value Proposition** by promoting a healthy and social working environment that favours the well-being of employees and the sustainability of the working environment.

For this purpose, and also included in the Ibercaja efr Plan, the cross-cutting work team **"Empresa Saludable"** (Healthy Company) was formed, made up of people with different profiles and who carry out different roles within the Bank (Brand, Reputation and Sustainability, Talent Development, Global Compensation, Labour Relations and Prevention Service, Real Estate, Manager of efr...) with a threefold goal:

"HEALTHY COMPANY"

Arrive at a **diagnosis of the current situation**, which includes actions in the field of welfare already being carried out in Ibercaja.

Detect new needs in this area as they arise among employees.

Establish a Healthy Business Action Plan as a reference framework.

A wide range of initiatives are currently being promoted in Ibercaja **in the area of employee welfare**: those carried out by the Prevention Service itself (medical check-ups, prevention campaigns, good health practices, etc), through the more than 15 sports sections of the Cultural Group, the Healthy Space and Show Cooking workshops that promote a healthy lifestyle and diet, or all the courses available on the Talent Management platform collected in a single programme "Me, the key to my success", where we contribute to acquisition of necessary and useful skills for career and personal development: Positive Attitude, Public Speaking, Mindfulness or Time Management.

7.4 HUMAN RIGHTS MATTERS

Ibercaja conducts its banking business **responsibly, respecting and encouraging human rights** in accordance with prevailing legislation and international standards: The Bank is always mindful of the UN Universal Declaration of Human Rights, and it has been a signatory to the UN Global Compact since 2006, so its activities are carried out in accordance with the principles enshrined in this initiative.

One of the commitments of the Ibercaja Corporate Social Responsibility Policy is defending human rights, which is a principle that encompasses the entire organisation and all its members. This is reflected in the Bank's **Code of Ethics**, approved by the Board of Directors, as a key element that reinforces the corporate culture and ethical approach of the Bank's management. The Code contains the **Bank’s ethical commitments and the principles of action** that must be present in the day-to-day work of the people who make up Ibercaja, so as to make its corporate values tangible. Employees have an **Whistleblower Channel** to communicate possible violations of the Code or doubts about its interpretation. The Bank continues to work on raising awareness its Code of Ethics, through communication and development of training, for the internalisation of the Code by employees.

Ibercaja also promotes respect for human rights, in **line with the SDGs of the 2030 Agenda**, conveying this commitment to the people, companies and institutions with which it relates, incorporating the safeguarding of these rights in investment and project financing decisions, and in its relations with customers and suppliers. To strengthen this bond, it has a **Code of Conduct for suppliers** that specifies the values that are fostered responsible contracting, many of which are related to human rights.

It should be noted that the institution has not been involved in any incidents involving violation of human rights.

7.5 MATTERS RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY

7.5.1 MEASURES TO COMBAT CORRUPTION AND BRIBERY

The Bank has a **criminal risk prevention system**, the purpose of which is to mitigate the risk of commission of actions by members of the organisation that may constitute crimes. The system has express policies and procedures in place to avoid corruption and bribery in its business, which are understood to be the offer, promise, request or acceptance of an unjustified benefit or advantage of any nature as compensation for unduly favouring others in commercial relationships.

This system will also include the **criminal compliance and anti-bribery policy**, promoted by the Regulatory Compliance Department, as a formal statement of the intention of the Board of Directors and senior management of the Bank to establish and uphold, as one of its fundamental values, that the actions of all members of the organisation shall always comply with the legal system in general and with criminal law, in particular, by fostering a culture of preventive compliance, based on the principle of "zero tolerance" with the commission of unlawful acts (including bribery), and promoting ethical and responsible conduct. This intention is also included in Ibercaja's Code of Ethics, as approved by the Board of Directors.

95% of Ibercaja Banco's current workforce has received **training in criminal risk prevention**, including the crime of corruption and bribery.

> DURING THE YEAR, THERE WERE NO COMMUNICATIONS NOR WERE ANY CONDUCTS DETECTED THAT COULD CONSTITUTE THE CRIME OF CORRUPTION OR BRIBERY.

7.5.2. MEASURES TO COMBAT MONEY LAUNDERING

Ibercaja Banco has the status of "reporting Bank" under **anti-money laundering and counter-terrorism financing regulation** (AML/CTF) and, therefore, it must apply the measures to prevent the Bank from being used for this purpose. To this end, it has adequate internal control and communication procedures and bodies in order to uncover, impede and prevent the carrying out of transactions that may be related to money laundering or the financing of terrorist activities.

These procedures and bodies, which are described in the corresponding Manual, as well as their organisation, meet the principles of swiftness, security, efficiency, quality and coordination, both in the internal transmission and in the analysis and reporting to the competent authorities of the relevant information pursuant to regulations on the prevention of suspicious transactions.

A basic pillar of the AML/CTF system are the due diligence measures referred to in Articles 3 to 7 of Law 10/2010 and the provisions of Royal Decree 304/2014 that implement them: identification of the formal and beneficial owner, as well as knowledge of the activity of the same, which will include knowing the origin of the funds with which the client tries to operate with the Bank.

Consequently, and in line with the risk prevention and management model based on **three lines of defence implemented in the Bank**, the first filter of the AML/CTF system is the **establishment of the relationship with customers**, and this relationship is the responsibility of the business units that act as the first line of defence against the risk of money laundering and the financing of terrorism.

In the second line of defence, in addition to the risk control function, there is the **regulatory compliance function** performed by the Regulatory Compliance Department, which includes the AML/CTF Unit which, as a technical unit specialised in this field, has an essential (although not exclusive) role in the application, supervision and monitoring of the internal procedures established by AML/CTF, with the Internal Audit Department assuming the functions of the third line of defence.

Such AML/CTF procedures and measures **are applied with a risk-based approach**, so that in cases in which there is a greater risk that the Bank may be used for money laundering or terrorist financing, these measures are applied with a greater degree of intensity.

> **DURING THE YEAR, NEARLY 300 FILES WERE OPENED FOR THE ANALYSIS OF TRANSACTIONS SUSPECTED OF BEING RELATED TO MONEY LAUNDERING OR THE FINANCING OF TERRORISM. SEPBLAC WAS INFORMED OF 82 CASES WHERE SPECIFIC ANALYSIS SUGGESTED THERE WAS EVIDENCE TO BE FURTHER EXAMINED.**

7.5.3. CONTRIBUTIONS TO FOUNDATIONS AND NOT-FOR-PROFIT ENTITIES

To the extent that contributions of economic nature by the Bank to foundations and not-for-profit entities are made through accounts held in Ibercaja, the entities benefiting from these contributions are subject to the same **controls for prevention of money laundering and financing of terrorism as other customers**. In addition, given that due to their very nature, such entities are categorised as medium risk customers, in addition to the application of due diligence measures that are carried out in each customer registration or monitoring of the business relationship (e.g. check against blacklists), the Bank adopts additional control measures for the adequate management of the risk of money laundering or financing of terrorism.

7.6 SOCIAL MATTERS

7.6.1 COMMITMENT TO SOCIETY

Ibercaja's vision concerns the development of a banking model based on **social commitment** in line with its Corporate Purpose. From its origins, the Bank includes among its founding principles that of **contributing to the socio-economic development** of its areas of operation, taking into account the needs of society and its stakeholders.

Ibercaja has a **Map of Stakeholders**, which analyses the expectations and interests of each stakeholder group, classifies them and sets priorities to help the institution to actively listen to and engage with them.

THE PRIORITY STAKEHOLDERS FOR THE BANK, ON WHICH ITS CORPORATE SOCIAL RESPONSIBILITY POLICY IS BASED, ARE:

Ibercaja encourages **active listening and dialogue** with its stakeholders to identify their needs and expectations and respond to them. Hence it implements specific channels and tools that favour continuous, two-way communication.

MAJOR COMMUNICATION CHANNELS INCLUDE:

- CORPORATE WEBSITE AND MARKETING WEBSITE
- CUSTOMER SERVICE
- FREE HELPLINES AND E-MAILBOXES
- ACTIVE LISTENING ON SOCIAL MEDIA
- CUSTOMER SATISFACTION SURVEYS
- EMPLOYEE SATISFACTION SURVEYS
- REPUTATION MEASUREMENT SURVEYS
- BRAND RECOGNITION SURVEYS
- NEWSLETTERS AND ONLINE SCORING QUESTIONNAIRES
- PRESS RELEASES AND CONTRIBUTIONS AND OTHER MEDIA
- MEETINGS AND FOCUS GROUPS WITH EMPLOYEES, CUSTOMERS AND THE GENERAL PUBLIC
- SYSTEMATIC AND ONGOING RELATIONS WITH INSTITUTIONS AND SOCIAL ACTORS TO FOLLOW TRENDS AND EXPECTATIONS AND EXCHANGE GOOD PRACTICES (AEC, CEOE, CHAMBERS OF COMMERCE, FORÉTICA, CECABANK, ETC)
- SUPPLIERS PORTAL

Every year, the Bank produces a **Social Impact** report that reflects its contribution to the generation of wealth and well-being in the territories where it operates. This contribution is not only economic, but also social and environmental.

The following indicators, among others, stand out:

DEVELOPMENT AND EMPLOYMENT

238 students and interns carried out occupational training at Ibercaja.

SOCIAL ACTION

€17 million was allocated to social action through the Fundación Ibercaja.

COMMUNITY

681 Ibercaja volunteers at the service of the community.

ENTERPRISE

In 2019, **434** Training/information days were held for client and non-customer companies, attended by **29,889** people.

7.6.1.1. SOCIAL ACTION:

Ibercaja's Call for Social Projects is aimed at **programmes that improve people's employability**, generate real opportunities for social and labour insertion or cover the basic needs of groups in situation or at risk of exclusion. The initiative is channelled through the shareholder Foundations, which in its fourteenth edition, allocated **€866,500** to 319 proposals, **which benefited 197,540 people**.

In addition to providing direct aid to social projects, **Fundación Ibercaja** collaborates with third sector entities in programmes and activities that provide a specific response to the needs of certain groups such as families with limited resources, the elderly, young people outside the education system or people with disabilities.

These are the headline social programmes with which Fundación Ibercaja has maintained its commitment in 2019: TOPI Catering School of Fundación Picarral, Sumando Empleo de Cáritas Autonómica de Aragón, Prevention Plan of Fundación Centro Solidaridad, Placement Agency of Fundación DFA, Aragón Solidario awards with Heraldo de Aragón, Good Citizenship Practices award with Ebrópolis and CERMI Aragón, through the painting and sculpture competition “Trazos de igualdad”.

In 2019, the third edition of **Impulso Solidario** was launched, an internal initiative in which Ibercaja Group employees themselves present and select social projects of which they are particularly aware. The 8 receiving the most votes receive financial support for their development.

7.6.1.2. ALLIANCES:

In 2019, Ibercaja has continued to develop an intense **activity of transmission and dissemination of economic, business and financial knowledge** for families and companies throughout the country, with special emphasis on its traditional areas of operation, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies (Microsoft, BSH, CASER, ESIC, etc.).

In addition, with the aim of improving accessibility to information, training and solutions offered through these initiatives, the Bank strengthened its digital assets in this area, providing them with more content, as is the case, for example, with the Ecosystem+ Enterprise platform.

7.6.1.3. AWARDS AND RECOGNITION:

Ibercaja achieved, for the fourth consecutive year, the **RSA+ Seal, awarded by the Government of Aragon**, which recognises the entity's drive in key aspects of CSR, such as equality, work-life balance, volunteering and promotion of culture.

In 2019 Ibercaja achieved the **efr certification**, which accredits the Bank as a family responsible company, which promotes work-life balance and equality, and recognises its commitment to the welfare of employees.

7.6.1.4. SPONSORSHIPS:

In addition, Ibercaja collaborates in local development through **sponsorship actions**, mainly in the **field of sports**, youth, culture, and entrepreneurship, as it believes that this is the best vehicle for conveying the Bank's values; it also collaborates in cultural activities and business events through agreements signed with numerous associations.

Many of the sports events promoted (Madrid Marathon, Valencia 10K, Cursa dels Nasos in Barcelona, Ibercaja Popular Race in Zaragoza, etc), include a **social focus** by channelling donations from runners and participating companies to social organisations and causes, to help the most disadvantaged people.

Ibercaja's sponsorship strategy works on both internal activation, promoting employee involvement, and external activation, which boosts brand visibility. Thus, in 2019, nearly **1,500 employee entries in our events** were added, especially in sports events (as athletes and volunteers), which contributes to strengthen corporate engagement and favours healthy business practices.

7.6.1.5. VOLUNTEER WORK

Ibercaja encourages active and retired employees to participate in solidarity activities that improve society and contribute to the development of people. **Ibercaja's Volunteer** programme seeks to **motivate employees to contribute to equal opportunities in society**, improve the quality of life of the most needy, preserve the natural environment or promote social cohesion and development, through its own initiatives or in collaboration with other institutions and entities.

Among the activities carried out by Ibercaja's volunteers in 2019 are the celebration of the **Company Solidarity Day**, in which they share corporate volunteer activities with the aim of visualising the power of change that this group has in society; the **Great Food Collection**, in ten different cities, collaborating this year for the first time in Valencia, or the **Ibercaja Race for Integration** in Zaragoza, which this year celebrated its 40th anniversary.

In 2019, Ibercaja **volunteers dedicated more than 2,000 hours to the wider community**, getting involved in solidarity activities organised in Zaragoza, Huesca, Guadalajara, Logroño, Madrid, Burgos, Badajoz, Seville and Valencia.

7.6.1.6. FINANCIAL LITERACY

Ibercaja's Financial Literacy programme, managed by the Ibercaja Foundation, follows since 2013 the Bank's commitment to the National Financial Literacy Plan, led by the Bank of Spain and the CNMV. It aims to drive basic **'financial literacy'** for all citizens and all of its activities are free. The program extends to all of Spain through the platform aulaenred.ibercaja.es.

In 2019, a total of **3,418 people** participated in this program, improving their financial culture through **workshops and basic finance days for schoolchildren and activities for the general public.**

7.6.2. SUBCONTRACTING AND SUPPLIERS

Ibercaja, in its relationship with suppliers, demands from them an appropriate degree of commitment to socially responsible practices that are compatible with the Bank's Code of Ethics. To ensure compliance with these socially responsible practices and to encourage application of the principles of the Global Compact, Ibercaja has a **Supplier Code of Conduct**. In Ibercaja's contracts with its suppliers, the latter are obliged to assume the principles of the United Nations Global Compact on Human Rights, Labour Rights, Environmental Protection and Anti-Corruption, committing themselves to Ibercaja's organisation to adopt the measures that are conducive to compliance with these principles, and to encourage third parties with whom they enter into contract to comply with them. Likewise, suppliers are obliged to comply with and enforce, within their sphere of influence, the regulations in force at any given time regarding environmental protection, in particular waste management, establishing and maintaining a business policy of sustainable development, making their best efforts to make progress in improving their environmental practices.

In November 2019, a **new supplier management tool** was launched with a more evolved and complete website, which will enable the improvement and systematisation of the supplier risk approval and management processes, facilitating the Bank's relations and active listening with suppliers. The new portal includes, within the documentation requirements, social and environmental standards (ISO14001, OHSAS 18001, ISO 26001), and matters relating to corporate social responsibility. As to transparency of non-financial information, suppliers are consulted as to whether they make an annual publication in this area, whether it follows any international reporting standards (e.g. GRI) and whether such information is verified by an independent external expert.

On the other hand, the Supplier Code of Conduct is currently being revised to reflect all the progress made in sustainability at the Bank.

In 2019, a certification **process was performed involving leading suppliers (160)**, which **account for 86% of total** purchase volumes managed, of which 111 have renewed their certification and 48 obtained such certification for the first time.

Within the framework of the Entity's Environmental Management System, the supervision of suppliers assigned to it is carried out from the environmental point of view, in the corresponding external audits (AENOR) for the follow-up and/or renewal of ISO 14001, which the organisation has had since 2007.

7.6.3. CUSTOMERS

Ibercaja has established a **communication circuit with its customers** (Customer Service, SAC) so that they can submit their complaints, claims, suggestions and proposals for improvement. A total of 11,698 requests were processed during the year. Details of the data, and evolution with respect to 2018, are included below:

REQUESTS ATTENDED TO BY CUSTOMER SERVICE

TYPES	2018	2019	VAR. 18/19
Floor clauses	1,254	596	-52.5%
Arrangement fees	6,877	3,738	-45.6%
Claims and complaints	6,279	7,139	13.7%
GDPR rights	141	189	34.0%
Suggestions	65	36	-44.6%
Total	**14,616**	**11,698**	**-20.0%**

Arrangement fee incidents reflect the increasing recourse to court for this type of claim. As to floor clauses, recent figures reflect the Bank's work in recent years to resolve this type of claim.

The average time for resolution of complaints and claims is around 17 days in the Customer Service unit and 22 days in the special floor clause service, both of which are time limits under current regulations. As at 31 December 2019, **Customer Service had managed 95.2% of all incidents received**.

In response to its commitment to promote universal accessibility to financial services, Ibercaja launched a **service for deaf people** for all the Bank's customers who need it. The new service, coordinated by an employee qualified as a Spanish Sign Language Interpreter and Guide and a specialist in the Deaf Community, aims to facilitate the relationship with the entity for people with hearing disabilities, so that they can carry out their procedures more quickly and closely.

7.6.4. TAX INFORMATION

The Group achieved a **pre-tax profit of €128,637 thousand** (€80,830 thousand in 2018). **Corporate income tax** amounted to **€44,648 thousand** (€40,026 thousand in 2018) (estimated corporate income tax expense for 2019).

Ibercaja joined the **"Empresa Solidaria"** initiative in 2019, allocating 0.7% of corporate income tax to social purposes. These funds help finance government programmes to move towards a more egalitarian, inclusive and just society, and support the achievement of the Sustainable Development Goals of the United Nations 2030 Agenda.

During the year Ibercaja Banco and the Group companies did not receive any public subsidies or aid.

REQUIREMENTS OF SPANISH LAW 11/2018 REGARDING NON-FINANCIAL INFORMATION AND DIVERSITY

AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
BUSINESS MODEL	Brief description of the business model of the group, which will include: 1.) its business environment, 2.) its organisation and structure, 3.) the markets in which it operates, 4.) its objectives and strategies, 5.) the main factors and trends that may affect its future performance.	-	Ibercaja Banco Group	102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7	1.3. Business Model and Strategic Plan 2018-2020	-
POLICIES	A description of the policies that the group applies with respect to those issues, which it will include:1.(a) the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts2.) the verification and control procedures, including what measures have been taken.	-	Ibercaja Banco Group	103 Management approaches in each area within the economic, environmental and social dimensions	7.1 Introduction See the detail of non-financial policies in the following blocks.	-
ST, MT and LT RISKS	The main risks associated with those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas; and • how the Group manages these risks, • explaining the procedures used to detect and evaluate them in accordance with the national, EU or international reference frameworks for each subject. • Must include information on the impacts that have been detected and a breakdown of these, in particular on the main short-, medium- and long-term risks.	-	Ibercaja Banco Group	102-15	5. Risk management 7.1 Introduction	-
KPIs	Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability. • In order to facilitate the comparison of information, both over time and between banks, special use will be made of generally applicable non-financial key indicator standards that comply with the European Commission's guidelines in this area and the Global Reporting Initiative standards, and the report should mention the national, European or international framework used for each area. • Non-financial key performance indicators should be applied to each of the items in the statement of non-financial information. • These indicators should be useful, take into account specific circumstances and be consistent with the parameters used in their internal risk management and assessment procedures. • In any event, the information presented must be accurate, comparable and verifiable.	-	Ibercaja Banco Group	General or specific GRI standards of the economic, environmental and social dimensions that are reported in the following blocks	7.1 Introduction See the detail of the KPIs reported in the following blocks.	-

AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
	Global Environment					

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AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
ENVIRONMENTAL MATTERS	1.) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures;2.) The resources dedicated to the prevention of environmental risks;3.) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the Environmental Liability Law)	YES	Ibercaja Banco Group	103 Management Approach to each area within the Environmental dimension	7.2 Matters relating to the environment	Although the impact of Ibercaja's activities on the environment is small, the Bank has an Environmental Policy and actively manages this impact. This is why quantitative information is reported on water consumption, paper consumption, energy consumption and GHG emissions.
	Pollution					
	Measures to prevent, reduce or repair carbon emissions that severely affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	NO	-	103 Management approach of Emissions and Biodiversity	-	-
	Circular economy and waste prevention and management					
	Circular economy Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste. Actions to combat food waste.	NO	-	103 Effluent and waste management approach	-	-
	Sustainable use of resources					
	The consumption of water and water supply according to local constraints.	YES	Ibercaja Banco Group	303-1	7.2 Matters relating to the environment/Resource management	-
	Consumption of raw materials and measures taken to improve the efficiency of their use;	YES		103 Management approach of Materials 301-1 / 301-2		-
	Consumption, direct and indirect, of energy, measures taken to improve energy efficiency and the use of renewable energies.	YES		103 Management approach of energy 302-1		-
	Climate Change					
	The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces;	YES	Ibercaja Banco Group	103 Management approach of Emissions 305-1 / 305-2	7.2 Matters relating to the environment / Emissions	-
	The measures adopted to adapt to the consequences of climate change;	YES		103 Management approach of Emissions		-
	Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to for that purpose.	YES		103 Management approach of Emissions		-
	Protection of biodiversity					
	Measures taken to preserve or restore biodiversity;	NO	-	103 Management approach of Biodiversity	-	-
	Impacts caused by activities or operations in protected areas.	NO	-	304-2	-	-

AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
	Employment					

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SOCIAL AND PERSONNEL ASPECTS	Total number and distribution of employees by gender, age, country and job category;	YES		103 Employment management approach 102-8 / 405-1		-
	Total number and distribution of employment contract types,	YES		102-8	7.3 Employee-related matters	-
	Annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and job category,	YES		102-8 / 405-1		-
	Number of dismissals by gender, age and occupational classification;	YES		401-1		-
	The average remuneration and its evolution disaggregated by gender, age and professional classification or equal value; Salary gap, the remuneration of equal or average jobs in the company,	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities management approach 405-2	7.3.3 Remuneration policy	-
	The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings pension schemes and any other payments broken down by gender,	YES		103 Diversity and equal opportunities management approach	7.3.3 Remuneration policy	-
	Implementation of occupational disconnection policies,	YES		103 Employment management approach	7.3 Employee-related matters	-
	Employees with disability.	YES		405-1	7.3.2 Equality and reconciliation	-
	Organisation of work					
	Organisation of working time	YES		103 Employment management approach	7.3 Employee-related matters	-
	Number of hours of absenteeism	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	403-2	7.3.5 Occupational health and safety	-
	Measures aimed at facilitating the enjoyment of the work-life balance and encourage co-responsible exercise by both parents.	YES		103 Employment management approach	7.3.2 Equality and reconciliation	-
	Health and safety					
	Health and safety conditions at work;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach	7.3.5 Occupational health and safety	-
	Occupational accidents, particularly their frequency and severity, occupational ailments, broken down by gender.	YES		403-2		-

AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
SOCIAL AND PERSONNEL ASPECTS	**Social relations**					
	Organisation of social dialogue, including procedures for informing, consulting and negotiating with them;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employer-employee relationship management approach	7.3.4 Social dialogue	-
	Percentage of employees covered by collective bargaining agreements by country;	YES		102-41	7.3 Employee-related matters	-
	The balance of collective agreements, particularly in the field of health and safety at work.	YES	-	403-1	7.3.5 Occupational health and safety	-
	Training					
	Policies implemented in training;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Training and education management approach	7.3.1 Cultivating talent	-
	The total number of training hours by job categories.	YES		404-1		-
	Universal accessibility for persons with disability	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	7.3.2 Equality and reconciliation	-
	Equality					
	Measures adopted to foster equal treatment and opportunities between women and men;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	7.3.2 Equality and reconciliation	-
	Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of persons with disabilities;	YES				-
	The policy against all types of discrimination and, as applicable, management of diversity.	YES				-

AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
HUMAN RIGHTS	Application of due diligence procedures in the field of human rightsPrevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed;	NO	-	103 Management approach to human rights assessment and non-discrimination 102-16 / 102-17		
	Complaints for cases of human rights violations;	NO	-	406-1		Although the risk of human rights violations in Ibercaja's activities is low, the Bank has several mechanisms to prevent and mitigate any risk in this area.
	Promotion and compliance of the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining;	NO	-	407-1	7.4 Human rights matters	
	The elimination of discrimination in employment and occupations;	NO	-	103 Non-discrimination management approach		
	The elimination of forced or compulsory work;	NO	-	409-1		
	The effective abolition of child labour.	NO	-	408-1		
CORRUPTION AND BRIBERY	Measures taken to prevent corruption and bribery;	YES		103 Anti-corruption management approach 102-16 / 102-17	7.5 Matters relating to the fight against corruption and bribery	-
	Measures to combat money laundering,	YES	Ibercaja Banco Group			-
	Contributions to foundations and not-for-profit entities.	YES		413-1	7.6.1 Commitment to society	-

AREAS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL REMARKS
COMMUNITY	**Company's commitments to sustainable development**					
	The impact of the company's activity on local employment and development;	YES	Ibercaja Banco Group	103 Local community and indirect economic impacts management approach 203-1 / 413-1	7.6.1 Commitment to society	-
	The impact of the company's activity on local communities and the territory;	YES				-
	The relationships with local community actors and the types of dialogue with them;	YES		102-43		-
	Actions of partnership or sponsorship.	YES		102-12 / 102-13		-
	Subcontracting and suppliers					
	Inclusion in the procurement policy of social, gender equality and environmental issues; Consideration in the dealings with suppliers and subcontractors of their social and environmental responsibility;	YES	Ibercaja Banco Group	103 Management approach to purchase practices 102-9 / 204-1	7.6.2 Subcontracting and suppliers	-
	Systems of supervision and audits and results thereof.	YES				-
	Consumers					
	Measures for consumer health and safety;	NO	-	103 Customer health and safety management approach, Marketing and labelling and customer privacy	-	-
	Complaint systems, complaints received and their resolution.	YES	Ibercaja Banco Group		7.6.3 Customers	-
	Tax information					
	Profits country by country Income taxes paid	YES	Ibercaja Banco Group	103 Economic performance management approach	7.6.4 Tax information	-
	Public grants received	YES		201-4		-

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INFORMATION REGARDING TREASURY SHARES

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There have been no transactions involving Treasury shares in 2019.

9 OTHER INFORMATION

9.1 DIVIDEND POLICY

The **distribution of dividends** is determined at the **General Meeting of Shareholders** on the basis of the proposal made by the Board of Directors.

At the General Meeting held on 9 April 2019 shareholders approved the distribution of a dividend totalling €17.5 million by charging the profits obtained by the Bank in 2018, and the payment was made on 10 April 2019.

The **proposed distribution of dividends charged to 2019 profits** that the Board of Directors will present for approval of shareholders at the General Meeting is **€17.5 million euros**, the same amount as the previous year.

Taking into account the earnings projection for the coming years and the capacity to generate organic capital, the Bank intends to continue its shareholder remuneration policy. The Bank has no restriction or limitation on the payment of dividends. However, it shall distribute its profit in a prudent manner so as not to affect the objective of maintaining an adequate level of capital, even in the event of deterioration of the economic situation and financial conditions.

9.2 CREDIT AGENCY RATINGS

In May 2019, **Standard & Poor's** ratified the rating of Ibercaja Banco at "BB+/B", lowering the outlook from positive to stable. The rating is based on Ibercaja's stable retail franchise in its Home Markets, the Bank's conservative culture and management, its ample liquidity and its retail funding profile. The stable outlook indicates that the agency does not expect the Bank's financial profile to change substantially in the next 12 to 18 months, in an environment where low interest rates and strong competition in the Spanish banking market put downward pressure on profitability, limiting the strengthening of capital via results.

Moody's affirmed in March the rating of long-term deposits at "Ba3" and improved the outlook from stable to positive. This change reflects the agency's expectation that Ibercaja's credit profile will be strengthened over the next 12 to 18 months, mainly in terms of asset quality. Moody's positively assesses Ibercaja's franchise in Aragon, the favourable liquidity situation and the Bank's stable deposit base.

The credit rating agency **Fitch** ratified Ibercaja's long-term rating of "BB+" in March 2019, noting the strength of its regional franchise, the adequate financing and liquidity position and the contribution of the insurance business as a source of diversification and generation of recurring revenue, within a context of profitability under pressure due to the low interest rates and business volumes that are still in a recovery stage. The positive outlook reflects the favourable expectations regarding the performance of capital, the plans for going public and the reduction in non-performing assets.

CREDIT AGENCY RATINGS:

	LONG-TERM	SHORT-TERM	OUTLOOK
Standard & Poors	BB+	B	Stable
Moody's (rating for deposits)	Ba3	NP	Positive
Fitch Ratings	BB+	B	Positive

9.3 AVERAGE SUPPLIER PAYMENT PERIOD

The average payment period for suppliers in 2019 was **20 days**, well within the legal maximum of 60 days established by Law 15/2010 (5 July) that establishes measures to combat against late payments in commercial transactions.

10 BUSINESS OUTLOOK

MACROECONOMIC LANDSCAPE

Projections for 2020 point to **slower growth, 1.6%, of the Spanish economy** after the outstanding advances of previous years. Domestic demand will remain strong, although slower, thanks to wage growth, which will compensate for worse employment data, and the improvement in the wealth of households and businesses.

The contribution of exports will be smaller, due to the increase in imports, after slowing down in 2019, and the worse performance of exports in a framework in which the main international bodies have lowered the growth forecasts for the world and European economy, as a result of trade tensions, geopolitical risks in the Middle East, together with other factors that particularly affect Europe, such as the negotiations for the United Kingdom's exit from the European Union or the crisis in the car industry.

OVERVIEW AND PROSPECTS OF THE IBERCAJA GROUP

In a tough environment for the financial sector due to the impact of the ECB's monetary policy on margins, Ibercaja managed to stabilise typical banking revenues, maintain progress in personal and private banking lines and continue to improve its drive towards the corporate segment.

The asset management and insurance business achieved record market shares in mutual funds, pension plans and life insurance. Steps taken in the transformation of the operating and customer relationship model, together with the deployment of projects and investment in digitalisation, lay the foundations for improving the Group's efficiency and competitiveness.

The **balance sheet clean-up** significantly reduced the weight of non-performing assets by lowering the non-performing loan ratio to below the average for the Spanish banking sector. Solvency indicators are evolving favourably, reaching comfortable levels in relation to the risk assumed by the Bank.

IBERCAJA WILL CONTINUE TO WORK ALONG THE LINES SET OUT SO FAR, WITH THE 2018-2020 STRATEGIC PLAN AS A GUIDELINE. THE MAIN ASPECTS AND OBJECTIVES THAT WILL FOCUS THE ACTIVITY ARE:

- **Accelerate growth of the business,** aiming marketing efforts to cement the Corporate, Personal and Private Banking Plans, as these are the segments that generate the highest levels of profitability.
- **Maximise profitability** by increasing loan revenue, with risk-adjusted rates, generating fees for services that provide added value to the customer, mainly through asset management and insurance.
- **Enhance excellence** in customer service as a guideline for management and an edge in an increasingly competitive market.
- **Improve balance sheet quality** by reducing non-performing assets through ordinary management and extraordinary sales transactions.
- **Normalise the cost of risk** by building upon the work already carried out in write-downs and the reduction of Problem assets.
- **Increase efficiency and productivity** by maintaining strict cost control and moving ahead decisively with the digitisation of the business.
- **Support the transition to a more sustainable economy** by allowing the flow of savings to go into sustainable investments.

Finally, the **main corporate challenge** that Ibercaja faces, due to its size and importance for the future of the institution, is to **successfully achieve the planned IPO** in order to comply with the regulations that affect the Ibercaja Banking Foundation and to stand on the same footing as the majority of competitors in Spain and Europe as a listed bank. With this aim in mind, the Bank will continue to work to meet the expectations of investors.

11

EVENTS AFTER THE REPORTING PERIOD

- On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback **offer in cash to all holders of the subordinated obligations issue** called "500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". Following this offer, Ibercaja accepted the purchase of Notes for a nominal amount of 281,900 thousand euros, which was settled on 23 January 2020.

- On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an **issue of subordinated obligations with a par value of 500 million euros** and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2,882%. The disbursement and closure of this issue took place on 23 January 2020. The new bonds shall qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

- On 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its sh**areholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser")**, which represents 4.45% of the share capital and voting rights of this company, for approximately 51 million euros. The positive impact of this sale on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio is estimated at approximately 22 basis points.

  After the formalisation of the aforementioned purchase-sale, Ibercaja will maintain a 9.5% shareholding in Caser and will also enter into with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.), an agreement for a modifying novation of its non-life insurance distribution contract with Caser once the purchase-sale described in the purchase-sale agreement has been formalised.

  This novation will mean for Ibercaja, in addition to the maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities, plus additional charges for a share in the business results of up to 50 million euros over the next 10 years.

  The effectiveness of the aforementioned purchase-sale is subject to obtaining the appropriate regulatory and competition authority authorisations.

- On 23 January 2020, the Board of Directors of Ibercaja Banco, S.A. authorised the commencement of talks to reach an agreement with the trade union representatives in relation to the **employee termination proposal**. Prior to the formal commencement of this process, and in accordance with the Collective Bargaining Agreement for Savings Banks and Financial Institutions, a period of prior negotiation, limited in time, must be initiated with the workers' representatives once the committee representing them has been set up. This negotiation period began on 12 February 2020.

12 ALTERNATIVE PERFORMANCE MEASURES

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In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA/2015/1415es), the **Alternative Performance Measures (APMs)** used in this report are **defined below, alongside a reconciliation with the balance sheet and income statement items** used to calculate them.

Ibercaja uses a range of APMs, which are unaudited, to aid understanding of the company's financial performance. APMs should be regarded as additional information. They do not replace financial information prepared under IFRS. The way in which the Group defines and calculates APMs may differ from performance measures calculated by other companies and, therefore, the APMs may not be comparable.

APMS RELATED TO THE INCOME STATEMENT

RECURRING REVENUE: net interest income plus net fee and commission income and net exchange differences (APM defined and calculated below). We use this APM to measure the performance of income directly related to typical banking activity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Net interest income [1]	547,246	572,151
+	Net fees and commissions and exchange differences [2]	394,843	375,561
=	**Recurring revenue**	**942,089**	**947,712**

(1) Source: consolidated income statement in the financial statements.
(2) APM. See definition and calculation below.

NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES: Fee and commission income minus fee and commission expense plus net exchange differences. We use this APM to measure the income generated via fees and commissions.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Fee and commission income	412,375	391,622
-	Fee and commission expenses	18,636	16,707
+	Net exchange differences	1,104	646
=	**Net fees and commissions and exchange differences**	**394,843**	**375,561**

Source: consolidated income statement in the financial statements.

NET GAIN/(LOSS) ON FINANCIAL TRANSACTIONS: addition of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and financial liabilities held for trading, gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, gains/losses on financial assets and financial liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting. We use this APM to determine the amount of income related to financial activity but which, by their nature, cannot be considered as recurring revenues.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	8,261	42,802
+	Gains/(losses) on financial assets and liabilities held for trading	1,220	404
+	Gains/(losses) on financial assets not held for trading		
	mandatorily measured at fair value through profit or loss	(3,718)	(885)
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	747	792
+	Gains/(losses) from hedge accounting	567	511
=	**Gains/(losses) on financial assets and liabilities**	**7,077**	**43,624**

Source: consolidated income statement in the financial statements.

OTHER OPERATING INCOME/(EXPENSES): sum of the net amount of other operating income and expenses and income and expenses on assets and liabilities covered by insurance or reinsurance contracts. We use this APM to measure income and expense that are not wholly derived from financial activity but which are related to our business.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Other operating income	37,073	42,399
-	Other operating expenses	72,473	77,567
+	Income from assets covered by insurance and reinsurance contracts	940,528	1,327,536
-	Liability expenses covered by insurance or reinsurance contracts	940,798	1,327,955
=	**Other operating income and expense**	**(35,670)**	**(35,587)**

Source: consolidated income statement in the financial statements.

OPERATING EXPENSES: sum of personnel expenses, other administration expenses and depreciation/amortisation. We use this APM as an indicator of expenses incurred in our activity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Personnel costs	360,944	419,505
+	Other administration expenses	171,915	198,051
+	Amortisation and depreciation	67,228	51,291
=	**Operating expenses**	**600,087**	**668,847**

Source: consolidated income statement in the financial statements.

RECURRING OPERATING EXPENSES: operating expenses (APM defined and calculated above) excluding non-recurring items. We use this APM to measure the evolution of ordinary expenses generated by our activity (banking business, asset management and bancassurance), excluding non-recurring items, such as expenses associated with the 2017-2018 workforce adjustment plan.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Operating expenses (1)	600,087	668,847
-	Non-recurring expenses (2)	-	55,752
=	**Recurring operating expenses**	**600,087**	**613,095**

(1) APM. See definition and calculation above.

(2) Source: Note 38 to the financial statements.

PROFIT/(LOSS) BEFORE WRITE-DOWNS: gross margin last operating expenses (administrative expenses and depreciation and amortisation). We use this APM to show profitability before write-downs.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Gross income	926,579	966,594
-	Administrative expenses	532,859	617,556
-	Amortisation and depreciation	67,228	51,291
=	**Profit before write-downs**	**326,492**	**297,747**

Source: consolidated income statement in the financial statements.

RECURRING INCOME BEFORE WRITE-DOWNS: recurring revenue less recurring operating expenses (APMs defined and calculated above). We use this APM to measure the recurring profitability of the business before write-downs.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Recurring revenue [1]	942,089	947,712
-	Recurring operating expenses [1]	600,087	613,095
=	**Recurring income before write-downs**	**342,002**	**334,617**

(1) APM. See definition and calculation above.

PROVISIONS, IMPAIRMENT AND OTHER WRITE-DOWNS: sum of provisions, impairment of financial assets not measured at fair value through profit or loss, impairment of investments in joint ventures and associates, impairment of non-financial assets and gains or losses on non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations, corresponding to impairment losses on other non-current assets held for sale. We use this APM as an indicator of the cost of allowances made during the year to cover the impairment of the value of our assets.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Provisions or (-) reversal of provisions	37,330	(32,870)
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	124,637	154,724
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	-	-
+	Impairment or (-) reversal of impairment of non-financial assets	5,612	4,962
+	Impairment losses on other non-current assets for sale	16,957	40,523
=	**Provisions, impairment and other write-downs**	**184,536**	**167,339**

Source: consolidated income statement and Note 42 to the financial statements

OTHER GAINS/(LOSSES): sum of gains/(losses) on the disposal non-financial assets and shareholdings and gains/(losses) on disposal of other non-current assets and held for sale within gains/(losses) on non-current assets and disposal groups of items classified as held for sale and not eligible for classification as discontinued operations. We use this APM as an indicator of the impact on our income statement of the derecognition/disposal of assets not related to ordinary activity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	(6,544)	(19,201)
+	Gains/(losses) on disposal of other non-current assets for sale [2]	(6,775)	(30,377)
=	**Other gains/(losses)**	**(13,319)**	**(49,578)**

(1) Source: consolidated income statement in the financial statements.
(2) Source: Note 42 to the financial statements.

APMS RELATED TO THE PROFITABILITY

CUSTOMER SPREAD (%): difference between the average loan portfolio performance and the cost of retail deposits. We use this APM as a profitability indicator of our retail business.

	(%)	2019	2018
+	Yields from consumer loans *Interest revenue from the portfolio of registered loans in the year divided by the average customer loan balance*	1.45	1.41
-	Cost of retail deposits *Interest expense on retail deposits recognised in the balance sheet in the year divided by the average retail deposit balance*	0.02	0.02
=	**Customer spread (%)**	**1.43**	**1.39**

Source: internal Bank information.

NET INTEREST INCOME TO ATA: the ratio of net interest income to average consolidated total assets. We use this APM to put net interest income in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Net interest income (1)	547,246	572,151
Denominator	Average consolidated total assets assets (2)	52,779,955	52,303,404
=	**Net interest income (%/ATA)**	**1.04**	**1.09**

(1) Source: published consolidated income statement in the financial statements.

(2) The total average asset balance for 2019 was calculated as a simple average of the monthly asset balances, and the 2018 balance was restated using the same calculation criterion.

WEIGHT OF THE FIXED-INCOME PORTFOLIO TO INTEREST INCOME: income from the fixed-income portfolio divided by interest income. We use this APM to measure the contribution of the fixed income portfolio to our interest income.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Income from fixed income portfolio (1)	69,023	80,805
Denominator	Interest income (2)	663,561	660,894
=	**Weight of fixed income portfolio in interest income (%)**	**10.40**	**12.23**

(1) Source: internal Bank information. Calculated as the income from the Group's debt portfolio excluding the insurance activity of Ibercaja Vida.

(2) Source: consolidated income statement in the financial statements.

NET FEES AND EXCHANGE RATE DIFFERENCES TO ATA: the ratio of net fees and commissions and exchange differences (APM defined and calculated previously) to average consolidated total assets. We use this APM to put fee income in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	31/12/19	31/12/18
Numerator	Net fees and commissions and exchange differences (1)	394,843	375,561
Denominator	Average consolidated total assets (2)	52,779,955	52,303,404
=	**Net fees and commissions and exchange differences (% of ATA)**	**0.75**	**0.72**

(1) APM. See definition and calculation above.

(2) See net interest income to ATA.

NET FEES AND EXCHANGE DIFFERENCES TO RECURRING REVENUE: net fees and commissions and exchange difference divided by recurring revenues (APMs defined and calculated above). We use this APM to measure the contribution of fees and commissions to recurring revenues.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Net fees and commissions and exchange differences (1)	394,843	375,561
Denominator	Recurring revenue (1)	942,089	947,712
=	**Net fees and commissions out of recurring revenues**	**41.91**	**39.63**

(1) APM. See definition and calculation above.

RECURRING REVENUE TO ATA: ratio of recurring revenue (APM defined and calculated above) to average consolidated total assets. We use this APM to put recurring revenue in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Recurring revenues (1)	942,089	947,712
Denominator	Average consolidated total assets (2)	52,779,955	52,303,404
=	**Recurring income (% of ATA)**	**1.78**	**1.81**

(1) APM. See definition and calculation above.

(2) See net interest income to ATA.

RECURRING OPERATING EXPENSES TO ATA: ratio of recurring operating expenses (APM defined and calculated above) to average consolidated total assets. We use this APM to put recurring expenses in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Recurring operating expenses (1)	600,087	613,095
Denominator	Average consolidated total assets (2)	52,779,955	52,303,404
=	**Recurring operating expenses (% of ATA)**	**1.14**	**1.17**

(1) APM. See definition and calculation above.

(2) See net interest income to ATA.

COST-TO-INCOME RATIO: recurring operating expenses (APM defined and calculated above) divided by gross income. We use this APM to measure our operating efficiency.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Recurring operating expenses (1)	600,087	613,095
Denominator	Gross income (2)	926,579	966,594
=	**Cost-to-income ratio (%)**	**64.76**	**63.43**

(1) APM. See definition and calculation above.

(2) Source: consolidated income statement in the financial statements.

RECURRING COST-TO-INCOME RATIO: recurring operating expenses divided by recurring revenues (APMs defined and calculated above). We use this APM to measure the efficiency of our recurring activity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Recurring operating expenses (1)	600,087	613,095
Denominator	Recurring revenue (1)	942,089	947,712
=	**Recurring cost-to-income (%)**	**63.70**	**64.69**

(1) APM. See definition and calculation above.

RECURRING PROFIT BEFORE PROVISIONS TO AVERAGE TOTAL ASSETS: the difference between recurring income and recurring operating expenses in relation to the consolidated average total assets. We use this APM to put profit before provisions in relation to the balance sheet in order to allow better comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Recurring revenue (% ATA) (1)	1.78	1.81
-	Recurring operating expenses (% ATA) (1)	1.14	1.17
=	**Recurring profit before write-downs (% ATA)**	**0.64**	**0.64**

(1) APM. See definition and calculation above.

ROA: Profit attributable to the parent (annualised figure) divided by consolidated average total assets. We use this APM to measure the profitability of our assets.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Profit/(loss) attributed to the parent (1)	83,989	40,804
Denominator	Consolidated average total assets (2)	52,779,955	52,303,404
=	**ROA (%)**	**0.16**	**0.08**

(1) Source: consolidated income statement in the financial statements.

(2) See net interest income to ATA.

RORWA: parent company profits (annualised figure) divided by risk-weighted assets. We use this APM to measure the profitability of our risk-weighted assets.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Profit/(loss) attributed to the parent(1)	83,989	40,804
Denominator	Risk-weighted assets phased in(2)	20,362,850	21,379,068
=	**RORWA (%)**	**0.41**	**0.19**

(1) Source: consolidated income statement in the financial statements.
(2) Source: Note 1.7.2 to the financial statements.

ROE: Profit attributable to the parent divided by consolidated average equity. Excluded is the issue of AT1 of €350 million recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue). We use this APM to measure profitability in relation to shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Profit/(loss) attributed to the parent (1)	83,989	40,804
Denominator	Average consolidated shareholders' equity (2)	2,810,747	2,768,039
=	**ROE (%)**	**2.99**	**1.47**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

ROTE: Profit attributable to the parent divided by consolidated average tangible equity. Excluded is the issue of AT1 of €350 million recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue). We use this APM to measure profitability in relation to tangible equity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Profit/(loss) attributed to the parent (1)	83,989	40,804
Denominator	Average tangible consolidated shareholders' equity (2)	2,608,245	2,571,850
=	**ROTE (%)**	**3.22**	**1.59**

(1) Source: consolidated income statement in the condensed interim financial statements.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

SOLVENCY-RELATED APM

RWA DENSITY: Risk-weighted assets divided by total assets. We use this APM to measure the risk profile of our balance sheet.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Risk-weighted assets phased in [1]	20,362,850	21,379,068
Denominator	Total consolidated assets[2]	55,422,015	52,705,739
=	**RWA density (%)**	**36.74**	**40.56**

(1) Source: Note 1.7.2 to the financial statements.

(2) Source: consolidated balance sheet in the financial statements.

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APMS RELATED TO ASSET QUALITY

PROBLEM ASSETS: the aggregation of impaired assets from loans and advances to customers and the gross value of foreclosed assets. We use this APM to evaluate the size of our portfolio of non-performing assets in gross terms.

	(thousands of euros)	31/12/2019	31/12/2018
+	Impaired assets loans and advances to customers [1]	1,293,161	2,274,558
+	Gross value of foreclosed assets[2]	624,890	766,967
=	**Problem assets**	**1,918,051**	**3,041,525**

(1) Source: Note 3.5.4 to the financial statements.
(2) Source: Note 3.5.6.2 to the financial statements.

RATIO OF NON-PERFORMING LOANS AND ADVANCES TO CUSTOMERS: non-performing loans on the consolidated balance sheet divided by gross loans and advances to customers. We use this APM to monitor the quality of the loan portfolio.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Impaired assets loans and advances to customers[1]	1,293,161	2,274,558
Denominator	Gross loans and advances to customers[2]	32,563,215	33,723,764
=	**Non-performing loans ratio ptmos and advances to customers (%)**	**3.97**	**6.74**

(1) Source: Note 3.5.4 to the financial statements.
(2) Source: Notes 8 and 11.4 to the financial statements.

PROBLEM ASSET RATIO: ratio between Problem assets (APM defined and calculated above) and the value of the exposure. We use this APM to evaluate the size of our portfolio of non-performing assets in relative terms.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Problem assets [1]	1,918,051	3,041,525
Denominator	(a) Gross loans and advances to customers	32,563,215	33,723,764
	(b) Gross value of foreclosed assets	624,890	766,967
	(a) + (b) Value of exposure [2]	33,188,105	34,490,731
=	**Problem asset index (%)**	**5.78**	**8.82**

(1) Source: APM. See definition and calculation above.
(2) Source: notes 3.5.6.2, 8 and 11.4 to the financial statements

COST OF RISK: percentage of write-offs associated with loans and advances to customers and foreclosed properties in relation to the average exposure, which is the sum of gross loans and advances to customers and foreclosed properties. We use this APM to monitor the cost of allowances for the loan portfolio and foreclosed assets.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Write-downs of loans and foreclosed properties (1)	134,139	186,591
Denominator	Average exposure (gross credit and real estate) (2)	33,676,679	34,677,199
=	**Cost of risk (%)**	**0.40**	**0.54**

(1) Source: internal Bank information. The write-down of the loan is the sum of the impairment of financial assets at amortised cost and the provisioning (reversal) of provisions for commitments and guarantees given. Foreclosed properties are classified according to their nature as non-current assets held for sale, investment property or inventories. Impairment losses are recognised under "Impairment or Reversal of Impairment Losses on Non-Financial Assets (Investment Property and Other)" (see note 40 to the consolidated financial statements) and "Impairment Losses on Non-Current Assets Held for Sale" (see note 42 to the consolidated financial statements).

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

COVERAGE OF NON-PERFORMING EXPOSURES: sum of impairment losses on loans and advances to customers and negative cumulative changes in fair value due to credit risk on non-performing exposures. This includes the impairment losses of stages 1, 2 and 3. We use this APM to monitor the extent to which provisions associated with credit risk cover bad debts.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Impairment losses on loans and advances to customers (1)	642,039	1,116,708
+	Accumulated negative changes in fair value of doubtful exposures (2)	2,231	2,222
=	**Coverage of non-performing exposures**	**644,270**	**1,118,930**

(1) Source: Note 11.4 to the financial statements.

(2) Source: Note 8 to the financial statements.

COVERAGE RATIO OF NON-PERFORMING EXPOSURES: ratio of provisions for impairment of assets (APM as defined and calculated above) to impaired loans and advances to customers. We use this APM to monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Coverage of non-performing exposures (1)	644,270	1,118,930
Denominator	Impaired assets, loans and advances to customers (2)	1,293,161	2,274,558
=	**Coverage of non-performing exposures (%)**	**49.82**	**49.19**

(1) Source APM. See definition and calculation above.

(2) Source: Note 3.5.4 to the financial statements.

COVERAGE RATIO OF FORECLOSED ASSETS: Impairment losses on foreclosed assets (since loan origination) divided by the gross value of foreclosed assets. We use this MAR to monitor the extent to which provisions associated with foreclosed properties cover the gross value of these properties.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Correction of the impairment of foreclosed assets (1)	346,033	446,769
Denominator	Gross value of foreclosed assets(1)	624,890	766,967
=	**Coverage of foreclosed assets (%)**	**55.38**	**58.25**

(1) Source: Note 3.5.6.2 to the financial statements.

COVERAGE RATIO OF FORECLOSED LAND: Impairment losses on foreclosed land (since loan origination) divided by the gross value of foreclosed land. We use this MAR to monitor the extent to which provisions associated with land cover the gross value of these properties.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Land value adjustments (1)	275,233	365,543
Denominator	Gross value of land(1)	459,989	570,979
=	**Foreclosed land cover rate (%)**	**59.83**	**64.02**

(1) Source: Note 3.5.6.2 to the financial statements.

COVERAGE RATIO OF PROBLEM ASSETS: coverage of non-performing exposures and foreclosed assets divided by Problem exposure (APM defined and calculated above). We use this MAR to monitor the extent to which provisions associated with non-performing loans and foreclosed properties cover the gross value of such exposure.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	(a) Coverage of non-performing exposures (2)	644,270	1,118,930
	(b) Correction of the impairment of foreclosed assets (1)	346,033	446,769
	(a) + (b) Coverage of problem assets	990,303	1,565,699
Denominator	Problem assets (2)	1,918,051	3,041,525
=	**Coverage rate of problem assets (%)**	**51.63**	**51.48**

(1) Source: note 3.5.6.2 to the financial statements.

(2) Source: APM. See definition and calculation above.

NET PROBLEM ASSETS TO TOTAL ASSETS: ratio between Problem assets net of coverage (APM defined and calculated above) to total assets. We use this APM to measure the weight of Problem assets, after deducting the provisions linked to those assets, on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	(a) Problem assets(1)	1,918,051	3,041,525
	(b) Coverage of Problem assets (1)	990,303	1,565,699
	(a) - (b) Problem assets net of coverage	927,748	1,475,826
Denominator	Total assets(2)	55,422,015	52,705,739
=	**Net non-performing assets over total assets (%)**	**1.67**	**2.80**

(1) Source: APM. See definition and calculation above.
(2) Source: consolidated balance sheet in the financial statements.

TEXAS RATIO: problem assets (APM defined and calculated above) divided by shareholders' equity and coverage. Excluded is the issue of AT1 of €350 million recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue). We use this APM to measure the capacity of absorption of potential losses of our Problem assets with the coverage in place and shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Problem assets (1)	1,918,051	3,041,525
Denominator	(b) Coverage of Problem assets(1)	990,303	1,565,699
	(b) Shareholders' equity(2)	3,139,017	3,091,665
	(c) Equity instruments issued other than capital (2)	350,000	350,000
	(d) Other reserves from the issue of equity instruments other than capital(2)	32,720	15,570
	(a) + (b) – (c) + (d)	3,812,040	4,322,934
=	**Texas Ratio (%)**	**50.32**	**70.36**

(1) Source: APM. See definition and calculation above.
(2) Source: Note 23.1 to the financial statements.

APMS RELATED TO BUSINESS VOLUME

RETAIL DEPOSITS: sum of demand savings and term deposits ex covered bonds or repurchase agreements of assets recognised in customer deposits of consolidated balance sheet. We use this APM as an indicator of retail funding on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Demand deposits [1]	28,509,031	26,316,080
+	Term deposits [1]	6,009,517	7,384,711
-	Mortgage covered bonds (including nominal amount and share premium)	1,746,096	2,161,279
	Nominal amount of mortgage covered bonds [1]	1,842,137	2,271,771
	Mortgage covered bond issue premium[2]	(96,040)	(110,492)
=	**Retail deposits**	**32,772,452**	**31,539,512**

(1) Source: Note 19.3 to the financial statements.

(2) Source: internal Bank information.

ASSET MANAGEMENT AND INSURANCE: Sum of the assets managed by investment firms and funds (including third-party funds but excluding the assets of funds that themselves invest in Ibercaja Gestión funds), pension plans and insurance. This indicator is significant because of the importance for Ibercaja of off-balance sheet savings as a source of the Group's income.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Investment companies and funds [1]	14,708,533	12,821,484
+	Pension funds[1]	5,668,503	5,068,609
+	Insurance products [2]	7,493,363	7,477,860
=	**Asset management and insurance**	**27,870,399**	**25,367,953**

(1) Source: Note 27.4 to the consolidated financial statements

(2) Source: Note 24.4 to the separate financial statements

TOTAL RETAIL FUNDS: sum of retail deposits and asset management and insurance (APMs defined and calculated above). We use this APM as an indicator of the volume of retail savings managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Retail deposits[1]	32,772,452	31,539,512
+	Asset management and insurance[2]	27,870,399	25,367,953
=	**Total retail funds**	**60,642,851**	**56,907,465**

(1) Source: APM. See definition and calculation above.

RETAIL BUSINESS VOLUME: sum of gross loans and advances to customers ex repurchase agreements and total retail funds (APM defined and calculated above). We use this APM as an indicator of the savings and credit of our retail customers managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Loans and advances to customers ex impaired assets and reverse repos [(1)]	29,654,301	29,745,594
+	Total retail funds [(2)]	60,642,851	56,907,465
=	**Retail business volume**	**90,297,152**	**86,653,059**

(1) Source: Notes 8 and 11.4 to the financial statements.

(2) Source: APM. See definition and calculation above.

APMS RELATED TO LIQUIDITY

CREDIT TO RETAIL FUNDING RATIO (LTD): net loans and advances to customers less repurchase agreements divided by retail deposits (APM defined and calculated above). We use this MAR to measure the proportion of loans and advances to customers financed by retail deposits.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	(a) Net loans and advances to customers(1)	31,918,945	32,604,834
	(b) Reverse repurchase agreements (2)	1,615,753	1,703,612
	(a) – (b) Net loans ex reverse repos	30,303,192	30,901,222
Denominator	Retail deposits(3)	32,772,452	31,539,512
=	**LTD (%)**	**92.47**	**97.98**

(1) Source: consolidated balance sheet in the financial statements.

(2) Source: Note 11.4 to the financial statements.

(3) Source: APM. See definition and calculation above.

AVAILABLE LIQUIDITY: Sum of cash and central bank accounts, collateral available for ECB operations, collateral available for ECB operations outside of ECB guarantee pool and other marketable assets not eligible for ECB, in accordance with Banco de España statement LQ 2.2. We use this APM to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Cash and central banks	3,671,499	888,415
+	Available in policy	4,982,938	4,760,526
+	Eligible assets not included in the policy	2,432,048	4,835,712
+	Other marketable assets not eligible by the Central Bank	381,397	432,195
=	**Available liquidity**	**11,467,882**	**10,916,848**

Source: Note 3.8.2 to the financial statements.

AVAILABLE LIQUIDITY TO TOTAL ASSETS: ratio of available liquidity (APM as defined and calculated above) to total assets. We use this APM to ascertain the weight of available liquidity to total assets.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
Numerator	Available liquidity (1)	11,467,882	10,916,848
Denominator	Total assets(2)	55,422,015	52,705,739
=	**Available liquidity to total assets (%)**	**20.69**	**20.71**

(1) Source: APM. See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

EL BANCO DEL Vamos

TOTAL AVAILABLE LIQUIDITY: aggregation of available liquidity (APM defined and calculated above) and mortgage covered bond issuance capacity. We use this APM to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2019	31/12/2018
+	Available liquidity (1)	11,467,882	10,916,848
+	Capacity to issue mortgage bonds (2)	7,307,407	6,289,715
=	**Total availability of liquidity**	**18,775,289**	**17,206,563**

(1) Source: APM. See definition and calculation above.

(2) Source: Note 3.8.2 to the financial statements.

Notes

The calculation of the ROE, ROTE and Texas Ratio for 2019 includes in the denominator the costs and interest accrued from the issue of AT1, with the figure published in 2018 being restated.

Retail funds (retail deposits and asset management) are restated according to the criteria adopted for their calculation in 2019.

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CNMV COMISIÓN NACIONAL DEL MERCADO DE VALORES

ANNUAL CORPORATE GOVERNANCE REPORT FOR ENTITIES OTHER THAN SAVINGS BANKS OR STATE-OWNED COMMERCIAL COMPANIES OR PUBLIC ENTITIES THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

IDENTIFICATION DETAILS OF THE ISSUER

Financial year end: 31/12/2019

Spanish Company Tax ID (CIF): A99319030

Corporate name:

IBERCAJA BANCO, S.A.

Registered office:

PZ. BASILIO PARAISO N.2 (ZARAGOZA)

A. OWNERSHIP STRUCTURE

A.1. Details regarding shareholders or most significant members of the company at the year end:

Name or corporate name of significant shareholder or member	% of share capital
CAJA BADAJOZ FOUNDATION	3.90
CAJA CÍRCULO BANKING FOUNDATION	3.45
IBERCAJA BANKING FOUNDATION	87.80
CAJA DE AHORROS DE LA INMACULADA DE ARAGÓN FOUNDATION	4.85

A.2. Indicate if there are family, commercial, contractual or corporate relationships between significant shareholdings or members and, to the extent that the company has knowledge of them, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related person or company	Type of relationship	Brief description
No data		

A.3. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings or members and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related person or company	Type of relationship	Brief description
IBERCAJA BANKING FOUNDATION, IBERCAJA BANKING FOUNDATION	Corporate	Protocol for the management of the financial interest held by the Foundation in Ibercaja Banco, S.A. in accordance with the provisions of Law 26/2013 (27 December).

A.4. Indicate whether there are any restrictions (statutory, legislative or otherwise) on the transfer of securities and/or any restrictions on voting rights. In particular, the existence of any type of restriction that could hinder the taking control of the company by means of the acquisition of its shares in the market, as well as those authorisation or prior notices systems that, on the acquisitions or transfers of financial instruments of the company, are applicable to it through industry regulations, will be disclosed:

[√] Yes
[ ] No

Description of the restrictions

The acquisition or transfer of significant interests in share capital are subject to the prior authorisation of the competent authorities in accordance with the industry regulations applicable to credit institutions, considering for this purpose that a significant interest is any indirect or direct interest of at least 10% of share capital or voting rights, or any interest below that figure that allows notable influence to be exercised. The same pre-authorisation process will be applicable when the holder of a significant interest intends to increase that interest, acquiring control over the entity or exceeding a 20%, 30% or 50% interest.

Article 23 of the Bylaws establishes that shareholders who are considered to be banking foundations under Law 26/2013 of 27 December on savings banks and banking foundations not establishing a reserve fund under the terms of said law, may not issue, individually or together with the entities of their group or with persons acting in concert with them, a number of votes greater than those corresponding to shares representing a percentage of forty percent (40%) of the share capital with calculated voting rights, even when the number of shares they hold exceeds forty percent (40%) of the total share capital. This limitation shall only have effect with regard to Banking Foundations which, individually or together with the entities of their group or with persons acting in concert with the them, hold a number of shares exceeding forty percent (40%) of the share capital of the Company. However, this limitation was not applicable on 31 December 2019, in accordance with the second transitional provision of the Bylaws.

B. GENERAL MEETING OR EQUIVALENT BODY

B.1. List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the bylaws. Describe how this is different from the minimum system established by the Spanish Companies Act or any other applicable legislation.

A General Meeting, whether ordinary or extraordinary, will be validly called to order on first call or on second call when the shareholders that are present or represented hold the percentage of voting rights established by law. Notwithstanding the above, a General Meeting will be validly called to order as a Universal Meeting provided that all share capital is present or represented and those in attendance unanimously agree to hold the meeting and approve the agenda. The validity of calling the meeting to order will be determined with respect to each of the resolutions that must be adopted and any absences that take place once the General Meeting has been validly called to order will not affect the holding of the meeting. In order to validly call the meeting to order, even if held as a Universal Meeting, the attendance of the Company's administrators is not necessary.

For the purposes of establishing the percentage of capital with voting rights, the limitations established in Article 23 of the Bylaws will be taken into account. In this way, the percentage of forty percent (40%) of the share capital with voting rights will be calculated on the share capital obtained by subtracting the amount of share capital corresponding to the shares of the shareholder Banking Foundation (and of entities in its group and persons acting in concert with them) from the total share capital representing the excess over forty percent (40%) of the total share capital. The limitation of voting rights did not apply on 31 December 2019 and in any case will not apply until the second transitional provision of the Bylaws is fulfilled.

B.2. Explain the rules governing the adoption of resolutions. Describe how this is different from the system established by the Spanish Companies Act or any other applicable legislation.

The system for adopting corporate resolutions is in line with the system established by the Spanish Companies Act.

Except in those cases in which the law or the bylaws establish a qualified majority, resolutions will be adopted by the ordinary majority of votes cast shareholders present or represented at the meeting, and a resolution will be understood to be accepted when it obtains more votes in favour than against.

Those attending the General Meeting will have one vote for each share they hold or represent, taking into account, however, the limitations on voting rights affecting banking foundations, as established in Article 23 of the Bylaws, which at 31 December 2019 were applicable, in view of the provisions of the Second Transitory Provision of the Bylaws.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

B.3. Briefly indicate the Resolutions adopted by shareholders at a General Meeting or equivalent body held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

On 9 April 2019, an Ordinary General Meeting was held in which it was unanimously agreed: (i) to approve the individual and consolidated financial statements of Ibercaja Banco, S.A. for 2018 (ii) to approve the management of the Board of Directors; (iii) the application of the result for the year and the non-financial information statement for 2018. Also unanimously, the Meeting approved, in a consultative capacity, the Annual Report on Directors' Remuneration; and established the maximum amount of annual remuneration of all the directors, authorising the Board to distribute the remuneration among the different directors, taking into account the functions and responsibilities attributed to each of them. It was also unanimously agreed to reappoint Mr Condor López as an independent director for a period of five years. Finally, and also unanimously, the Meeting authorised the Board to proceed with the issuance of loans on the institutional and retail markets for up to a maximum amount of 3,000 million euros.

On the same date, an Extraordinary Shareholders' Meeting was held, at which it was unanimously agreed to carry out a capital reduction by reducing the par value of the shares in order to constitute a restricted voluntary reserve; the grouping of the outstanding shares, the modification of the book-entry share representation system and the consequent modification of the bylaws in order to include the aforementioned agreements as well as others that were considered necessary or appropriate for the Entity potentially going public.

On 29 August 2019, an Extraordinary General Shareholders' Meeting was held at which, as a result, the termination of the commitments acquired by the shareholder foundations, as well as of the agreement reached by Caja de Ahorros de la Inmaculada Foundation and Caja Badajoz Foundation to group their shares and arrange their votes, it was unanimously agreed: to remove Mr Juan María Pemán Gavín and Mr Jorge Simón Rodríguez from their posts as directors and from their committees; and to extend the appointment of Mr Emilio Jiménez Labrador as a proprietary director, for a period of four years. Likewise, and in order to reduce the number of proprietary directors appointed by Ibercaja Banking Foundation, the Board unanimously agreed to remove Mr Jesús Barreiro Sanz from his position as a director (who shall continue to hold the position of Secretary to the Board of Directors and its committees as a non-director secretary). The Meeting also unanimously agreed to keep Mr Víctor Iglesias Ruiz as a director, with the category of executive, for a period of four years (by virtue of a resolution of the Board of Directors, at its meeting held on 29 August, Mr Iglesias Ruiz would continue to hold the position of CEO). Finally, and as a result of the above resolutions, the Shareholders' Meeting unanimously agreed to reduce the number of members of the Entity's Board of Directors to eleven (11). All Board of Directors proposals raised to the Shareholders' Meeting regarding the above resolutions were previously informed favourably by the Appointments Committee.

On 19 December 2019 an Extraordinary General Shareholders' Meeting was held, which, at the proposal of the Board of Directors and following a report in the same sense by the Audit and Compliance Committee, unanimously agreed to appoint ERNST&YOUNG AUDITORES S.L. as the auditing firm for the bank's individual and consolidated financial statements for 2021, 2022 and 2023.

B.4. Indicate whether at the general meetings or equivalent bodies held during the year there were any items on the agenda that were not approved by the shareholders.

At the general meetings held during the year, no item on the agenda was not approved by the shareholders.

B.5. State the address and manner of accessing the entity's website to obtain information regarding corporate governance.

The information on corporate governance of Ibercaja Banco is accessible through the website's https://www.ibercaja.com, "Shareholders and Investors" section
https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones

B.6. Indicate whether or not meetings have been held with any unions that may exist, holders of securities issued by the entity, the purpose of the meetings held during the year to which this report relates and the main agreements reached.

In 2019 no meeting was held with the various syndicates of the holders of securities issued by Ibercaja Banco or Banco Grupo Cajatres.

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board or governing body

C.1.1 State the maximum and minimum numbers of Directors stipulated in the bylaws:

Maximum number of Directors / members of the governing body	15
Minimum number of Directors / members of the governing body	5
Maximum number of directors/members of the governing body set by general meeting or assembly	11

C.1.2 Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Name of the Director/Member of the governing body	Representative	Latest date of appointment
MR JESUS SOLCHAGA LOITEGUI		13/11/2018
MR JOSE LUIS AGUIRRE LOASO		30/08/2016
MR FELIX SANTIAGO LONGAS LAFUENTE		30/08/2016
MR JESUS TEJEL GIMÉNEZ		30/08/2016
MR VICENTE CONDOR LOPEZ		09/04/2019
MR JESUS MAXIMO BUENO ARRESE		30/08/2016
MR LUIS ENRIQUE ARRUFAT GUERRA		30/08/2017
MS MARIA PILAR SEGURA BAS		30/08/2017
MR VICTOR MANUEL IGLESIAS RUIZ		29/08/2019
MS GABRIELA GONZÁLEZ-BUENO LILLO		13/11/2018
MR EMILIO JIMÉNEZ LABRADOR		29/08/2019

Mr Jesús Barreiro Sanz became non-director Secretary as per the resolutions adopted by the General Meeting of Shareholders and the Board of Directors on 29 August 2019.

C.1.3 Name the Board or governing body members, if any, who are also directors, representatives of directors, or executives of other companies in the same group as the entity:

Name of the Director/Member of the governing body	Name of the group company	Position
No data		

C.1.4 Fill-in the following table with information regarding the number of female Directors on the Board Directors and Committees, and the development of this figure over the past four years:

	Number of female Directors							
	2019		2018		2017		2016	
	Number	%	Number	%	Number	%	Number	%
Board of directors	2	18.18	2	14.28	2	14.28	1	7.14
Audit and Compliance	1	20.00	1	20.00	1	20.00	1	20.00
Committee	1	16.66	1	14.28	1	14.28	1	14.28
Strategy		0.00		0.00	1	20.00		0.00
Large Risk and Solvency	2	40.00	1	20.00		0.00		0.00
Appointments	1	25.00	1	20.00		0.00		0.00
Remuneration	1	25.00	1	20.00		0.00		0.00

C.1.5 Indicate whether the company has diversity policies in relation to the company's administrative, management and supervisory bodies with regard to issues such as age, gender, disability or professional training and experience. Small and medium-sized entities, according to the definition contained in the Auditing Act, shall report, as a minimum, on the policy it has established in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

If yes, describe this diversity policy, its objectives, the measures and manner in which it has been implemented and its results for the year. The specific measures adopted by the administrative body and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors or administrators must also be indicated.

If the company does not apply a diversity policy, explain the reasons why it does not do so.

Royal Decree Law 18/2017, of 24 November, which amends the Commercial Code, the Capital Companies Law and the Accounts Audit Law, establishes a general policy for listed companies, but also for entities of public interest, as is the case of the Entity, to have a Diversity Policy applied in relation to the Board of Directors, which shall include issues such as training and professional experience, age, disability and gender, which shall refer to the measures, if any, adopted to ensure that the Board of Directors includes a number of women that allows a balanced presence of women and men.

At its meeting held on 28 June 2018, the Board of Directors approved the Suitability and Diversity Policy for the members of the Board of Directors, at the proposal of the Appointments Committee, highlighting the main novelties: the express mention of the principle of independence of criteria (independence of ideas) as an aspect to be assessed in the suitability assessment process; the introduction of criteria for the assessment of the capacity for dedication of time on the part of the person to be appointed for the performance of the post for which it is proposed; the specification of the cases that will determine the need to carry out a (re)assessment of the collective suitability of the Board of Directors; as well as the introduction of a specific section, called "principles to encourage diversity of directors. Thus, it is expressly established that in the selection of candidates to form part of the Board of Directors, the following principles will be taken into account in order to promote the diversity of its members:

- The candidate selection process will be based on a prior analysis of the Entity's needs, based on the report made by the Appointments Committee.
- It shall be ensured that the number of independent directors is adequate in relation to the total number of directors, bearing in mind, in any case, the regulatory requirements relating to the composition and positions to be occupied by this category of directors in internal committees of the Board of Directors.
- Care shall be taken to ensure that the selection criteria take account of the diversity of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular on grounds of gender, ethnic origin, age or disability).

This is all intended to encourage a diverse and balanced composition on the whole which, in addition to meeting the requirements established with respect to knowledge and experience, enrich the analysis, debate and taking of decisions.

C.1.6 Fill in the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year:

Compensation	Thousands of euros	
	Individual	Group
Fixed remuneration	748	
Variable remuneration	118	
Attendance fees	382	
Other Remuneration	255	
TOTAL	1,503	

"Other remuneration" indicates the compensation received by Directors for their membership on internal Board committees, other than the per diems received for attending meetings and insurance premiums.

Incomplete years: Although a director has not carried out his or her activity during the entire period subject to information, the remuneration he or she has received is included under this heading.

C.1.7 Identify the members of senior management who are not Executive Directors or members of the governing body and indicate the aggregate compensation accrued to them during the year:

Name or corporate name	Position
MR RODRIGO GALÁN GALLARDO	Deputy Director - Group Finance Director
MS ANA JESÚS SANGRÓS ORDEN	Director of Corporate Information and Management Analysis
MR FRANCISCO JOSÉ SERRANO GILL DE ALBORNOZ	Assistant General Manager-General Secretary and Director of Internal Control

Name or corporate name	Position
MR JOSÉ IGNACIO OTO RIBATE	Deputy Director - Network Director
MR ANTONIO MARTÍNEZ MARTÍNEZ	Deputy Director - Finance Director
MS MARIA TERESA FERNÁNDEZ FORTÚN	Deputy Director - Director People Area
MR JOSE PALMA SERRANO	Deputy Director - Resources Director
MR LUIS MIGUEL CARRASCO MIGUEL	Assistant General Director - Real Estate Director
MR ANGEL CARLOS SERRANO VILLAVIEJA	Deputy Director - Director Internal Audit
MS MARIA RAQUEL MARTÍNEZ CABAÑERO	Deputy Director - Credit Risk Director
MR IGNACIO TORRE SOLÁ	Director of Marketing and Digital Strategy

Total remuneration received by senior management (in thousands of euros)	2,005

Senior management is understood to be the general managers and assimilated managers who carry out their management functions under the direct dependence of the administrative bodies, executive committees or the managing director. As a result, the members of the Management Committee are considered to be "senior management" for the purposes of this report. In order to calculate the "senior management remuneration", the same remuneration items of section C.1.6 that are applicable to them have been taken into account. Contributions to pension funds are included.

C.1.8 Indicate whether the bylaws or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

[√] Yes
[ ] No

Maximum number of years in office	4

C.1.9 Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

[ ] Yes
[√] No

If appropriate, name the person(s) who certify the Entity's individual or consolidated financial statements before they are approved by the Board or Governing Body:

Name	Position
No data	

Both the individual and consolidated financial statements, are considered to be "certified" when they are presented to the governing body with a statement signed by the persons certifying them declaring that they reflect, in all material respects, the true and fair view of the financial situation at the year-end, as well as the results of the entity's operations and any changes in its financial situation during the year, and that they contain the necessary and sufficient information for an adequate understanding, in accordance with applicable legislation.

C.1.10 Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

The Audit and Compliance Committee authorities granted by the bylaws and internal regulations are intended to serve as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors' recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the financial statements. In addition, the Audit and Compliance Committee is also responsible for receiving information regarding the audit plan from the external auditor as well as the results of its execution and verifying that senior management takes into account the recommendations made, ensuring that the opinion on the annual accounts and the main content of the audit report are worded clearly and precisely.

C.1.11 Is the Secretary to the Board of Directors or Governing Body a Director?

[ ] Yes
[√] No

If the secretary does not have the status of a director, fill in the following table:

Name or corporate name of the secretary	Representative
MR JESÚS BARREIRO SANZ	

Mr Barreiro became non-director secretary as a result of the resolutions adopted by the General Shareholders' Meeting on 29 August 2019, in order to reduce the number of proprietary directors.

C.1.12 Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice:

Among the duties assigned to the Audit and Compliance Committee, Article 19 of the Board Regulations includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor's independence at risk.

The Entity has a policy to safeguard the independence of the auditor in accordance with the provisions of the Audit Act, and it is intended to establish a relationship between the external auditor, particularly with respect to the process of the selection and appointment of the auditor, the authorisation of services other than the audit of the Ibercaja Banco accounts in accordance with the requirements established by the Audit Act, as well as the tasks attributed by the bylaws and the Regulations for the Board of Directors and the Audit and Compliance Committee in this respect.

In any event, the Audit and Compliance Committee annually receives a written statement of independence from the auditor with respect to the Entity or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor, or by persons or companies associated with the auditor in accordance with the provisions of Law on Audits.

The Committee will issue, prior to the issue of the audit report, an annual report expressing its opinion as to the auditor's independence. In any event, this report must contain an evaluation of the rendering of the additional services referred to in the preceding section, taken individually or as a whole, other than the legal audit and with respect to the independence system or audit regulations. This is intended to ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors and examine the circumstances of any resignation of an external auditor.

C.2. Board of Directors or Governing Body Committees

C.2.1 List the Board of Directors or Governing Body Committees:

Name of the Committee	Number of members
Audit and Compliance	5
Committee	6
Strategy	5
Large Risk and Solvency	5
Appointments	4
Remuneration	4

C.2.2 List all of the Board or governing body committees, their members and the proportion of executive, proprietary, independent and other outside directors holding positions (the entities that are not legal capital companies will not complete the category of director in the relevant box and will provide an explanation of the category of each director in the text box in accordance with their legal form and the manner in which they comply with the conditions relating to the composition of the audit, appointments and compensation committees):

Audit and Compliance		
Name	Position	Category
MR VICENTE CONDOR LOPEZ	CHAIRMAN	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MS GABRIELA GONZÁLEZ-BUENO LILLO	DIRECTOR	Independent
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary
MR JESUS TEJEL GIMÉNEZ	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	40.00
% of independent Directors	60.00
% of other external Directors	0.00
Number of meetings	14

Ms Gabriela González Bueno Lillo, Mr Vicente Cóndor López, Mr Jesús Bueno Arrese and Mr Jesús Tejel Giménez have been appointed taking into account their knowledge and experience in accounting, auditing or both.

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular:

- Inform the Shareholders' Meeting about issues raised by shareholders regarding matters within its sphere of competence.
- Monitor the effectiveness of internal control: regulatory compliance and internal audit.
- Supervise the process of preparing and presenting regulated financial information.
- Propose the designation or re-election of the auditor.
- Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor's independence.
- Receive annual written confirmation from the auditor regarding its independence respect to the Entity or the group, issue of the relevant report.

The Chairman shall be an independent Director must be replaced every four years and may be re-elected once a period of one year from his departure has transpired.
The Secretary to the committee will be the Secretary to the Board of Directors.

The Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may request the attendance of the Company's auditor. One of its meetings will be necessarily dedicated to evaluating the efficiency and compliance with the rules and procedures for the governance of the Company and prepare information that the Board must approve and include in the annual financial reporting documentation.

The Committee was informed during the year of all requests and notifications received from supervisory bodies within the scope of its competencies. It has received information regarding and reported on the transactions to be carried out with related parties and it has received regular reports regarding compliance with regulations and on internal audits, as well as the reports issued by the external auditor. It has received and supervised the process of preparing and presenting regulated financial information. It has reviewed the Entity's annual accounts and the financial information to be provided on a regular basis to the markets by the Board and supervisory bodies.

Identify the directors pertaining to the audit committee that have been designated based on their knowledge and experience with accounting, audit or both, and report the date of appointment of Chair of this committee in the position.

Names of the directors with experience	MR VICENTE CONDOR LOPEZ / MR JESUS TEJEL GIMÉNEZ
Date of appointment of the chair in the position	01/03/2018

Committee		
Name	Position	Category
MR JOSE LUIS AGUIRRE LOASO	CHAIRMAN	Proprietary
MR VICENTE CONDOR LOPEZ	DIRECTOR	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MR VICTOR MANUEL IGLESIAS RUIZ	DIRECTOR	Executive
MS GABRIELA GONZÁLEZ-BUENO LILLO	DIRECTOR	Independent
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary

% of Executive Directors	16.67
% of proprietary Directors	50.00
% of independent Directors	33.33
% of other external Directors	0.00
Number of meetings	24

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Bylaws and the Regulations of the Board of Directors delegate the following Board of Directors authorities to the Delegate Committee:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions which, that fall within its authority in accordance with the provisions of the Loan Risk Management Policies and Procedures Manual approved by the Board of Directors. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.
- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.) except in those cases in which the decision falls to the CEO or the full Board of Directors due to involving employees that directly report to the CEO.
- Hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.
- When appropriate, grant the authority that is necessary or advisable to execute the resolutions adopted.

Its resolutions are valid and binding without the full board having to subsequently ratify the decision. However, In those cases in which, in the opinion of the Chairman, CEO or three members of the committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the course of its regular ordinary meetings the Executive Committee has received reports from the Chair and CEO regarding, among other things, the main macro-economic figures and the evolution of information regarding the Bank: balance sheet and income statement, development of the Company's securities portfolio, customer funds and customer loans, market share, liquidity management, non-performing and coverage rates, business volumes and the results obtained by the Group's subsidiaries. It has also issued its opinions regarding the financing operations that have been submitted for its consideration when its authorisation or ratification is required due to the amount concerned or the status of the applicants. It has ratified the transactions approved, denied or ratified by the Credit Risk Committee, it has adopted several resolutions to divest from investee companies and received disciplinary case files in the terms established by employment legislation and in the collective agreement.

Strategy		
Name	Position	Category
MR JESUS SOLCHAGA LOITEGUI	DIRECTOR	Independent
MR JOSE LUIS AGUIRRE LOASO	CHAIRMAN	Proprietary
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MR LUIS ENRIQUE ARRUFAT GUERRA	DIRECTOR	Proprietary
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary

% of Executive Directors	0.00
% of proprietary Directors	60.00
% of independent Directors	40.00
% of other external Directors	0.00
Number of meetings	12

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation.

The Committee will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience of the Directors with respect to the Committee's duties. The Board of Directors will designate the chair, and the Secretary will be the Secretary to the Board.

The Committee will meet as many times as called by the Committee or its Chair and at least once per quarter. The Committee will adopt its resolutions by a majority vote of the directors who form part of the committee and are present or represented at the meeting, and the Chair will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee regularly monitored the Strategic Plan approved by the Board of Directors. It also implemented quarterly follow-up measures regarding the development of the budget (and the mandates set out in the Strategic Plan), reporting the conclusions obtained to the Board of Directors together with the advances made with respect to the new Strategic Plan.

Large Risk and Solvency		
Name	Position	Category
MR JESUS TEJEL GIMÉNEZ	DIRECTOR	Independent
MR VICENTE CONDOR LOPEZ	DIRECTOR	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MS GABRIELA GONZÁLEZ-BUENO LILLO	CHAIRMAN	Independent

% of Executive Directors	0.00
% of proprietary Directors	20.00
% of independent Directors	60.00
% of other external Directors	20.00
Number of meetings	10

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Committee has the primary duty of advising the Board of Directors as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

It will consist of a minimum of three and a maximum of five Directors, who will not perform executive duties at the Entity and which possess the appropriate knowledge, capacity and experience to understand and control the risk strategy and the Entity's appetite for risk. At least one third of the members will be independent and the Chair will be independent in any case. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chair will have a casting vote.

During the year Committee informed the Board of Directors of the Entity's Risk Appetite Framework, the quarterly monitoring reports as well as the annual capital and liquidity self-assessment report for the year

2017. The Committee informed the Board of proposals to amend the Risk Management Procedures and Policies Manuals.

Appointments		
Name	Position	Category
MR JESUS SOLCHAGA LOITEGUI	CHAIRMAN	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MR JESUS TEJEL GIMÉNEZ	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	0.00
% of independent Directors	75.00
% of other external Directors	25.00
Number of meetings	2

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Appointments Committee is responsible for proposing nominations to the Board of Directors. It is specifically responsible for:

- Evaluating the suitability of the Directors.
- Establishing a representation target for the gender less represented on the board.
- Make proposals for the nomination, re-election or removal of independent directors for Shareholders at a general meeting.
- Report proposed nominations and removal of senior executives and employees with key duties and the basic conditions of their contracts.
- Examine and organize the succession of the Chair and the CEO.

The Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors. The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Chairman (independent in any case) of the meeting will cast the deciding vote in the event of a tie.

A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the year the Committee reported the appointment of new directors and the new members of the Entity's Management Committee.

Remuneration		
Name	Position	Category
MR JESUS SOLCHAGA LOITEGUI	CHAIRMAN	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MR JESUS TEJEL GIMÉNEZ	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	0.00
% of independent Directors	75.00
% of other external Directors	25.00
Number of meetings	1

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Compensation Committee has the duty of reporting, advising and proposing matters regarding compensation for directors, general managers and similar personnel, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

The Compensation Committee shall be made up of a minimum of 3 and a maximum of 5 non-executive directors, at least two of whom must be independent directors (and, in any case, its Chairman).

The Committee will be validly called to order with one-half plus one of the members present or represented. In case of a tie in the voting, the Chairman shall have the casting vote. A minutes book will indicate the resolutions that have been adopted through a majority vote of the members of the committee and be made available to all members of Board of Directors.

During the year, the Compensation Committee informed, advised and presented to the Board of Directors proposals regarding compensation for directors, senior executives, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Provide details of the transactions carried out between the Company or its group companies, and shareholders, cooperative members, proprietary rights holders or those of any other equivalent nature at the Company.

Name or corporate name of significant shareholder or member	Name or corporate name of the company or entity in its group	Nature of the relationship	Type of operation	Amounts (thousands of euros)
IBERCAJA BANKING FOUNDATION	IBERCAJA BANCO SA	Contractual	Provision of services	843
IBERCAJA BANCO, S.A.	IBERCAJA BANKING FOUNDATION	Contractual	Provision of services	248
IBERCAJA BANKING FOUNDATION	IBERCAJA BANCO	Contractual	Operating lease agreements	17
IBERCAJA BANCO, S.A.	IBERCAJA BANKING FOUNDATION	Contractual	Operating lease agreements	135
CAJA BADAJOZ FOUNDATION	IBERCAJA BANCO	Contractual	Other	

The amount of the profit for 2018 earmarked for dividends was distributed among the shareholders on the basis of their interest in the share capital.

The Board of Directors of Ibercaja Banco, following a favourable report from the Audit and Compliance Committee, authorised the transfer of the use of premises owned by Fundación Caja Badajoz.

The rental of premises owned by Ibercaja Banco to Fundación Bancaria Ibercaja amounted to 135 thousand euros, while the rental of premises owned by Fundación Bancaria Ibercaja to the Bank amounted to 17 thousand euros.

D.2. List any transactions between the Company or group companies and directors or members of the governing body or company executives.

Name or corporate name of the directors or executives	Name or corporate name of the related party	Relation	Nature of the operation	Amounts (thousands of euros)
No data				

In accordance with the instructions received from the CNMV on producing the report, with respect to definitions, criteria and type of aggregation, the provisions of Order EHA/3050/2004 of 15 September on the obligatory disclosure of transactions with related parties by companies issuing shares traded on official secondary markets shall apply. As a result, transactions between group companies that have been eliminated from the consolidated financial statements and which form part of the ordinary course of the business of those companies with respect to their purpose and conditions are not reported, nor are those that relate to the company's ordinary course of business, those that are carried out under normal market conditions and are of little importance, which are understood to be those whose reporting is not necessary to express the true and fair view of the equity, financial situation and the results obtained by the Entity.

D.3. Details of intra-group transactions

Name of the group company	Brief description of operation	Amounts (thousands of euros)
No data		

During the year no significant intra-group transactions were carried out.

D.4. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the governing body, or executives.

The Directors have the obligation adopt the measures that are necessary to avoid situations in which there may be a conflict of interest with the business and their duties to the Entity, as is stipulated by Article 33 of the Board of Directors Regulations.

Directors must inform the Board of Directors of any direct or indirect conflict situation that they, or persons related to them, may have with respect to the interests of the Company or its group companies, as well as all positions that they hold and the duties that they perform at other companies or entities and, in general, any event or situation that may be relevant to their duties as a Company Director. Directors must abstain from participating in the deliberation and voting of resolutions or decisions in which the Director or a related person (as defined by Article 36 of the Regulations), has a direct or indirect conflict of interest.

The situations of conflict of interest incurred by directors would, where appropriate, be the subject of information in the annual report.

In addition, the Entity has internal procedures to prevent the granting of credit, guarantees or security without the prior authorisation of the competent governing bodies, under the terms established in the Law on the Organisation, Supervision and Solvency of Credit Institutions.

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the Risk Management and Control System:

The Group's risk management is organised through the "Risk Appetite Framework" (RAF). Ibercaja's RAF has the key objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

Ibercaja Group also has a risk management policy and a procedures manuals that are reviewed and approved by the Board of Directors on an annual basis.

The Risk Appetite Framework is consistent with the capital and liquidity planning in Basel Pillar II, which is intended to ensure an adequate relationship between the Company's risk profile and the equity it effectively has on hand. The Entity carries out a recurring process of self-assessment of capital and liquidity through the identification, measurement and aggregation of risks, determines the capital and liquidity necessary to cover them, plans the capital and liquidity in the medium term and establishes the objective of own resources and liquidity that allows it to maintain an adequate clearance over the minimum legal requirements and supervisory guidelines.

Following the entry into force of the Single Supervisory Mechanism (SSM) in November 2014, European financial institutions are obliged to adapt their risk policies and procedures as well as their control environment. The "Supervisory Review and Evaluation Process" (SREP) is how the SSM performs continuous evaluations of entities.

The internal processes for evaluating the adequacy of capital and liquidity under Pillar II (known as ICAAP & ILAAP) in addition to the stress exercises organised by the European Banking Authority (EBA) and the ECB are key factor in the SREP.

Furthermore, the Ibercaja Group has a Recovery Plan, drawn up in line with the Directive for Bank Recovery and Resolution (Directive 2014/59, BRRD) and the guidelines and recommendations of the EBA that establishes the foundations for the process or restoring the Group's financial strength and viability, in the event of severe stress.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are revised and approved by the Bank's Board of Directors on an annual basis.

The Risk Management System operates in an integral and continuous manner, consolidating that management by business area, geographic zone or subsidiary at the corporate level.

E.2. Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management and Control System:

The Entity has a robust organisational structure that allows it to ensure effective risk management and control. The Governing Bodies are structured as follows:

- The Board of Directors is responsible for establishing and supervising the risk reporting and control systems, approving the Risk Appetite Framework as well as for the policies, manuals and procedures relating to risk management.
- Among other responsibilities, the Large Risk and Solvency Committee proposes the establishment of limits by type of risk and business, reporting the Group's Risk Appetite Framework in a manner consistent with the Entity's other strategic policies and frameworks, to assess risk management in the Group, review risk control systems and propose measures to mitigate the impact of identified risks.
- The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation.
- The Audit and Compliance Committee, which supervises the effectiveness of internal control, internal audit and risk management systems, regularly reviews the matters so that primary risks are identified, managed and adequately reported.

The following Executive Committees have been created with the involvement of the Entity's senior management.

The Comprehensive Risk Committee is responsible for defining and monitoring the Group's risk strategies and policies, establishing objectives and strategies to develop the structure and composition of balance sheet items, analysing the sensitivity of results and the Company's equity in various scenarios, analysing compliance with the tolerance levels that have been established, as well as planning the Group's medium-term capital.

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organizational outline provides the Entity with an overall risk governance and management structure, aligned with market trends and with the Ibercaja Group's current business complexity, using three lines of defence (management, control and audit). This structure guarantees the standardisation of policies and risk control at Ibercaja and all the companies forming part of the Group.

E.3. Indicate the primary risks that could affect the attainment of business objectives:

The material financial and non-financial risks affecting Ibercaja Group that are taken into account in the Risk Appetite Framework are as follows:

- Business and profitability risk: Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred.
- Credit risk: Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.
- Concentration risk: Possibility of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Entity.
- Operational Risk: Risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.
- Interest rate risk: The possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.
- Market risk: The possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.
- Liquidity risk: Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.
- Reputational and compliance risk: The risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the organisation, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to on-going supervision by the authorities.

E.4. State whether the entity has risk tolerance levels:

As mentioned in section E.1, Group risk management is organised through the "Risk Appetite Framework". Ibercaja's RAF has the key objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterised by:

- Alignment with the strategic plan and capital planning.
- Integration into the entity's risk culture, with the involvement of all levels of responsibility.
- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.
- Associated with the information management systems.

The RAF takes a comprehensive view of the Consolidated Group and takes into consideration all risks that affect the performance of the Group's business and attaining its business objectives described in section E.3.

Ibercaja Group's Risk Appetite Framework is based on strategic principles, corporate governance and risk management that, together, constitute the Group's Risk Appetite Statement.

E.5. State the risks that have materialised during the year:

The risks that affect the Group are inherent to the financial activity carried out by the Entity, and are described in section E.3.

During 2019 there have been no material events that have significantly affected the Entity's risk profile.

Notable financial risks include the continuity of the current low interest rate scenario, which has a negative effect on margins and profitability, although the Entity's capacity to generate value in the medium and long-term is high.

E.6. Explain the response and supervision plans for the entity's primary risks, and the procedures followed by the company to ensure that the board of directors responds to the new emerging challenges:

The thresholds that allow the risk profile to be placed into the following categories have been defined for each of the metrics taken into consideration in the Risk Appetite Framework:

- Compliance: the risk level that the Entity is willing to assume to in accordance with its strategic and business objectives. This is a normal risk situation at the target risk level.

- Alert: this is an intermediate level of monitoring the risk appetite with the objective of detecting whether or not the risk profile is significantly deviating from tolerance levels and, therefore, requires additional monitoring.

- Non-compliance: limit at which a non-compliance situation commences that activates specific action plans for measures.

The Comprehensive Risk Committee is the management and control body that is responsible for establishing an action plan to attain the target risk level and must report on the monitoring of the situation at least on a quarterly basis to the Large Risk and Solvency Committee (or more frequently if considered necessary).

The action plans to be implemented will consist of one of the following:

- Proposal of measures to reduce the risk to compliance levels.
- Evaluation of the adequacy of the limits or thresholds as a result of unexpected events or changes in the strategic targets or the Entity's business.
- Temporary approval to exceed limits.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICRMS)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1. Control environment at the Entity.

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is "to be informed of and supervise the procedures that guarantee the quality and integrity of information, as well as the reports that the Audit and Compliance Committee may submit to it for said purpose; to prepare, after a report from the Audit and Compliance Committee, the individual and consolidated financial statements, as well as the proposal for application of the Company's result; To approve, following a report from the Audit and Compliance Committee, the capital self-assessment report, and to agree on its submission to the Bank of Spain; to approve the annual banking report required by the regulations on the organisation, supervision and solvency of credit institutions in force at any given time; to be aware of the contents of the report with prudential relevance, following a report from the Audit and Compliance Committee, on the information not covered by the audit of the financial statements and to approve and agree on the submission to the CNMV of the half-yearly financial report".

The Company has a Financial Information Disclosure Policy that was approved by the Board of Directors on 1 March 2019 and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2017, as well as within the conceptual framework of IFRS.

Senior management has assumed the responsibility of designing and implementing the IFRCS through the Corporate Information and Management Analysis Department since it centralizes most of the activities intended to attain the adequate operation of the IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the information, internal control and financial reporting systems:

With respect to the reporting and internal control systems, "verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor."

Regarding the financial information, "to know and supervise the process of preparation and presentation of regulated financial information relating to the Company and, where appropriate, to the Group, as well as its integrity, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria; to review the Company's accounts, to monitor compliance with legal requirements and the correct application of generally accepted accounting principles, as well as reporting on proposals to modify accounting principles and criteria suggested by management; reviewing the periodic financial information that the Board must provide to the markets and their supervisory bodies, and in particular, the information not covered by the audit of the annual accounts contained in the Information with Prudential Relevance; to know and supervise the preparation of the regulated financial information that the Company must make public periodically and ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts and, to this end fin, to consider the appropriateness of a limited review by the external auditor".

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

· The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity:

In accordance with the provisions of the Board regulations the Appointments Committee assists the Board with nominations, elections and the removal of directors and senior executives.

The Organisation Department at Ibercaja Banco is responsible for ensuring an efficient organisational structure at the Entity, the finding the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The Human Resources Department, through the Talent Development Unit, is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. In turn, each Department, together with the Organisation Department, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity's intranet and it is revised should there be any organisational change made. With regard to the financial information preparation process, this is carried out by the Department of Corporate Information and Management Analysis, which includes the Units of General Accounting, Management Planning and Analysis, Data Governance and Quality, Corporate Information and Analysis, and Supervisor Service and Regulatory Support. The Corporate Information and Management Analysis Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group's consolidation for accounting purposes as subsidiary accounting is decentralised and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Corporate Information and Management Analysis Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

· Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

The Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity's culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin "RRHH Informa" reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarises standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity's Intranet.
In addition, the Entity has a Code of Ethics, which contains the principles that govern the behaviour of the Entity's employees, commitments that transfer corporate values to the daily exercise of their responsibilities. An independent, autonomous and confidential communication channel has also been set up to facilitate communications on possible misconduct in the area of ethics and to raise doubts about the interpretation of the Code of Ethics, which is available to all staff.

Finally, the Group's Internal Audit Charter includes the ethical standards applicable to the Internal Audit function that are known and accepted by all Internal Audit staff.

· "Whistle-blowing" channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

In addition to the communication channel relating to the code of ethics, all employees of Ibercaja Banco, through the intranet, have a "Criminal Risk Prevention Reporting Channel" to inform, by e-mail, the Regulatory Compliance Unit of possible risks and breaches of criminal regulations, including those of a financial and accounting nature, that may occur within the organisation in the course of its activities.

The Regulatory Compliance Department maintains a computerised register of all complaints received and processes them in accordance with the provisions of the criminal risk prevention and management model, guaranteeing the confidentiality of the complainant at all times.

The Regulatory Compliance Department periodically issues a report to the Audit and Compliance Committee, which includes, where appropriate, information on the complaints received and their outcome. The Board of Directors is informed of the actions taken in this area at least once per year.

· Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting standards, auditing, internal control and risk management:

The Entity has an annual Training Plan, which is designed in accordance with the professional category and the Management/Unit to which the staff belongs. These training actions are given by external and internal personnel, both online and in a classroom setting.

It also has mechanisms that allow it to ensure that the personnel directly involved with the preparation of financial information, as well as its supervision, have the capacity and professional competency that is necessary to carry out their
duties. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Human Resources Department through the Talent Development Unit, and keep records of the training given.

The technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as the Spanish Confederation of Savings Banks (CECA).
Alerts are also received from various professional services firms providing technical updates.

The Paraninfo e-learning platform is a virtual training space housing courses and other training resources of very diverse types available to all employees and it allows training in essential areas for the development of the Bank's business. skills, products and services, financial regulations, banking business, financial platforms, etc.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2019 was particularly focused on internal training sessions at the Department level covered internal control, risk management and, in particular, legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees who attend accounting courses provided by CECA covering specific training needs that may be identified, and they materialise in seminars or meetings with consultants or regulators.

F.2. Risk assessment in financial reporting.

Report at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

· The process exists and is documented:

In 2019, Ibercaja has updated its procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.
This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Corporate Information and Management Analysis Department, while supervision is the responsibility of the Audit and Compliance Committee. This policy has been revised during the update of the general framework of the IFRS carried out during financial year 2019. The Audit and Compliance Committee has taken note of this update through the review of the general framework of the Internal Control over Financial Reporting (ICFR) system carried out by the Entity's Internal Audit Function. The update of this Policy will be approved by the Board of Directors during the first half of 2020.

· The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:

The procedure has been designed taking into account all the objectives of the financial information contemplated in the Internal Control Document on financial information in listed companies issued by the CNMV (existence, integrity, valuation, presentation and breakdown and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

· A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc:

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group’s structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit.

The possible risks relating to the proper identification of the scope of consolidation are documented in the defined accounting close procedures and the Preparation of the Consolidated Financial Statements, which are two of the four transversal processes at the Bank.

· The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements:

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, tax, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) measurement;
(iv) (iv) presentation; (v) and rights and obligations; and it effectively takes into consideration other types of risks (operating, technological, financial, legal, tax, reputational, environmental, etc.).

· Finally, which of the entity’s governing bodies is responsible for overseeing the process:

The Board of Directors Regulations stipulate that one of the Board’s duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.
Through this procedure in 2019 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3. CONTROL activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market. The generation, elaboration and review of financial information is carried out by the Corporate Information and Management Analysis Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorisation procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. The technical measures and information systems see the reliability and integrity of the financial information through the established control mechanisms.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralised and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organisation, including the activities of all business, support and control units.

c) An Internal Audit Unit

This third line of defence is responsible for performing an independent review of the first two "lines of defence". This area includes the participation of the governing bodies and senior management.
Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.
- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

In addition, during 2019 the entity has worked on the implementation of an IFRS risk management tool that will facilitate the control and monitoring of the system and will cover the management of the map of processes, risks and controls defined in the system, as well as the procedure for certification of controls at the bottom up. The tool is expected to be fully implemented during the first half of 2020.

The documents allow a quick and clear visualisation of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

Transversal processes

- The procedures for closing the financial year and preparing the consolidated financial statements. The group has specific procedures for closing the financial year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.

- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.

- The general computer controls established by the Group at the technology and systems level, physical security, computer security, maintenance and development.

- The Requirements Procedure and calculation of own funds describes the different phases and tasks carried out by different areas of the Entity to comply with Regulation (EU) No. 575 / 2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Business Areas

- Granting, recording and performance of consolidated loans.
- Granting, recording and performance of consolidated loans related to syndicated loans.
- Classification and estimation of the deterioration of consolidated loans.
- Investment, recording and valuation of debt securities, deposits, repos and capital (fixed income and equity).
- Investment, recording and valuation of Investee Companies, Associates and Jointly Controlled Entities.
- Investment, recording and valuation of derivative instruments (trading and hedging) - professional counterparties and customers.
- Recording and valuation of received assets in payment for debts.
- Recognition, recording and cost of customer deposits - Retail financing.
- Recognition, recording and cost of corporate issues - Wholesale financing.
- Insurance activity - insurance contract liabilities.
- Estimation of pension commitments – post-employment commitments to employees.
- Estimated provisions for taxes - tax area.
- Estimation of other provisions - legal area.

In general terms, the Corporate Information and Management Analysis Department is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Entity has a general computer control procedure with the relevant risk and control matrix that provides details of the risks and controls relating to access security, change controls, operations, operating continuity and the segregation of duties.

The Technology and Systems Department and, specifically, the Technological Services Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, ensuring compliance with legislation and legally required security measures. The Information Security Management and Control Unit is responsible for proposing information security measures and a policy for applying and maintaining proactive contact with the sector to obtain sufficient information regarding technological advances and regulatory compliance in the area of Information Systems Security and their application to Ibercaja Group.
Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has defined global policies and procedures that are uniform regarding the required security in the information systems involved in the preparation of financial information, including physical and logical security, data processing security and end user security.

The information servers are located at the central and back-up processing centres and only authorised personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated financial statements that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

The policy currently includes supervision and review procedures for both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out thus specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.

- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalise a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship.

- Supervision and review of the information generated or the service provided:

- For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases in which the relevance of the externalised service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.

- For measurements prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

In 2019 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

- The actuarial calculation of commitments assumed with employees.
- The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.
- Certain tax and legal advisory services.
- Measurement of the Ibercaja Group.

F.4. Information and communications.

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The Corporate Information and Management Analysis Department, through the General Accounting Unit, the Control Department is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office (Legislation Compliance Unit) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

In addition, Ibercaja does not have a single Accounting Policies Manual, but its accounting policies as a whole consist of the International Financial Reporting Standards (IFRS), the Bank of Spain Circular (Circular 4/2017), the policies whose development is required by current regulations, as well as the specific policies prepared by the Entity. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to Head of General Accounting. However, in the context of updating the general framework of the IFRS that has been carried out during 2019, work has begun on developing an Accounting Policy Manual, which is expected to be approved by the Board of Directors during the first half of 2020.

The Corporate Information and Management Analysis Department is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralised manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information. It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated financial statements that are reported together with other financial information published in the market. The Corporate Information and Management Analysis Department is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own financial statements, always using the guidelines of the Corporate Information and Management Analysis Department.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonise and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5. System monitoring.

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The monitoring activities undertaken by the Audit Committee and whether the Entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate the findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The internal audit function is the responsibility of Ibercaja Banco's Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Audit of the Distribution Network, Credit Risk Audit, Computer Process Audit and Financial Audit.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2015 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the IFRCS is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialized Unit during the year, at least on a quarterly basis, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management of the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is essential to the supervision of the IFRCS.

Among the actions carried out in the Annual Internal Audit Operating Plan, the audit of the updated general framework of the Internal Financial Information Control System should be highlighted. The review that is carried out may result in audit recommendations that are prioritised in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2 Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards (TAS)), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least quarterly, at which time any significant weakness that may have been detected can be reported. Any action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline.

The resolutions adopted by the Internal Audit Committee with respect to the action plans are included in the minutes that are presented to the CEO. These items are monitored by senior management and, specifically, by the Departments involved by holding meetings with the aforementioned Committee. Finally, the most relevant items are reported to the Audit and Compliance Committee at bi-yearly meetings.

F.6. Other relevant information.

Nothing of note.

F.7. External auditor's report.

Report from:

F.7.1 The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Group has submitted information regarding the "Financial Reporting Internal Control Systems" to the external auditor for review and is set out in section F of the ACGR for 2019. The scope of the auditor's review is in line with Circular E 14/2013 issued by the Audit Institute of Spain on 19 July 2013.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

G. OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company or groups companies that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the entity is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

Also state whether the entity voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, the entity will identify the Code in question and the date of adoption.

All the information that must be included in the report and is outside of the control of the Entity, is provided based on the knowledge held by the Company, the reports that have been made in compliance with current legislation and information stated in public registries.

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its Meeting on:

28/02/2020

List any Directors or members of the governing body that voted against, or abstained from voting on, the adoption of this Report.

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDITOR´S REPORT ON "INFORMATION REGARDING THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING (ICSFR)" OF IBERCAJA BANCO S.A. AND ITS SUBSIDIARIES FOR THE 2019 FINANCIAL YEAR

To the Board of Directors of Ibercaja Banco, S.A.

In accordance with the request of the Board of Directors of Ibercaja Banco, S.A. (hereafter "the Entity") and our engagement letter dated January 23, 2020, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in the section "F Information regarding the Internal Control System over Financial Reporting" ("ICSFR")" of the Annual Corporate Governance Report of Ibercaja Banco and its subsidiaries (hereafter "Grupo Ibercaja Banco" or "the Group") for the 2019 financial year, which includes a summary of the Group's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Group in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Group's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Group's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Group's annual financial information for the 2019 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Group in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated December 22, 2015.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Group.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Group´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Julián González Gómez

March 2, 2020

Ibercaja Banco, S.A.
and subsidiaries

Independent Verification Report
on the Consolidated State of non-financial information
31st December 2019

A free translation from the original in Spanish

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders of Ibercaja Banco, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the Consolidated State of non-financial information ("NFIS") for the year ended 31 December 2019 of Ibercaja Banco, S.A. (the Parent company) and subsidiaries (hereinafter 'Ibercaja Banco' or 'the Group') which forms part of the accompanying Group's Management Report.

The content of the Management Report includes additional information to that required by the current mercantile legislation related to non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in table 'Requirements of Spanish Law 11/2018 regarding Non-financial Information and Diversity' of the accompanying Management Report.

Responsibility of the Board of Directors of the Parent company

The preparation of the NFIS included in the Ibercaja Banco's Management Report and the content thereof are the responsibility of the Board of Directors of Ibercaja Banco, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in line with the details provided for each matter in table 'Requirements of Spanish Law 11/2018 regarding Non-financial Information and Diversity' of the mentioned Management Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of any immaterial misstatement due to fraud or error.

The directors of Ibercaja Banco, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several Ibercaja Banco units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Ibercaja Banco personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2019, based on the materiality analysis carried out by the Group and described in section 'Introduction', considering the content required under current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in NFIS for 2019.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2019.

- Verification, through sample testing, of the information relating to the content of the NFIS for 2019 and its adequate compilation using data supplied by the Group's sources of information.

- Obtainment of a management representation letter from the Directors and Management of the Parent company.

Conclusion

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that Ibercaja Banco's NFIS for the year ended 31 December 2019 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in accordance with the mentioned in each subject in table 'Requirements of Spanish Law 11/2018 regarding Non-financial Information and Diversity' of the mentioned Management Report.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Marga de Rosselló Carril

March 2nd, 2020