Grupo iberCaja

Annual Report 2014

Ibercaja Banco, S.A.
- IBERCAJA -

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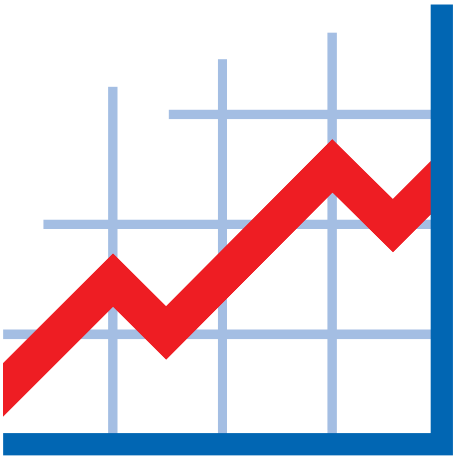
GENERAL INDEX



I Financial and business report

INDEX

1 Presentation of the Group and basic figures

1.1. Description

Ibercaja Banco Group primarily engages in retail banking and carries out practically all of its business in Spain. Its corporate purpose is the performance of all types of activities, operations, actions, contracts and services relating to the banking business in general and which are allowed by current legislation at any given moment, including the rendering of investment and auxiliary services.

Ibercaja Banco was incorporated in accordance with the provisions of Royal Decree 1245/1995 (July 14) on the creation of banks, cross -border activities and other matters relating to the legal system governing credit institutions and carries out the financial business previously performed by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja until 2011. It is registered with the Zaragoza Mercantile Registry in Volume 3865, Book 0, Sheet 1, Page Z-52186, Entry 1ª, as well as in the Special Bank of Spain Registry under number 2085. Its registered address is in Zaragoza, Plaza Basilio Paraíso, 2.

The Bank leads a group of subsidiaries. The companies that form part of the Ibercaja Banco consolidated group carry out a variety of activities. Those of the Financial Group, which consists of companies specializing in investment funds, savings and bancassurance, wealth management and operating and finance leases, are notable due to their importance from the standpoint of banking product diversification and profitability.

1.2. History

The origin of the current Ibercaja dates to 1873 when the Real and Excma. Sociedad Económica Aragonesa de Amigos del País founded Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja and it commenced its credit institution business on May 28, 1876.

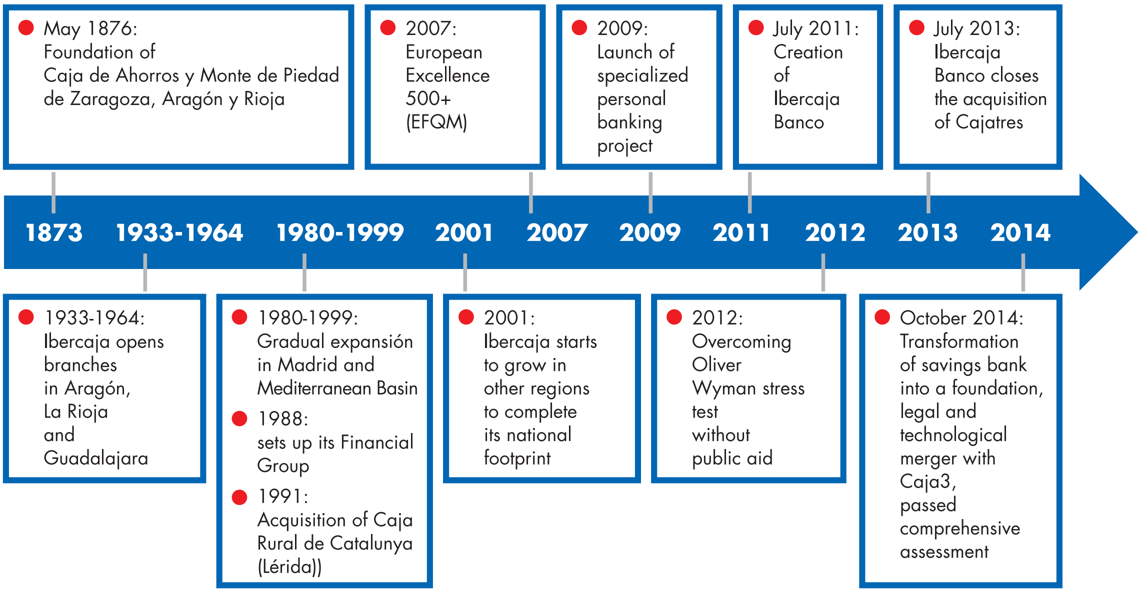
After a long expansion process during which it obtained a solid presence in Aragon, La Rioja and Guadalajara, the Entity attained a national presence in 2001 after entering into all Spanish provinces.

Within the framework of the Spanish financial system restructuring the Bank's General Assembly held an extraordinary meeting on July 26, 2011 and approved the creation of a new bank operating under the name of Ibercaja Banco to which all of the assets and liabilities used in its financial business would be transferred.

On July 25, 2013 Ibercaja Banco acquired Banco Grupo Caja3. The merger of the acquired bank into the Entity ended in October 2014.

Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, the main shareholder of Ibercaja Banco, was transformed into Fundación Bancaria Ibercaja in accordance with the provisions of Law 26/2013 (December 27), and was entered into the Registry of Foundations on October 13, 2014.

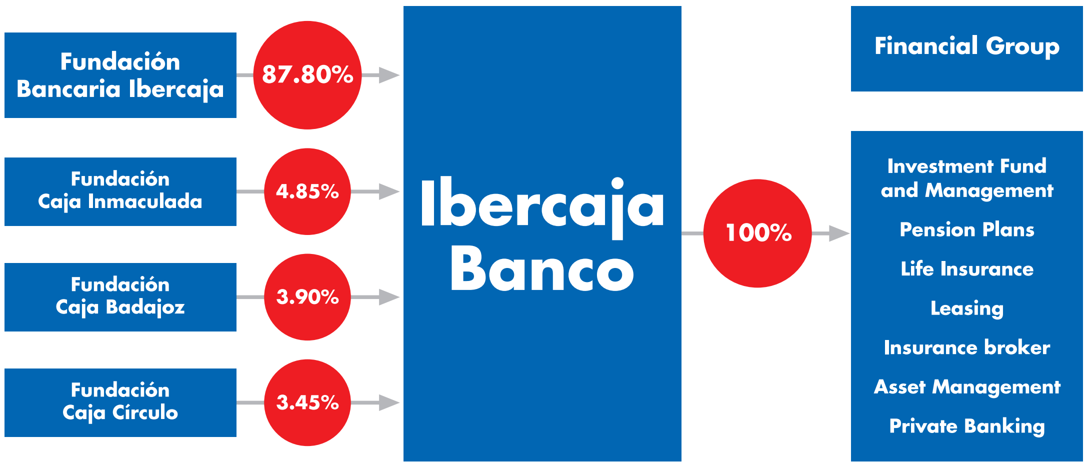
Main milestones (138 years of history)



1.3. Shareholder structure

Fundación Bancaria Ibercaja owns 87.80% of Ibercaja Banco. As a result of the June 2013 acquisition of Banco Grupo Caja3 Ibercaja's shareholders also include: Fundación Caja Inmaculada (4.85%). Fundación Caja Badajoz (3.90%) and Fundación Caja Círculo (3.45%).

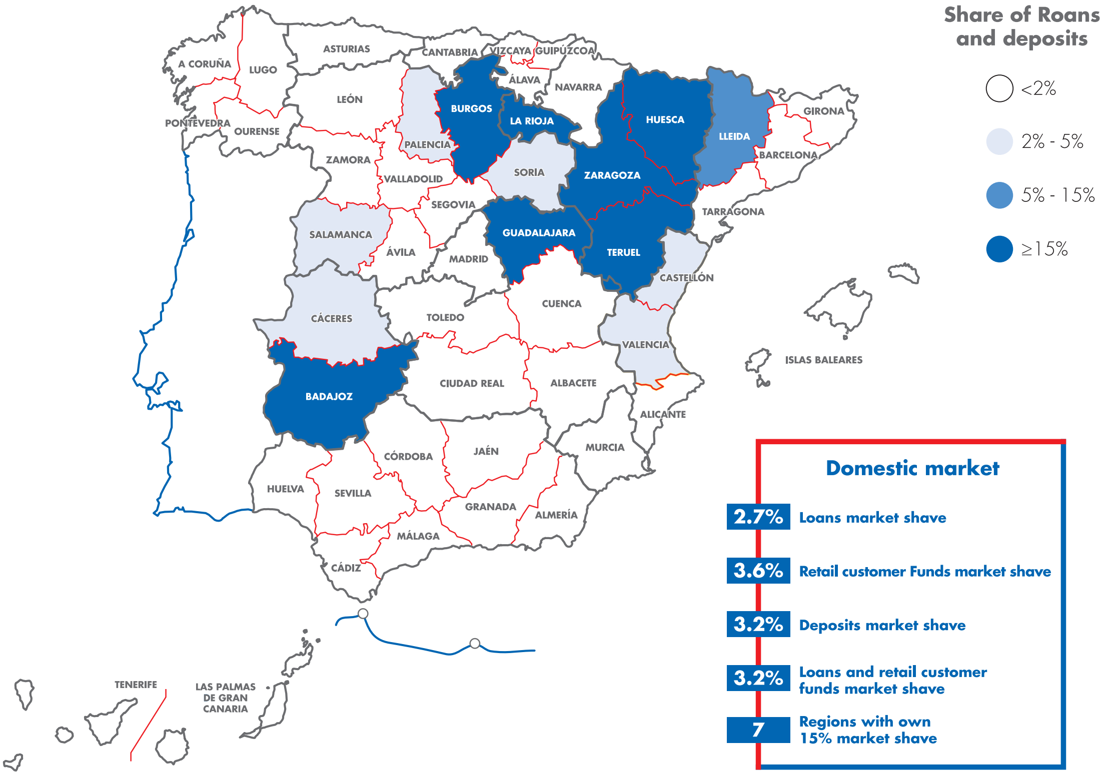
Ibercaja group's ownership structure



1.4. Position in the spanish financial system

Ibercaja Banco has €62,300 million in assets and it is the eighth largest entity by asset volume in the Spanish banking system. Its business model focuses on the retail market, paying special attention to individuals and small and medium-sized companies. At the national level the Group has a 2.7% market share in loans, 3.6% in retail customer and 3.2% in funds deposits.

Loan and deposit market shares by province



The Entity has a relevant position in its traditional area of influence (Aragon, La Rioja, Guadalajara, Burgos and Badajoz) where 66% of its network is concentrated and it obtains 60% of its business volume. It also has a significant presence in other relevant economic areas: Madrid and the Mediterranean coast. Its market share is equal to or higher than 15% in seven Spanish provinces. In December 2014 the network was comprised of 1,356 offices and 6,001 employees (parent excluding subsidiaries).

Distribution of the office network. business volume and customers by area of influence

	Distribution by Branches. Business Volume and Clients (%)		
	Branches	Business Volume[1]	Clients
Home Markets	66.1%	60.5%	62.8%
Growth Regions	25.8%	29.0%	28.1%
Madrid	14.1%	17.6%	17.1%
Mediterranean Basin	11.7%	11.4%	11.1%
Core Markets	91.9%	89.5%	90.9%
Rest of Spain	8.1%	10.5%	9.1%

Commmercial network distribution.

Note: Home Markets cosist of Aragón, La Rioja, Guadalajara, Burgos and Badajoz; Maditerranean Basin consists of Cataluña and Comunidad Valenciana.

1. Defined as the sum of customer loans, retail customer deposits and off-balance sheet customer funds.

Basic Figures

	2014	2013	2012
Grupo Ibercaja Banco			
Balanc sheet activity (million euro)			
Total assets	62,322	63,149	44,664
Gross customer loans	36,061	39,095	31,041
Securities portfolio	22,320	19,826	11,040
Total amount under management	62,551	61,989	43,593
– Off-balance sheet funds	*13,391*	*12,053*	*8,815*
Retail customer deposits	48,547	46,625	31,436
Indicators and ratios			
Non-performing loan rate (%)	10.78	10.25	5.48
Total default coverage (%)	57.56	56.96	88.42
Available liquidity / total assets (%)	20.51	16.89	12.24
Credit ratio / retail financing (%)	91.91	99.95	119.95
CET 1 ratio - BIS III phased in (%)	11.13	10.07	
Solvency coefficient - BIS III phased in (%)	11.78	10.75	
Profits[1] (million euro)			
Net interest income	699,348	592,210	577,924
Gross margin ex profit on financial operations	985,252	759,669	783,484
Profit before write-offs	647,259	297,567	747,710
Impairment allowances and other write-offs	432,153	421,448	1,432,836
Net profit (attributed to parent entity)	150,653	–67,684	–484,951
Other relevant information[2]			
Number of offices	1,356	1,407	1,047
Number of employees at the parent (total payroll)[3]	6,001	6,411	4,723
Number of automatic teller machines (ATMs)	1,567	1,658	1,142
Business volume by office[4] (million euro)	72,722	71,844	71,283
Business volume by employee[4] (million euro)	16,433	15,767	15,802

1, The 2013 results include Caja3 since acquisition.
2. 2013 data relate to the aggregate of Ibercaja Banco and Banco Grupo Caja3 (individual companies).
3. The employees relating to Group subsidiaries are not included.
4. Business volume: Gross customer loans + Total funds under management.

Credit rating of Ibercaja Banco, S.A.:	Current	Non-current
Moody's	NP	Ba3
Standard & Poor's	B	BB
Fitch Ratings	B	BB+

The quantitative data and information details included to explain the evolution of the business in this Annual Report derive from criteria defined in the internal management information systems. Information prior to the legal and technological merger of Banco Grupo Caja3 in October 2014 has been reconstructed by applying Ibercaja's management and accounting criteria to the merged company.

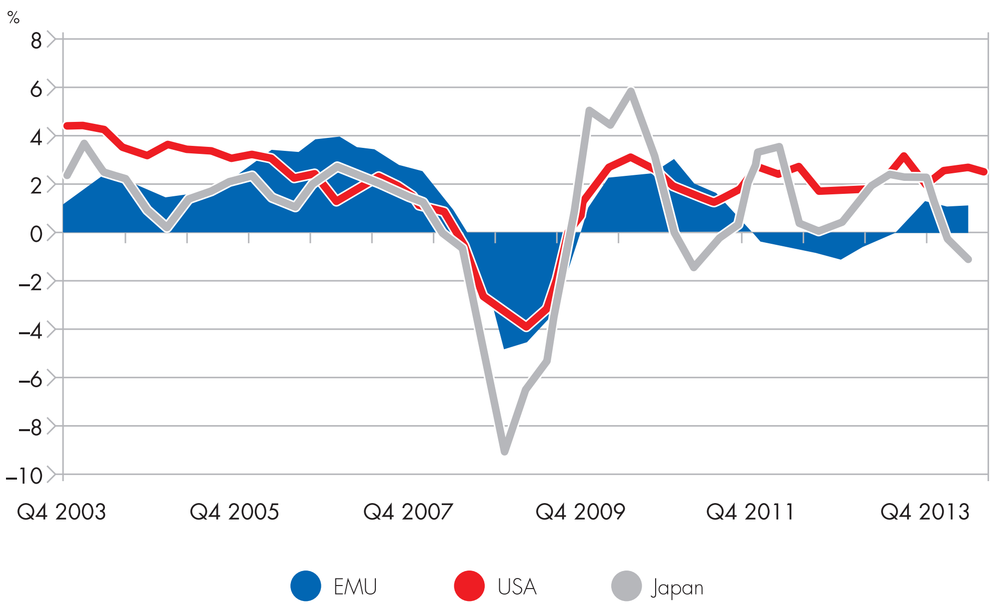
2 Economic and financial environment

World economic growth in 2014 is close to 3.4%. The expansive monetary policies implemented by central banks have had special prominence in the recovery which, nevertheless, presents sharp differences between countries.

The US economy is showing high levels of dynamism and advanced by around 2.4% during the year. Both consumption and investments have grown strongly, while the export sector improved its contribution to GDP. Employment increased at a good rate, especially during the second half of the year and the unemployment rate declined to 5.8% in November. Under this favourable scenario, the Federal Reserve has ended its debt acquisition programme.

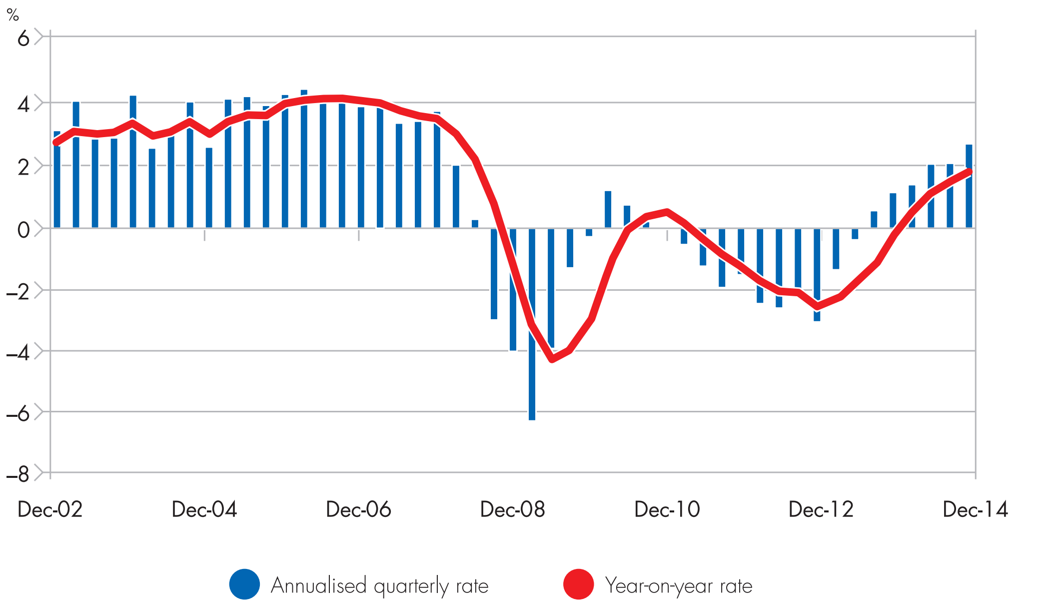
The first of the VAT increases in April in Japan had a negative impact on the economy, leading to two quarters of GDP declines that rang alarm bells. The BoJ decided to broaden monetary stimulus and the Government postponed the second VAT increase and proposed the implementation of several reforms to reactivate spending. Among emerging countries. India is gaining prominence and the 5% growth recorded in 2014 was lower than expected, but the reforms that have been put into place have notably improved the outlook for the country. China lost steam, despite GDP growing by more than 7%, Brazil entered into recession and Russia has suffered the consequences of the sharp decline in crude oil prices and international sanctions.

GDP development by country (year-on-year rate)



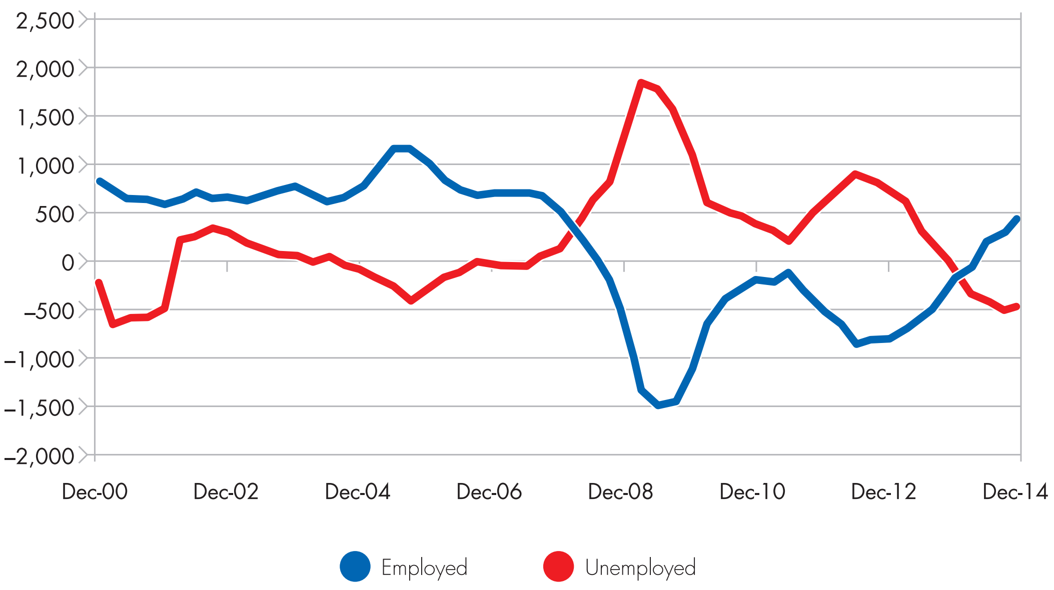
The Eurozone is in a stagnation stage, with weak growth of 0.8%. Of the large European countries, Germany has seen exports affected by its lethargic environment, France made slight advances thanks to the public sector and Italy is in recession while Spain and some peripheral countries have seen an improved tone in the economy. Inflation fell to minimums and unleashed fears of deflation. The employment market has improved although the unemployment rate still exceeds 11%. Under this scenario, the ECB has proposed adopting additional stimulus measures to drive spending and investments, notably the quantitative easing programme consisting of debt acquisitions.

GDP development in Spain



The Spanish economy has entered an upward cycle and attained an uptick in GDP estimated to be 1.4%, which places it in the lead in Europe in terms of growth. Household spending, after recovering positive rates, accelerated during the year to more than 2%. Investments in capital goods maintain seven consecutive quarters of growth. While construction has hit bottom, after six straight years of incessant declines, home sales and prices have stopped falling. Employment data are positive and according to the Active Population Survey for the fourth quarter more than 430,000 jobs were created and Social Security recorded 417,000 new members at the end of the year. However, the 23.7% unemployment rate is still very high.

Employment market in Spain (Accumulated 12-month change. thousands)



Prices contracted by 1% in December. This is due partly to the decline in the price of oil, some foods, salary containment and the high percentage of excess production capacity.

The public deficit has moderated, due more to the increase in tax pressure than cost cutting. At the same time, public debt grew to nearly 100% of GDP.

The ECB cut the reference rate twice to 0.05% and has maintained its policy of stimulating the economy by providing liquidity to the system in the form of Targeted Longer Term Refinancing Operations (TLTROs) for banks and the acquisition of mortgage bonds and Asset Backed Securities (ABS). It also announced an asset acquisition programme following the example of the Federal Reserve in the US and the BoJ in Japan. Taking into account the difference in the cycle in the Eurozone compared with the US, these measures gave rise to a quick depreciation of the euro against the dollar during the last few months of the year.

The financing conditions in debt markets continue to improve due to the fall in interest rates and Spain's risk premium, allowing the government and the private sector to obtain significant savings on debt financing.

There were moments of significant volatility in equities markets, especially during the second half of the year as a result of events such as the drop in crude oil prices, the depreciation of the rouble and the situation in Greece. The Ibex 35 ended the year up by 3.66%, higher than other European indexes but below expectations at the start of the year.

The Spanish banking sector has benefited from the more benign macro-economic climate and the improvement in its own fundamentals after the deep restructuring that was implemented, the balance sheet write-offs and the efforts to reinforce capital levels that were carried out in prior years. Some matters remain outstanding, including the recovery of profits and the normalisation of non-performing assets on balance sheets.

Credit continued to fall but at a rate lower than in 2013. New operations are arising in some segments such as SMEs and retail, but they are still insufficient to offset the natural write-offs affecting the portfolio. The interest margin has been affected by the joint scenario of low business volume and the decline in rates, partially compensated by the lower cost of retail deposits.

From the highest levels seen at the end of 2013, the default rate has declined by 1.16% to 12.61%. There are fewer irregular assets entering portfolios and write-off needs have been reduced after the large requirements that arose in past years.

In July the Single Resolution Mechanism was approved in order to regulate the ordered resolution of entities and to reduce the cost for taxpayers of banking crises such as the one recently seen. The AQR exercises and stress tests have been performed to evaluate asset quality and the level of solvency of European banks. In general, Spanish banks easily passed the tests. Law 10/2014 (June 26) on the ordering, supervision and solvency of credit institutions transposed European legislation regarding bank solvency and supervision into the Spanish legal system. Starting in November the Single Supervisory Mechanism under ECB control entered into force with significant changes that require entities to be subjected to regular evaluations of their risk profile, adequacy of capital and liquidity, business model, profitability and governance.

The Spanish economy started 2015 with a very favourable outlook calling for an acceleration of growth to rates above 2%. The good trend of household spending, investments and exports will be reinforced by factors such as a reduction of certain taxes, declining oil prices, the recovery of employment, the depreciation of the euro and the new monetary expansion measures adopted by the ECB. However, some aspects could cloud the good outlook, such as the weakness of Spain's primary trade partners and the political uncertainty that arises during an election year.

The macroeconomic situation will relaunch activity in the financial system, supported by the ECB measures that will reduce the cost of financing and encourage the granting of credit. Extremely low interest rates and the increase in competition for obtaining new transactions will put pressure on the profitability of the credit portfolio, partially offset by the reduction in the cost of deposits, which still has some room for movement.

3 Ibercaja Group's Business

The year just ended was historic for Ibercaja due to several events that will surely mark the Entity's trajectory over the next few years. In October the legal, technological and operational merger of Caja3 into Ibercaja ended, such that single company will carry out the banking activity at the Group. Due to its size, this process tested the entire organisation and required intense technical and organisational efforts, as well as in other key areas for the business, such as the consolidation of a uniform culture and the transfer of the management and operating model that characterises Ibercaja to the entire network. The Group has been strengthened, it has become the eighth largest entity in the Spanish banking system and has overcome the intense crisis affecting that system while maintaining its identity and its own viable project, It thus consolidated its privileged position in traditional markets and improved its national position, which represents a significant step forward taking into account the profound transformation that has affected the sector, leading to fewer, but stronger and more competitive entities.

Ibercaja has successfully passed the overall evaluation that the ECB performed on the main credit institutions before assuming supervisory authority. The rigorous and detailed examination of the balance sheet and the Entity's procedures demonstrates the quality of the credit portfolio and the strength of its capital position in the two hypothetical macro-economic scenarios analysed. The capital ratio exceeds minimum requirements by two percentage points and excess equity is more than €650 million in both cases.

The Strategic Plan 2015-2017 has been designed to define projects and actions for the next three years in order to accelerate the already started implementation of measures and reforms that will lay the foundation for a more profitable and capitalised business, capable of successfully competing in a very demanding market and deserving of investor appreciation in advance of the stock market listing. It delves into the excellence-based and differentiated quality management model that provides higher added value products and services to customers, making Ibercaja their preferred financial institution. At the start of 2015 the executive team was restructured to pilot the new phase with professionals that already held relevant positions within the Entity.

Commercial action was very dynamic in order to maintain business volume and to mitigate the effect of the restructuring of the Caja3 network. Customer deposits in the retail network have advanced appreciably, especially in the Personal Banking segment and those savings products in which the Group has verified capacity, such as investment funds, pension plans and savings insurance. The credit portfolio has been affected by the general trend towards the deleveraging of families and companies. However, over the past few months there have been signs of the reactivation of new operations, which is a trend that is believed will consolidate throughout 2015. Profits for the year reflect the Group's capacity to generate income and serve to reinforce the already solid coverage and capital ratio levels.

3.1. Evolution of the banking business and distribution channels

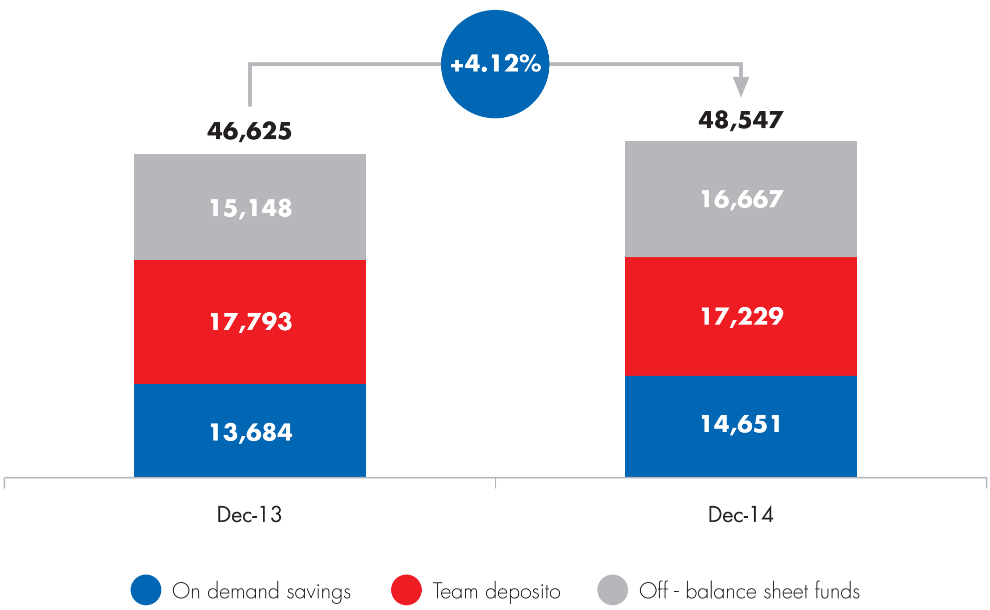
3.1.1. Customer funds

The commercial activity carried out during the course of the year and a catalogue of diversified products adapted to the profile of each customer neutralised a potential loss of business due to the restructuring of the Caja3 office network and increased the Group's share of the retail customer deposit market by seven basis points.

Ibercaja's commercial policy in an environment of low interest rates focused on offering attractive products for customers that improve the yield on their savings and encourage their association with the Bank. As a result, in the retail deposit structure off-balance sheet items, investment funds, pension plans and savings insurance acquire more weight compared with traditional deposits.

Retail customer funds total €48,547 million and grew by 4.12% compared with December 2013. On-balance sheet items increased by 1.28%, up to €31,880 million, while intermediation products grew by 10.03%, driven by the migration of savings from deposits to off-balance sheet funds.

Evolution of retail customer funds (million euro)



On-demand savings increased by 7.07% while term deposits reflect a 3.03% year-on-year decline, which is explained by the interest of companies and individuals to maintain positions of liquidity and by the aforementioned reinvestments in other assets. Secured deposits, providing a 100% capital guarantee have progressively increased as they are an alternative investment given the historically low level of interest rates.

Breakdown of customers' funds

(million euro)	December 2014	December 2013	Change in year	Change in year %
On demand savings	14,651	13,684	967	7.07
Term deposits	17,218	17,757	–539	–3.03
Repurchase agreements	11	36	–25	–69.77
On-balance sheet customer funds	31,880	31,476	404	1.28
Assignment of assets to maturity	232	299	–67	–22.38
Investment funds	7,809	6,572	1,237	18.82
Pension plans	3,267	3,019	248	8.21
Insurance	5,358	5,258	101	1.91
Off-balance sheet customer funds	16,667	15,148	1,519	10.03
Total retail customers' funds	48,547	46,625	1,922	4.12
Total funds managed by Group *	62,551	61,989	562	0.91

* Includes funds obtained in wholesale markets (issues and other liabilities).

The assets managed by investment funds have shown very favourable development with an 18.82% increase that is due to both customer contributions and increases in value during the year. It should be emphasized that the pioneering initiative of Ibercaja for Personal Banking customers with respect to investment fund portfolio active management agreements has been very successful and volume increased by more than 178%. The assets managed by pension plans increased by more than 8.21%, while growth in life insurance is more moderate.

The good trajectory of intermediation products has led the Group's share of investment funds to reach 3.95%, while the market share of pension plans and life insurance is 5.85% and 4.07%, respectively, and Ibercaja is ranked fifth in both businesses.

3.1.2. Customer loans

Gross customer loans totalled €36,061 million. Excluding asset repos, the change during the year was -5.64%, Despite this decline, which falls within the deleveraging process in the private sector, Ibercaja's decrease in loans to households and companies was lower than that in the financial system as a whole.

Weak demand was in place throughout 2014. However, excluding large companies that tend to replace bank financing by debt issues, the flow of new transactions is more dynamic than in preceding years although it is still insufficient to cover the natural decline in the portfolio.

By segments, the decrease at Ibercaja is mainly concentrated in real estate development and construction with a -12.94% contraction that is the result of both the development and the management efforts applied by the Entity with respect to this portfolio. The rest of the SME financing, despite declining in volume, accounts for almost 60% of the agreements reached during the year.

Distribution of customer loans by purpose

(million euro and %)	December 2014	December 2013	Change	Change %
Credit granted to individuals	24,979	26,415	–1,436	–5.44
Housing	23,685	25,016	–1,332	–5.32
Consumer and other	1,294	1,398	–105	–7.48
Loans to companies	10,016	10,977	–962	–8.76
Property development	3,301	3,791	–490	–12.94
Non-real estate production activities	6,715	7,186	–471	–6.56
Public sector and other	1,066	1,703	–637	–37.41
Customer loans ex asset repos	36,061	38,217	–2,156	–5.64
Gross customer loans	36,061	39,095	–3,034	–7.76

Home acquisition loans within the household credit segment fell by 5.32%. The number of new transactions increased compared with 2013, which has not translated into volume due to the joint effect of the sharp decline in home prices and because borrowers, in general, prefer to assume lower debt levels. Finally, in parallel to the events in the Spanish banking sector active consumer loan balances dropped by 7.48%. This is fundamentally due to the correction of the expansion that had been attained in the most buoyant economic years. Nevertheless, the growth exceeding 24% in loan agreements compared with 2013 is notable.

Loans secured by real guarantees, basically consisting of the acquisition of first homes by individuals, fell by 6.65% and other term debts declined by 4.57%. Meanwhile, commercial loans increased by 2.35% and impaired assets decreased by 2.93%.

Non-performing loans represent 10.78% which is a 1.83% favourable difference compared with the financial system as a whole. For the first time since the start of the crisis there has been a decline in doubtful balances totalling €118 million and this is expected to accelerate in the coming quarters due to both the lower rate of default and recovery actions.

Breakdown of customer loans by collateral

(million euro and %)	December 2014	December 2013	Change	Change %
Commercial loans	347	339	8	2.35
Secured loans	26,287	28,161	–1,873	–6.65
Other term loans	3,713	3,891	–178	–4.57
Finance leases	178	183	–5	–2.62
Loans on demand and other	1,319	1,483	–164	–11.09
Impaired assets	3,889	4,006	–118	–2.93
Measurement adjustments	–12	–15	3	17.41
Other financial assets	340	168	172	102.16
Customer loans ex asset repos	36,061	38,217	–2,156	–5.64
Repos	0	878	–878	–100.00
Gross customer loans	36,061	39,095	–3,034	–7.76
Impairment losses	–2,230	–2,275	45	1.97
Gross customer loans	33,830	36,819	–2,990	–8.12

Financing of individuals

Financing for the acquisition and rehabilitation of homes by individuals has the highest weight within the Entity's loan portfolio at 66%. These loans are almost entirely backed by mortgages, Ibercaja maintains a notable position in this business segment. Despite a certain improvement in home demand indicators, the declining trend in the volume of mortgage loans remained in place during 2014. The balance in this business segment totalled €23,685 million at the end of the year.

Mortgage products on offer constantly adapted to market demands and the peculiarities of each customer group. The range of discounted mortgages was better accepted, particularly with respect to those intended to finance homes advertised on the Internet. The essential characteristic of this product consisting of rewarding customer association with the Entity has been reinforced by referencing interest rates to the percentage of financing required compared with the appraised value.

Agreements to facilitate access to loans by the members of several groups, such as professional associations, public employees and the employees of large companies have remained in force and they provide advantageous conditions designed specifically for them.

Consumer loans have been covered by a specific campaign with the theme “If you ask, we'll make it possible” in order to increase the loyalty of customers by providing solutions to their financial needs. The rate of concluding agreements is expected to continue with its favourable trend, supported by the better perception of the economic situation and the incentives for the purchase of durable goods.

Financing of production activities

Loans for production activities other than real estate development total €6,715 million. The Group have the objective of strengthening its relationship with businesses and it has been developing a new integral customer service model for companies. This initiative is starting to bear fruit and in the medium-term it will improve the Entity's position in this business segment.

A specific campaign was launched during the year under the title of "Find the financing you seek for your business here", which includes two commercial offers. The first consists of the financing of working capital through multi-product facilities and the second addresses financing for investments. The latter includes Ibercaja's marketing of ICO loans for companies and entrepreneurs. As a distinguishing characteristic of this line of credit, the ultralight loan campaign offers customers the possibility of improving their interest rate, by contracting for other products and services in return. In 2014 nearly 3,200 transactions for this type of loan were carried out.

In order to provide financing to SMEs cooperation agreements have been concluded with the Governments of La Rioja and Madrid to market European Investment Bank funds. These credit facilities are funded in equal 50% parts by the EIB and the collaborating entities, Ibercaja is committed to providing the same amount of resources as the EIB using its own funds. Agreements have also been concluded with reciprocal guarantee companies in order to facilitate the financing of SMEs in the regions of Castilla y Leon, Extremadura, La Rioja and Madrid.

The Group's long history with the agricultural sector provides it broad knowledge of this segment in which it has a very active presence. A specific line of financing supplementing the financial assistance provided by public entities has been created to support the entry of young farmers and ranchers into the agro-food sector and to make improvements in operations, Ibercaja has cooperated with state and regional entities to promote the modernization of irrigation infrastructures.

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3.1.3. Office network

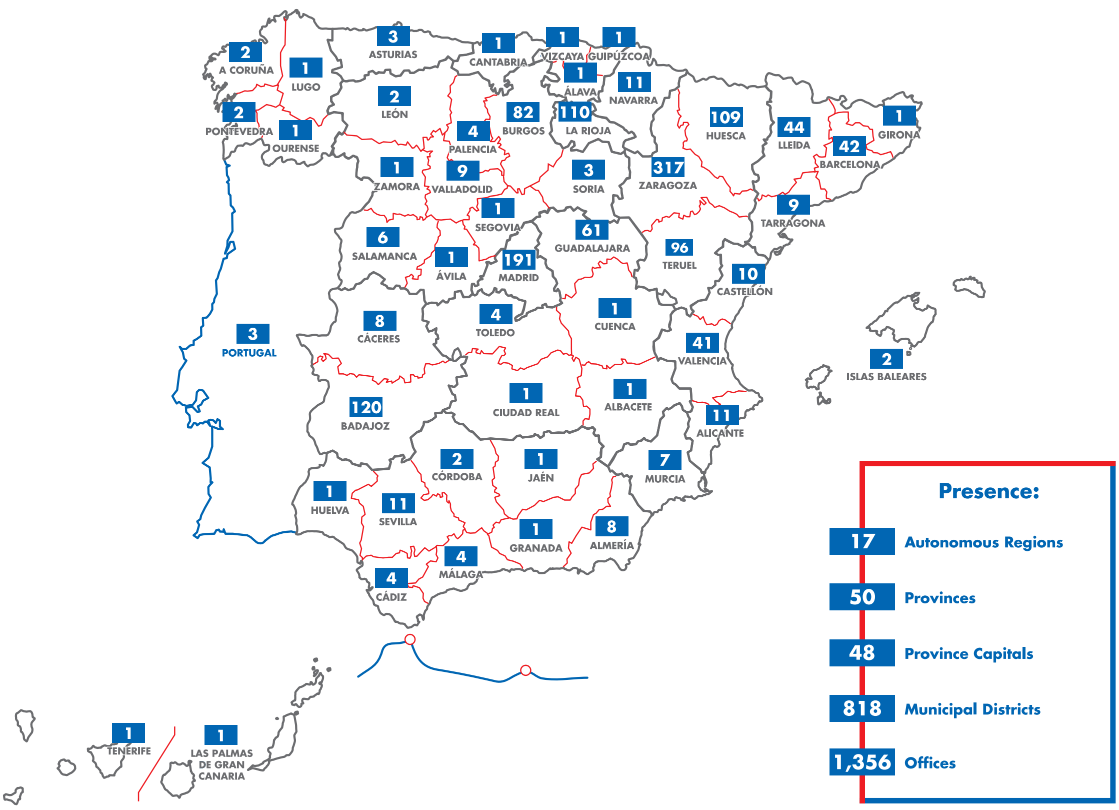
Ibercaja's office network is large, highly capillary and reinforced by other alternative channels. A branch office is the basic customer relationship instrument as it provides proximate, personalized and quality service.

After the acquisition of Caja3 a network rationalization plan is being carried out in order to avoid overlaps, consisting of the merger of small offices or offices that are close together. The priority at all times in the process is to preserve proximity to customers while maintaining service, including rural communities with low population levels. There were 1,356 branch offices at the end of 2014, which is a decline of 51 offices. As a result of the merger plan the Territorial Management Offices were reorganized to improve efficiency and guarantee fluidity in the relationships between offices and the decision centres.

The Group maintains a leadership position in its Traditional Area of Influence (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where more than 65% of its office network is concentrated. It is also an Entity of reference in Madrid and in other provinces, such as Barcelona, Valencia and Lérida, where it has a very notable presence.

The distribution of the commercial network by Region is: 522 points of sale in Aragón, 191 in the Province of Madrid, 128 in Extremadura, 110 in La Rioja, 109 in Castilla y León, 96 in Catalonia, 68 in Castilla-La Mancha, 62 in the Province of Valencia, 32 in Andalusia and 35 in other regions. There are also three offices operating in Portugal.

Ibercaja group office network as of December 31, 2014



There are more than 100 managers specializing in corporate banking supporting the office network, together with 200 specializing in personal banking and specific private banking centers that are capable of rendering a high added value service to each customer segment.

The office model attempts to optimize operating and commercial efficiency while simultaneously providing an environment that encourages relationships with customers. The design encourages privacy and personalized contacts, making a distinction between self and quick service areas in those intended for individual and advisory services.

3.1.4. Multichannel strategy

Ibercaja seeks to bring services closer to customers so that they may use them at any place and time. Its objective is to integrate the new channels into the traditional channels, while maintaining continuous relationships of confidence that is provided by personal contact. The entry of new content and technological innovation is constant, which facilitates access to remote banking on the latest devices such as tablets, smartphones and others.

Electronic banking

It offers its customers several remote channels so that they may carry out the transactions remotely as this is more practical and simple. Product and service operations may be carried out over the Internet through Ibercaja Directo and using fixed or mobile telephones.

Ibercaja Directo online banking is the most frequently used remote platform. There are specific versions for individuals, businesses, youth and shops. The number of users and transactions continues to increase year after year.

Ibercaja Directo for businesses has implemented new developments to improve user management and make it more agile. The adaptation to the SEPA Directive required changes to be made to fulfil its requirements and to provide customers with extensive information regarding the entire process, Ibercaja Directo for individuals has expanded the products offered and design novelties have been introduced with respect to some transactions and others have been added. The large number of customers using this channel has given it growing relevance and it is widely used to provide commercial and legal information.

Ibercaja Banco's public website (www.ibercaja.es) is a customer service environment that receives more than 6 million visits per month. It contains the commercial catalogue of products and services and has a space for communications with visitors through which they may obtain information consisting of comparative tables and simulators as well as subscribe to alerts and bulletins. There is a field for receiving user opinions and another for customers to provide or update their personal data.

A website improvement project was executed during the year covering the various versions, including developments that optimize user management and make it more agile and provides relevant information such as courses, conferences, sales of tickets and properties, etc.

Self-service and means of payment

The commercial strategy consists of transferring lower added value transactions to alternative channels thereby relieving the office network from administrative loads and this makes it possible to strengthen commercial action and advisory services. An extensive network of 1,567 self-service terminals allows the most frequent transactions to be carried out: cash withdrawals, balance and account movement inquiries, the payment of receipts, the activation of cards, reloading pre-paid mobile telephones and the purchase of tickets to events.

Ibercaja has 1,6 million active cards in circulation. There are more than 1 million cardholders. To encourage the activation and use of new Ibercaja cards among customers originating from Caja3, several promotions have been designed to provide advantages in addition to those generally offered by the Group. Among them is the expansion of the habitual discount on fuel at service stations and a prize lottery with the only requirement of using the cards during a certain period.

Within the framework of the consumer campaign intended to strengthen personal financing through consumer loans and credit cards, Ibercaja included a promotion for Visa Dual cards with deferred payment free-of-charge and with no management fees for three months after the charging of purchases.

In order to promote the advantages of using the credit card for habitual purchases a card simulator project has commenced that provides support to offices and demonstrates the savings that may be obtained by users based on estimated invoicing data.

The Entity has 19,571 point of sale terminals (PoS) located in shops throughout Spain.

3.2. Diversification of the lines of business

3.2.1. Customer strategy

Ibercaja focuses on a universal banking model concentrating on retail businesses and based on service quality and innovation. It attends to a stable base of more than 3,1 million customers: families, companies and public and private institutions. It has specific channels and differentiated products adapted to the various customer segments. It offers other services in addition to traditional banking services such as insurance, investment funds, pension plans and private banking, supported by a specialized Financial Group. It seeks to reinforce relationships and the Association of target segments consisting of SMEs and personal banking customers and Ibercaja has specialized professionals and customized financial solutions.

The execution of the Integration Plan in the commercial area is intended to extend the management approach that has traditionally characterized Ibercaja to the recently acquired Caja3 network. The project developed quickly once customers were segmented into strategic groups.

BANKING FOR PRIVATE INDIVIDUALS

Personal banking is a fundamental pillar of the Group's business model. It manages almost 3 million customers that provide 80% of the business volume and includes family and personal banking segments.

Families

Household economies provide stability to the business and provide the highest percentage of resources under management and loan investments. The management of the office network has concentrated on obtaining new customers and consolidating the Association of existing customers, developing attractive proposals adapted to the needs of each group based on their family situation and income.

Under the theme "*Our professionals guide you in investing your savings*", a campaign has been developed to present various investment options that offer customers savings products that improve yields on traditional deposits, given the low level of interest rates. Apart from a broad range of investment funds, these items include structure deposits which in most cases, in addition to guaranteeing

100% of the invested capital, provide a fixed yield for part of the investment and a variable yield indexed to shares or stock market indexes.

During the year the *Discover Ibercaja Plan* which started in 2013 has been consolidated. It provides very advantageous financial offers intended to obtain new customers and is supported by communication actions that emphasize the quality of the service and personalized attention and invite customers to discover the benefits of working with the Bank.

In order to strengthen consumer loans a project has been implemented that provides Ibercaja customers with solutions to their financing needs, whether through consumer loans or the deferral of credit card payments.

In order to support and make the entry of young customers more dynamic and to increase the loyalty of existing customers, the *Zero Commission* campaign has continued, which includes a *Youth Package* consisting of a welcome gift, a savings account and an Ibercaja Directo card that provides access to several services and promotions. This offer now includes an exemption from fees on cash withdrawals at ATMs in European countries.

Together with other institutions, the Entity participates in official youth support programs such as the "Learning to be an entrepreneur" project that promotes the entrepreneur spirit among schoolchildren in public and private schools in Aragon. The European Youth Card agreement has been renewed with the governments of Aragon and La Rioja, and a new agreement has been reached with the region of Castilla y Leon.

Remote channels associated with new technologies have acquired great importance, Ibercaja has virtual spaces for relationships with youths through a specific version of the remote banking service Ibercaja Directo Joven and Web Joven. The Bank is also present in social media networks (Twitter), prioritizing its use together with emails and SMS as a means of communicating offers and promotions.

Personal banking

The personal banking area attends to customers with a certain level of financial assets, Ibercaja offers this segment a management model based on a personal manager that proposes financial planning, investment advice and provides detailed information regarding products and services that best meet the customer's needs. The Financial Group plays a fundamental role in the design of products, as well as in the private banking area in terms of the training of managers and investment advice.

In 2014, after the entry of the Caja3 network, Personal Banking customers increased notably to 177,000, providing a business volume exceeding €30,000 million. The number of specialized managers increased to 249, and the role played by Branch Managers and Assistant Managers when attending to this group has also been strengthened.

The *Integrated Commercial Orientation System* has consolidated as a fundamental tool for the Personal Banking service. It prepares reports regarding the evolution of customer investments, calculations of portfolio yields, tax savings reports and investment proposals. A new application was implemented during the year to plan retirement and to provide information regarding alternatives to surrendering pension plans at the time of retirement, indicating the financial and tax repercussions. A homeowner insurance simulator has been added that simplifies calculations by obtaining home assessed value data directly from the Internet, the visualization of the building concerned, etc.

Personal Banking customers are the principal targets of the *investment fund portfolio management agreements*. Under this option the investor delegates the active management of fund portfolios to Financial Group specialists. In a time in which the decline in the yield on deposits has led the owners of savings accounts to seek other alternatives with controlled risk and adapted to their profile, this service continues to gain attractiveness and more than 28,000 customers had entered into contracts in this respect at the end of the year.

Advisory services for Personal Banking customers is one of the most valued services at Ibercaja and this service has obtained certification in accordance with ISO 22222:2010. During the year the review audit performed by the certifying entity was successfully passed. In 2015 there is a plan to expand the scope of certification to all management areas, including those originating from the recently acquired Caja3 network.

The training of managers dedicated to the Personal Banking group takes place using internal and external means. Most of them have specific qualifications backed by entities such as the European Financial Planning Association (EFPA).

BUSINESSES AND INSTITUTIONS

Business banking

One of the priority targets within the Group's Strategic Plan is the development of business banking, especially for SMEs. The intention is to obtain a better position in this business segment by providing companies with individualized and customized responses for all of their needs, Ibercaja understands that its relationship with the business segment must be global in nature and not limited to isolated products, profitable for both parties and sustainable over time. In this respect it constantly renews and adapts a broad range of products and services: asset and working capital financing, cash management, insurance, finance leases, factoring facilities, interest-rate hedges, etc.

Business Banking has a specific unit that employs 102 managers and business associates. These associates attend to the largest companies with the most complex operations, supported by 213 Branch Managers that have a critical mass of SMEs as customers.

Even when the trend for companies to the leverage persists and activities are slowly recovering, almost 60% of new loans and credit facilities provided by Ibercaja consist of financing business activities. The Multi-product Facility has been marketed and provides access to all payment and collection financing formulas as well as the 2014 ICO credit facility Companies and Entrepreneurs 2014. The latter has been supplemented by the Ultralight Loan campaign.

Companies seek new international market expansion so that their business is viable and more profitable. The Group offers its experience to customers to provide them with advice regarding the internationalization process and allow them to access all foreign trade operations under the most advantageous conditions. The total number of transactions associated with the international business reached nearly 250,000, and the financing of foreign trade notably increased during the year by 11.8% by volume and 8.9% by number of transactions.

Within the consolidation framework of the EFQM model, the quality of services offered by business managers and banking Associates has been measured. The average was 8.92 points, exceeding the figure obtained in 2013.

Retail

This area provides personalized and valuable management services to more than 200,000 shop owners or self-employed persons that habitually engage in the service sector. The trajectory of this segment was very favourable, such that the customer base has increased and the association with Ibercaja has been reinforced.

The PoS service is offered under very competitive conditions that have been extended to Caja3 customers. The Business Commercial Account is a notable commercial action and allows for the management of cash associated with commercial activities and is exempt from commissions on a good number of transactions. The Discounted Credit Account covers working capital needs at an attractive price that improves the degree of association with the Entity.

Ibercaja has entered into cooperation agreements with several provincial chambers of commerce, commercial associations and business associations in the sector in order to provide their affiliates with financial services under advantageous conditions. In 2014 the agreements concluded with the Provincial Tobacco Seller Associations in Madrid, Zaragoza and Teruel and the Pharmacist Association in Zaragoza and Huesca were maintained or renewed.

Institutions and other groups

Ibercaja collaborates with state and regional public institutions, which provided access to a significant source of business while facilitating customer relationships with those public institutions.

The Entity is among those handling the largest numbers of personal income tax returns that are filed with the State Tax Agency (AEAT). At the regional level, it handles most of the taxes managed by the Government of Aragon and collaborates at various levels of that Government, such as the Aragon Health Services, the Aragon Employment Institute, the Directorate General for Families, etc.. in addition to other areas of cooperation in several Autonomous Regions such as La Rioja, Catalonia, Castilla y León, Castilla-La Mancha, Valencia, Extremadura, Navarre, Galicia and the Basque Tax Offices.

At the provincial and local level, the Group maintains agreements for the collection of taxes with Zaragoza, Huesca, Teruel, Badajoz and other provinces, as well as with a significant number of municipalities. In some cases this effort is managed through the Integral Collection Management Service (GIR) that allows the delegation of tax collections and facilitates continuous online information regarding tax situations.

Members of various private-sector groups, public employees and large companies or homeowners associations have also benefited from the broad personalized offer of services.

Agriculture sector

Ibercaja's extensive implementation in localities that are eminently agricultural in nature within its traditional area of influence means that this business segment groups together more than 71,000 customers, of which 84% are individuals and the remaining 16% are cooperatives, agricultural transformation companies and Agro food industries. The products and services for this group have progressively increased, as is the case with agreements with institutions and relevant operators in the primary sector.

Ibercaja provide support to farmers and ranchers when applying for public assistance within the framework of the Common Agrarian Policy (CAP). This year, in which CAP 2014-2020 entered into force, training courses were held at various levels to report the significant novelties that have been established. More than 41,000 applications were processed.

The Entity has made significant efforts to encourage the marketing of agricultural insurance to mitigate the negative effect of the reduction in credits from public entities. The number of new Agro-assurance policies rose to 7,900. A specific line of financing has been designed in order to encourage the establishment of young farmers and to improve agricultural infrastructure and operations.

The Group has collaborated with several events relating to the Agro food sector, including the International Fruit and Vegetable Trade Show in Madrid and the Ovine Trade Show in Extremadura, Agroexpo 2014, the Iberian Ham Trade Show and the Livestock Trade Show in Zafra.

3.2.2. Financial group

Created in 1988 and wholly owned by Ibercaja, this Group is formed by company specializing in investment funds, savings plans, pension plans, bancassurance, asset management and finance and operating leases. Its capacity to innovate and offer specialized products leads it to occupy a privileged position among Spanish financial institutions.

The Group provides a broad offer of products intended for both individuals and companies that are marketed through the office network and supplement the banking services offered by the Entity.

As a result of the merger with Banco Grupo Caja3, and due the interests obtained in some companies engaging in life and casualty insurance businesses, a restructuring plan has been implemented for the Group in order to avoid duplication and improve productivity. In 2014 part of this plan was executed and it is expected to be completed over the course of 2015.

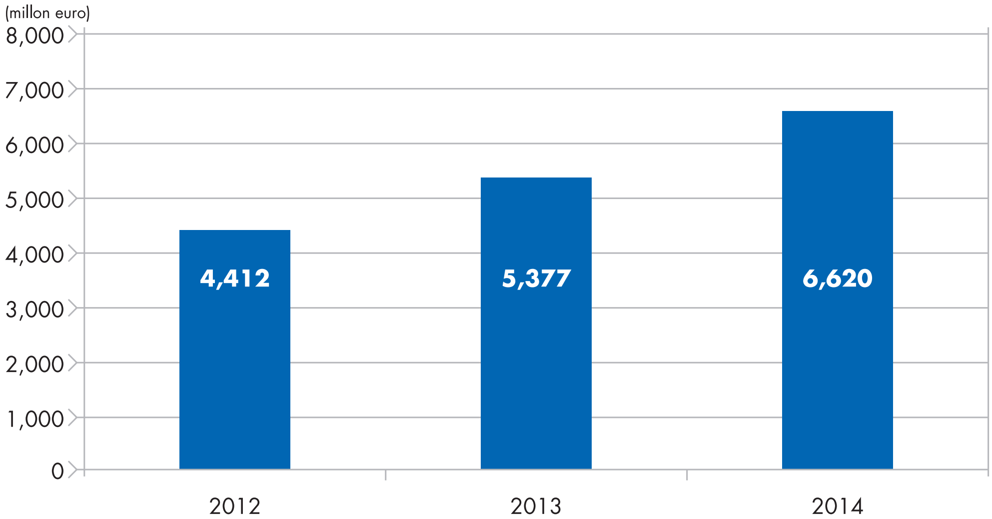
3.2.2.1. Collective investment institution management

Ibercaja Gestión, SGIIC, S.A. is the Group company that manages investment funds (IIC).

The investment fund industry ended the year with an upward trend. This is due to the desire of investors to obtain higher yields on savings and the more benign climate that equities and fixed-income markets have enjoyed.

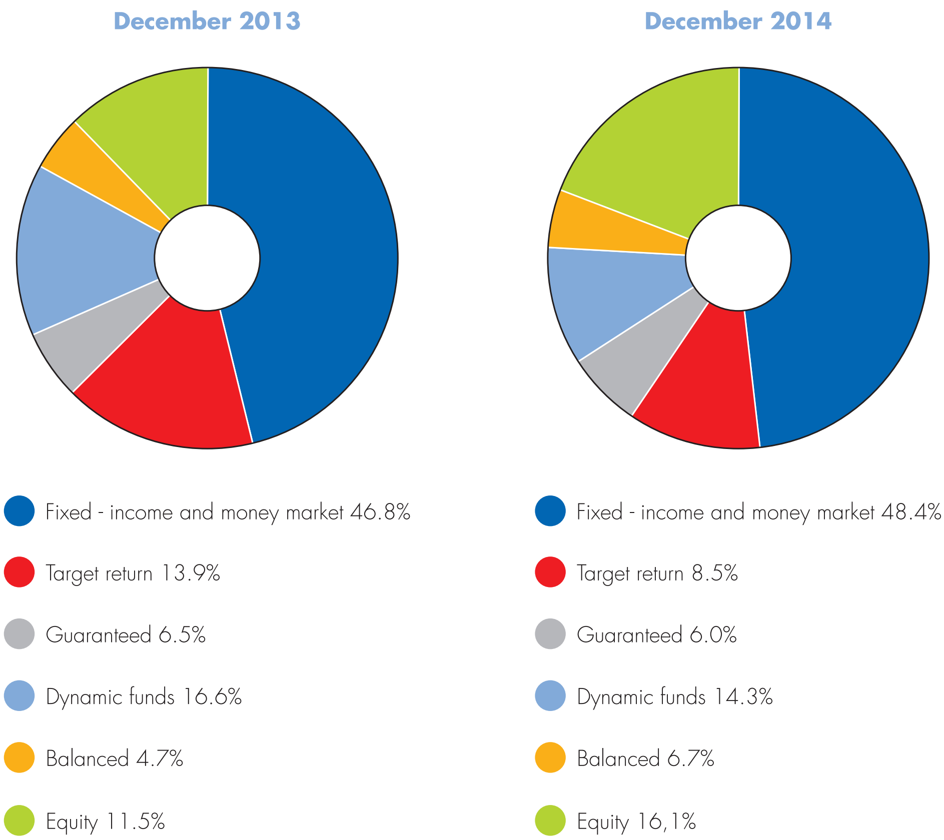
Wealth under management by Ibercaja Gestión in investment funds ended 2014 at €6,620 million, which is a 23.11% increase compared with December 2013. This figure is a record for the Entity and places it in the ninth position in the industry ranking with a market share of 3.40%. The increase of assets under management was due to both net contributions of more than €1,000 million and the yields obtained, which have been positive in practically all categories.

Evolution of investment fund assets – Ibercaja Gestión



The portfolio has a range of funds adapted to any market situation and any investor profile. During the year equities and fixed-income funds have gained weight within the asset structure, to the detriment of dynamic funds and targeted yield funds.

Structure of assets in investment funds



The tightening of fixed-income markets have led the management company to move to funds with guaranteed capital associated with the evolution of equities as a better investment alternative for the most conservative customers. Four new guaranteed funds have been marketed in this respect. An international equities fund has also been created, Ibercaja All Star, whose objective is investing in the best international equities funds under the umbrella of Ibercaja specialists.

The investment fund portfolio management agreements continue to hold a privileged position among those offered to Personal Banking customers. Investors benefit from the adequate composition and diversification of the basket of funds designed based on their risk profile. Throughout 2014, assets under management in these types of agreements increased by 178%, net contributions totalled and more than 28,000 customers use the service.

In addition to 74 investment funds, Ibercaja manages 15 Equities Investment Companies (SICAV), with the volume of around €74 million.

During the year the management company's funds have received external recognition that demonstrate their quality in a progressively broader and more competitive environment, Ibercaja Oportunidad Renta Fija has been recognized as the best short-term fixed-income investment fund in the XXV edition of the Expansión Awards - All Funds 2014, Ibercaja Selección Renta Fija was a finalist within its category.

One of the main milestones in 2014 was the start of marketing Ibercaja's funds at the Caja3 office network, while marketing funds from other management companies. The Group's market share for investment funds, either managed or marketed, totals 3.95%.

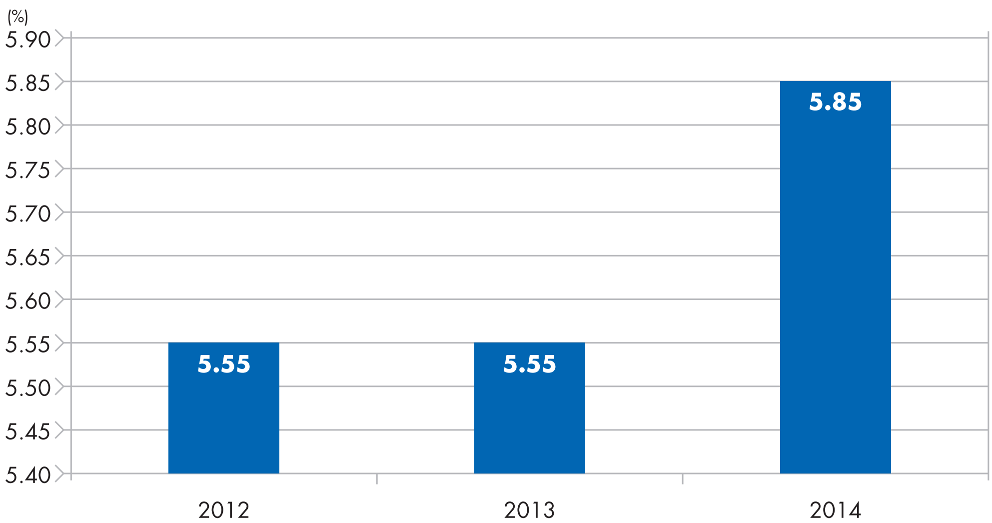
3.2.2.2. Management of pension plans

The assets managed by Ibercaja Pensión, EGFP, S.A. at the end of 2014 total €5,821million, distributed among employment and individual plans. Growth in uniform terms, which was 5.03% year-on-year, places the Entity in the fifth position in the industry ranking with a market share of 5.85%. This exceeds last year's figure by 30 basis points.

Assets under management in individual plans rose by 6.97% and employment system plans increased by 4.12% to obtain a market share of 2.99% and 11.37%. respectively. The expansion is explained both by customer contributions and the increase in the value of fund portfolios since the positive evolution of equities markets and, to a lesser extent, fixed-income markets, have allowed significant yields to be obtained.

In October, Ibercaja Pensión took over the pension plans and funds managed by CAI Vida y Pensiones as part of the corporate reorganization carried out by the Group. The process involved the entry of €407 million in assets and more than 36,000 customers.

Evolution of pension plan market share



During the year, a new guaranteed plan was launched, *Plan de Pensiones Protección 2014*, whose yield is linked to the Eurostoxx 50. A new portfolio multi-management project entered into operation under which Ibercaja Pensión coordinates with other investment entities to attend to the needs of its customers.

The management company has received an award from the UK publication World Finance in 2014 as the best pension plan manager in Spain. This award took into account both the yield on pension funds as well as the transparency of information and the advisory services offered to individual and institutional customers.

3.2.2.3. The Group's insurance activities

The Group's insurance activity is carried out through several companies that operate in life and non-life lines of business.

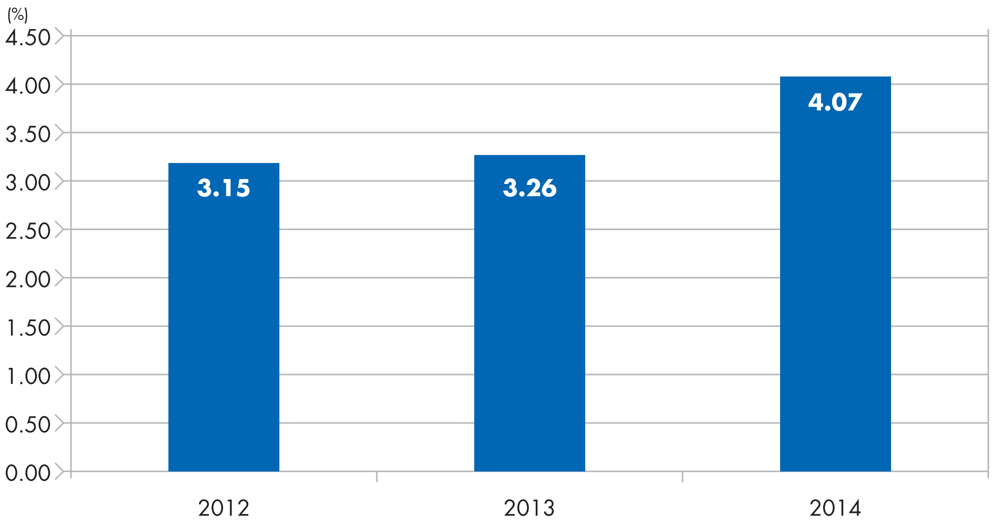
As a result of the merger of Banco Grupo Caja3 into Ibercaja Banco this activity has been reorganized in order to simplify the structure and improve efficiency. CAI Vida y Pensiones was spun off and the life insurance business was taken over by Ibercaja Vida and pension plan and the fund management by Ibercaja Pensión. The acquisition of 50% of Caja Badajoz Vida y Pensiones was also formalized and is now wholly owned by Ibercaja Banco. The expectation is that the insurance company in Extremadura will be merged into Ibercaja Vida in 2015, such that the latter will assume all of the Group's life insurance business.

Ibercaja Vida Compañía de Seguros y Reaseguros S.A. specialises in bancassurance and focuses its activity on structuring investment savings insurance and life policies for distribution through the office network, It has a broad range of products, including systematic savings, investments savings, life-time income and annuities, individual systematic savings plans (PIAS), insured retirement plans and others.

The volume of technical reserves amounts to €6,394 million. with a year-on-year change in a constant scope of 1.1%. A total of €1,084 million in premiums are collected and there are more than 778.000 policyholders, which is 2.4% more than in 2013 under uniform criteria.

The growth of insurance associated with retirement and seniors is notable. The Entity maintains leadership in individual systematic savings plans (PIAS), with a 7% increase in volume, Its market share is 20.8%, in terms of insured assets, and 16.8% if the number of policies is taken into account. Life-time income has also been very well accepted and advanced 5% during the year.

Evolution of the market share in mathematical reserves



Caja Badajoz Vida y Pensiones ended the year with €290 million in technical reserves and more than 75,000 policies. Taken as a whole, the Group's life insurance companies have a 4.07% market share and occupy the fifth position in the industry ranking.

Ibercaja Mediación de Seguros, S.A.U. is a brokerage for general insurance policies, It markets casualty insurance policies for individuals and companies and these policies are distributed through the office network.

In 2014 the activity included the bancassurance operators from the former Caja Badajoz and Caja Círculo de Burgos. The casualty insurance portfolio managed by the company generates premiums totalling €202 million, while there were a total of 956,488 policies.

Sales activities have involved campaigns for homeowners insurance, car insurance, death insurance and multi-risk policies for neighbours' associations. Throughout the year the promotion of health insurance added important improvements for Ibercaja customers.

The insurance operator at the former Caja Inmaculada manages premiums totalling €23,7 million and more than 82.000 policies. This activity is expected to be merged into Ibercaja Mediación in the short-term.

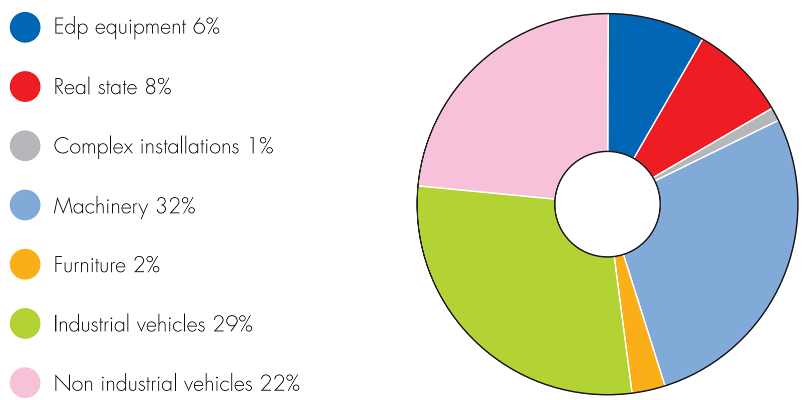
Ibercaja Banco owns 50% of CAI Seguros Generales, which maintains distribution commitments with other insurance companies.

3.2.2.4. Finance and operating leases

Ibercaja Leasing y Financiación S.A. specializes in the financing of production activities through finance and operating leases. It provides products for SMEs and professionals to finance their investments in assets and to obtain assets under operating leases through the office network.

Based on September data, the active risk in the lease sector in Spain fell by 4.84%, which while mitigating the declines in prior years contrasts with the 5.86% growth seen by the portfolio managed by Ibercaja Leasing. During the year 1,864 new contracts were concluded, 45.51% more than in 2013. The investment of €68 million represents a 28.72% increase. Of that investment, 51% was for vehicles, 32% for machinery, 8% for properties and the rest for computer equipment and other facilities. The average amount of the contract declined to €36.47 thousand.

Distribution of the contracts concluded by Ibercaja Leasing in 2014



The default rate of 6.95% is much lower than that in the sector and coverage represents 77% of doubtful debts.

Among the novelties arising during the year, Ibercaja Renting Tecnología should be mentioned. It offers leases for computer and technology equipment, including the services necessary for their proper operation and allows customers to have up-to-date technology.

Vehicle operating leases ended the year with an active fleet of 994 vehicles. The portal www.ibercajamotor.com for vehicle leases and general information regarding automobile sector has been completely renovated. The new website has all the information that may be of interest to professionals managing vehicle fleets and those interested in the automobile sector.

3.2.2.5. Private banking

Ibercaja Patrimonios SGC, S.A. is the portfolio management company that performs the Group's private banking activity. It offers investment proposals to customers with a high level of financial assets, providing specialized, customized and quality services.

The low interest rates, the performance of the securities markets and the yield on portfolios have been factors that have conditioned the trend in the business.

Total assets under management exceed €2,400 million, distributed into the discretional management of portfolios and advisory services. The volume under management increased by 24% compared with 2013 and the number of family groups to which the private banking service is rendered increased by 10%.

The discretional management of portfolios represents 38% of total assets and the number of contracts increased by 22% during the year, while the average volume exceeds €540,000.

Ibercaja Patrimonios offers all network customers an active investment fund portfolio management service and provides training support and investment advisory services to personal banking managers.

The commercial structure consists of six branch offices located in Madrid (2 offices), Zaragoza, Logroño, Barcelona and Valencia. There are also customer service offices in Guadalajara, Huesca, Teruel and Pamplona. In order to extend the private banking service to the representative areas of the former Caja3, the opening of two new offices covering Castilla y Leon and Extremadura is planned.

3.2.3. Other lines of diversification

A) Activities in capital markets

The abundant liquidity in the system, resulting from the measures adopted by the ECB and the better perception of the Spanish economy have influenced equities markets. The interest rates on the main debt references have fallen to historic minimums, together with credit risk premiums, which has led to a notable reduction in the cost of financing.

Issues by Spanish deposit-taking entities have remained at low levels as a result of the lower needs for liquidity, given the continuing downward trend in the volume of credit. In 2014 mortgage bond public issues took place in the amount of €7,750 million and senior debt amounted to €7,500 million. In order to fulfil the hybrid capital cushion requirements allowed by Basel III, some entities have also issued Additional Tier I and Tier II.

The use of Eurosystem resources by Spanish banks fell by 30% over the past 12 months, even taking into account the effect of the new Targeted Longer-Term Refinancing Operations (TLTRO) that took place in September and December. As a whole, Spanish banks obtained approximately €41,000 million through these auctions.

Ibercaja Group's activities in capital markets basically concentrated on assuring the availability of liquid resources on the balance sheet, managing fixed-income and equities portfolios, planning issues and repurchases of securities, and providing coverage for structured and other deposits.

In 2014 Ibercaja did not carry out any institutional issue. The availability of liquid assets has allowed it to comfortably cover maturities during the period, €1,423 million, distributed into mortgage bonds (€894 million), secured debt (€494 million) and senior debt (€35 million). The third promissory note program that matured this year was not renewed as there was no demand for this type of instrument.

During the year the entity repurchased its own issues for a nominal amount of €84 million, of which €11 million relate to subordinated debt and preferred shares and the rest to securitizations.

The Entity participated in the recent Eurosystem financing operations (TLTROs) obtaining €917 million during the auction in December and financing originating from the ECB totals €4,790 million.

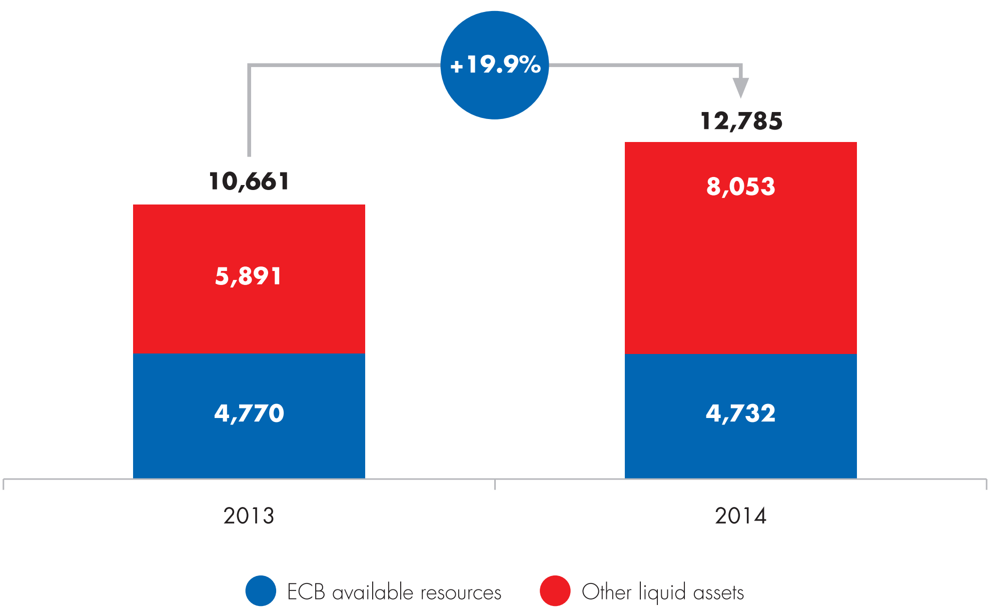
Ibercaja manages liquidity by diversifying sources of financing in a prudent and balanced manner, anticipating needs to meet its obligations on a timely basis so investment activities are not affected.

Retail customer deposits represent the primary source of external financing at 66%. During the year they reflected a moderate increase and more than 80% of the total is classified, based on Bank of Spain regulations, as stable and this shows the association and confidence of the broad customer base maintained by the Entity.

The lack of dynamism in the credit market and the growth of customer deposits contributed to the improvement in the commercial gap. The credit ratio for retail financing (loan to deposits) was 91.91%, which is 8.04% lower than in December last year.

The Group has a comfortable liquidity position. The volume of liquid assets, which are almost entirely eligible, totals €12,785 million at the end of the year (20.51% of assets), and reflects an appreciable increase during the year.

Availability of liquid assets (million euro)

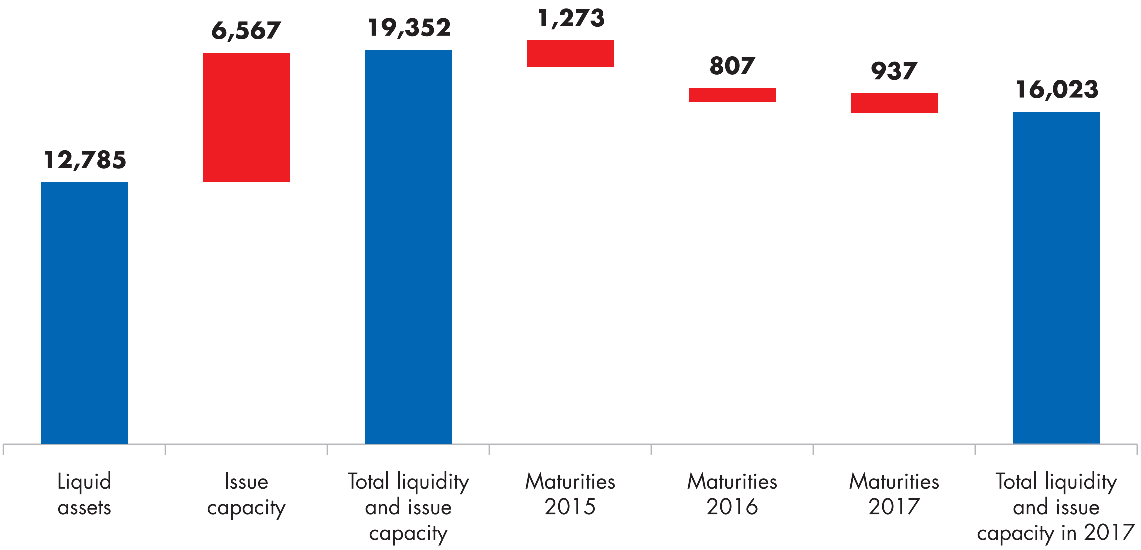


Available resources from the ECB total €4,732 million. Approximately 97% of eligible off-facility assets relate to Spanish government debt and if needed they would allow immediate liquidity to be obtained.

The capacity to issue mortgage and territorial bonds is measured at €6,567 million. The degree of excess collateral, measured as the eligible portfolio compared with active mortgage bonds, is 209.4%, easily exceeding the legal minimum of 125% and the average for financial institutions taken as a whole.

Issue maturities in wholesale markets are distributed over terms extending to 2027. In 2015 and 2016 they total €1,273 million and €807 million, respectively, and they will be comfortably met with available liquidity.

Liquid assets and maturities (million euro)



The portfolio of fixed-income securities, shares and holdings in companies amounts to €22,320 million, 35.81% of the consolidated balance sheet. The increase of €2,494 million during the year almost entirely relates to Spanish government debt.

Financial assets available-for-sale totalling €14,778 million have a total weight of 66.21% and showed the most growth during the year at €7,501 million. The investment portfolio held-to-maturity totalling €6,682 million represents 29.94% of the structure. Within the framework of the new solvency requirements the Group sold assets in this portfolio with a nominal value of €2,985 million, generating a financial profit totalling €380 million. To manage the balance sheet interest rate risk and to maintain recurring profitable interest margins, Ibercaja repurchased fixed income securities that mainly related to Spanish government debt, debt issued by autonomous regions and corporate bonds.

By type of assets, fixed income totals €21,587 million and represents 96.71% of the portfolio, which reflects a €2,614 million increase. The equities declined by €120 million (€734 million). This portfolio consists mainly of listed shares in domestic and foreign companies, in addition to stakes in unlisted companies.

Details of the securities portfolio

	Balance		Change	
	Million €	Structure (%)	Million €	%
Trading portfolio	1	0.00	0	7.75
Debt securities	1	0.00	0	7.75
Equity instruments	0	0.00	0	0.00
Other financial instruments at fair value though changes in profit and loss	61	0.27	–8	–11.24
Debt securities	8	0.03	–5	–40.70
Other equity instruments	53	0.24	–2	–4.31
Available-for-sale financial assets	14,778	66.21	7,501	103.08
Debt securities	14,254	63.86	7,567	113.16
Other equity instruments	524	2.35	–66	–11.17
Loans	642	2.88	–118	–15.53
Debt securities	642	2.88	–118	–15.53
Held-to-maturity investment portfolio	6,682	29.94	–4,830	–41.96
Shares	156	0.70	–51	–24.80
Securities portfolio	22,320	100.00	2,494	12.58
Fixed-income securities portfolio	21,587	96.71	2,614	13.78
Equities portfolio	734	3.29	–120	–14.03
Shares	156	0.70	–51	–24.80
Other	578	2.59	–68	–10.57

The capital markets area obtained hedges for the structured deposits that are marketed through the office network. Activities during the year have grown as a result of the transfer of a portion of customer savings towards these products that are alternatives to traditional deposits. In 2014 Ibercaja obtained hedges for a total €1,041 million in deposits. It also contracted 13 notes with hedges for customers of Ibercaja Patrimonios on underlying equities for a total of €14,5 million.

The office network distributed hedge products that allow customers, primarily businesses, to protect themselves against certain business risks, such as changes in interest rates and fluctuations in exchange rates.

B) Company shareholdings

The Group has shareholdings in companies in several sectors: tourism, real estate, media, logistics, services and others. Investments in investee companies, which have been limited historically, are obtained in order to support the production sector, preferably SMEs, with respect to projects that contribute to creating wealth and employment in the Entity's areas of influence, as well as to contribute to the diversification of the Group's income sources.

As part of the merger process in 2014, the Caja3 portfolio was included in Ibercaja's balance sheet. Upon the completion of this process, the Group held a direct or indirect stake in 129 companies. Based on industry distribution, the weight of companies associated with financial and quasi-financial activities is the highest at 45% of the total. The rest of the investment focuses on: venture capital (23%), industrial and logistics sector (11%), tourism (11%) and the media (10%).

Ibercaja constantly reviews its interests in order to extract itself from the capital of those companies that are not strategic to its business or that do not generate adequate yields on the capital employed, while ensuring the continuity of the business in the hands of qualified managers. Divestments from several companies took place during the year, including El Arbol Group, which was sold to a consolidated international distribution company. In turn, as part of its restructuring, Caja3 committed to the progressive sale of several non-real estate interests through 2015 and this process is at an advanced stage of execution. At the end of 2014 the divestment of 88% of the affected companies had been formally concluded.

Within the real estate area, the agreement signed by Caja3 with EU authorities established a target for 2014 consisting of the sale of almost all of its interests in companies in this sector. At the end of the year that commitment had been met through the disposal or liquidation of the companies. The impact on the income statement was limited given the associated provisions.

The subsidiaries of Grupo Inmobiliario Ibercaja were restructured to simplify and facilitate their management. The main corporate structure consists of two holding companies and a management company for the assets acquired through purchases or foreclosures. The ultimate purpose is to obtain value from the properties in the portfolio through their sale, while simultaneously encouraging the recruitment and association of customers to which financing is provided for these transactions. The properties are marketed through the office network, supported by external services.

3.3. Service quality and brand image

Ibercaja's business model is based on promoting excellence with respect to the quality of all of its business processes. It aspires to offer customers innovative personalized services that are adapted to their needs. The Bank has adopted the *European Foundation for Quality Management* (EFQM) model as a reference, which evaluates the continuous improvement of existing and new systems, methods and management practices.

In 2013 Ibercaja underwent the biannual evaluation to renew the European Seal of Excellence 500+. This award is the maximum recognition granted to companies that adopt the EFQM model criteria in their management. The Entity continues to work in this area, aware that improvement is a constant and essential effort to maintain a leadership position in the market.

In 2014 the Customer Experience Management System that started in 2012 was consolidated. The implementation of this model for each of Ibercaja's strategic segments means evolving from the prior model based on assuring certain minimum service quality standards to another whose objective is to promote, coordinate and facilitate a method that ensures that human resources, products, processes, technology and culture address customer satisfaction by strengthening confidence, loyalty and association with the Entity until customer recommendations are obtained.

Ibercaja carries out satisfaction studies through surveys of individuals and companies. This allows areas that may be improved to be identified and facilitates quality management. Satisfaction, recommendation and loyalty data obtained through the 2014 surveys reflect notable advancement. The average general satisfaction index is 8.17 vs. 8.04 points, out of ten, in 2013 and the loyalty figure exceeds 79%.

Customer satisfaction

	Año 2014			Año 2013		
	Family Banking	Personal Banking	Business Banking	Family Banking	Personal Banking	Business Banking
Satisfaction (out of 10)						
General satisfaction with the office	8.34	8.66	8.40	8.29	8.60	8.23
General satisfaction with the specialised manager	n.a.	8.99	8.96	n.a.	8.87	8.70
Satisfaction with advice	8.64	8.74	8.77	8.68	8.80	8.49
Satisfaction with Ibercaja	8.08	8.33	8.11	8.06	8.30	7.76
Recommendation and loyalty (%)						
Recommendation index (NPS)	26%	37%	39%	27%	36%	30%
% loyal customers	75%	81%	82%	73%	80%	77%

The "expert observation" is a quality audit that analyzes the sales process. It evaluates the acceptance of a potential customer, the appropriateness of the offer, the information level given a specific need and other indicators such as: friendliness, proximity, waiting time, privacy and discretion. During 2014 the scope was expanded to include specific commercial campaigns to promote improvement action at offices at which deficits were observed.

Expert observations 2014

Commercial process (out of 10)	
Reception	7.37
Inquiry as to customer needs	8.36
Explanation of savings products	8.72
Goodbye	9.40
Transversal aspects (out of 10)	
Friendliness	8.32
Time well used	7.49
Privacy	8.55

Ibercaja is the leading Spanish financial institution that obtained certification for the advisory services it offers to personal banking customers. The certification granted in 2012 by AENOR (Asociación Española de Normalización y Certificación) is based on the ISO 22222:2010 standard Personal financial planning. Requirements for personal financial planners. This international standard defines the financial planning process and specifies the requirements relating to ethical behaviour, competence and experience required from a personal financial planner. During 2014 the review audit performed by the certifying entity was successfully passed.

The brand is the internal and external identification of the Bank. It allows Ibercaja to be recognized and differentiates it from the rest of the entities. All of the areas of the organization that are responsible for internal processes are involved, together with those that relate directly to customers.

At the start of 2014 the new brand strategy was announced and the campaign under the theme "We speak with facts" to provide customers with the values that guide the Entity's actions: professionalism, commitment, strength, proximity and excellence. Television advertising has been the base media for the campaign to provide a higher level of communication, supplemented through others such as the Internet or the press.

In May the monthly email message "Ibercaja Advantages" started to provide news, updates and to generate sales activity. The various messages are designed based on geographic area and the target group.

In the regions where the savings banks that gave rise to Banco Grupo Caja3, the corporate image together with the Ibercaja Group logo, have maintained traits of Caja Inmaculada, Caja Circulo and Caja Badajoz. This thus reinforces the brand image, recognizes the contribution of these three centuries old savings banks and reflects Ibercaja's commitment with its customers and areas of influence.

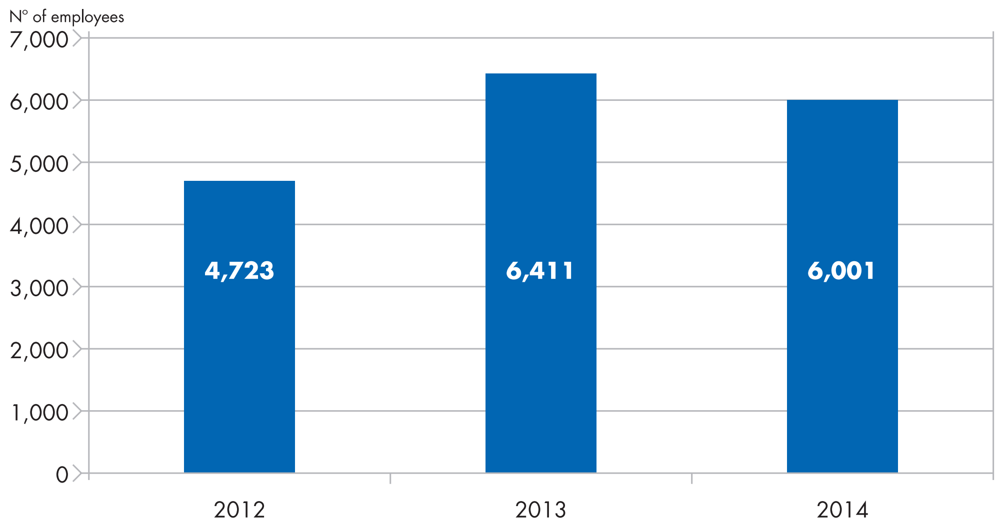
4 Employees

The human team is one of the basic pillars of Ibercaja's development. Its identification with corporate values, qualifications, professionalism and motivation notably contribute to the Entity's progress. The human resource policy focuses on developing people and is governed by strict respect of the law, equal opportunity, non-discrimination due to gender or any other circumstance, social dialogue and a commitment to family and work life reconciliation.

4.1. Evolution and profile of employees

At the end of 2014 Ibercaja Group has 6,420 employees, of which 6,001 are employed by the parent company. This figure includes 131 partially retired employees under relief contracts

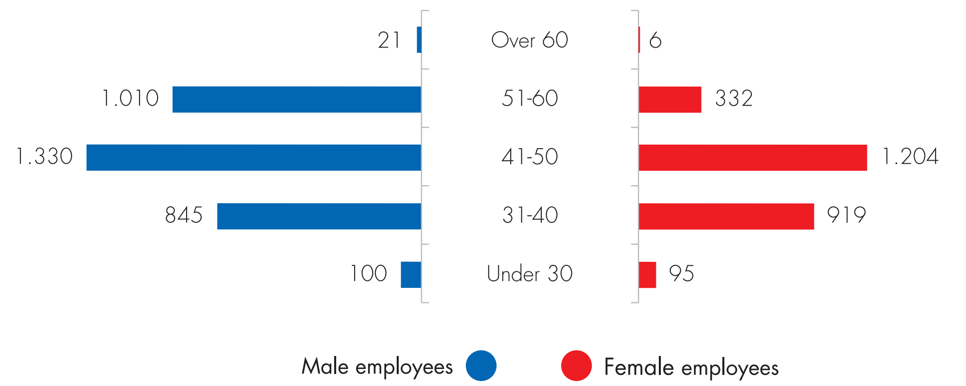
Evolution of the Bank's payroll



During the year the number of employees fell by 410. This is the result of the reconversion process that affected the Spanish financial system and meant the adaptation of the personnel structure to the current business needs. Last May Ibercaja Banco signed a labour agreement to apply a lay-off procedure. The persons that voluntarily joined this process totalled 292, of which 236 left the Entity in 2014 and the rest will do so during the first months of 2015. Caja3 complied with all of the employment requirements established in the Term Sheet concluded with Brussels.

At Ibercaja 98% of all employees are covered by indefinite employment contracts. The average length of service of active employees, excluding partial retirees, is 19 years and the average age is 44 years. Men represent 56% of employees while women represent 44%. These percentages similar year after year since in the age ranges for those under 40 the classification is similar.

Distribution of employees by age and by gender (excluding partial retirees)



As for their academic qualifications, 61% of employees have university studies, predominantly consisting of degrees in Business, Economics, Business Management and Law.

The human resource policy is intended to develop professional capacities, as well as to adapt profiles to each job post. Ibercaja has an employee evaluation system that measures performance and competencies and identifies capacities and areas of improvement.

At the end of the year 712 employees received professional promotions through the application of the criteria defined in each professional career plan, length of service, free appointments and internal examinations. The latter were held in March and June and 65 employees that obtained the best scores were promoted to levels VIII and X.

Actively promoting equal opportunities and non-discrimination based on gender is another pillar on which the Entity's human resource policy is based. The Quality Plan, which has been agreed with employee representatives, is intended to obtain a balanced mix of men and women at all professional levels and to include measures for the reconciliation of personal and working lives. Women in positions of responsibility continually increase, and now represents approximately 26% of branch managers, 51% of assistant managers and 60% of personal banking managers.

Ibercaja employees benefit from various measures intended to reconcile their personal and working lives. During the year 183 employees took leaves of absence, workday reductions, maternity leaves or family care leaves.

4.2. Training and education

Educational programmes are intended to drive the professional development of employees and respond to needs that arise in a very dynamic environment such as the banking business. The training plan for 2014 assumed the primary goal of integrating the diverse cultures of the professionals originating from the savings banks that formed part of Banco Grupo Caja3. The "Integration and Change Management" project transmitted to new employees Ibercaja's philosophy, vision and values. Both classroom and distance training is intended to unify the commercial strategy, maintain optimal quality levels and familiarise employees with the new computer systems.

Simultaneously, a training plan was developed for the rest of the employees, notably the personal and corporate banking programs. The Advanced Course on European Financial Planning took place again this year in collaboration with the Polytechnic University of Valencia and with the assistance of Universidad de Alcalá de Henares the II Edition of the Corporate Banking University Specialisation Programme was implemented.

The Ibercampus virtual platform is one of the primary channels for transmitting knowledge. Employees that occupy a new job post have fulfilled programs that provide them with the knowledge and competencies that are necessary to effectively perform their duties. Furthermore, continuing education programs have been developed in order to satisfy new training needs.

In summary, 40% of employees participated in the classroom training action and 97% participated in online courses that represented, in total, more than 270,000 training hours.

Within the framework of the 19 cooperation agreements concluded with various Spanish universities, 234 students that are currently engaged in studies associated with financial activities have interned at Group centres.

Main indicators

Demographics	
Total number of employees (including 146 temporary and 131 semi-retared)	6.001
Employees of Ibercaja Banco working under open-ended labor contracts	5.716
Average age of employees on páyroll (excluding semi-retared employees)	44 años
Average seniority of employees on payroll (excluding semi-retared employees)	19 años
Gender	56% hombres. 44% mujeres
Breakdown by type of office (excluding semi-retared employees)	87% Network (5.086 individuáis) and 13% Central Services (784 individuáis)
Career development	
Appointed as Network office Managers	281
Appointed as Personal Banking Managers	67
Appointed as Customer and Corporate Account Managers	48
Promoted to a higher category	712 (Men: 372. Women: 340)
Evaluation of Performance and Skills	3.246 individuáis evaluated
Employees under career plans	682
Employees promoted under career plans	76 (Men: 40. Women: 36)
Reconciling work with family life	
No. taking maternity/ paternity leave	29 (Men: 1. Female: 28)
No. taking leaves to take care of family members	7 (Men: 2. Female: 5)
No. on reduced working time (new or extended)	147 (Men: 8. Female: 139)
Training	
No. of employees attending in-person training actions	2.323 (40% of work forcé)
No. of employees involved in distance training actions	5.658 (97% of work forcé)
Of the total number of hours of training courses, 92% were distance training	

5 Technological resources

Ibercaja implements technological projects or improves existing resources in order to increase customer service quality, make the operation of offices more agile and to respond to regulatory requirements. Among the most relevant action during the year relating to internal and organizational efficiency are:

- The technological integration of Banco Grupo Caja3 into Ibercaja, which ended in October 2104, required singular efforts over the course of 14 months. The data regarding more than 3 million customers was put into a common database and nearly 6 million contracts were transferred to a single platform, without interfering with the ordinary operations of both entities. In order to take on this project investments in infrastructure were necessary, such as the installation of a new central computer and the change of terminals at Caja3. Some minor tasks remain pending, relating mainly to the historical information at the entities that made up Caja3 and the SAREB transactions, which are expected to be completed in mid-2015.
- The operational transformation of central services has been structured into three phases. In 2014 the process management tool was launched together with the integration of Ibercaja regulations and several tasks relating to the Customer Financing Unit in the Operations and Back-office Department.

Among the projects intended to respond to regulatory requirements, the following are notable:

- European regulations are promoting the reform of the securities acquisition system to provide it with more flexibility, transparency, interoperability and to favour competition and cost savings. Compared with the rest of the European countries, the Spanish System has operating and legal peculiarities that represent a barrier to integration. In the case of Ibercaja, in 2014 the impact of the reform on our applications was analysed and the developments that will be necessary to adapt to the new situation have commenced. The first phase, which affects equities transactions is expected to commence in October 2015 while the fees relating to fixed income will be carried out subsequently.
- The new CIRBE (Bank of Spain Risk Reporting Centre) introduced profound changes to the preceding model relating to the content and format of information exchanges. To take advantage of synergies with other entities, Ibercaja joined the CECA PYRAMID-CIRBE project that is being developed in modules. The first phase was operational in mid-2014, while phases two through five are expected to enter into operation throughout the course of 2015.
- Work was performed on several modifications and adaptations during the year, concerning: SEPA (European regulations regarding transfers and debits), new requirements relating to the approval of the CRDIV- Basel III regulations, support for the information sent to the ECB, FATCA (tax treatment of US persons), etc.

The demand for channels other than physical presence is progressively higher. Ibercaja has decidedly implemented new technologies and has been a pioneer with respect to the implementation of innovative communications tools. Website improvement projects were executed during the year on www.ibercajadirecto.com, in terms of both design and programming which are both of great importance to optimize customer visits.

6 Solvency and asset quality

On 1 January 2014 the solvency regulations known as Basel III entered into force as transposed into European legislation by Regulation 575/2013 and Directive 2013/36/EU and into the Spanish legal system by Royal Decree-Law 14/2013 and Law 10/2014 (26 June), on the ordering, supervision and solvency of credit institutions. The new capital standards raise minimum requirements and restricts the computation criteria for some instruments, especially with respect to the ordinary CET1 capital level, which is of the highest quality.

Total computable equity for Ibercaja Group totals €2,905 million and represents a solvency ratio of 11.78%. The Tier 1 ordinary capital level (CET1) is €2,746 million, with a ratio of 11.13%, which is an excess of €1,636 million over the minimum regulatory requirement. Since December 2013 this ratio has increased by 106 basis points. The strengthening of capital is due to the good development of profits for the year and the decrease in risk-weighted assets by 6.68% to €24,664 million, as a result of the decline in credit, the weighting of credit provided to companies, the reduction of the assignment of capital due to operational risk and the divestment of investee companies carried out voluntarily and within the framework of the obligations assumed by Caja3 for its restructuring.

Evolution of solvency

(million euro and %)	December 2014	December 2013	Change in year	Change in year %
CET 1 instruments	2,959	2,895	63	2.19
Deductions	–213	–233	20	8.60
Ordinary Tier 1	2,746	2,662	83	3.13
Additional Tier 1	0	0	0	–
Basic equity (Tier 1)	2,746	2,662	83	3.13
Supplementary equity (Tier 2)	159	177	–18	–10.42
Computable equity	2,905	2,840	65	2.28
Risk weighted assets	24,664	26,428	–1,764	–6.68
Excess CET1 over legal minimum (4.5%)	1,636	1,473	163	11.05
Ratios:				
CET1	11.13	10.07	1.06	10.51
Tier 1	11.13	10.07	1.06	10.51
Tier 2	0.64	0.67	–0.03	–4.02
Solvency ratio	11.78	10.75	1.03	9.60

Ibercaja Group successfully passed the overall evaluation that the ECB performed on the main European credit institutions. The execution of the AQR and stress tests confirmed the quality of the credit portfolio and the high level of provisions, as well as capital adequacy and the organic capacity to generate capital under two hypothetical macroeconomic scenarios and over the course of three years 2014-2016. The additional needs for provisions were irrelevant, the capital ratio exceeds the minimum threshold by 40% and the excess capital in both cases, base and adverse, is more than €650 million.

Ibercaja's results in the Comprehensive Assessment

	Base Case Scenario	Adverse scenario
CET 1 phased-in (CRDIV/CRR at dec-13)	10.03%	10.03%
AQR impact	–2 b.p.	–2 b.p.
Capital after AQR	10.01%	10.01%
Stress test impact	+56 b.p.	–213 b.p.
CET 1 phased-in (CRDIV/CRR at dec-16)	10.57%	7.88%
Excess over minimum (in M€)	694	657

Standard & Poor's and Fitch have ratified the credit ratings for Ibercaja Banco and raised the outlook to positive. This outlook indicates that the rating may be raised in the short or medium-term, taking into account the evolution of insolvency and credit quality.

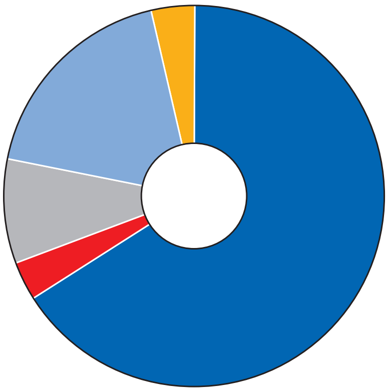
Credit rating for Ibercaja Banco, S.A.

	Short term	Long term
Moody's	NP	Ba3
Standard & Poor's	B	BB
Fitch Ratings	B	BB+

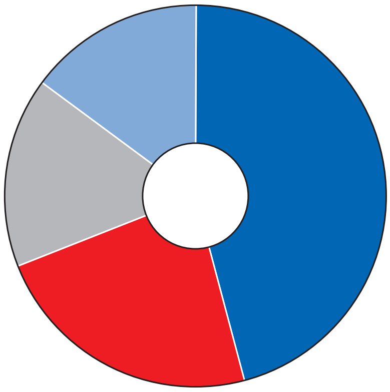
The profile of the Group's portfolio is of reduced risk with a high weight of mortgage financing for individuals to acquire homes. Without losing this specialization, the Entity seeks to increase the share of corporate and SMEs in loans.

The investment is diversified geographically, even though the implementation of Ibercaja in its territory of origin means that that area and Madrid concentrate nearly 70% of loans.

Distribution of loans by transaction purpose (%)



Geographic distribution of loans (%)



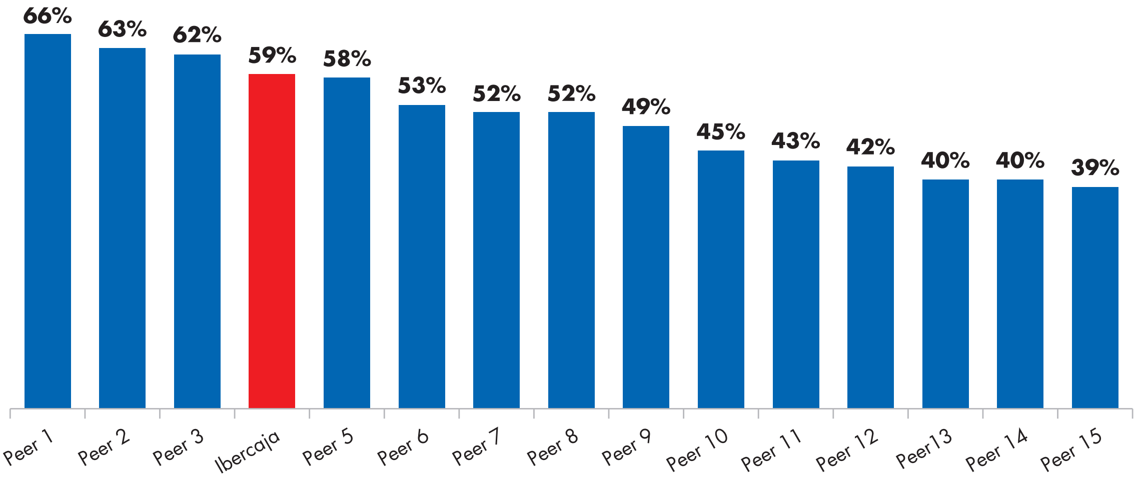
Household financing, 69% of gross customer loans, is mainly (95%) dedicated to the acquisition of homes. Almost all of this figure relates to first homes and 99% of the portfolio is secured by mortgages. The LTV, the value of the outstanding loan compared with the collateral at the latest appraisal, is 57.73%. Ninety-two percent of the mortgage portfolio for the acquisition of homes has an LTV that is less than 80%.

Loan investments for companies is 28% of the total. Property development loans and credit only represents 9%. Of the exposure secured by mortgages, 38% involves finished buildings, 16% developments in progress and the rest to land, mainly in urban areas. The financing of productive activities other than real estate development, has a weight of 19% in the portfolio, and has been preferentially granted to SMEs in very diverse sectors.

Doubtful assets declined by €118 million, which is particularly important since it breaks the growing trend that had been in place since the start of the financial crisis in 2008. The Group recognizes a default rate of 10.78%, with a positive gap compared with the system totalling 1.83%. By segment, household financing for the acquisition of homes, which has the highest weight of all investments, presents a contained default rate of 3.95%, excluding the real estate business, and the default rate in the credit portfolio is 6.66%.

Total provisions for insolvencies, including those associated with risks and contingent commitments, amount to €2,283 million, which represent 57.56% coverage of doubtful risks. This solid level, which is one of the highest in the system, increased by 60 basis points during the year and reflects the efforts made to record provisions during the past few years.

Coverage ratio for doubtful exposures (AQR results)



The carrying value of the Group's portfolio of foreclosed properties or properties acquired in lieu of payment of debts is €916 million and represents only 1.47% percent of assets. Most relate to finished housing, 95% to first homes and developments in progress. The coverage associated with these real estate assets (including initial write-offs and provisions recognised subsequent to the foreclosure of properties) is 50.16%. The Entity's policy focuses on encouraging compliance with borrower obligations by renegotiating debt and foreclosure is the last solution when no possibility of recovering the financed amount is deemed to exist. In addition, Ibercaja supports property developers after the developments are finished by collaborating with the management and facilitation of sales. The ultimate purpose is to obtain value from the properties in the portfolio through their sale, while simultaneously encouraging the recruitment and association of customers to which financing is provided for these transactions. The joint efforts of the office network and the Property Management Unit has meant that the number of units sold increased by more than 20% compared with 2013.

Developer, credit and real estate asset risk deriving from the financing of real estate development and construction fell by 9.52% during the year. The coverage of problematic assets (doubtful, subprime and foreclosed) associated with the real estate sector is 52.20%

7 Results for the year

Ibercaja Group obtained a net profit of €151 million after write-offs and allocations totalling €432 million. This result compares very favourably to that obtained last year, which was influenced by the acquisition of Caja3 and the legislative amendments relating to refinanced loans. The recovery of profits shows that the fruits of the merger are beginning to be obtained in the form of income, cost savings and economy of scale synergies.

Within a context of extremely low interest rates and lethargic demand for credit, it is notable that the banking operating profit, which originates from the typical business carried out by the Entity, increased in comparable terms by 7.33%, driven by the improvement in customer spreads, the increase in income from the management of off-balance sheet products (investment funds, pension plans and insurance) and the reduction of recurring costs. The generation of extraordinary profits on financial transactions has allowed it to reinforce provisions and equity.

The reduction of doubtful asset should be noted with respect to credit quality as this is an especially important point since this breaks the growing trend that had been in place since the start of the financial crisis in 2008. The Group recognizes a default rate of 10.78%, with a positive gap compared with the system totalling 1.83%. There has also been significant improvements in the sale of properties compared with 2013. The joint efforts of the office network and the Property Management Unit has meant that the number of units sold increased by more than 20%.

Liquid assets advanced by €2,124 million to more than €12,785 million. The wholesale issues were not renewed at maturity during the year given the solid structure of retail financing with an LTD ratio of 91.91%.

To compare these figures with the preceding year, the income statement for 2013 has been restated. It includes the 12-month results obtained by Caja3, the impact of the application of the international accounting standard IFRIC 21 on levies regarding contributions to the Deposit Guarantee Fund and the unification of accounting criteria after the merger of CAI Vida y Pensiones into Ibercaja Vida, such that part of that company's costs that had been recognized under Other operating expenses were transferred to Interest margin in 2013.

Main headings in the consolidated income statement

(million euro and %)	2014	2013	Change	Change %
Net interest income	699	715	–16	–2.20
Return on equity instruments	12	10	2	20.45
Net fees	316	302	14	4.52
Gains (Losses) on financial transactions	425	228	197	86.71
Other operating profit/loss	–42	–101	59	58.77
Gross margin	1,410	1,154	256	22.23
Operating expenses	789	730	59	8.04
Other profit and loss	26	23	3	11.70
Profit before write-offs	647	447	200	44.87
Provisions, impairment and other write-offs	432	572	–140	–24.48
Profit/(loss) before taxes	215	–125	341	–
Taxes	64	–60	125	–
Consolidated profit for the year	151	–65	216	–
Result attributed to the parent company	151	–63	214	–
Profit from banking activities *	330	307	23	7.33

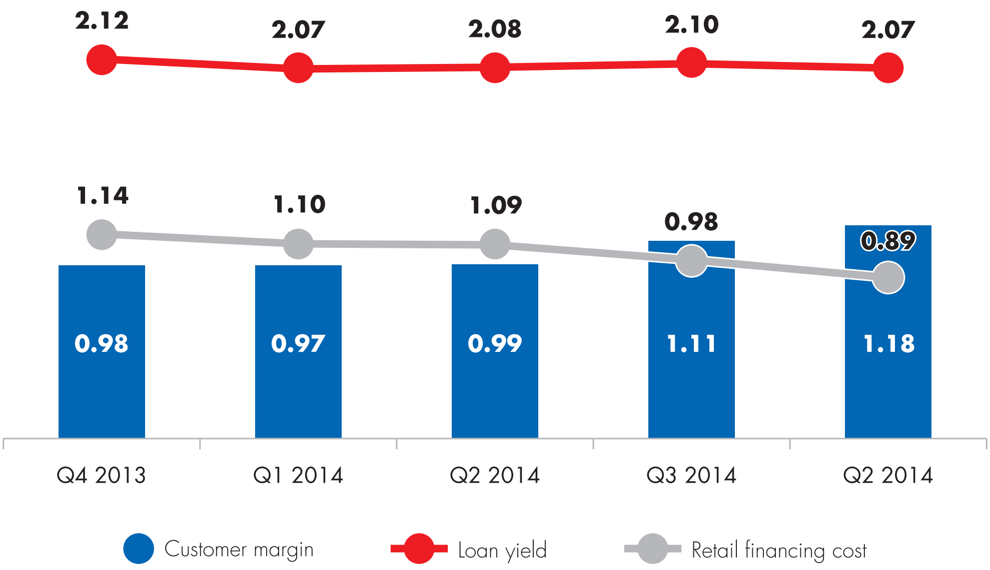
* Net interest income + net fees - recurring operating expenses.

Interest Margin

The interest margin totalled €699 million. Using a constant scope, the year-on-year variance was –2.20%.

Income from loan investments was conditioned by the decline in volume and the decrease in the average yield as a result of the decline in interest rates, particularly the mortgage portfolio indexed to the Euribor, which has fallen by 21 basis points since the end of 2013. Another factor that contributed to the tightening of the margin is the lower contribution of the fixed-income portfolio since securities that were sold or matured have been replaced by others offering a lower yield. The good evolution of retail financing costs has allowed part of the reduction in the yield on loans and the securities portfolio to be offset. It should be mentioned that the customer spread has improved over the course of the year to 1.18% during the last quarter, which is 20 basis points more than in the same period in 2013 and 7 basis points above the third quarter.

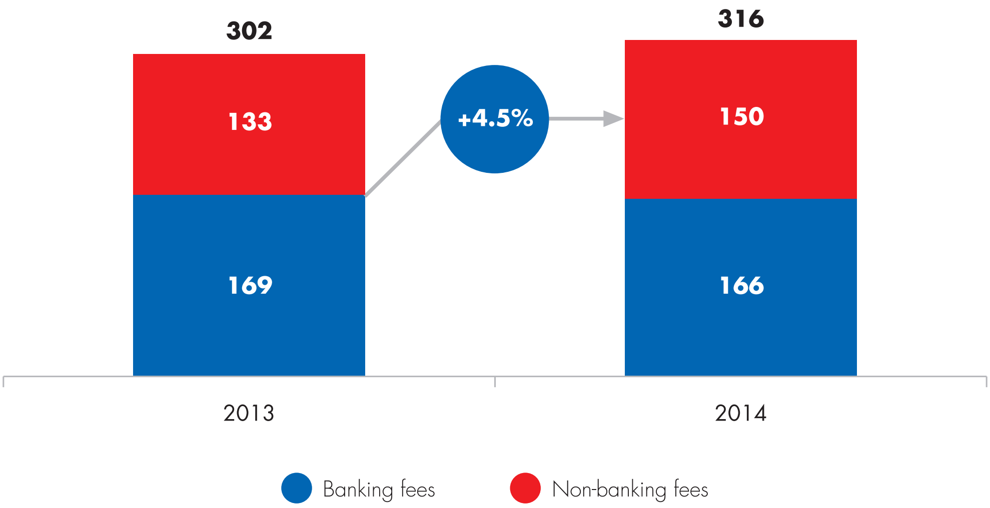
Evolution of the customer spread (%)



Net fees

Net fees and differences on exchange totalling €316 million grew by 4.52%. Based on their type, those deriving from the rendering of services declined by 1.89%, mainly due to those generated on the use of means of payment due to the lower business volume and the reduction in exchange fees starting on 1 September 2014 (Royal Decree-Law 8/2014). The decline in these types of fees were easily offset by the contribution of those deriving from asset management, whose year-on-year change of 12.66% is due to the increase in the assets under management in investment funds, pension plans and insurance policies, as a result of the channelling of savings towards products with higher yields.

Evolution of net fees (million euro)



Yield on capital instruments and results from financial transactions

The yields from capital instruments contribute €12 million to the gross margin, 20.45% more than in 2013. The increase is due mainly to the higher dividends paid by Telefonica.

The results on financial transactions totalled €425 million. The active management of the portfolio has allowed market opportunities to be obtained, and during the first half of 2014 latent capital gains materialized, mainly regarding fixed-income assets. Furthermore, the Entity has repurchased its own issues of subordinated debt, preferred shares and securitization bonds.

Other operating profit/loss

The results from entities consolidated using the equity method total €-8 million, and the losses seen a year ago have been reduced due to the divestments that took place in 2013, including real estate investee companies within the framework of the restructuring process concerning Caja3.

The heading Other products and Operating charges totalling €-34 million basically recognizes the expense generated on the contribution to the Deposit Guarantee Fund, partially offset by the income from subsidiaries, corporate transactions and investment properties.

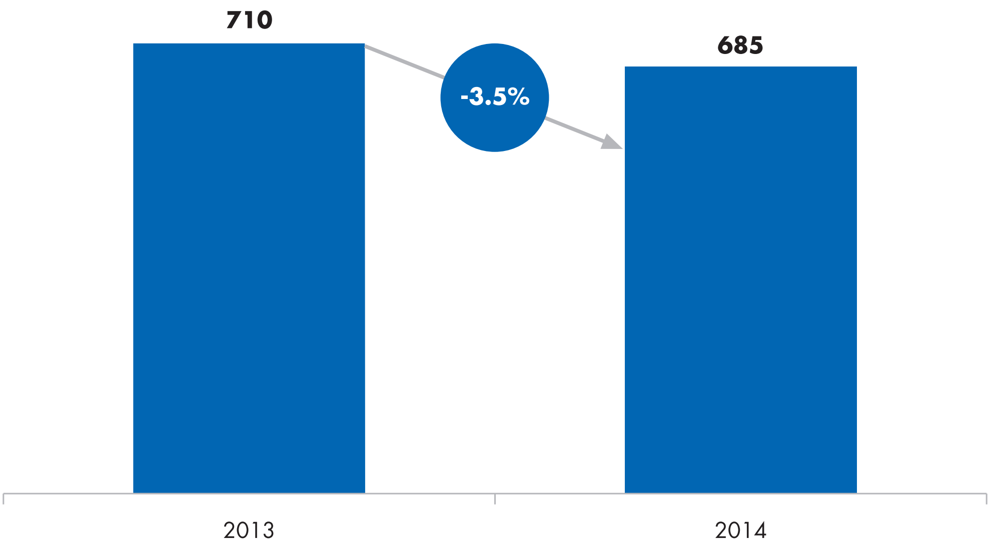
The application of the international accounting standard on levies, IFRIC 21 with respect to the contribution to the Deposit Guarantee Fund meant that this year an expense totalling €61 million arose for the ordinary contribution for 2014 and the recognition of an additional €55 million in the 2013 accounts, mainly due to the extraordinary charge for 2013.

Gross margin and operating expenses

The evolution of interest margin and the good results obtained from fees and financial transactions has meant that the gross margin totalling €1,410 million is 22.23% higher than last year.

Operating expenses total €789 million and fell above 3% during the year, excluding non-recurring items. Personnel expenses totalled €514 million and recognize the extraordinary impact of the payroll adaptation through the layoffs in progress. Isolating this effect, the decline in personnel expenses would total 4.03%. In turn, overhead and amortization/depreciation fell by 2.16% and 4.23%, respectively.

Evolution of recurring operating expenses (million euro)



The Group continues to take actions intended to optimize its structure, generate cost savings and increase competitiveness. During the year the Entity reduced its employees by 410 at the parent company and the expectation is that the incentives offered in 2015 may attract the voluntary reduction of a further 236 employees. The office network has been re-sized at the same time in order to adapt it to the size of the market, eliminating low-profit branch offices and merging others that were geographically close together. During the year 51 branch offices were closed. All of the operations of Caja3 have been transferred to Ibercaja's technology platform and the management of purchases has been unified and both of these items have reduced costs through the generation of economies of scale. The adoption of Ibercaja's business model by the new network is giving rise to income synergies that will materialize in full in the medium-term. The Financial and Real Estate Group is being restructured from an organizational point of view through the liquidation of some companies and the transfer of the business to other existing companies.

Other profit and loss, provisions, impairment and other write-offs.

The heading Other profit and loss totalling €26 million records the results obtained on the sale of property, plant and equipment and interests in businesses.

Profits before write-offs total €647 million, 44.87% more than in 2013. All allocations and write-offs charged against results total €432 million. While this figure is less than that seen in 2013 using uniform criteria, it is also high. Taking into account non-recurring profits that have been obtained during the year, allocations have been made with the intention of reinforcing coverage of credit, properties and capital instruments.

The good performance of recurring income and expenses, together with the generation of extraordinary items, has led the Group to obtain a profit before taxes totalling €215 million. Once corporate income tax has been deducted together with the portion for minority shareholders, the profit attributed to the parent company totals €151 million.

Public consolidated balance sheet for Grupo Ibercaja Banco

(thousand €)	Balance			Increase 14/13		Increase 13/12 *	
	2014	2013	2012	Thousand euro	%	Thousand euro	%
Cash and deposits at central banks	435,089	499,331	289,520	–64,242	–12.87	209,811	72.47
Trading portfolio	55,832	36,826	33,655	19,006	51.61	3,171	9.42
Other fin. assets at f. v. through changes in profit or loss	61,547	68,925	113,274	–7,378	–10.70	–44,349	–39.15
Available-for-sale financial assets	14,778,280	7,277,141	6,644,655	7,501,139	103.08	632,486	9.52
Loans and receivables	35,632,878	38,947,347	30,720,703	–3,314,469	–8.51	8,226,644	26.78
–Deposits at credit institutions	1,160,611	1,367,026	905,328	–206,415	–15.10	461,698	51.00
–Customer loans	33,830,111	36,820,105	29,535,076	–2,989,994	–8.12	7,285,029	24.67
–Debt securities	642,156	760,216	280,299	–118,060	–15.53	479,917	171.22
Held-to-maturity investments	6,681,683	11,511,381	3,820,919	–4,829,698	–41.96	7,690,462	201.27
Hedging derivatives	496,506	519,043	701,018	–22,537	–4.34	–181,975	–25.96
Non-current assets for sale	732,625	642,542	566,803	90,083	14.02	75,739	13.36
Shareholdings	155,955	207,396	178,279	–51,441	–24.80	29,117	16.33
Other assets	3,292,097	3,439,452	1,595,162	–147,355	–4.28	1,844,290	115.62
Total assets	62,322,492	63,149,384	44,663,988	–826,892	–1.31	18,485,396	41.39
Trading portfolio	48,462	27,546	16,880	20,916	75.93	10,666	63.19
Other financial liabilities at fair value through changes in profit or loss	0	48,800	0	–48,800	–100.00	48,800	–
Financial liabilities at amortised cost	50,824,160	53,081,749	37,094,568	–2,257,589	–4.25	15,987,181	43.10
–Deposits at central banks	4,848,302	4,855,479	2,519,847	–7,177	–0.15	2,335,632	92,69
–Deposits by credit institutions	3,241,613	4,197,762	4,371,510	–956,149	–22.78	–173,748	–3.97
–Customer deposits	39,868,562	39,991,664	24,772,015	–123,102	–0.31	15,219,649	61.44
–Negotiable securities	1,631,249	2,995,125	4,861,206	–1,363,876	–45.54	–1,866,081	–38.39
–Subordinated debt	556,574	567,520	289,395	–10,946	–1.93	278,125	96.11
–Other financial liabilities	677,860	474,199	280,595	203,661	42.95	193,604	69.00
Hedging derivatives	604,912	297,464	172,256	307,448	103.36	125,208	72.69
Insurance contract liabilities	7,103,517	6,333,643	4,855,039	769,874	12.16	1,478,604	30.46
Provisions	352,183	261,821	159,434	90,362	34.51	102,387	64.22
Other liabilities	567,662	562,634	209,401	5,028	0.89	353,233	168.69
Total liabilities	59,500,896	60,613,657	42,507,578	–1,112,761	–1.84	18,106,079	42.59
Shareholders' equity	2,518,359	2,403,540	2,191,725	114,819	4.78	211,815	9.66
Measurement adjustments	302,710	130,173	–40,611	172,537	132.54	170,784	420.54
Minority shareholdings	527	2,014	5,296	–1,487	–73.83	–3,282	–61.97
Total equity	2,821,596	2,535,727	2,156,410	285,869	11.27	379,317	17.59
Total equity and the liabilities	62,322,492	63,149,384	44,663,988	–826,892	–1.31	18,485,396	41.39

* The change includes the acquisition of Banco Grupo Caja3.

Consolidated income statement for Grupo Ibercaja Banco

(Thousand euro)	Amount			Increase 14/13		Increase 13/12	
	2014	2013	2012	Thousand euro	%	Thousand euro	%
Interest and similar items	1,367,906	1,223,104	1,244,867	144,802	11.84	–21,763	–1.75
Interest and similar expense	668,558	630,894	666,943	37,664	5.97	–36,049	–5.41
Net interest income	699,348	592,210	577,924	107,138	18.09	14,286	2.47
Return on equity instruments	11,802	8,870	13,916	2,932	33.06	–5,046	–36.26
Results from entities measured using equity method	–7,997	–26,153	–28,267	18,156	69.42	2,114	7.48
Net fees and differences on exchange	315,626	264,729	235,781	50,897	19.23	28,948	12.28
Gains/losses on financial assets and liabilities	424,919	136,217	353,779	288,702	211.94	–217,562	–61.50
Other operating profit(loss)	–33,527	–79,987	–15,870	46,460	58.08	–64,117	–404.01
Gross margin	1,410,171	895,886	1,137,263	514,285	57.41	–241,377	–21.22
Operating charges	788,935	611,835	497,986	177,100	28.95	113,849	22.86
–Staff costs	513,537	374,934	313,266	138,603	36.97	61,668	19.69
–Other general administrative expenses	215,911	188,295	146,167	27,616	14.67	42,128	28.82
–Amortisation/depreciation	59,487	48,606	38,553	10,881	22.39	10,053	26.08
Other profit and loss	26,023	13,516	108,433	12,507	92.53	–94,917	–87.54
Profit before write-offs	647,259	297,567	747,710	349,692	117.52	–450,143	–60.20
Impairment allowances and other write-downs	432,153	421,448	1,432,836	10,705	2.54	–1,011,388	–70.59
Profit/(loss) before income tax	215,106	–123,881	–685,126	338,987	273.64	561,245	81.92
Corporate income tax	64,382	–54,327	–200,105	118,709	218.51	145,778	72.85
Consolidated profit for the year	150,724	–69,554	–485,021	220,278	316.70	415,467	85.66
Result attributed to the parent entity	150,653	–67,684	–484,261	218,337	322.58	416,577	86.02
Result attrinbutable to minority shareholdings	71	–1,870	–760	1,941	103.80	–1,110	–146.05

* Includes six months of Banco Grupo Caja3.

8 Governing bodies at Ibercaja Banco, S.A.

Board of directors of Ibercaja Banco, S.A.

Board Of Directors

Chair	Mr. Amado Franco Lahoz
First vice-chair and CEO	Mr. José Luis Aguirre Loaso
Second vice-chair	Mr. Francisco Manuel García Peña
Members:	Mr. Eugenio Nadal Reimat (Until 01.10.2014)
	Mr. Jesús Bueno Arrese
	Mr. Manuel Pizarro Moreno
	Mr Jesús Solchaga Loitegui
	Mrs. Gabriela González-Bueno Lillo
	Mr. Juan María Pemán Gavin
	Mr. Vicente Eduardo Ruiz De Mencía
	Mr. Vicente Condor López (Since 27.01.2014)
Secretary (Director)	Mr. Jesús Barreiro Sanz
Vice-secretary (non-Director)	Mr. Juan Antonio García Toledo

Executive Committee

Chair	Mr. Amado Franco Lahoz
CEO	Mr. José Luis Aguirre Loaso
Members	Mr. Eugenio Nadal Reimat (Until 01.10.2014)
	Mr. Jesús Bueno Arrese
	Mr. Manuel Pizarro Moreno
	Mr. Juan María Pemán Gavin
	Mrs. Gabriela González-Bueno Lillo
Secretary (Director)	Mr. Jesús Barreiro Sanz

Audit and Compliance Committee

Chair	Mrs. Gabriela González-Bueno Lillo (Since 06.02.2014)
Members	Mr. Jesús Bueno Arrese
	Mr. Eugenio Nadal Reimat (Until 01.10.2014)
	Mr. Vicente Condor López (Since 06.02.2014)
Secretary (non-member)	Mr. Jesús Barreiro Sanz

Nominations and Compensation Committee

Chair	Mr. Manuel Pizarro Moreno
Members	Mr. Eugenio Nadal Reimat (Until 01.10.2014)
	Mr Jesús Solchaga Loitegui
Secretary (non-member)	Mr. Jesús Barreiro Sanz

Large Risk and Solvency Committee (Since 06.02.2014)

Chair	Mr. Jesús Bueno Arrese
Members	Mr. Vicente Condor López
	Mr. Juan María Pemán Gavin
Secretary (non-member)	Mr. Jesús Barreiro Sanz

Executive Team

CEO
Mr. José Luis Aguirre Loaso

Assistant General Director - General Secretary (Until 29.10.2014)
Mr. Jesús Barreiro Sanz

Assistant General Director - General Secretary (Since 29.10.2014)
Mr. Francisco Serrano Gill De Albornoz

Assistant General Director - Finance Director
Mr. Luis Enrique Arrufat Guerra

Assistant General Director - Business Director
Mr. Víctor Iglesias Ruíz

Assistant General Director - Management Control Director (Since 29.10.2014)
Mrs. María Pilar Segura Bas

Assistant General Director - Real Estate Management Director
Mr. Luis Miguel Carrasco Miguel

General Deputy Director - Human Resources Director
Mr. José Luis Rodrigo Molla

General Deputy Director - Credit Risk Director
Mr. José Palma Serrano

General Deputy Director - Technology and Systems Director
Mr. José Luis Lázaro Crespo

General Deputy Director - Financial Group Director
Mr. Francisco Javier Palomar Gómez

General Deputy Director - Organisational Development Director
Mr. José Manuel Merino Aspiazu

General Deputy Director - Investee Company Director (Since 29.10.2014)
Mr. Joaquín Rodríguez De Almeida Pérez Surio

Assistant Director - Network Expansion Director
Mr. José Morales Paúles

Assistant Director - Traditional Network Director
Mr. Luis Fernando Allué Escobar

Assistant Director - Operations and Back Office Director
Mr. José Javier Pomar Martín

Assistant Director - Credit Risk Management Assistant (Since 29.10.2014)
Mr. Javier Arto Fillola

Activities Carried out by The Governing Bodies at Ibercaja Banco, S.A. In 2014

General Meeting

On 28 May 2014, the shareholders of Ibercaja Banco, S.A., Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, Fundación Caja de Ahorros de la Inmaculada, Fundación Caja Badajoz y Caja Círculo, Fundación Bancaria, held a General Meeting and approved the management of the Board of Directors in 2013 and the individual and consolidated annual accounts for Ibercaja Banco, S.A., consisting of the Balance Sheet, Income Statement, Statement of Changes in Equity, the Cash Flow Statement and the Notes to the Annual Accounts, as well as the Directors' Report and the relevant application of profit for the year.

At the Extraordinary General Meeting held on 23 July 2014, shareholders decided to fully approve the Common Merger Project for Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U., prepared by their respective Boards of Directors on 25 June 2014, designating and approving the balance sheet closed on 31 December 2013 as the merger balance sheet for Ibercaja Banco, S.A., which was prepared by the Board of Directors on 26 March 2014 and approved by the Company's Ordinary General Meeting on 28 May 2014.

The General Meeting also approved the merger of Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. with the former taking over the latter and the winding up without liquidation of the target company and the transfer of all of its assets and liabilities to the acquiring company.

On 11 November 2014, at the proposal of the Board of Directors shareholders at an Extraordinary General Meeting, and after having received a favourable report from the Audit and Compliance Committee in accordance with the bylaws and the Entity's Board of Directors' Regulations, adopted a resolution to appoint the company PRICEWATERHOUSECOOPERS AUDITORES, S.L., as the auditor of the individual and consolidated annual accounts of IBERCAJA BANCO, S.A. for 2014 and 2015.

Board of Directors

The Board of Directors of Ibercaja Banco, S.A. held seventeen meetings in 2014.

Further to the actions that commenced in 2012 and 2013 with respect to the corporate transactions deriving from the restructuring of the financial sector, in 2014 the merger of Banco Grupo Cajatres was completed. On 1 October 2014 the merger document was signed and on 30 October 2014 the technological integration took place.

The priority objectives of the Board of Directors' activity were substantially oriented to strengthening solvency and competitiveness levels by developing the businesses in which the Entity has demonstrated capacity and continuing with the containment of operating expenses in order to adjust the cost structure.

At the meeting held on 6 February 2014, a resolution was adopted to create the LARGE RISK AND SOLVENCY COMMITTEE as a delegate Board of Directors Committee in accordance with the recommendations of the Basel Committee and Directive 2013/36/EU of the European Parliament and Council dated 26 June 2013 and relating to access to credit institution activities and the prudent supervision of credit institutions and investment companies (CRD IV), transposed into Spanish legislation by the Law on the organisation, supervision and solvency of credit institutions.

At a meeting held on 26 March 2014 the Board of Directors prepared the annual accounts and consolidated accounts for the Company for the year ended 31 December 2013 (balance sheet, income statement, statement of changes in equity cash flow statement and notes to the annual accounts), as well as the Directors' Reports and proposed to the General Meeting that Shareholders approve and apply profits, and approved the Annual Corporate Governance Report and the Compensation Report.

At the meeting held on 28 May, the Board of Directors received the Auditor's Annual Report on protecting customer assets relating to 2013, prepared in accordance with the National Stock Market Commission Circular 5/2009 dated 25 November.

On 30 May, representatives of Management and the trade unions ACI, CSICA, CC.OO. and UGT, which jointly represented 97.5% of employees, reached an agreement regarding the application of a layoff program by the Entity under which up to 375 employees could voluntarily accept redundancy. At a meeting held on 10 June the Executive Committee ratified the action of the Entity's representatives and the matter was transferred to the Board of Directors at the meeting held on 25 June 2014, which ratified the resolutions adopted by the Executive Committee.

Of special importance was this meeting held on 25 June at which the Common Merger Project was prepared for Ibercaja Banco, S.A. (acquiring company) and Banco Grupo Cajatres, S.A.U., (target company). It was agreed to use the balance sheet closed on 31 December 2013, prepared by the Board of Directors at a meeting held on 26 March 2014 and approved by Shareholders at a General Meeting held on 28 May 2014, duly verified by the auditor, as the merger balance sheet for IBERCAJA BANCO, S.A.

At a meeting held on 23 July 2014 the Board approved the proposal to optimize the Ibercaja Group Office Network in 2014/2016.

On 27 August 2014 a resolution was adopted to publish and issue the Half-Yearly Financial Report for the Entity and Subsidiaries relating to the first half of 2014, as required by Article 35 of Law

24/1988 (28 July) on the Stock Market, enabled by Royal Decree 1362/2007 (19 October), consisting of the abridged accounts, the interim Directors' Report and the statements of liability regarding their contents and the members of the Board of Directors were informed of the employment agreement reached with the trade union representatives of the employees of Banco Grupo Cajatres, S.A.U. in order to obtain maximum uniformity of employment conditions for the employees of Ibercaja Banco once the merger with Banco Grupo Cajatres, S.A.U. was carried out.

At a meeting held on 29 October 2014 the Board approved making a proposal to the Shareholders at a General Meeting of Ibercaja Banco, S.A., to reappoint PricewaterhouseCoopers Auditores, S.L. as the Entity's external auditor for the years 2014 and 2015.

At the last meeting of the year held on 18 December, the Board considered the start of a new layoff process for 2015. It was also informed of the Management Protocol for the financial stake held by Fundación Bancaria Ibercaja in the Entity, approved by the Patron of Fundación Bancaria Ibercaja at a meeting held on 4 December 2014, and the report supporting a proposal to modify the Board of Directors' Regulations was issued, covering a reform that would not only adapt to the recent amendments made to Spanish legislation, but be a true application of the principles and practical improvements required by the entry into force of the Single Supervisory Mechanism (SSM) issued by the European Central Bank.

Executive Committee

This Committee held 18 meetings throughout the year.

In accordance with the duties delegated by the Board, this Committee reached decisions regarding the proposals made by the CEO, particularly with respect to the consideration of proposals to grant or deny risks.

Audit and Compliance Committee

The Committee held seven meetings in 2014 during which it received timely information regarding communications received from the Bank of Spain.

At the first meeting held on 11 March 2014 the Committee received information regarding the report on compliance with the Annual Operating Plan regarding the Internal Audit for 2013 and the Internal Audit Plan for 2014, and approved the activity report covering activities carried out in 2013 for the information and evaluation of the Board of Directors.

At a meeting held on 24 March 2014 it received information from the External Auditor PricewaterhouseCoopers Auditores, S.L. regarding the individual and consolidated annual accounts at 31 December 2013.

At a meeting held on 25 July, the Committee agreed to accept and publish on the Entity's website the 2013 Annual Banking Report for Ibercaja Banco, S.A. and its Group, prepared in compliance with the provisions of Article 87 and Transitional Provision Twelve of Law 10/2014.

At a meeting held on 27 August 2014 the Committee adopted a resolution to propose to the Board of Directors the publication and issue of the Half-Yearly Financial Report for the Entity and Subsidiaries relating to the first half of 2014 and the Notice from the CNMV was analysed with respect to the conclusions of the inspection carried out on the Entity within the scope of the securities market (MIFID). It also decided to accept the monitoring report from the external expert as required by Article 28 of Law 10/2010 (28 April), on the prevention of money laundering and the financing of terrorism, issued by PricewaterhouseCoopers on 30 June 2014.

On 28 October 2014 the Committee was informed of the monitoring of the Annual Operating Plan for Internal Audit and the contents of the Money Laundering Risk Self-Assessment Reports for Ibercaja Banco (updated at June 2014), the Report on the Data Base for transaction subject to special analysis (AML/FT) during the first half of 2014, the half-yearly report on market abuse controls at June 2014, the report on compliance with the Internal Code of Conduct Regulations for Securities Markets implemented by Ibercaja Group in March-August 2014 and the Operating Risk Management Report for the first half of 2014.

Finally, at the meeting held on 9 December, the Committee evaluated the proposal to amend the Internal Code of Conduct Regulations in the Securities Market area and agreed to propose it to the Board of Directors.

Nominations and Compensation Committee

The Nominations and Compensation Committee held five meetings in 2014.

In compliance with current legislation, the Committee evaluated the suitability of the new Directors that joined the Entity's Board of Directors during that year and the appointments of key personnel at the Entity.

At the meeting held on 8 April 2014 the Committee received the report issued by PricewaterhouseCoopers regarding the Entity's compensation policy issued for the purposes of the provisions of Article 76 quinquies of R.D. 216/2008, and the report regarding the adequacy of the compensation policy at Ibercaja Banco with respect to the legislation in force issued by KPMG Abogados. It also agreed to propose to the Board of Directors the establishment of malus clauses in the Compensation Policy associated with risk management that would be activated if the Entities situation worsened with respect to fundamental financial parameters (solvency, credit quality and liquidity), for the purposes of modulating the payment of variable compensation.

At that same meeting, it received an evaluation of compliance with 2013 targets for employees covered by the variable target-based compensation system in Central Services and propose to the Board the approval of the overall targets and application criteria for the variable compensation in 2014. At that meeting it also approved and agreed to submit to the Board of Directors the Annual Report on the Activities carried out by the Appointments and Compensation Committee in 2013.

Large Risk and Solvency Committee

This committee was created on 29 April 2014 by the resolutions adopted by the Board of Directors at a meeting held on 6 February 2014 relating to the creation and the duties of this Committee, and during 2014 it held five meetings.

At the first meeting it adopted a resolution to propose to the Board of Directors the approval of the ANNUAL CAPITAL SELF-ASSESSMENT REPORT for 2013 for the consolidated group Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, in accordance with the provisions of Regulation One Hundred Seven of Circular 3/2008 (22 May), on the determination and control of minimum equity, as well as proposing to the Board of Directors the Equity targets for Ibercaja Banco, S.A.

At a meeting held on 28 May 2014 it learned of the main aspects of the Basel 3 regulations regarding equity and adopted a resolution to submit to the Board of Directors the New Interest Rate Risk Contingency Plan to be included in the Policy and Procedures Manual regarding the management of the interest rate risk approved by the Board of Directors.

On 25 July 2014 the Committee heard the updated information regarding the Entity with respect to the AQR, stress test and solvency exercises, together with the Entity's liquidity risk.

At a meeting held on 28 October 2014 the Committee received information regarding the Entity's results from the ECB's stress tests performed on financial institutions in the European Union and, for the purposes of the continuing education of members of the governing bodies regarding compliance with their duties, it received the required information regarding the new liquidity ratios established by Basel III and the Single Supervisory Mechanism (SSM), the ECB's supervisory structure and its methodology.

At the last meeting held on 27 November 2014 the monitoring of indicators (liquidity, solvency and interest rates) by the Entity was taken into consideration and the Committee was provided with the report regarding the consumption of capital by credit risk and operating risk. The portfolio of the largest borrowers at risk was also examined.

II

Legal documentation of the consolidated annual accounts of Ibercaja Banco

INDEX

Ibercaja Banco, S.A. y sociedades dependientes

Informe de auditoría independiente, cuentas anuales consolidadas al 31 de diciembre de 2014 e informe de gestión consolidado del ejercicio 2014

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INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

A los accionistas de Ibercaja Banco, S.A.:

Informe sobre las cuentas anuales consolidadas

Hemos auditado las cuentas anuales consolidadas adjuntas de la sociedad Ibercaja Banco, S.A. y sociedades dependientes, que comprenden el balance consolidado a 31 de diciembre de 2014, la cuenta de pérdidas y ganancias consolidada, el estado de ingresos y gastos reconocidos consolidado, el estado total de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales consolidadas

Los administradores de la sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados de Ibercaja Banco, S.A. y sociedades dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los administradores de la sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

PricewaterhouseCoopers Auditores, S.L., Paseo de la Constitución, nº. 4 – 7ª Planta, 50008 Zaragoza, España
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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de la sociedad Ibercaja Banco, S.A. y sociedades dependientes a 31 de diciembre de 2014, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión consolidado adjunto del ejercicio 2014 contiene las explicaciones que los administradores de la sociedad dominante consideran oportunas sobre la situación de Ibercaja Banco, S.A. y sociedades dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales consolidadas del ejercicio 2014. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la sociedad Ibercaja Banco, S.A. y sociedades dependientes.

PricewaterhouseCoopers Auditores, S.L.

Raúl Ara Navarro

13 de marzo de 2015

Auditores

Miembro ejerciente:

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Año 2015 Nº 08/15/00146
SELLO CORPORATIVO: 96,00 EUR

Ibercaja Banco, S.A.

Preparation of the consolidated annual accounts and consolidated Directors' Report

On 10 March 2015, the Board of Directors of Ibercaja Banco, S.A. have met in Zaragoza and, in compliance with prevailing legislation, have drawn up the consolidated financial statements for 2014, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the total statement of changes in consolidated equity, the consolidated cash flow statement and the notes to the consolidated financial statements (Notes 1 to 44 and Schedules I to IV) and the consolidated Directors' Report for 2014. These documents have been drawn up on official government paper and numbered correlatively.

To the best of our knowledge, the consolidated annual accounts for 2014, prepared in accordance with applicable accounting principles, express fairly the financial position, results and cash flows of the Entity and subsidiaries that make up the Ibercaja Banco Group. Similarly, the consolidated directors' report for 2014 includes a fair analysis of the performance, results and position of the Entity and subsidiaries that comprise the Ibercaja Banco Group.

SIGNATORIES:

MR. AMADO FRANCO LAHOZ
National ID number: 17.817.393-Y
Chairman

MR. VÍCTOR IGLESIAS RUIZ
National ID number: 25.143.242-X
Chief Executive Officer

MR. JOSÉ LUIS AGUIRRE LOASO
National ID number: 17.109.813-K
1st Deputy Chairman

MR. FRANCISCO MANUEL GARCÍA PEÑA
National ID number: 8.692.701-N
2nd Deputy Chairman

MR. JESÚS BUENO ARRESE
National ID number: 17.841.677-W
Board Member

MR. VICENTE CONDOR LÓPEZ
National ID number: 17.187.842-B
Board Member

Ms. GABRIELA GONZÁLEZ-BUENO LILLO
National ID number: 50.264.111-A
Board Member

MR. JUAN MARÍA PEMÁN GAVÍN
National ID number: 17.859.671-X
Board Member

MR. MANUEL PIZARRO MORENO
National ID number: 18.402.368-E
Board Member

MR. VICENTE EDUARDO RUIZ DE MENCÍA
National ID number: 13.042.778-F
Board Member

MR. JESÚS SOLCHAGA LOITEGUI
National ID number: 17.085.671-Y
Board Member

MR. JESÚS BARREIRO SANZ
National ID number: 17.846.451-S
Secretary and Board Member

Ibercaja Banco, S.A. and subsidiaries

Consolidated balance sheets as at 31 december 2014 and 2013

Thousand euro Assets	Note	2014	2013(*)
Cash and deposits with central banks	6	435,089	499,331
Financial assets held for trading	7	55,832	36,826
Debt securities		959	890
Derivatives held for trading		54,873	35,936
Memorandum items: loaned or pledged		–	–
Other financial assets at fair value through profit or loss	8	61,547	68,925
Loans and advances to credit institutions		324	–
Loans and advances to customers		43	–
Debt securities		7,780	13,119
Other equity instruments		53,400	55,806
Memorandum items: loaned or pledged		–	–
Available-for-sale financial assets	9	14,778,280	7,277,141
Debt securities		14,253,973	6,686,936
Other equity instruments		524,307	590,205
Memorandum items: loaned or pledged	*27.2*	*3,571,188*	*1,670,247*
Loans and receivables	10	35,632,878	38,947,347
Loans and advances to credit institutions		1,160,611	1,367,026
Loans and advances to customers		33,830,111	36,820,105
Debt securities		642,156	760,216
Memorandum items: loaned or pledged	*27.2*	*4,977,648*	*6,157,779*
Held-to-maturity investments	11	6,681,683	11,511,381
Memorandum items: loaned or pledged	*27.2*	*4,399,885*	*7,432,597*
Adjustments of financial assets due to macro-hedges	12.2	128,991	40,135
Hedging derivatives	12.1	496,506	519,043
Non-current assets held for sale	13	732,625	642,542
Investments	14	155,955	207,396
Associates		117,480	147,085
Jointly-controlled entities		38,475	60,311
Reinsurance assets	15	1,564	1,214
Tangible assets	16	1,211,567	1,285,344
Property, plant and equipment		740,840	877,080
For own use		*724,883*	*860,658*
Assigned under operating lease		*15,957*	*16,422*
Investment properties		470,727	408,264
Memorandum items: Acquired under finance lease		–	–
Intangible assets		207,448	196,676
Goodwill	17.1	144,934	131,320
Other intangible assets	17.2	62,514	65,356
Tax assets		1,464,401	1,591,495
Current		36,907	33,433
Deferred	25	1,427,494	1,558,062
Other assets	18	278,126	324,588
Inventories		232,615	265,201
Other		45,511	59,387
TOTAL ASSETS		62,322,492	63,149,384
Memorandum items			
Contingent exposures	27.1	622,060	725,937
Contingent commitments	27.3	2,494,004	3,086,978

Consolidated balance sheets as at 31 december 2014 and 2013

(Thousand euro) Liabilities and equity	Note	2014	2013(*)
Financial liabilities held for trading	**7**	**48,462**	**27,546**
Derivatives held for trading		48,462	27,546
Other financial liabilities at fair value through profit or loss		**–**	**48,800**
Customer deposits		–	48,800
Financial liabilities at amortised cost	**19**	**50,824,160**	**53,081,749**
Deposits from central banks		4,848,302	4,855,479
Deposits from credit institutions		3,241,613	4,197,762
Customer deposits		39,868,562	39,991,664
Marketable debt securities		1,631,249	2,995,125
Subordinated liabilities		556,574	567,520
Other financial liabilities		677,860	474,199
Adjustments of financial liabilities due to macro-hedges	**12.2**	**6,668**	**6,474**
Hedging derivatives	**12.1**	**604,912**	**297,464**
Liabilities under insurance contracts	**20**	**7,103,517**	**6,333,643**
Provisions	**21**	**352,183**	**261,821**
Pension funds and obligations of a similar nature		172,755	152,267
Provisions for taxes and other legal contingencies		10,307	5,949
Provisions for contingent exposures and commitments		26,027	22,382
Other provisions		143,094	81,223
Tax liabilities		**413,296**	**442,330**
Current		5,907	6,786
Deferred	25	407,389	435,544
Other liabilities	**22**	**147,698**	**113,830**
TOTAL LIABILITIES		59,500,896	60,613,657
Shareholders' funds	**24.1**	**2,518,359**	**2,403,540**
Capital		2,611,730	2,611,730
Reserves		(244,024)	(140,506)
Accumulated reserves		*(161,037)*	*(81,284)*
Reserves in entities measured under the equity method		*(82,987)*	*(59,222)*
Profit attributed to the parent entity		150,653	(67,684)
Valuation adjustments		**302,710**	**130,173**
Available-for-sale financial assets	23.1	672,133	240,969
Cash flow hedges		(98)	–
Entities measured under the equity measure		2,467	1,901
Other valuation adjustments	23.2	(371,792)	(112,697)
Non-controlling interests	**24.2**	**527**	**2,014**
Valuation adjustments		55	–
Remainder		472	2,014
TOTAL EQUITY		2,821,596	2,535,727
TOTAL LIABILITIES AND EQUITY		62,322,492	63,149,384

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Consolidated income statements for the years ended 31 december 2014 and 2013

(Thousand euro)	Note	2014	2013(*)
Interest and similar income	28	1,367,906	1,223,104
Interest and similar charges	29	668,558	630,894
Net interest income		699,348	592,210
Return on equity instruments	30	11,802	8,870
Share of profit/(loss) of equity-accounted entities		(7,997)	(26,153)
Fee and commission income	31	332,261	280,663
Fee and commission expense	32	16,906	17,423
Net gains(losses) on financial assets and liabilities	33	424,919	136,217
Held for trading		2,852	3,925
Other financial instruments at fair value through profit or loss		1,500	999
Financial instruments not measured at fair value through profit or loss		438,185	130,156
Other		(17,618)	1,137
Exchange differences (net)	34	271	1,489
Other operating income	35	1,177,382	1,092,855
Income from insurance and reinsurance contracts		1,112,826	1,037,490
Sales and income from non-financial services		35,332	32,499
Rest of other operating income		29,224	22,866
Other operating charges	36	1,210,909	1,172,842
Expenses on insurance and reinsurance contract		1,113,735	1,046,420
Rest of other operating expenses		97,174	126,422
Gross income		1,410,171	895,886
Administrative expenses		729,448	563,229
Personnel expenses	37	513,537	374,934
Other administration expenses	38	215,911	188,295
Depreciation and amortisation	16 and 17	59,487	48,606
Provisions (net)	21	5,812	(42,819)
Financial asset impairment losses (net)		357,876	355,796
Loans and receivables	10.6	321,554	309,316
Other financial instruments not carried at fair value through profit or loss	9.3	36,322	46,480
Income from operating activities		257,548	(28,926)
Other asset impairment losses (net)	39	35,764	38,160
Goodwill and other intangibles		–	3,260
Other assets		35,764	34,900
Gains(losses) from disposals of assets not classified as non-current available for sale	40	26,242	10,881
Negative difference on business combinations		–	2,635
Gains(losses) from non-current assets available for sale not classified as discontinued operations	41	(32,920)	(70,311)
Profit/(loss) before tax		215,106	(123,881)
Corporate income tax	25	64,382	(54,327)
Profit/(loss) for year from continuing operations		150,724	(69,554)
Profit (loss) from discontinued operations (net)		–	–
Profit/(loss) for the year		150,724	(69,554)
Profit/(loss) attributed to the parent entity		150,653	(67,684)
Profit attributed to non-controlling interests		71	(1,870)

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Consolidated statements of recognised income and expense for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
A) Profit/(loss) for the year	150,724	(69,554)
B) Other recognised income and expense	135,251	189,139
B.1) Items not to be reclassified to income statement	(27,095)	619
Actuarial gains /(losses) in defined benefit pension plans	(38,708)	884
Non-current assets held for sale	–	–
Entities accounted for by the equity method	–	–
Corporate income tax relating to items not to be reclassified to income statement	11,613	(265)
B.2) Items that may be reclassified to income statement	162,346	188,520
Available-for-sale financial assets	615,949	388,136
Valuation gains/(losses)	659,092	399,670
Amounts transferred to income statement	(43,143)	(11,534)
Other reclassifications	–	–
Cash flow hedges	(140)	–
Valuation gains/(losses)	(140)	–
Amounts transferred to income statement	–	–
Amounts transferred to initial carrying amount of hedged items	–	–
Other reclassifications	–	–
Hedges of net investment in foreign operations	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Exchange differences	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Non-current assets held for sale	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Entities accounted for by the equity method	566	906
Valuation gains/(losses)	566	906
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Other recognised income and expense	(384,695)	(120,116)
Corporate income tax relating to items that may be reclassified to income statement	(69,334)	(80,406)
C) TOTAL RECOGNISED INCOME AND EXPENSE	285,975	119,585
Attributed to the parent company	287,356	121,455
Attributed to minority interests	(1,381)	(1,870)

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Total statement of changes in consolidated equity in the year ended 31december 2014

(Thousand euro)

	Shareholders' funds								
	Capital	Accumulated reservess	Reserves in entities carried under equity method	Profit for the year attributed to the parent company	Dividends	Total shareholders' funds	Valuation adjustments	Non-controlling interests	Total equity
I. Closing balance at 31/12/2013 (*)	2,611,730	(81,284)	(59,222)	(67,684)	–	2,403,540	130,173	2,014	2,535,727
Adjustments due to changes in accounting policies	–	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,611,730	(81,284)	(59,222)	(67,684)	–	2,403,540	130,173	2,014	2,535,727
Total recognised income and expenses	–	(35,834)	–	150,653	–	114,819	172,537	(1,381)	285,975
Other changes in equity	–	(43,919)	(23,765)	67,684	–	–	–	(106)	(106)
Capital increases	–	–	–	–	–	–	–	–	–
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	–	–	–	–	–	–	–	–
Transfers between equity items	–	(43,919)	(23,765)	67,684	–	–	–	–	–
Increases /(decreases) due to business combinations	–	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–	–
Other increases/(decreases) in equity	–	–	–	–	–	–	–	(106)	(106)
III. Closing balance at 31/12/2014	2,611,730	(161,037)	(82,987)	150,653	–	2,518,359	302,710	527	2,821,596

(*) Has been restated (Note 1.4).

Total statement of changes in consolidated equity in the year year ended 31 december 2013

(Thousand euro)

	Shareholders' funds								
	Capital	Accumula-ted reser-vess	Reserves in entities carried under equity method	Profit for the year attributed to the parent company	Dividends	Total sharehol-ders' funds	Valuation adjustments	Non-controlling interests	Total equity
I. Closing balance at 31/12/2012	2,278,500	430,486	(33,000)	(484,261)	–	2,191,725	(40,611)	5,296	2,156,410
Adjustments due to changes in accounting policies	–	(35,909)	–	–	–	(35,909)	–	–	(35,909)
Adjustments due to errors	–	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,278,500	394,577	(33,000)	(484,261)	–	2,155,816	(40,611)	5,296	2,120,501
Total recognised income and expenses	–	18,355	–	(67,684)	–	(49,329)	170,784	(1,870)	119,585
Other changes in equity	333,230	(494,216)	(26,222)	484,261	–	297,053	–	(1,412)	295,641
Capital increases	325,500	–	–	–	–	325,500	–	–	325,500
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	(28,447)	–	–	–	(28,447)	–	28,447	–
Transfers between equity items	7,730	(465,769)	(26,222)	484,261	–	–	–	–	–
Increases /(decreases) due to business combinations	–	–	–	–	–	–	–	(29,859)	(29,859)
Equity settled payments	–	–	–	–	–	–	–	–	–
Other increases/(decreases) in equity	–	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2013	2,611,730	(81,284)	(59,222)	(67,684)	–	2,403,540	130,173	2,014	2,535,727

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Consolidated cash flow statements for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
Cash flows from operating activities	(4,925,600)	(524,709)
Profit/(loss) for the year	150,724	(69,554)
Adjustments to obtain cash flows from operating activities	415,132	505,509
Depreciation and amortisation	59,487	48,606
Other adjustments	355,645	456,903
Net increase/decrease in operating assets	(4,038,823)	1,026,375
Held for trading	(19,006)	3,998
Other financial assets at fair value through profit or loss	7,378	57,875
Available-for-sale financial assets	(6,810,554)	(696,334)
Loans and receivables	2,790,413	1,435,025
Other operating assets	(7,054)	225,811
Net increase/decrease in operating liabilities	(1,448,729)	(2,042,555)
Held for trading	20,916	2,546
Other financial liabilities at fair value through profit or loss	–	706
Financial liabilities at amortised cost	(2,086,018)	(2,310,814)
Other operating liabilities	616,373	265,007
Corporate income tax income/expense	(3,904)	55,516
Cash flows from investing activities	4,923,106	464,655
Payments made	(69,181)	(58,020)
Tangible assets	(21,189)	(29,677)
Intangible assets	(25,324)	(2,934)
Investments	–	(3,537)
Other business units	–	–
Non-current assets held for sale and associated liabilities	(22,668)	(21,871)
Held-to-maturity investments	–	(1)
Other payments related to investing activities	–	–
Payments received	4,992,287	522,675
Tangible assets	43,867	62,791
Intangible assets	–	–
Investments	5,695	2,504
Other business units	–	–
Non-current assets held for sale and associated liabilities	90,038	69,039
Held-to-maturity investments	4,852,687	388,341
Other collections related to investing activities	–	–

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Consolidated cash flow statements for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
Cash flows from financing activities	**(5,371)**	**269,635**
Payments made	**(5,371)**	**(29,340)**
Dividends	–	–
Subordinated liabilities	(5,371)	(29,340)
Other payments related to financing activities	–	–
Payments received	**–**	**298,975**
Subordinated liabilities	–	–
Issue of treasury shares	–	298,975
Other collections related to financing activities	–	–
Effect of exchange rate fluctuations	**–**	**–**
Net increase (decrease) in cash and cash equivalents	**(7,865)**	**209,581**
Cash and cash equivalents at the beginning of the year	**706,591**	**497,010**
Cash and cash equivalents at the end of the year	**698,726**	**706,591**
Memorandum items: Components of cash and cash equivalents at year end		
Cash	191,816	199,917
Cash equivalent balances in central banks	243,273	299,414
Net balances of demand deposits in credit institutions	263,637	207,260
Total cash and cash equivalents at the year end	**698,726**	**706,591**

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2014

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the year ended 31 December 2014

1 Basis of presentation of the consolidated annual accounts

1.1 Introduction

Ibercaja Banco, S.A. (Ibercaja Banco, the Bank or the Company) is a credit institution 87.8% owned by Fundación Bancaria Ibercaja (the Foundation) and subject to the rules and regulations determined by the Spanish and European Union financial and monetary authorities.

The Fundación Bancaria Ibercaja, which is the Ibercaja Group's parent entity, is a private not-for-profit organisation derived from the transformation of "Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja" (the Savings Bank), a social welfare institution founded by the "Real y Excma. Sociedad Económica Aragonesa de Amigos del País" and approved by a Royal Order of 28 January 1873, which commenced operations on 28 May 1876. On 17 June 2014 the Ordinary General Assembly of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja agreed to the transformation of the institution into a banking foundation. In September, in compliance with the resolutions adopted by the General Assembly, the Savings Bank was transformed into the Fundación Bancaria Ibercaja and became the Foundation's principal trustee. The Fundación Bancaria Ibercaja was entered in the Register of Foundations of the Ministry of Education, Culture and Sport on 13 October 2014, under number 1689.

After analysing the changes in the Spanish financial system since 2010 - and, in particular, the legislative amendments and measures adopted to strengthen it - the Savings Bank General Assembly, during their extraordinary meeting of 26 July 2011, approved the creation of a new bank, that operates under the name Ibercaja Banco for legal and economic purposes and to which all assets and liabilities for its financial activities were transferred. Following the split and transformation referred to above, the Foundation retained its Community and Cultural Projects, Pawnshop services and historical and artistic assets.

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso nº 2. It is entered in the Mercantile Register of Zaragoza, volume 3865, book 0,sheet 1, page Z-52186, entry 1, and the Bank of Spain Special Register, under number 2085. It corporate website (electronic head office) is www.ibercaja.es, where its bylaws and other public information can be accessed.

Its corporate objects consist of the performance of all kinds of activities, operations, acts, contracts and services, associated with banking in general and which it is authorised to carry out under legislation in effect, including the rendering of investment and auxiliary services.

Ibercaja Banco and the Foundation are supervised by the Bank of Spain. Due to its status as an issuer of debt instruments, Ibercaja Banco is also supervised by the National Securities Market Commission (Comisión Nacional del Mercado de Valores, CNMV).

In November 2014, the Single Supervisory Mechanism (SSM) which groups together the European Central Bank (ECB) and the competent national authorities (including the Bank of Spain) was created as the new financial supervisory system for banks in the Eurozone, based on principles and standards that were jointly agreed by various European institutions.

Since that date Ibercaja Banco has been supervised by the ECB through the Supervisory Review and Evaluation Process (SREP) which covers three essential elements: a quarterly evaluation of credit institutions' risk profiles and control environment, an in-depth review of capital adequacy and liquidity auto-evaluation processes carried out regularly by credit institutions and a quantification of capital and liquidity needs based on the results of the risk assessment.

During 2014 a merger by absorption took place between Ibercaja Banco, S.A. (acquiring company) and Banco Grupo Cajatres, S.A.U. (target company) after 100% of the shares in Banco Grupo Cajatres, S.A.U. had been acquired by Ibercaja Banco, S.A. in 2013, as described in Note 1.10.3.

In addition to the operations carried out directly, the Bank is the parent of a group of subsidiaries that engage in sundry activities and together with it, make up the Ibercaja Banco Group (the Group or Ibercaja Banco Group).

The Foundation also prepares the consolidated annual accounts of the Group of which it is the parent (Ibercaja Group).

Note 44 contains the Bank's balance sheets, income statements, statements of recognised income and expenses, total statements of changes in equity and cash flow statements for the financial years ended 31 December 2014 and 2013, prepared in accordance with the same accounting principles and standards and measurement methods applied in the Group's consolidated financial statements.

1.2 Basis of presentation of the consolidated annual accounts

The 2014 consolidated financial statements of the Ibercaja Banco Group were prepared by the Company's Directors during the Board meeting held on 10 March 2015 and are pending approval by the General Shareholders' Meeting. Nonetheless, the Bank's Board of Directors expects these financial statements to be approved without significant changes. The Group's consolidated annual accounts for 2013 were approved by the Bank's General Meeting of Shareholders held on 28 May 2014.

The consolidated annual accounts have been prepared taking into account all applicable accounting principles and standards, in accordance with the International Financial Reporting Standards adapted by the European Union (EU-IFRS) and Bank of Spain Circular 4/2004 (Circular 4/2004) to ensure that they present fairly the Group's equity and financial position at 31 December 2014 and the results of its operations and consolidated cash flows during the year then ended.

Circular 4/2004 on public and confidential financial reporting rules and financial statement formats for credit institutions aimed to modify the accounting regime of such entities by adapting it to the accounting environment arising from the adoption by the European Union of the International Financial Reporting Standards, in order to make this Circular fully compatible with regard to the underlying conceptual basis.

Note 2 contains a summary of the most significant accounting principles and standards and measurement methods applied to prepare the consolidated financial statements.

These consolidated financial statements have been prepared on the basis of the accounting records of the Company and the rest of the Group companies. However, as the accounting principles and measurement methods applied to prepare the Group's 2014 accounts may differ from the ones employed by some of the Group companies, the necessary adjustments and reclassifications have been made during the consolidation process to ensure consistency and to bring them into line with the IFRS-EU applied by the Company.

1.3 Estimates made

Judgements and estimates have occasionally been used to quantify some of the assets, liabilities, revenues and commitments recognised in the consolidated financial statements for 2014. These estimates basically refer to:

- impairment losses on certain assets and estimates of associated security (Notes 9, 10, 11, 13, 14, 16 and 18).
- assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.13 and 37.2).
- measurement of goodwill and other intangible assets (Note 17)
- the fair value of assets, liabilities and contingent liabilities in the context of the allocation of the price paid in business combinations (Note 1.10.2),
- the useful lives of property, plant and equipment and intangible assets (Notes 2.15 and 2.16).
- the probability of occurrence of those events considered contingent liabilities and, if appropriate, the necessary provisions to cover these events (Notes 2.20 and 21),
- the fair value of certain unlisted assets (Note 26) and
- the recoverability of deferred tax assets (Note 2.14 and 25.4)

The above-mentioned estimates were made based on the best information available at 31 December 2014 in connection with the facts analysed; nonetheless, future events could generate adjustments in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognise the impact of the change in the estimate on the consolidated income statement for the years in question.

1.4 Information concerning 2013 and 2012

As required under current legislation, the information contained in these annual accounts referring to FY 2013 is presented exclusively for purposes of comparison with the 2014 figures.

In addition, certain items in the financial statements have been restated due to the change in accounting policy described in Note 1.12.1. As a result of this restatement, and in accordance with applicable accounting regulations, the balance sheet at 31 December 2012 has been included as an integral part of these annual accounts (Schedule IV).

The acquisition of Banco Grupo Cajatres, S.A.U. described in Note 1.10.2 resulted in the inclusion of its balances and transactions in the Group's consolidated annual accounts as from 1 July 2013. This should be taken into account when comparing the financial information for 2014 with that for the previous year.

1.5 Agency contracts

The consolidated entities have not been party to any agency contracts during or at the end of 2014 in the terms in which these are envisaged in Article 22 of Royal Decree 1245/1995.

1.6 Equity investments in credit institutions

In accordance with Article 20 of Royal Decree 1245/1995, there follows a list of the Group's shareholdings in domestic and foreign credit institutions that exceed 5% of their capital or voting rights and which are not part of the consolidated group:

	% interest	
Entity	2014	2013
Sociedad Española de Banca de Negocios, S.A.	21,09%	21,09%

1.7 Capital management and requirements

1.7.1 Regulatory framework

The Basel Committee on Banking Supervision leads the harmonisation of international financial regulation. This Committee introduced the first regulation on credit institutions which set a minimum capital of 8% on their risks as a whole (Basel I, 1988). Later, in 2004, Basel II improved the sensitivity of the risk estimation mechanisms and contributed two new pillars: capital adequacy and risk assessment for each entity (Pillar II) and market discipline (Pillar III). In December 2010, the Committee adopted a new regulatory framework (Basel III) increasing capital requirements with better instruments, seeking consistency and uniform application by institutions and countries. The new agreement improves transparency and comparability of the capital ratios and incorporates new prudential tools in the area of liquidity and leverage.

The European Union brought those agreements (Basel III) into EU law under Parliament and Council Directive 2013/36/EU (CRD-IV) of 26 June 2013 relating to access to the business of credit institutions and prudential supervision of credit institutions and investment firms, and Parliament and Council Regulation (EU) No 575/2013 (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable from 1 January 2014.

In order to adapt Spanish law to the regulatory changes in the international arena , Law 10/2014 on the organisation, supervision and solvency of credit institutions was enacted which continuing the transposition initiated by Royal Decree-Law 14/2013 and Bank of Spain Circular 2/2014, which lays down the regulatory options for requirements applicable during the transitional period.

The minimum capital requirements established in current legislation (Pillar I) is calculated based on the Group's exposure to credit risk, foreign currency risk, trading portfolio risk, market risk and operational risk. In addition, the Group must comply with the risk concentration restrictions.

1.7.2 Quantitative information

As at 31 December 2014, the Ibercaja Banco Group easily meets the minimum capital requirement (Basel Pillar I) established by current banking regulations, as is detailed below:

Thousand euro	2014	2013
Shareholder's Funds		
CET 1	2,745,740	2,662,373
Tier I	2,745,740	2,662,373
Total shareholders' funds	2,904,603	2,839,722
Risk Weighted Assets (BIS 3)	**24,663,611**	**26,427,817**
Ratios		
CET 1	11.13%	10.07%
Tier I	11.13%	10.07%
Solvency ratio	11.78%	10.75%

Under the requirements set out in Regulation CRR, credit institutions must comply with a CET1 ratio of 4.5%, Tier I of 6% and a solvency ratio of 8% at all times. However, the regulators may require institutions to maintain additional capital levels.

1.7.3 Capital management

The objective of Basel Pillar II is to ensure an appropriate relation between the Group's risk profile and its actual capital resources. To this end, the Group carries out a recurring capital self-evaluation process in which:

- it applies a series of procedures for identifying, measuring and aggregating risks;
- determines the capital needed to cover them. In addition to the minimum capital requirement, it maintains a level of resources in line with the risks inherent to its business, the economic environment in which it operates, the management and supervision in place with respect to these risks, corporate governance and internal audit systems and its strategic business plan,
- plans capital in the medium term, and
- establishes target equity.

The Group sets a capital objective which allows it to remain comfortably above the Pillar I legal requirements, ensuring the correct relationship between its risk profile and its equity.

In the quantification of internal capital needs, the Group has applied the following procedures related to each of its risks:

- Credit risk: The standard method has been applied.
- Credit concentration risk: The simplified option has been applied and the industry and individual concentration ratios have been calculated.
- Operational risk: The standard method has been applied.
- Structural interest rate risk: The simplified option has been applied.
- Liquidity risk: The Group does not consider that there are any capital needs associated with this risk, after having analysed the liquidity policy, control systems and contingency plans.
- Other risks: The capital needs related to risks other than those mentioned above have been estimated at 5% of the Group's total equity requirements.

The total necessary capital for the Group has been estimated as the aggregate of the capital needs associated with each risk.

In order to adequately plan the Group's future capital needs, projections have been made of capital sources and consumption derived from expected performance of the business and income over a three year timeline.

The Group estimates the projected capital levels under stress scenarios.

1.7.4 Relevant information for prudential purposes

To comply with market reporting obligations, the Board of Directors approved the policy for disclosing information which is relevant for prudential purposes (Basel Pillar III). The Ibercaja Group will therefore post a "Report on information which is relevant for prudential purposes" on its website when the consolidated financial statements for 2014 are approved and published.

1.7.5 "Comprehensive Assessment" Evaluation Process (Global Assessment) of the Single Supervisory Mechanism

Prior to the entry into force of the new Single Supervisory Mechanism (SSM), European credit institutions, in the context of the "Comprehensive Assessment", have undergone a rigorous solvency assessment by the European Central Bank (ECB) in coordination with national supervisors and the European Banking Authority (EBA), which was carried out through two exercises, namely the asset quality review (AQR) and stress tests.

The AQR determined, as at 31 December 2013, whether the credit institutions' balance sheets reflected the actual value of their assets under international financial reporting standards, that is to say, whether capital was sufficiently robust or whether, in contrast, it was affected by poor asset quality which would lead the institution to require greater resources to ensure its solvency. This was an evaluation exercise focused on the institutions' actual financial situation at a given date.

The stress test consisted of a projection of capital requirements in future scenarios of economic difficulty, measuring capital adequacy and the institutions' organic capacity to generate capital in two hypothetical macro-economic scenarios (base and adverse) over three projected financial years

(2014-2016). The aim was to guarantee institutions' capacity to endure adverse economic scenarios without business continuity issues.

The first exercise thus evaluated the initial situation while the second analysed capital needs in macro-economic scenarios of varying difficulty. The Ibercaja Group successfully completed the ECB's global evaluation.

The quality review of Ibercaja's assets compared with the results of European and Spanish institutions as a whole confirmed the quality of its loan portfolio, the high level of provisions to cover high-risk assets and the strict policies for asset classification and risk identification. As a result of this analysis the need to record additional provisions identified was insignificant and these were recorded by the Company is 2014.

Concerning the stress test, the Entity's capital ratio was over two percentage points higher than the minimum requirements in both macro-economic scenarios (base and adverse). In the base scenario, in 2016 Ibercaja would achieve a CET 1 ratio of 10.6% against the required figure of 8%. In the adverse scenario, which reflected a negative macro-economic environment and considerably tougher market conditions, the Group would have a CET 1 ratio of 7.9%, considerably above the minimum of 5.5%. It should be noted that Ibercaja Banco achieved this result following the merger with Banco Grupo Cajatres, an institution undergoing a restructuring process, without transferring any loans or real-estate assets to the SAREB other than those transferred by the target entity.

The evaluation process has implied an strict and detailed examination of banks' balance sheets, helping to improve information transparency and strengthening the confidence of customers and investors in the reliability and solvency of the European financial system.

For the Ibercaja Group, the results achieved are evidence of the quality of its loan portfolio, the strength of its capital position and the transparency and reliability of its information.

1.7.6 Credit ratings

	Date		Short-term		Long-term		Outlook	
Entity	2014	2013	2014	2013	2014	2013	2014	2013
Standard&Poors	November 2014	December 2013	B	B	BB	BB	Positive	Stable
Moody's	November 2014	November 2013	NP	NP	Ba3	Ba3	Negative	Negative
Fitch Ratings	November 2014	February 2014	B	B	BB+	BB+	Positive	Stable

1.8 Deposit Guarantee Fund

The Entity is a member of the Deposit Guarantee Fund.

Royal Decree-Law 19/2011 came into effect, amending Royal Decree-Law 16/2011, and stipulated an increase in the contributions by credit institutions to the Credit Institution Deposit Guarantee Fund from 0.1 to 0.2 per cent of the calculation base.

The expense for the ordinary contributions referred to above accrues as the Company renders its services to its customers, such that at the year end the balance sheet reflects the liability for the contribution paid in the first quarter of the following year (€53,219 and €52,813 thousand at 31 December 2014 and 2013, respectively).

On 30 July 2012 the Management Committee of the Deposit Guarantee Fund agreed to arrange an extraordinary contribution between member entities, payable by each entity through ten equal annual instalments. The extraordinary contribution to be made by the Bank amounts to €81,460 thousand (ten annual instalments of €8,146 thousand each). These contributions will be deducted from the ordinary annual contributions which, if appropriate, are paid by the entity and up to the amount of that ordinary contribution. The present value of the amount pending payment figures under "Other financial assets" in "Loans and receivables: customer loans" on the balance sheet (€56,282 thousand at 31 December 2014 and €63,315 thousand at 31 December 2013; see Note 10.3) and the amount pending payment is disclosed under "Other financial liabilities" (€58,614 thousand at 31 December 2014 and €65,014 thousand at 31 December 2013). The difference between these figures has been recorded as a financial expense under Interest and similar charges on the income statement.

Royal Decree-Law 6/2013 provided that, in order to strengthen the assets of the Deposit Guarantee Fund of Credit Institutions, the annual contribution envisaged under Article 3 of Royal Decree 2606/1996 on Deposit Guarantee Funds of Credit Institutions, to be made by member entities to deposits at 31 December 2012, will be the object of an exceptional one-off increase of an additional 0.03%.

This increase is implemented in two tranches:

a) A first tranche equivalent to two fifths of the total, payable within 20 business days as from 31 December 2013. This tranche was reduced as a result of the deductions stipulated by the regulations of up to €2,224 thousand, which was recorded as an expense in the accompanying income statement for 2013.

b) A second tranche equivalent to the remaining three fifths, amounting to €53,502 thousand, to be paid as from 1 January 2004 in accordance with the payment schedule set by the Management Committee within a maximum term of seven years. In 2014 the contribution schedule was established and during the year one seventh of the second tranche was paid. The rest of the second tranche will be paid in two equal payments on 30 June 2015 and 30 June 2016. In accordance with Regulation 634/2014 under which IFRIC 21 "Levies" was adopted (Note 1.12.1), this expense is considered to accrue when said Royal Decree-Law came into force (24 March 2013), since this contribution does not depend on the Company's future activity and should be recognised as a liability in full on said date, irrespective of the date of actual disbursement. The liability for this item amounts to €45,859 thousand and €53,502 thousand euros at 31 December 2014 and 2013, respectively.

In 2014, the expense incurred in respect of all contributions to this Fund totalled €62,211 thousand (€105,711 thousand in 2013), recognised under Other operating charges (€60,935 thousand and €104,392 thousand in 2014 and 2013, respectively; see Note 36) and Interest and similar charges in line with the above comments (€1,276 thousand and €1,319 thousand in 2014 and 2013, respectively; see Note 29).

1.9 Minimum reserve ratio

At 31 December 2014 and throughout the year, the Group met the minimum reserve ratio. In accordance with the legal obligations established by the European Central Bank, the daily average of minimum reserves to be held at 31 December 2014 amounted to €281,350 thousand (€287,023 thousand at 31 December 2013).

In January 2012 the amendment came into effect of legislation applicable to minimum reserves such that the required reserve ratio fell from 2% to 1%.

1.10 Merger with Cajatres

1.10.1 Provisional take-over agreement

1.10.1.1 Signing of take-over protocol

On 27 November 2012, Ibercaja Banco, S.A.U. and Banco Grupo Cajatres, S.A. signed a provisional agreement for the acquisition by Ibercaja Banco, S.A.U.

The agreement envisaged that the acquisition would be carried out after the fulfilment of certain suspensive conditions, including the approval by the Spanish and EU authorities of a plan for the combination of Ibercaja Banco, S.A.U. and Banco Grupo Cajatres, S.A., an agreement between Banco Grupo Cajatres, S.A. and the workers' representatives to carry out staff reductions, and a guarantee that the conditions, obligations and limitations, if any, which might be imposed by the Spanish or EU authorities in relation to the restructuring plan or its enforcement, or by reason of the financial support provided by the Bank Restructuring Fund (FROB), would affect only Banco Grupo Cajatres, S.A.

In accordance with the provisions of Chapter III of Law 9/2012 on the restructuring of Credit Institutions, the FROB was presented with the "Combination Plan for Grupo Ibercaja + Cajatres", dated 5 December 2012, which includes the restructuring plan of Banco Grupo Cajatres, S.A. (Note 1.10.1.2) and which was approved by the European Commission on 20 December 2012. This entailed a capital injection of €407 million through the subscription of contingent convertible bonds (CoCos) by the FROB (Note 1.10.1.4) and the exercising of hybrid securities management (assumption of losses by holders of subordinated debt and bonds). This financial support was contingent on the integration of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U. and the fulfilment of certain measures specified in the Banco Grupo Cajatres Restructuring Plan.

1.10.1.2 Restructuring Plan

El "Combination Plan for Grupo Ibercaja + Cajatres" dated 5 December 2012 includes a specific section with a "Cajatres Restructuring Plan which sets out certain measures to be taken by Banco Grupo Cajatres, S.A. in the coming years in the course of its business as a credit institution, within the framework of its integration into Ibercaja Banco, S.A.U. These measures were also reported to the European Commission (in the document titled "Term Sheet of the Spanish authorities commitments for the approval of the restructuring plan of Banco Cajatres by the European Commission") in order to obtain the capital injection mentioned in Note 1.10.1.1. These measures are summarised below:

- Closure of 187 branches and reduction of the bank's workforce by 592 employees. On 15 March 2013 an agreement was concluded which contained the conditions for these redundancies. At 31 December 2013, 187 branches were closed and at 31 December 2014 the workforce had been reduced by 592 employees (the commitment at that date was 549 employees).
- Transfer of assets related to the real-estate sector with a carrying value of approximately €2,404 million at 30 June 2012 to SAREB. Eventually, assets worth €2,212 million were transferred to SAREB in February 2013 (Note 1.10.1.3).
- Divestment in non-strategic business areas, including the divestment in 2013-2014 of holdings in 87 companies in the real-estate industry and the divestment in the period 2013-2015 of holdings in another 42 non-strategic companies, with a total consolidated carrying value at 30 June 2012 of €153 million (the consolidated carrying value at 31 December 2014 was reduced by €6 million due to write-downs and sales). It is also provided that if the holdings have not been sold when these terms terminate, Banco Grupo Cajatres, S.A. or the entity resulting from the combination will write off their carrying value in full.
- Burden sharing through the repurchase of subordinated loans or exchange for equity instruments, for an amount below their carrying value, generating at least €36 million in Core Tier 1 capital (this was completed before the acquisition, generating €6 million and €34 million net of the tax effect in 2012 and 2013, respectively).

1.10.1.3 Transfer of assets to SAREB

Law 9/2012 provides that the FROB may force a credit institution to transfer certain categories of asset which figure in its balance sheet to an asset management company, or adopt the measures necessary for the transfer of assets figuring on the balance sheet of any entity over which the credit institution exercises control, in the terms of Article 42 of the Spanish Code of Commerce. In addition, Royal Decree 1559/2012 lays down the regulations governing asset management companies.

As mentioned in Note 1.10.1.1, one of the conditions imposed for the approval of the financial assistance was the transfer of certain assets related to the real-estate business to SAREB. Under those conditions, the criteria for selecting the assets to be transferred to SAREB was basically the following:

- Repossessed properties recognised on the consolidated balance sheet of Banco Grupo Cajatres, S.A. at 30 June 2012 with an individual carrying value over €100,000.
- Loans and credits to property developers recorded under the consolidated assets of Banco Grupo Cajatres, S.A. at 30 June 2012 with a minimum exposure, in terms of carrying value, of €250,000.

Under the Asset Transfer Contract dated 25 February 2013, the price at which the assets were transferred by Banco Grupo Cajatres, S.A. was €2,212,085 thousand, determined by applying the criteria and rates set by the Bank of Spain as provided in law 9/2012 and Royal Decree 1559/2012, on the basis of estimated carrying value of the assets at the date of transfer. The price of the transfer breaks down as follows:

Thousand euro	Transfer value/Price	Gross value
Foreclosure assets	293,080	826,283
Of which, foreclosure assets in Group companies	241,301	722,596
Credit risk:	1,919,005	3,491,988
With mortgage guarantee	1,790,704	3,133,907
No guarantee	128,301	358,081
	2,212,085	4,318,271

The transfer price may be adjusted if SAREB observes any of the following circumstances:

- Error in the classification of an asset, including for these purposes cases in which a financing agreement resulting from a legal foreclosure procedure is converted into a real-estate asset.
- Any of the assets being transferred had been transferred by Banco Grupo Cajatres, S.A.U. to a third party before the transfer date.
- The estimated valuation of an asset at 28 February 2013 on the basis of which the price was determined is erroneous or has changed.

SAREB has 36 months to determine whether any of the above-mentioned situations has arisen. In addition, the price may be adjusted relative to the financing agreements with drawable funds available if the Bank of Spain, at the FROB's proposal, concludes that this has not been adequately considered in the calculation of the transfer price.

Additionally, under the Asset Transfer Agreement, the transferring companies make a number of representations and warranties, and undertake to indemnify SAREB in the event of any nonfulfillment of the same.

Given the nature of the process through which certain assets were transferred to SAREB and the price at which the assets were transferred, the Bank's directors consider that the potential impact arising, if any, from the review of that price cannot be objectively quantified at the present time, although based on the information available at present, they estimate that it is not foreseeable that said impact could be significant for accompanying financial statements as a whole. No transfer price adjustments have been made to date.

In the Asset Transfer Agreement, Banco Grupo Cajatres, S.A.U. is authorised to receive the price on behalf of all the transferring entities, to be paid by means of fixed-income securities issued by SAREB. Therefore, on 26 February 2013 the Bank signed a subscription agreement, whereby on 28 February 2013 it received bonds totalling €2,212,000 thousand. The bonds were issued at 100% of face value and are irrevocably guaranteed by the Spanish Government. A detail at 31 December 2014 is as follows:

Subscription	Interest rate	Maturity date	Nominal amount (Thousand euro)
SAREB 2014-1 Senior Bond	Euribor 3 months + 0.27%	28 February 2015	651,000
SAREB 2013-2 Senior Bond	Euribor 3 months + 2.08%	28 February 2015	976,400
SAREB 2013-3 Senior Bond	Euribor 3 months + 2.46%	28 February 2016	542,500
			2,169,900

On the same date an Asset Management and Administration Agreement was concluded, which provides that the Bank shall continue to manage the transferred assets, establishing the fees receivable by the Bank and a success fee when it takes part in the leasing or transfer of the assets managed to a third party (Note 31). This agreement has a term of one year and may be renewed.

1.10.1.4 Issuance of contingent convertible bonds (CoCos)

At a meeting held on 15 February 2013, the shareholders of Banco Grupo Cajatres, S.A. approved the issuance of contingent convertible bonds (CoCos) convertible into Bank stock amounting to €407 million, to be subscribed by the FROB. The bonds are to be treated as core capital under Parliament and Council Regulation (EU) No 575/2013 (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable from 1 January 2014. (Note 1.7). The bonds are to be issued at par (100% of face value). The unitary face value of the bonds is €100,000.

This issuance is classed as government financial support provided to the Bank under Law 9/2012, and within the framework of the Restructuring Plan (Note 1.10.1.2).

The initial nominal interest rate of the bonds is 8.5%, payable quarterly. The interest rate will increase by 25 basis points on completion of the first year and after completion of the second year it will be increased annually by 50 basis points.

The Bank of Spain may require the cancellation of the cash payment of the interest based on the financial and solvency situation of the entity or its consolidated group. In such cases, the Bank shall pay the FROB such interest by means of a volume of CoCos or Bank shares which is equivalent to the cash value of the interest that should have been paid.

Unless they have been repurchased and redeemed or converted, the bonds shall be perpetual in nature, without a specific amortisation date. However, under Law 9/2012, the Bank must repurchase or redeemed the bonds as soon as it is able to do so in the terms set out in the Restructuring Plan (Note 1.10.1.2).

The order of seniority of the bonds is as follows:

- Behind all creditor, subordinated or otherwise;
- Behind holders of preference equity instruments;
- In the same order of seniority as other convertible preference instruments or other comparable convertible securities;
- Before ordinary shares.

The conditions for any conversion of the CoCos into ordinary shares are regulated by Articles 32 and 34 of Law 9/2012 and the provisions of State Aid n°SA.35489 –Spain Restructuring of Banco Grupo Cajatres, S.A.

On 12 may 2013, the issuance, subscription and payment of the CoCos, in the amount of €407 million, was executed in a public deed. The bonds are subscribed and paid in full by the FROB through the delivery to the Bank of fixed income securities issued by the European Stability Mechanism (ESM), pertaining to the issuance of 5 February 2013.

The directors consider that the significant cost saving resulting from the above measures, and the synergies derived from the combination with Ibercaja Banco, will generate recurring profits which will enable it to return the financial assistance received before the end of 2017 (5% in March 2016, 40% in March 2017 and 55% in December 2017), and the recovery of the net deferred tax assets contributed by Banco Grupo Cajatres (Note 25.4).

1.10.2 Definitive take-over

On 23 May 2013, the markets were informed that Ibercaja Banco, S.A.U., Banco Grupo Cajatres, S.A. and their shareholders had agreed to the merger of the banks through a share swap and subsequent merger consisting of the absorption of Banco Grupo Cajatres, S.A. by Ibercaja Banco, S.A.U.

On 25 July 2013, after meeting the suspensive conditions and obtaining the requisite administrative exemptions and authorisations, Ibercaja Banco achieved the ownership of 100% of the share capital of Banco Grupo Cajatres, S.A. For this purpose, it carried out a capital increase of € 325.5 million which was subscribed by the shareholders of Banco Grupo Cajatres, S.A. in exchange for this entity's entire share capital. The new shareholders obtained a joint holding of 12.20% in the share capital of Ibercaja Banco.

The consideration for the business of Banco Grupo Cajatres, S.A. amounted to €258,139 thousand (acquisition cost of the holding in Banco Grupo Cajatres, S.A. totalling €325,500 thousand less the cost of the cancellation of the liabilities issued by Ibercaja Banco).

The merger balance sheet at 1 July 2013, the acquisition date for accounting purposes, which included the fair value of the consolidated assets and liabilities of Banco Grupo Cajatres, S.A. after eliminating the financial instruments relating to the liabilities issued by Ibercaja Banco mentioned above, included equity of €96,757 thousand and non-controlling interests of € -33,317 thousand.

Goodwill amounting to €128,065 thousand was recognised in the consolidated financial statements due to the difference between the consideration for the acquired business and the sum on the acquisition date of the fair value of assets and liabilities and the amount of non-controlling interests. This goodwill takes into account, among other factors, future results, expected synergies of the combined operations of the acquire and acquirer and other intangible assets which do not fulfil the conditions for separate recognition.

The adjustment to include the fair value of the consolidated assets and liabilities of Banco Grupo Cajatres, S.A. resulted in an increase in the prior carrying value of €23,451 thousand, net of the tax effect.

The various types of individual adjustment to reflect the fair value of the consolidated assets and liabilities of Banco Grupo Cajatres, S.A. that make up the total adjustment mentioned in the preceding paragraph may be analysed as follows:

Thousand euro	
Reduction in fixed income classified as loans and receivables.	(6,227)
Reduction in wholesaler liabilities	160,748
Reduction in customer loans	(98,000)
Recognition of Provisions for contract breach costs	(8,186)
Recognition of contingent liabilities	(4,200)
Other	(20,684)
	23,451

Additionally, intangible assets were recognised amounting to €52,531 thousand that were not recognised in the acquired institution.

Current accounting legislation establishes a one year period during which the measurement of the assets and liabilities acquired is not considered to be definitive as the acquirer needs one year to obtain the necessary information to measure them correctly. Once that period has expired, the Entity has not needed to change the initially recognised goodwill.

The 2013 annual accounts include addition information on this business combination.

1.10.3 Full combination

On 1 October 2014 the deed recording the merger by absorption between Ibercaja Banco, S.A. (acquiring entity) and Banco Grupo Cajatres, S.A.U. (target entity) involving the dissolution without liquidation of the target entity and the transfer in bloc of all its assets and liabilities to the acquiring company was notarised.

Following the merger, Ibercaja Banco, S.A. assumed all the liabilities and was subrogated to all the rights and interests of Banco Grupo Cajatres, S.A.U. In particular, without limitation, Ibercaja Banco, S.A. was subrogated to the position of issuer of all outstanding securities (other than shares) issued by Banco Grupo Cajatres, S.A.U.

The merger has not affected the consolidated annual accounts for 2014.

1.11 Events after the balance sheet date

Between the year-end date and the date of preparation of these annual accounts, no events have taken place that could have a significant effect on them.

1.12 Changes in accounting methods and estimates

1.12.1 Changes in accounting policies

During 2014 amendments have been made to accounting legislation applicable to the Group with respect to that applied in the previous period. Set out below is a list of the changes that may be considered to be significant:

The mandatory standards, amendments and interpretations for all years starting 01 January 2014, which have not significantly impacted the Group, are as follows:

- IFRS 10 "Consolidated financial statements"

  IFRS 10 was issued in May 2011 and replaces the control and consolidation guidelines contained in IAS 27 "Consolidated and individual financial statements" and eliminates IAS 12 "Consolidation – special purpose entities". IFRS 10 lays down the principles for the presentation and preparation of consolidated financial statements. IFRS 10 introduces changes in the concept of control, which continues to be defined as the factor determining whether or not an entity should be included in the consolidated financial statements. The concept of the parent company and its subsidiaries forming a decision making unit for the purposes of the consolidated financial statements and the consolidation procedures have remained unchanged compared with former IAS 27.

- IFRS 11, "Joint arrangements"

  IFRS 11 supersedes IAS 31 "Interests in joint ventures" and IAS 13 "Jointly controlled entities -Non-monetary contributions by venturers". IFRS 11 addresses the accounting treatment of joint arrangements based on the rights and obligations arising from the agreement rather than the legal status. The types of joint arrangements are reduced to two: joint operations and joint ventures. Under a joint operation a member has rights over the assets and liabilities arising from the arrangement and therefore reflects its proportional interest in the assets, liabilities, income and expenses of the entity in which it participates. A joint venture is when a member is entitled to the profits or net assets of the entity in which it participates and therefore uses the equity method to account for its interest in the business. The proportionate consolidation option for joint ventures has been eliminated.

- IFRS 12 "Disclosure of interests in other entities"

  IFRS 12 contains the reporting requirements for interests in subsidiaries, associates, joint ventures and unconsolidated structured entities.

- IAS 27 (Amendment), "Separate financial statements"

  The requirements formerly contained in IAS 27 regarding the preparation of consolidated financial statements are now contained in IFRS 10. Therefore, the scope of application of the former is now limited to accounting for investments in subsidiaries, joint ventures and associates in separate financial statements of the investing company, which have not changed with regard to the previous version. Entities preparing separate financial statements are required to account for these investments at cost or under IFRS 9.

- IAS 28 (Amendment) "Investments in associates and joint ventures"

  IAS 28 has been updated to include references to joint ventures which, under the new IFRS 11" Joint arrangements" must be accounted for using the equity method. At the same time information has been added about the accounting treatment of the instruments that provide potential voting rights; the valuation of investments in associates and joint ventures held by venture capital organisations, mutual entities and similar entities; the accounting treatment when a holding in an associate or joint venture is decreased but the equity method still applies; and the accounting treatment of the contribution of a non-monetary asset to an associate or joint venture in exchange for an interest in the entity's equity.

- IAS 32 (Amendment) "Financial Instruments: disclosure"

  The amendment clarifies that the right to offset financial assets and liabilities should be available at the present time -i.e. it does not depend on a future event. Additionally, the right has to be legally enforceable in the ordinary course of business of the counterparties involved in the transaction, even in cases of default, insolvency and bankruptcy.

- IFRS 10, 11 and 12 (Amendment) on transition guidelines

  Their aim is to clarify the transition guidance in IFRS 10, indicating that the date of first application is the first day of the annual period in which this IFRS is first applied. When IFRS 10 is adopted control should be assessed at the date of initial application. It also eases the transition requirements regarding IFRS 10, 11 and 12, limiting the requirement for comparative information adjusted only to the preceding comparative period. Furthermore, regarding the disclosure of unconsolidated structured entities, the requirement to submit comparative information for the years preceding the first application of IFRS 12 is eliminated.

- IFRS 10 and 12, and IAS 27 (Amendment) "Investment entities"

  IFRS 10 is amended to include the definition of an "investment entity" and introduces an exception to the obligation to consolidate subsidiaries for entities that meet this definition which, instead are to be carried at fair value through profit or loss. The only exception is for subsidiaries that provide services related to the investment entity's investment activities, which will be consolidated. Amendments to IFRS 12 require specific disclosures about these investment entity subsidiaries. For its part, the amendments to IAS 27 eliminate the option that was open to investment entities to measure investments in certain subsidiaries at cost or fair value in their separate financial statements.

- IAS 36 (Amendment) "Disclosures of the recoverable amount of non-financial assets"

  It includes a limited scope amendment to IAS 36 "Impairment of assets" to clarify that the scope of the disclosure of the recoverable amount of the assets, if that amount is based on fair value less costs to sell, is limited to the assets whose value is impaired. It requires detailed disclosure of the measurement of fair value less disclosure costs when an impairment loss has been recognised or reversed.

- IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting".

  Introduces a restricted scope exemption to discontinuation of hedge accounting in cases of novation of a derivative designated as a hedging instrument and replacement of a counterparty by a central counterparty as a result of laws or regulations.

At the date of preparation of these consolidated finan cial statements, the following standards and interpretations (the most important adopted to that date) that had been published by the IASB had not come into effect either because their effective date is subsequent to the date of these financial statements or because they have not yet been adopted by the European Union:

- IAS 19 (Amendment) "Defined Benefit Plans: employee contributions"

  IAS 19 (revised 2011) distinguishes between employee contributions related to the service provided and those not linked to the service. The current amendment further distinguishes between contributions linked to the service only in the year in which they arise and those linked to the service in more than one year. The amendment allows the contributions linked to the service that do not vary over the duration of the service to be deducted from the cost of benefits earned in the year in which the related service is provided. Contributions related to the service that vary according to the duration of the service must be apportioned over the duration of the service using the same allocation method that is applied to the related benefits. This amendment applies to the years starting on or after 1 February 2015 and is applied retrospectively. Early adoption is permitted.

- IFRS 14 "deferred regulatory accounts"

  This is an interim standard on the accounting treatment of certain balances arising in rate-regulated activities. It applies only to those entities adopting IFRS 1 for the first time, allowing them to continue to recognise the amounts related to tariff regulation in accordance with their accounting policies prior to the adoption of IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise these amounts, the standard requires that the effect of said rate regulation be disclosed separately. An entity that already presents its financial statements under IFRS cannot implement this standard. This standard is effective from 1 January 2016, although early adoption is permitted.

- IFRS 11 - "Joint Arrangements"

  Requires the application of accounting principles for business combinations to an investor that acquires an interest in a joint venture that constitutes a business. Specifically, it will have to measure the identifiable assets and liabilities at fair value; recognise costs related to the acquisition as an expense; recognise the deferred tax; and recognise the residual value as goodwill. All other accounting principles for business combinations apply, unless they conflict with IFRS 11. This amendment is applicable prospectively to years starting on or after 1 January 2016; early application is permitted.

- IAS 16 and IAS 38 (Amendment) "Clarification of acceptable depreciation and amortisation methods"

  This amendment clarifies that it is not appropriate to use revenue-based methods to calculate the depreciation of an asset because the revenue generated by an activity that involves the use of an asset generally reflect factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that it is generally presumed that ordinary income is an inadequate basis for assessing the consumption of economic benefits embodied in an intangible asset. This amendment will be effective for financial years beginning on or after 1 January 2016, and will be applied prospectively. Earlier application of the standard is allowed.

- IFRS 15 "Revenue from contracts with customers"

  In May 2014, the IASB and the FASB jointly issued a converged standard regarding the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer obtains control over the good or service sold, i.e. when it has the capacity both to direct the use and to obtain benefits from the good or service. This standard includes new guidelines to determine whether to recognise revenue over time or at a particular time. IFRS 15 requires extensive information on both recognised revenue and revenue expected to be recognised in the future in relation to existing contracts. Quantitative and qualitative information is also required about the significant judgments made by management in determining recognised revenue, as well as any changes in these judgments. IFRS 15 will be effective for financial years starting on or after 1 January 2017; early application is permitted.

- IFRS 9 "Financial Instruments"

  On 24 July 2014, the IASB issued IFRS 9 which in future will replace IAS 39. There are relevant differences to the current regulation in relation to financial assets, among others, the approval of a new classification model based on only two categories of amortised cost and fair value, the elimination of the current classifications "Investments held to maturity" and "Financial assets available for sale", the analysis of impairment only for assets recorded at amortised cost and the non-segregation of implicit derivatives in financial asset contracts.

  In relation to financial liabilities, the categories proposed by IFRS 9 are similar to those currently contained in IAS 39 and therefore there should not be relevant differences except for the requirement to record changes in fair value related to own credit risk as a component of equity in the case of financial liabilities are recorded to which the fair value option has been applied.

  Hedge accounting will also undergo changes as the standard takes a different approach from the current IAS 39 in seeking to align the accounting treatment with the economic management of the risk concerned.

  The IASB has laid down that the mandatory application date is 1 January 2018, with the possibility of early adoption.

- IAS 27 (Amendment) "Equity method in separate financial statements"

  IAS 27 has been amended to re-establish the option of using the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The definition of separate financial statements has also been clarified. An entity that chooses to change to the equity method will apply the amendments for years commencing on or after 1 January 2016 in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Early adoption is permitted.

- IFRS 10 and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associate or joint venture"

  These amendments clarify the accounting treatment of sales and contributions of assets between an investor and his 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 meet the definition for a business, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to his associate or joint venture. Amendments to IFRS 10 and IAS 28 are prospective and will be applicable for years starting on or after 1 January 2016.

- IAS 1 (Amendment) "Presentation of the Financial Statements"

  The amendments to IAS 1 encourage enterprises to apply professional judgment in determining what information to disclose in the financial statements. The amendments clarify that materiality applies to the financial statements as a whole and that the inclusion of immaterial information may hamper the usefulness of the financial information. In addition, the amendments clarify that entities should use professional judgment to determine where and in what order the information is to be presented in the financial statements.

  These amendments to IAS 1 may be applied immediately and are mandatory for years beginning on and after 1 January 2016.

- IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 28 (Amendment) "Investment entities: Applying the exception to consolidation":

  These amendments clarify three issues on the implementation of the requirement for investment entities to measure subsidiaries at fair value rather than consolidate them. The proposed amendments:

  –Confirm that the exception to presenting consolidated financial statements continues to apply to the subsidiaries of an investment entity that are themselves dominant entities;

  –Clarify when a dominant investment entity should consolidate a subsidiary that provides investment-related services rather than measure the subsidiary at fair value; and

  –Simplify the application of the equity method for an entity that is not itself an investment entity but which has an interest in an associate which is an investment entity.

  They will be effective for financial years starting on or after 1 January 2016; early application is permitted.

The Group is analysing the impact that these standards, amendments and interpretations may have on the consolidated financial statements.

In addition, on 13 June 2014 the European Commission issued Regulation 634/2014, under which IFRIC 21 was adopted. This interpretation covers the accounting treatment of levies imposed by the public administrations, other than income taxes and fines and penalties imposed owing to non-compliance with legislation. The main issue raised in this respect is when the entity should recognise a liability owing to the obligation to pay a levy accounted for in accordance with IAS 37. It also addresses the accounting treatment of a liability for the payment of a levy with the payment date and amount are known with certainty.

Under Article 2 of said Regulation, entities shall apply IFRIC 21 "Levies" from the date of their first financial year commencing as from 17 June 2014, at the latest. However, the Company has decided to apply this interpretation for the first time in the annual accounts for 2014, since early adoption is permitted.

As indicated in Schedule A2 of IFRIC 21, changes in accounting policies arising from the initial application of this interpretation are accounted for in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The most significant change in accounting policy under IFRIC 21 is related to the ordinary and extraordinary contributions to the Deposit Guarantee Fund, as described in Note 1.8:

- Concerning ordinary contributions, the expense for the ordinary contributions referred to above accrues as the Company renders its services to its customers, such that at the year end the balance sheet reflects the liability for the contribution paid in the first quarter of the following year. In line with the above policy, it was considered that the expense accrued throughout the year in which the contribution was made, since it was determined according to the previous year's balance sheet.
- Concerning the extraordinary contribution derived from Royal Decree-Law 6/2013, the expense accrues when said Royal Decree-Law came into force (24 March 2013), since this contribution does not depend on the Company's future activity and should be recognised as a liability in full on said date, irrespective of the date of actual disbursement. The above accounting policy envisaged recording the expense for the contribution as payment fell due.

The retroactive application of this interpretation has led to the restatement of the figures for previous years presented for comparative purposes (Note 1.4). Schedule IV gives details of the reconciliation between the figures calculated by the directors in previous years and the comparative figures included in these annual accounts regarding the consolidated balance sheets at 31 December 2013 and 2012 and the consolidated income statement for the year ended 31 December 2013.

1.12.2 Changes in accounting estimates

There have been no significant changes in the criteria used to determine the accounting estimates.

1.13 Corporate restructuring of the Group

In order to simplify the current corporate structure and within the restructuring process being carried out in the Ibercaja Group, during 2014 the following corporate operations have taken place::

- Merger between Ibercaja Banco, S.A. (acquirer) and Banco Grupo Cajatres, S.A.U. (target), described in Note 1.10.3.
- Merger between Ibercaja Banco, S.A. (acquirer) and Ibercaja Servicios Financieros, S.A., a company in which it held a direct interest of 99.77% and an indirect interest of 0.23% at 31 December 2013. The most significant assets contributed to the balance sheet of Ibercaja Banco, S.A. were the holdings in Ibercaja Pensión, E.G.F.P., S.A.U. and in Ibercaja Patrimonios, S.G.C., S.A.U.
- Merger between Residencial Murillo, S.A.U. (acquirer) and I.C. Inmuebles, S.A.U. and Gestora Valle de Tena, S.A. (target companies) following the acquisition by Ibercaja Banco from Cerro Murillo, S.A. of 100% of the shares in Residencial Murillo, S.A.

- Merger between Cerro Murillo, S.A. (acquirer) and Promur Viviendas, S.A. (target).
- Vertical merger of the wholly owned subsidiaries CAI División de Servicios Generales, S.L.U. and Plattea Canna, S.A.U. by Banco Grupo Cajatres, S.A.U.
- Partial de-merger of Banco Grupo Cajatres, S.A.U. consisting of the transfer in bloc of the part of equity comprising this entity's insurance brokerage business to Ibercaja Mediación de Seguros, S.A.U. Operador de Banca – Seguros.
- Total de-merger of CAI Vida y Pensiones, Seguros y Reaseguros, S.A.U. in favour of Ibercaja Vida, Compañía de Seguros y Reaseguros S.A.U and Ibercaja Pensión, E.G.F.P., S.A.U.
- Merger between Ibercaja Mediación de Seguros, S.A.U. (acquirer) and Caja Círculo, Operador de Banca-Seguros Vinculado, S.A.U. (target).

2 Accounting principles and policies and measurement methods applied

The following principles, accounting policies and measurement criteria have been applied in the preparation of the Group's consolidated financial statements for 2014.

2.1 Consolidation and business combinations

2.1.1 Subsidiaries

"Subsidiaries" are those in which the Entity has the capacity to exercise control. This is generally, though not exclusively, reflected by the direct or indirect ownership interests of over 50% of the voting rights or, if lower, or where no voting rights are held, by other circumstances or agreements that give control to the Entity. In accordance with prevailing legislation, control is deemed to be the power to direct an entity's financial and operational policies in order to benefit from its activities.

Schedules I and II provide relevant information on these entities.

Subsidiaries' financial statements are consolidated using the full consolidation method, as defined under current legislation. Accordingly, all balances derived from the transactions between fully consolidated companies and regarded as material are eliminated on consolidation. In addition, the third party interests in:

- The Group's equity is presented in "non-controlling interests" in the consolidated balance sheet.
- Consolidated results for the year, are presented in "Profit attributed to non-controlling interests" in the consolidated income statement.

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year end. Results generated by subsidiaries sold during the year are consolidated taking into account only the amounts for the period running from the beginning of the year to the date of sale.

2.1.2 Jointly-controlled entities

Jointly-controlled entities are those which and not subsidiaries and are controlled jointly by two or more unrelated entities.

These investments are measured using the equity method (Note 2.1.3.).

Schedules I and II provide relevant information on these entities.

2.1.3 Associates

Associates are those entities where the Entity is able to exercise significant capacity although they do not form a decision-making unit with the same and nor are they under joint control. Significant influence generally accompanies a direct or indirect shareholding of 20% or more of the voting rights.

Associates' are accounted for in the consolidated financial statements by the equity method, as defined in current legislation.

Should an associate reflect negative equity as a result of losses, the consolidated balance sheet shows a zero balance, unless the Group is required to provide financial support. in which case a provision would be established for third party liabilities under "Provisions" on the liabilities side of the balance sheet.

Schedules I and II provide relevant information on these entities.

2.1.4 Business combinations

A business combination is the bringing together of two or more separate entities or economic units into one single entity or group of entities, where the acquirer obtains control of the other entity or entities.

On the date of acquisition the acquirer incorporates into its financial statements the assets, liabilities and contingent liabilities of the acquiree, including any intangible assets not recognised by the acquiree, all of these being initially recognised at fair value.

Any excess of the cost of the investments in companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first business combination, is allocated as follows:

- If the differences can be assigned to specific assets of the acquired entities, they are accounted for by increasing the value of any assets or reducing the value of any liabilities whose market values are above or below, respectively, the fair values at which they were recorded on the acquiree's balance sheet, provided that their accounting treatment has been similar to the treatment that would be afforded to those same assets or liabilities by the group.
- If they are assignable to specific intangible assets they are accounted for by explicit recognition in the consolidated balance sheet provided that their fair value at the acquisition date can be reliably determined.
- Any remaining differences that cannot be specifically recognized are recorded as goodwill and assigned to one or more specific cash-generating units.

Negative differences, once they have been quantified, are recognized in the income statement.

Any purchases of non-controlling interests after control of an entity has been taken are recognized as increases in the cost of the business combination.

Insofar as the cost of the business combination or fair values assigned to the acquiree's identifiable assets, liabilities or contingent liabilities cannot be definitively determined, the initial accounting treatment of the business combination is considered provisional. In any event, the process should be completed within a maximum of one year of the acquisition date and take effect on that date.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recorded on the consolidated balance sheet when the Group becomes a party to the contract that originates them, according to the contract terms. Specifically, debt instruments such as loans and cash deposits are recorded on the date on which the legal right to receive or the legal obligation to pay arises. For their part, financial derivatives are generally recognised on the date on which they are arranged.

Purchase and sale operations involving financial assets, arranged through conventional contracts are recorded on the date on which the profits, risks, rights or duties attaching to the owner become the acquirer's, which may be the contract date or the settlement or delivery date, depending on the kind of financial asset purchased or sold. In particular, transactions carried out on the spot market are recognised on the settlement date, transactions involving equity instruments traded on Spanish secondary securities markets are recorded on the contract date and transactions with debt instruments traded on Spanish secondary securities markets are recorded a the settlement date.

2.2.2 Derecognition of financial instruments

Financial assets are derecognised when one of the following occurs:

- The contractual rights to the cash flows generated expire; or
- The financial asset and substantially the risks and rewards attached to it is transferred (Note 2.8).

Similarly, financial liabilities are derecognized when the obligations generated by the liabilities have expired or are reacquired by the Group.

2.2.3 Fair value and amortised cost of financial instruments

The fair value of a financial instrument on a given date is understood as the amount for which it could be purchased on sold on that date between knowledgeable, willing parties in an arm's length transaction. The most objective and commonly used reference for fair value of a financial instrument is the price that would be paid on an organised, transparent and deep market (quoted price or market price).

Where there is no market price for a particular financial instrument, its fair value is estimated based on that established in recent transactions involving similar instruments and, failing that, on valuation models sufficiently tested by the international financial community, bearing in mind the specific peculiarities of the instruments to be value and particularly the different types of risk associated with them.

Specifically, the fair value of the financial derivatives traded on organised, transparent and deep markets included in trading portfolios is taken to be the daily share price. If, for exceptional reasons, it is not possible to establish the price on a given date, methods are used similar to those employed to value financial derivatives not traded on organised markets.

The fair value of derivatives not traded on organised markets or traded in organised markets which are neither deep nor transparent is taken to be the sum of the future cash flows originating in the instrument, discounted at the valuation date ("present value") using methods recognised by financial markets: net present value, models for calculating option prices, etc.

Amortised cost is the acquisition cost of a financial asset or liability adjusted for capital and interest repayments and, where applicable, for the portion (recognised in the consolidated income statement applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortised cost of financial assets also includes impairment adjustments.

The effective interest rate is the discount rate that matches the initial value of a financial instrument to all its estimated cash flows of all kinds through its residual life, without taking in account future credit risk losses. For fixed rate financial instruments, the effective interest rate agrees with the contractual interest rate set at the time of their acquisition, adjusted, where appropriate, for the fees and transaction costs which, under current legislation, must be included in the calculation of that effective interest rate. In variable rate financial instruments, the effective interest rate is calculated in a manner analogous to that used in fixed rate transactions, and is recalculated on each contractually established interest rate review date on the basis of any changes that have taken place in the future cash flows derived from the transaction.

2.2.4 Classification and measurement of financial assets and liabilities

Financial instruments are classified in the Group's consolidated balance sheet under the following categories::

- Financial assets and liabilities at fair value through profit or loss: this category includes the following financial instruments:

  –Financial assets and liabilities included in the trading portfolio: financial assets acquired in order to be realised in the short term, which form part of a portfolio of financial instruments managed individually or together for which there is evidence of recent actions taken to obtain short-term gains, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments in accordance with applicable regulations.

  Short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities are also regarded as belonging to the trading portfolio.

  –Other financial assets and liabilities at fair value through profit or loss: In order to avoid differences between the policies for measuring assets and associated liabilities, the Group classifies in this portfolio the assets (mainly shares in investment funds) that are managed jointly with liabilities under insurance contracts ("Unit linked") measured at fair value.

  Financial instruments at fair value through profit or loss are initially measured at fair value. Changes in their fair value arising from the return (or charges) obtained on the financial instrument are recognised in the captions “Interest and similar income”, “Interest and similar charges” or “Return on equity instruments” in the consolidated income statement, depending on their nature. The returns on debt instruments included in this category are calculated using the effective interest method. other changes arising in said fair value are recognised against Gains/(losses) on financial transactions in the consolidated income statement.

Concerning derivatives, classified both as held-for-trading and hedging derivatives, are managed on the basis of their net credit risk exposure, and therefore their fair value is estimated taking into account such net exposure in accordance with Paragraph 48 of IFRS 13.

- Held-to-maturity investment portfolio: this category includes debt securities traded on an active market having fixed maturities and identified or identifiable cash flows from their acquisition and at any subsequent date based on the positive intention and financial capacity to hold them to maturity. There is financial capacity when the Group has funds available to finance the investments to maturity.

  Debt securities included in this category are stated initially at fair value, adjusted by the amount of transaction costs directly attributable to the acquisition of the financial asset.

  Subsequently, they are measured at amortised cost and the interest accrued on these securities, calculated using the effective interest method, is recognised in the caption Interest and similar income in the consolidated income statement.

- Loans and receivables: this category includes debt securities which are not traded on an active market, financing provided to third parties arising from the Entity's ordinary credit and loan activities, and debts incurred by asset buyers and by service users. This also includes finance lease transactions in which the Entity is the lessor.

  Financial assets included in this category are stated initially at fair value, adjusted by the amount of fees and transaction costs directly attributable to the acquisition of the financial asset. Following their acquisition, the assets included in this category are carried at amortised cost using the effective interest rate method.

  Assets acquired at a discount are recorded in the cash amount paid and the difference between the repayment value and that cash amount is recognised as financial income applying the effective interest method during the period to maturity.

  The interest accrued on these assets, calculated using the effective interest method, is recognised in the caption "Interest and similar income" in the consolidated income statement.

  In general, the consolidated entities intend to hold the loans and credits granted to their final maturity dates and they are therefore carried at amortised cost in the consolidated balance sheet.

- Available-for-sale financial assets: this category includes debt securities not classed as held to maturity, such as loans and receivables, or as at fair value through the income statement, and equity instruments relating to non-dependent entities, multi-group entities or associates, which have not been classed as at fair value through profit or loss.

  The instruments included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the asset's acquisition, which are recognised in the consolidated income statement to maturity using the effective interest rate method. Following acquisition, the financial assets included in this category are carried at fair value.

The above notwithstanding, equity instruments whose fair value cannot be determined with sufficiently objectivity are carried in these financial statements at cost, net of any impairment, calculated on the basis of the criteria explained in Note 2.3.

Any changes in the fair value of financial assets classified as available for sale relating to accrued interest or dividends are recognised with a balancing entry in Interest and similar income (calculated using the effective interest rate method) and Yield on equity instruments in the consolidated income statement.

The remaining changes in fair value are recorded with a balancing entry in Group equity under the caption Equity – Measurement adjustments – Available-for-sale until the financial asset is written off, when the balance is taken to Gain/(loss) from financial operations (net) – financial instruments not measured at fair value through profit or loss or under Gains/(losses) from non-current assets available for sale not classified as discontinued operations in the case of equity instruments classified as available for sale which are strategic investments.

An investment in equity instruments is regarded as strategic when it has been performed for the purpose of establishing or maintaining a long-term operational relationship with the investee company concerned, in accordance with the cases provided for in current legislation.

- Financial liabilities at amortised cost: this category of financial instruments relates to financial liabilities that are not classed in any of the previous categories.

  Financial liabilities in this category are stated initially at fair value, adjusted by the amount of transaction costs directly attributable to their issue. They are subsequently carried at amortised cost, calculated using the effective interest rate method.

  The interest accrued on these securities calculated using said method, is recognised in the caption Interest and similar expenses in the consolidated income statement.

The above notwithstanding, financial instruments that must be treated as non-current assets held for sale under current regulations are disclosed in the consolidated financial statements based on the criteria explained in Note 2.18.

2.3 Impairment of financial assets

Financial assets are regarded as impaired and therefore their carrying value is adjusted when there is objective evidence of events that lead to:

- in the case of debt instruments (loans, credit facilities and debt securities), a negative impact on future cash flows estimated when the transaction was formalised.
- In the case of equity instruments, their carrying amount cannot be fully recovered.

In particular, assets are regarded as doubtful due to customer default when the customer concerned owes an amount with respect to the principal or interest which is over 90 months overdue, and this has not been written off the consolidated balance sheet as it has been regarded as a bad debt.

In addition, all operations, except non-financial guarantees, are regarded as doubtful due to customer default when the balances classified as doubtful are more than 20% higher than the amounts pending collection.

Risks are regarded as doubtful for reasons other than customer default when the relate to debt instruments and contingent risks and commitments which, without involving the conditions required for them to be regarded as doubtful due to customer default, entail reasonable doubts as to their full repayment in the contractually agreed terms, and those contingent risks and commitments the payment of which by the Group is probable, and the recovery of which is doubtful. This category includes operations, among others, in which customers are in situations which reflect a deterioration in their solvency, such as negative equity, continued losses, generalised delays in payments, inadequate economic or financial structure, lack of opportunities for obtaining additional financing or insufficient cash flow to meet their payment obligations, existence of debt claims and legal repayment claims, operations in which the debtor is involved in litigation on which collection will depend, lease operations in which the entity has decided to terminate the lease to recover possession of the property, customers which have been or are expected to be declared bankrupt, customers with balances classified as doubtful due to default with respect to which, even if the above-mentioned percentages for considering all their operations to be doubtful are not met, the conclusion is reached that there are reasonable doubts as to the payment of their debts, contingent risks in which the guaranteed parties are insolvent, etc.

In addition to doubtful risks, the Group regards as "substandard", due to customer risk, those debt instruments and contingent risks which, without meeting the conditions for regarding them doubtful as per the foregoing paragraphs, show weaknesses as a whole which may cause it to incur losses which are greater than the coverage of the deterioration of risks in normal situations. This category includes, among others, customer operations which belong to a certain class which is in difficulty, such as those relating to the same geographical area or to the same economic sector which could be experiencing difficulties due to its particular characteristics.

Adjustments to the carrying value of financial instruments due to impairment are made against the consolidated income statement for the period in which such impairment arises and the recovery of previously recorded impairment losses is recognized in the consolidated income statement for the period in which such impairment is eliminated or reduced.

If the recovery of any recorded amount for impairment is considered remote it is eliminated from the consolidated balance sheet, although the consolidated entities may take the necessary action to attempt to achieve collection until their rights are definitively extinguished due to lapsing, debt remission or any other reason.

The criteria applied by the Group to determine potential impairment losses in each category of financial instrument and the method applied to calculate the provisions made for such impairment.

2.3.1 Debt instruments measured at amortised cost

The amount of the impairment loss is the difference between their carrying amount and the present value of estimated future cash flows. The market value of listed debt securities is regarded as a reasonable estimate or the present value of their future cash flows.

Subsequently, cash flows are restated at the effective interest rate of the instrument (if the contractual interest rate is a fixed rate) or at the effective contractual rate on the date of the restatement (when the rate is variable).

For impairment losses originating from the materialisation of borrower insolvency risk (credit risk), a debt instrument is impaired:

- when there is evidence of an impairment in the borrower's payment capacity, for reasons of default or other; and/or
- due to the materialisation of country risk, understood as the risk affecting debtors resident in a specific country due to circumstances other than usual business exposure.

The process for evaluating potential losses due to the impairment of these assets is carried out:

- Individually, for all significant debt instruments and those which, though not significant, cannot be classified into homogeneous groups of instruments of a similar type, business sector and geographic area of the debtor's activity, guarantee type, age of past due amounts, etc.
- Collectively, the Group classifies operations into different groups based on the nature of the liable parties and the circumstances in their countries of residence, status of the operation and type of guarantee, age of past due amounts, etc. and, for each risk group, applies the impairment losses ("identified losses") that must be recognised in the consolidated entities' financial statements.

2.3.2 Available-for-sale debt instruments

The impairment loss is equivalent to the positive difference between acquisition cost, net of any amortisation of the principal, and fair value after deducting any impairment loss previously recognised in the consolidated income statement.

For impairment losses arising due to the insolvency of the issuer of debt instruments classified as available for sale, the procedure followed by the Group to calculate the losses coincides with the policy explained above in 2.3.1. for debt instruments measured at amortised cost.

When there is objective evidence that the negative differences arising on the measure of these assets is due to impairment, the assets cease to be recorded in the equity caption Valuation adjustments - available-for-sale financial assets, and are recorded at the entire amount accumulated up to that time in the consolidated income statement. If all or part of the impairment loss is subsequently recovered, the relevant amount is recognised in the consolidated income statement for the period in which such recovery takes place.

2.3.3 Available-for-sale equity instruments

The impairment loss is equivalent to the positive difference between acquisition cost and fair value after deducting any impairment loss previously recognised in the consolidated income statement.

The criteria for recognising impairment losses on equity instruments classified as available for sale are similar to those applicable to debt instruments (as explained in Note 2.3.2.), except for the fact that any recovery of these losses is recognised in equity under the caption Valuation Adjustments - available-for-sale financial assets.

For quoted equity instruments, taking into account the best practices recommended by supervisors (ESMA and CNMV), the Company calculates percentage or time ranges for declines in the share price over cost, as a result of which it concludes that there is objective evidence of impairment as a result of a significant or prolonged decline in the share price. These ranges are a 40% drop in share prices or a situation of continuous losses over a period exceeding 18 months. The Company also considers as evidence of impairment situations in which the issuer has entered into, or is likely to enter into, an agreement with creditors or has significant financial difficulties.

There are no other ranges that represent prior evidence of impairment, although the Company makes an individualised analysis of all investments in which there may be some indication of impairment other than a decrease in share price, irrespective of whether the above-mentioned ranges have not been exceeded

2.3.4 Equity instruments measured at cost

Impairment losses are accounted for as the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

Such impairment losses are recognised in the consolidated income statement for the period in which they arise and directly reduce the cost of the financial asset. The amount involved may not be recovered except in the event of their sale. These losses can only be recovered subsequently in the event of the sale of the assets.

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 an operation as being a hedge from the outset. In the documentation relating to hedge operations, the hedged and hedging instruments are identified 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 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 attributed to the hedged risk over the duration of the hedge are almost entirely offset by the fluctuations in the fair value 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 of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value of the hedging instrument 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.

The Group contracts fair value hedges of financial assets and liabilities or of firm commitments not yet recognised, or of an identified portion of such items, attributable to a specific risk, provided the consolidated income statement is affected. Differences in both hedging instruments and hedged items, with respect to the type of risk hedged, are recognised directly in the consolidated income statement.

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.

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. The fair value of the inefficient portion is immediately recognised in the consolidated income statement.

The Group interrupts hedge accounting when the hedging instrument expires or is sold, when a hedge no longer meets the criteria for hedge accounting or when the transaction ceases to be classed as a hedge.

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 income statement until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

2.5 Foreign currency transactions

2.5.1 Functional currency

The Group's 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			
	2014		2013	
	Assets	Liabilities/Equity	Assets	Liabilities/Equity
Breakdown by portfolio type				
Financial assets/liabilities at fair value through profit or loss	27,370	–	28,724	(916)
Loans and receivables/ Liabilities at amortised cost	52,580	42,570	59,875	48,586
Remainder	78	(160)	121	131
	80,028	42,410	88,720	47,801
Breakdown by currency type				
US dollars	48,014	39,495	54,583	43,745
Pounds sterling	16,733	1,172	13,125	992
Swiss francs	7,640	1,136	13,284	1,757
Japanese yen	2,354	28	2,737	917
Rest	5,287	579	4,991	390
	80,028	42,410	88,720	47,801

2.5.2 Foreign currency translation methods

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. Balances in foreign currency are subsequently converted to the functional currency at the exchange rate ruling on the date of issue of the financial information.

In addition:

- 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 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 income statement, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated income statement under Net gains/(losses) on financial assets and liabilities without being differentiated from other changes in their fair value.

However, exchange differences arising from equity instruments in foreign currency whose carrying value is adjusted with a balancing entry being made under equity are recognised in equity under the caption Valuation adjustments - exchange differences on the consolidated balance sheet until they are realised.

At 31 December 2014 and 2013 there is no balance in that caption, since equity instruments denominated in foreign currencies are hedged against foreign exchange risks by means of fair value hedges in which the hedging instruments are interbank deposits, allowing changes in value caused by foreign exchange fluctuations to be recognised in the income statement.

2.6 Recognition of income and expenses

Set out below is a summary of the most significant accounting policies employed by the Group to recognise income and expense:

2.6.1 Income and expenses on interest, dividends and similar items

In general, interest income and expense and similar items are accounted for on an accruals basis, applying the effective interest rate method. Dividends received from other companies are recognised in the income statement when the consolidated entities become entitled to receive them.

2.6.2 Commissions, fees, and similar

Commission and fee income and expenses which do not form part of 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 income statement using accounting policies that vary according to the nature of the item concerned. The most significant are:

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the income statement when payment is made.
- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated income statement 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

These are recognised on an accruals basis.

2.6.4 Deferred collections and payments

Deferred collections and payments are carried at the amount obtained by discounting forecast cash flows at market rates.

2.7 Offset of balances

The Entity only offsets, and therefore discloses on the consolidated balance sheet at the net value, debtor and creditor balances arising on transactions which under contract or legislation, provide for possible offset and the intention is to liquidate them at their net amount or realize the asset and pay the liability simultaneously.

2.8 Financial asset transfers

The accounting treatment of transfers of financial assets depends on the manner in which the related risks are rewards are transferred to third parties:

- if the risks and rewards relating to the transferred assets are substantially transferred to a third party, the asset is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognised.
- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of fixed 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 derecognised, and the expenses derived from the new financial liability.

Accordingly, financial assets are only written off the consolidated balance sheet when the cash flows they generate have been exhausted or when related risks and returns have been substantially transferred to third parties.

The above notwithstanding, 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 the year end.

2.9 Financial guarantees and provisions made thereon

Financial guarantees are contracts 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: guarantee deposit, financial guarantee, irrevocable documentary credit issued or confirmed 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 income statement.

Financial guarantees, irrespective of the holder or form, are analysed periodically in order to determine credit risk and, if applicable, estimate the need for provisions. The methods employed are similar to those applied to calculate impairment losses on debt instruments measured at amortised cost, as explained in Note 2.3.1 above.

The provisions set up to cover such operations are recorded under Provisions - provisions for contingent risks and commitments under liabilities on the consolidated balance sheet. The appropriation and recover of said provisions is recorded with a balancing entry in the caption Provisioning expense (net) in the consolidated income statement.

When a provision is required for financial guarantees, associated commissions pending accrual, carried in the consolidated balance sheet in the caption "Accrual accounts", are reclassified to the relevant provision.

2.10 Accounting for leases

2.10.1 Finance leases

Financial lease operations are deemed to be those in which substantially all risks and rewards pertaining to the leased assets are transferred to the lessee.

The factors taken into account by the Group to determine whether a lease is a finance lease include the following:

- The lease covers most of the asset's useful life. For these purposes, the criterion established in other regulations not specifically applicable to the Group is taken into account, i.e. the duration of the lease agreement exceeds 75% of the asset's useful life.
- The purchase option price is lower than the fair value of the asset's residual value when the lease agreement expires.
- The present value of the minimum lease payments at the inception of the agreement is equivalent, to the practical entirely of the fair value of the leased asset. For these purposes, the criterion established in other regulations not specifically applicable to the Group is taken into account, i.e. this value exceeds 90% of the leased asset's fair value.
- The utilisation of the asset is restricted to the lessee.

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 in the caption Loans and receivables in the consolidated balance sheet, in accordance with the nature of the lessee.

When the consolidated entities act as lessee in a finance lease operation, the cost of the assets leased is recognized in the consolidated balance sheet, depending on the nature of the asset and simultaneously a liability is recognised for the same amount, which will be the lower of the fair value of the asset leased or the sum of the present values of the amounts payable to the lessor plus, if appropriate, the purchase option exercise price. These assets are depreciated at similar rates to those applied to the Group's property, plant and equipment for own use (Note 2.15).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the consolidated income statement captions "Interest and similar income" and "Interest and similar charges", applying the effective interest rate on the lease to estimate accrual.

2.10.2 Operating leases

Where ownership of the leased asset and substantially all the risks and rewards attached to the asset are retained by the lessor, the arrangement is classified as an operating lease.

Where the consolidated entities act as the lessors in operating lease agreements, the acquisition cost of the leased asset is carried under "Property, plant and equipment" in "Investment property" or "Other assets assigned under operating leases", depending on the nature of the leased assets. Such 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 income statement on a straight-line basis in the caption "Other operating revenue".

When the consolidated companies act as lessees in operation lease transactions, the lease expenditure, including any incentives granted by the lessor, are charged to the consolidated income statement on a straight-line basis, under the caption Other management expenses.

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 Fees and commissions received in the consolidated income statement. Note 27.4 provides information on the third-party assets managed at the year end.

2.12 Investment funds and pension funds managed by the Group

Investment funds and pension funds managed by the consolidated companies are not included in the Group's consolidated balance sheet because they are owned by third parties. Fees and commissions earned by the services rendered to these funds by Group companies (asset management services, portfolio deposits, etc.) are recorded und Fees and commissions received in the consolidated income statement.

2.13 Personnel expenses

2.13.1 Post-employment remuneration

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.

In March 2013, the management of Ibercaja Banco and the employees' representatives reached an agreement under which the contributions the defined contribution pension plan were suspended for 24 months. The same agreement was reached in March 2013 in Banco Grupo Cajatres for all contributions to the pension plan.

Defined contribution plans

The Group makes contributions in accordance with agreements based on the respective Collective Agreements applicable to each company of origin. To this end, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. arranged their defined contribution pension plan for employee retirement and defined benefit plan for death and disability, the latter being covered by annual insurance policies. The defined contribution plans are the following:

- Pension plan of Ibercaja employees
- CAI Empleo, pension fund
- Caja Círculo employee pension fund
- Pension fund for the employees of Monte de Piedad y Caja General de Ahorros de Badajoz-Febadajoz, F.P.

The contributions made each year are recognised under Personnel expenses - Staff welfare expenses in the consolidated income statement. The contributions made by the defined contribution plan promoters amounted to €1,978 thousand in 2014 and €3,728 thousand in 2013.

Defined benefit plans

The caption Provisions - pension fund and similar obligations on the liabilities side of the consolidated balance sheet records the present value of post-employment obligations less the fair value of the plan assets, with respect to defined benefit plans. The liabilities for defined benefits are calculated annually by independent actuaries using the projected unit credit method.

Plan assets are assets linked to a specific defined-benefit commitment that will be directly used to settle these obligations and that fulfil the following conditions:

- They are not owned by the Bank but by a legally separate, non-related third party.
- They are available only to pay or fund employee benefits and are not available to creditors of the Bank, even in the event of the Bank becoming insolvent.
- 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 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.

The Post-employment benefits are recognised as follows:

- Actuarial gains and losses arising during the year due to changes in financial or actuarial assumptions or to differences between the assumptions are the actual situation are recognised immediately in the period they occur directly in "Other recognised income and expense".
- Recognition of past service costs, which must be recorded immediately in the consolidated income statement under Personnel expenses.
- Interest cost of the liability and the expected return on assets for defined benefit plans will be determined as a net amount calculated by applying the technical interest rate at the beginning of the year to the liability (asset) of the defined benefit plan.

Actuarial gains/losses derive from differences between prior actuarial assumptions and actual events, and from changes in the actuarial assumptions used.

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. These commitments are funded according to the company of origin:

- Post-employment commitments with employees from Ibercaja Banco

Post-employment commitments acquired by the Company 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 of retirement, widowhood, orphanhood, permanent disability or major disability.

In addition, the Company has retirement supplements commitments with past retired employees and management personnel which are externalized through insurance policies with Caser, Compañía de Seguros y Reaseguros, S.A. and Ibercaja Vida, S.A.

- Post-employment commitments with employees from Banco Grupo Cajatres

The Group has commitments with employees from Banco Grupo Cajatres, S.A.U. for retirement, death and disability which are financed through the “CAI Empleo, Fondo de Pensiones” pension plan managed by Ibercaja Vida, S.A., the “Empleados Caja Círculo, Fondo de Pensiones” pension plan and the “Fondo de Pensiones de Empleados del Monte de Piedad y Caja General de Ahorros de Badajoz-Febadajoz, F.P.” pension plan, both managed by Caser Pensiones, Entidad Gestora de Fondo de Pensiones, S.A.

Furthermore, the Group has arranged various insurance policies for excesses above the limit on contributions to the Pension Plan arranged with Caser, Compañía de Seguros y Reaseguros, S.A. and Eurovida, S.A.

2.13.2 Other long-term employee remuneration

Commitments with early retiring staff, the widowhood 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 income statement.

The commitments undertaken with early retirees are as follows:

- Employees from Ibercaja Banco, S.A.:

The most relevant commitments made by the Company arise from previous years in which a certain group of employees were offered the opportunity to retire before reaching the age stipulated in the Collective Agreement.

For this reason, there is the commitment towards these early retirees to pay salary complements and other welfare charges from the time of early retirement to the date of actual retirement.

- Employees from Banco Grupo Cajatres, S.A.U.:

As a result of the integration process and the creation of the "las Cajas SIP", participants in it and the union representatives established the pay conditions that from 1 January 2011 are applicable to employees of the three participating savings banks, as well as workers who join the Bank. It also lays down the obligation for the Bank to promote a defined contribution retirement pension plan for the Bank's employees. At the date of these financial statements the Bank's pension plan has still not been arranged and therefore, in accordance with the above-mentioned agreement between management and the employees, on a temporary basis and as long as the new pension plan is not formally arranged, the employees transferred from the savings banks to the Bank continue to be members of the pension plans of their banks of origin, with the same rights and conditions as if they were still employed by them.

2.13.3 Termination benefits

Severance indemnities 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 welfare 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 welfare benefits are credit facilities.

Employees of Ibercaja Banco, S.A. and its subsidiaries 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 purchase loans: the maximum amount financed is the value of the dwelling plus acquisition costs, subject to a maximum of five annual salaries. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate, subject to a minimum of 1.5% and a maximum of 5.25%. As from 30 June 2013, the minimum has been set at 1.25%.
- Loan for sundry purposes: the maximum amount financed is 25% of the annual salary. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate.
- Salary advance: in order to meet fully justified urgent needs, employees may request an interest-free advance of up to nine monthly salaries. Monthly repayments are equal to 10% of the gross salary.

2.14 Corporate income tax

Income tax expense 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 timing differences, tax credits and allowances, and any tax-loss carryforwards (Note 25).

As mentioned in Note 25, Ibercaja Banco forms part of a Tax Group, the parent of which is the Foundation, in accordance with Chapter VII of Title VII of the Corporate Income tax Law.

A temporary 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. These amounts are recorded by applying to them the tax rate at which they are expected to be recovered or settled.

Deferred tax assets are only recognised when it is considered probable that there will be sufficient taxable profits in the future to be able to recover them.

Tax credits for deductions and rebates and for tax-loss carryforwards are items which, after having completed the activity or obtained the results that generate the relevant rights, are not applied for tax purposes in the relevant return until the fulfilment of the conditions laid down by tax legislation to this end, it being considered probable by the Group that they will be applied in future years. 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 almost all temporary differences. However, 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.

At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid and any necessary adjustments are made accordingly.

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.

For these purposes, the acquisition cost of foreclosure assets that come to form part of the Group's tangible assets for own use is treated as being equal to the net financial assets delivered in exchange for their adjudication.

Depreciation is calculated on a straight-line basis over the acquisition cost of the assets less their residual value, on the understanding that the land on which the buildings and other constructions stand has an indefinite life and is therefore not subject to depreciation.

The annual provisions for depreciation are charged to the consolidated income statement under Fixed asset depreciation and are calculated on the basis of the following average years of estimated useful life of the various assets, as follows:

	Estimated useful lives (years)
Properties for own use	25 to 100
Furnishings	6 to 16.6
Plant	5 to 16.6
Computer equipment and facilities	4 to 8

At the year end the consolidated companies analyse whether there is any evidence, internal or external, that the carrying value of tangible assets exceeds their recoverable value, in which case the carrying value of the asset concerned is reduced to its recoverable amount. Future depreciation charges are adjusted in proportion to the asset's adjusted carrying amount and new remaining useful life, if its re-estimation is required. This reduction in the carrying value, if necessary, is charged to Net impairment losses -a fixed assets on the consolidated income statement.

Similarly, where there are indications that the value of impaired property, plant and equipment has been recovered, the consolidated entities recognise the reversal of the impairment loss shown in previous periods by crediting the consolidated income statement caption “Asset impairment losses (net) – Property, plant and equipment” and adjusting future depreciation charges accordingly.

Foreclosure assets which, according to their nature and use, are classified as investment properties are initially accounted for at the lower of fair value net of costs of sale and acquisition cost, understood as the carrying value of the related debts, calculated in accordance with legislation applicable to the Company. Foreclosure assets are subsequently subject to the estimation of the corresponding impairment losses on such assets and at least those established in Appendix IX of Bank of Spain Circular 4/2004

Additionally, the estimated useful lives of property, plant and equipment are reviewed at least yearly to detect significant changes. If necessary, adjustments are made to depreciation charges for future years in the consolidated income statement on the basis of the new useful lives.

Repair and maintenance expenses relating to fixed assets for own use are charged to Other management expenses on the consolidated income statement.

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 recognized. Goodwill is recognized 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 subjected 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 income statement.

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 on a present value of future distributable earnings basis, having regard to the following parameters:

- Key business assumptions. These assumptions are used as a basis for cash flow projections as part of the valuation. 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 expected profits, 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 end of the period covered by the most recent projections. Based on long-term estimates for the main macro-economic numbers and key business variables, and bearing in mind the current financial market outlook at all times, an estimate of a rate of growth in perpetuity can be arrived at.

Impairment losses recognised for goodwill cannot subsequently be reversed.

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. At each accounting close, however, 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 defined useful lives are amortised on the basis of their useful lives using rates similar to those adopted to amortise Property, plant and equipment. Annual amortisation of intangible assets with a definite useful life is recognised in "Amortisation- Intangible assets" in the income statement 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 17.2, in which an estimated useful life of 10 years has been estimated for relations associated with sight deposits and six years to those associated with term deposits.

The Group recognises any impairment loss and makes a balancing entry in the caption "Other asset impairment losses (net) – goodwill and other intangible assets" in the consolidated income statement. The methods applied to recognise impairment losses on these assets and, if appropriate, the recovery of impairment losses recognised in prior years are similar to those applied to property, plant and equipment (Note 2.15).

2.17 Inventories

This balance sheet caption records 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.
- Expect to consume in production or the provision of services.

Inventories are valued at the lower of their cost, including all purchase 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 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 income statement in the financial year they are incurred, in the caption "Other asset impairment losses (net) - other assets".

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated income statement under "Other operating charges" in the year the income from their sale is recognised.

Foreclosure assets which, according to their nature and use (under production, construction or development) , whether classified as inventories by the Group, are initially accounted for at the lower of fair value net of costs of sale and acquisition cost, understood as the carrying value of the related debts, calculated in accordance with legislation applicable to the Group. Foreclosure assets are subsequently subject to the estimation of any corresponding impairment losses on such assets.

2.18 Non-current assets held for sale

The assets recorded under this heading have been as follows:

- assets whose carrying value will be recovered essentially through their sale rather than their continued use, provided that the sale is regarded as highly probable.
- Repossessed tangible assets derived from loan regularisations, except for those earmarked for own use or for leasing, and land and buildings in the course of construction.

Specifically, real estate or other non-current assets received by the consolidated entities in full or partial settlement of borrowers' payment obligations, are treated as non-current assets held for sale, unless the decision has been taken, on the basis of the assets' nature and future use, to classify them as tangible assets for own use, as an investment or as inventory. They are reflected initially at the lower of fair value net of costs of sale and acquisition cost, understood as the carrying value of the related debts, which is calculated in accordance with legislation applicable to the Group. While included in this category, amortisable/ depreciable assets by nature, are not depreciated or amortised.

Subsequently, if the carrying value of an asset exceeds the fair value net of its costs to sell, the Group adjusts the carrying value of the asset by the amount of such excess, with a corresponding adjustment being made to gains (losses) on non-current assets held for sale in the consolidated income statement. In the event of one or more subsequent increases in the fair value of the asset any previously recorded losses will be reversed and the carrying value will be increased, subject to its not exceeding the carrying value prior to its possible impairment, and a corresponding adjustment made to the above-mentioned caption in the consolidated income statement.

2.19 Insurance operations

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 known. These accounting practices require insurance companies to apportion at the year end the amounts credited to the income statement and not accrued at that date.

The most significant accruals established by consolidated entities with respect to the direct insurance arranged 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:

- They are financially immunised,
- link the surrender value to the value of the assets specifically assigned,
- they envisage a share in the profits of a related asset portfolio,
- they are characterised by the fact that the policyholder assumes the investment risk .

The adjustment consists of recognising the changes in fair value of the assets classified as Available-for-sale financial assets and Other financial assets at fair value through profit or loss on a symmetrical basis.

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 in the caption Assets held for reinsurance in the consolidated balance sheet (Note 15).

2.20 Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, their respective directors made a distinction between:

- Provisions: creditor balances that cover obligations in force at the balance sheet date deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.
- Contingent liabilities: possible obligations resulting from past events, the future materialisation of which is contingent upon the occurrence or otherwise of one or more events independent of the consolidated companies' intentions.

The Group's consolidated financial statements include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, although information is provided in accordance with applicable regulations (Note 27.1).

The 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 the caption Provisioning expenses (net) on the consolidated income statement.

A the 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 litigation and claims will not have a material effect on the consolidated financial statements for future years.

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 income statement") 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 recognised income and expenses").

The consolidated statement of recognised income and expenses presents income and expense generated by the Group as a result of its activities during the year, distinguishing between income and expense recognised as profit or loss in the income statement for the year and other income and expense which, under prevailing legislation, are recorded directly in consolidated equity.

In addition, income and expenses recognised directly in equity are divided between those which will not be reclassified to the income statement and those that may be reclassified to the income statement.

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.

The largest figure in the income and expense recognised directly in equity relates to financial assets available for sale, which break down as follows:

a) Measurement gains (losses): this reflects the amount of income, net of the expenses arising in the year, recognised directly in equity. The amounts recognised in the year in this item are maintained in it although in the same year they are taken to the consolidated income statement.

b) Amounts transferred to income statement: this records the amount of measurement gains or losses, recognised previously in equity, albeit in the same year that they are recognised in the income statement.

c) Other reclassifications: this records the amount of transfers made in the year between measurement adjustments in accordance with current legislation.

Similarly, the heading Other recognised income and expenses includes the adjustment of accounting asymmetries (Note 2.19) related to financial assets available for sale, which account for practically all of the items under this heading.

2.22 Total statement of changes in consolidated equity

The "Total statement of changes in equity" presents all changes in equity, including those arising from changes in accounting criteria and error corrections. 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 owing to changes in accounting policies and correction of errors: this includes the changes in consolidated equity which result from the retroactive restatement of balances in the financial statements arising from changes in accounting policies or error correction.

b) Income and expense recognised in the year: this records on an aggregate basis total items reflected in the statement of recognised income and expenses mentioned above.

c) Other changes in equity: this reflects other equity items such as increases or decreases in capital, distribution of results, transactions with own equity instruments, transfers between equity items and any other increase or decrease in consolidated equity.

2.23 Consolidated cash flow statements

The following expressions are used with the following meaning in the consolidated cash flow statements:

- 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 financial assets included in the held-to-maturity investment portfolio, equity instruments classified as available for sale which are strategic investments and subordinate financial liabilities.
- Investing activities: acquisitions, sales or disposals through other means of long-term assets and other investments not included in cash and equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities of the Group which do not form part of operating activities.

For the purposes of preparing the consolidated cash flow statement, the Group has considered "cash and cash equivalents" to be highly liquid short term investments which are exposed to a negligible risk of change 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 caption "Cash on hand and on deposit at central banks" (Note 6).
- Net demand deposits at central banks, which are recognised in the captions "Cash on hand and on deposit at central banks" (debtor balances) and "Financial liabilities at amor-

tised cost – Deposits at central banks" (creditor balances) under assets and liabilities, respectively, in the consolidated balance sheet (Note 6 and 19.1).

- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised, among other items, in the caption "Loans and receivables – Loans and advances to credit institutions" in the consolidated balance sheet (Note 10.2). Creditor balances are recognised, among other items, in the caption "Financial liabilities at amortised cost – Deposits at credit institutions" in the consolidated balance sheet (Note 19.1).

3 Risk management

Solvency, liquidity and credit quality of assets constitute the pillars on which the Group's risk management is based.

On the basis of exposure, the credit risk is the most significant in the Group's risk profile although it also manages counterparty, concentration, operational, market, liquidity, interest rate, business, reputational, insurance risk, etc.

The Group has an appropriate risk management organisational structure, where identification, measurement, monitoring, management and control functions are clearly distributed among the different management and control bodies and units that carry out their functions independently but on a coordinated basis in the following fields:

- Corporate governance: The governing bodies lay down the guidelines for investment and risk policies, which will be developed and applied by the rest of the organisation in the course of their functions for both the parent and the remaining companies that make up the Group.
- Strategy and risk profile: To establish these guidelines the governing bodies receive information and technical support from specialised committees and boards. In particular, the Global Risk Committee defines and carries out the monitoring of the Group's risk strategy and policies.
- Risk management: Risk management decisions are taken by different bodies and units in the Group, exercising specific functions.
- Risk control: The risk control function is handled by Audit Management that carries it out separately from management.

The Group's risk governance and management structure is proportional to the complexity of the business and guarantees the application of consistent policies and procedures.

The principles governing the Group's risk management include the following: integrated management, quality, diversification, independence, continuity, delegation and group membership, consistency, control, continuous improvement in processes and transparency.

The Group's risk management aims to attain the following objectives:

- To assess the key business risks on the basis of their relevance and probability of occurrence, quantifying them with greater accuracy and the increase in the level of detail.

- To integrate the measurement of risk in operating and decision processes (establishing limits and policies, acceptance of operations, monitoring, recovery etc.) and analytical processes (calculation and analysis of risk adjusted customer and segment profitability, products, centres of accountability and lines of business).
- Increase the efficiency of processes for the recognition, monitoring and recovery of risks through the utilisation of statistical tools and appropriate information systems which facilitate decision-taking.
- Ensuring the integrity and quality of information on risk, which leads to improvements in the internal and external reporting and communication systems at all levels involved in risk management.
- Establishing an environment where models and tools are followed up systematically, ensuring their predictive ability.

The Group's objectives in global risk management are focused on maintaining and improving the credit quality of the loan portfolio and new business through the processes of admission, monitoring and recovery in active liquidity management from all areas of the business and, ultimately, on keeping solvency at high levels.

In October 2014, the Basel Committee updated the corporate risk principles to include the need to explain a 'Risk Appetite Framework'.

On the basis of the above framework, the Single Monitoring Mechanism (SMM) evaluates each institution's risk management, the effective implementation of the Framework in risk management, its reflection in risk policies and its integration with other key processes such as the strategic plan, recovery plan, capital planning, etc.

3.1 Credit risk

It is 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.

3.1.1 Credit risk management strategies and policies

Credit risk management is geared towards facilitating sustained and balanced growth in loans and receivables while guaranteeing at all times the soundness of the Group’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 establishes the strategies, policies and limits on the management of this risk, documented in the "loans and receivables risk management policy and procedures manual”, at the suggestion of the Global Risk Committee. This manual includes the action guidelines for the main operation segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board is responsible for authorising risks that exceed the competence of the operating circuit.

3.1.2 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 Group has implemented the following policies:

- 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 Entity has in place risk rating policies in line with Law 2/2011 on the Sustainable Economy, Order EHA/2899/2011 on transparency and customer protection in banking services and Bank of Spain Circular 5/2012 on transparency in banking services and responsibility in the granting of loans and credit facilities.

These policies are included in the Loan Policies and Procedures Manual, specifically in point 2 titled Basic principles in credit risk management. These policies and procedures are revised annually by the Entity and approved by the Board of Directors. In 2014, the update of the Manual was approved on 6 February.

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 security is always appraised by independent valuation companies (authorised by the Bank of Spain).

Concerning transparency and customer protection in banking services, the Entity takes the following steps:

- 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 to products can be consulted on the Entity'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, among the control actions performed at the branches, is responsible for overseeing compliance with the established policies and procedures.

b) By monitoring risk, the Group seeks to ascertain the evolution of groups and customers permanently and well in advance, in order to avoid or minimise potential losses resulting from the deterioration of the loan portfolio. This knowledge is fundamental to the proactive management of the mechanisms that are needed to reduce or restructure existing risk exposure.

The Bank has an automated alert system which analyses and classifies all customers after considering external and internal sources of information to detect any risk factors that might lead to the impairment of credit quality. The alerts system is subject to a system of continuous calibration and improvement.

In addition, borrowers regarded as needing special surveillance, substandard risk or doubtful for reasons other than default are subjected to special supervision.

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.

3.1.3 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. It covers sovereign risk, transfer risk and other risks derived from international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2004, their rating and the country classifications of the OECD and international Reconversion and Development Bank, on the basis of their economic evolution, political situation, regulatory and institutional framework, payment capacity and payment record.

The Group establishes certain maximum limits to the country risk exposure, on the basis of the rating given by the rating agencies, accompanied by maximum investment limits for certain groups, while operations with other groups are not permitted without the express authorisation of the Board of Directors.

In relation to sovereign risk, maximum limits have been established for public debt issued by European Union States, other States, Autonomous Regions, Local corporations and public bodies, based on their corresponding ratings.

3.1.4 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 are not doubtful and have not become impaired and are subject to the general bad debt provision is as follows:

Thousand euro	2014	2013
With no appreciable risk	19,571,660	20,256,400
Low risk	22,497,093	23,378,699
Medium-low risk	2,133,738	3,094,634
Medium risk	6,432,948	5,458,167
Medium-high risk	1,063,115	1,103,048
High risk	189,476	189,032
	51,888,030	53,479,980

With respect to the maximum level of exposure to the credit risk, set out below are the most significant sectors of operation in terms of credit, loans and discounts (Note 10), according to the purpose of the transaction:

Thousand euro	2014	2013
Public sector	866,810	948,894
Credit institutions	1,183,737	1,545,508
Real estate construction and development	3,159,128	3,770,865
Other interest generating operations	6,887,336	7,255,750
Housing acquisition and refurbishment	23,784,564	25,178,943
Consumer and other household lending	1,313,591	1,600,309
Other sectors not classified	673,397	923,582
	37,868,563	41,223,851

With respect to the maximum level of exposure to the credit risk, credit, loans and discounts (Note 10) secured by guarantee or credit enhancement arranged are as follows:

Thousand euro	2014	2013
Mortgages	29,385,233	31,993,861
Pledges – financial assets	35,921	40,173
Off-balance sheet guarantees – Public Sector and credit institutions	120,663	26,614
Garantía de Deuda del Estado	–	685,378
	29,541,817	32,746,026

At December 2014 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 57.73% (58.41% at December 2013).

The classification of credit, loans and discounts (Note 10) and available- for- sale fixed income assets (Note 9), which are impaired, differentiating between those where the relevant calculation has taken into account the existence of non-payment and those where other factors have been taken into account, is as follows:

Thousand euro	2014	2013
Customer default	2,990,147	2,791,072
Other factors	924,958	1,242,821
	3,915,105	4,033,893

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 10.5 to the accompanying accounts includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

3.1.5 Information concerning risk concentration, refinancing and restructuring

3.1.5.1 Information concerning risk concentration

Set out below is a breakdown of the carrying value of the distribution of loans and advances to customers by customer type and activity at 31 December 2014 and 2013:

Thousand euro

	31/12/2014							
				Secured loans Loan to value				
	Total	Of which: mortgage guarantee.	Of which: other security	40% or less	More than 40 % and less than or equal to 60%	More than 60 % and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public authorities	804,823	107,394	1,611	17,944	11,764	39,446	15,146	24,705
Other financial institutions	149,220	1,309	–	149	412	344	–	404
Non-financial companies and individual entrepreneurs	7,925,961	4,915,195	44,081	1,221,703	1,392,961	1,361,839	529,619	453,154
Real estate construction and development	2,139,846	1,955,302	1,129	190,477	384,086	756,442	345,558	279,868
Civil engineering construction	43,320	–	–	–	–	–	–	–
Other purposes	5,742,795	2,959,893	42,952	1,031,226	1,008,875	605,397	184,061	173,286
Large companies	*571,677*	*93,444*	*11,593*	*12,551*	*5,342*	*1,041*	*1,898*	*84,205*
SMEs and individual entrepreneurs	*5,171,118*	*2,866,449*	*31,359*	*1,018,675*	*1,003,533*	*604,356*	*182,163*	*89,081*
Other residential property and non-profit institutions serving households	24,950,150	23,723,352	16,148	4,904,318	7,746,053	9,225,839	1,638,021	225,269
Home loans	23,289,376	22,951,568	7,384	4,570,833	7,516,786	9,068,723	1,596,375	206,235
Personal loans	541,493	184,582	4,503	106,881	46,939	28,851	4,570	1,844
Other uses	1,119,281	587,202	4,261	226,604	182,328	128,265	37,076	17,190
Subtotal	33,830,154	28,747,250	61,840	6,144,114	9,151,190	10,627,468	2,182,786	703,532
Less: value adjustments for asset impairment not allocated to operations	–	–	–	–	–	–	–	–
Total	33,830,154	–	–	–	–	–	–	–
Memorandum accounts: refinancing, refinanced and restructured operations	3,557,148	2,845,386	20,400	340,895	423,081	748,695	538,828	814,287

Thousand euro

	31/12/2013							
				Secured loans Loan to value				
	Total	Of which: mortgage guarantee.	Of which: other security	40% or less	More than 40 % and less than or equal to 60%	More than 60 % and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public authorities	878,458	89,604	3	42,053	12,571	34,983	–	–
Other financial institutions	944,804	1,126	7	337	581	59	121	35
Non-financial companies and individual entrepreneurs	8,350,010	5,184,163	48,357	1,154,195	1,375,167	1,729,445	559,370	414,343
Real estate construction and development	2,315,399	2,191,678	292	215,166	409,876	960,204	365,376	241,348
Civil engineering construction	145,286	3,482	23	1,985	555	807	–	158
Other uses	5,889,325	2,989,003	48,042	937,044	964,736	768,434	193,994	172,837
Large companies	*1,160,712*	*304,399*	*5,973*	*52,171*	*70,946*	*74,524*	*77,638*	*35,093*
SMEs and individual entrepreneurs	*4,728,613*	*2,684,604*	*42,069*	*884,873*	*893,790*	*693,910*	*116,356*	*137,744*
Other residential property and non-profit institutions serving households	26,646,833	25,128,495	22,215	4,857,739	7,776,817	10,322,316	1,963,224	230,614
Home loans	24,533,150	24,043,161	8,591	4,391,063	7,454,373	10,101,469	1,917,862	186,985
Personal loans	487,881	103,585	2,999	64,081	24,238	13,141	3,351	1,773
Other uses	1,625,802	981,749	10,625	402,595	298,206	207,706	42,011	41,856
Subtotal	36,820,105	30,403,388	70,582	6,054,324	9,165,136	12,086,803	2,522,715	644,992
Less: value adjustments for asset impairment not allocated to operationss	–	–	–	–	–	–	–	–
Total	36,820,105	–	–	–	–	–	–	–
Memorandum accounts: refinancing, refinanced and restructured operations	3,551,610	2,678,724	3,480	360,047	515,790	1,104,009	477,463	224,895

Set out below is a breakdown of the carrying value of risks classified by activity and geographical area (*):

- Total activity:

Thousand euro	31/12/2014				
	Spain	Rest of EU	America	Rest of the world	Total
Credit institutions	1,982,466	876,156	40,485	2,642	2,901,749
Public authorities	16,288,643	771,245	39	–	17,059,927
Central government	13,777,971	771,245	39	–	14,549,255
Rest	2,510,672	–	–	–	2,510,672
Other financial institutions	3,532,594	473,889	–	2,029	4,008,512
Non-financial companies and individual entrepreneurs	9,388,283	110,953	29,139	10,073	9,538,448
Real estate construction and development	2,258,707	–	–	–	2,258,707
Civil engineering construction	40,827	–	–	2,493	43,320
Other uses	7,088,749	110,953	29,139	7,580	7,236,421
Large companies	*1,668,696*	–	–	–	*1,668,696*
SMEs and individual entrepreneurs	*5,420,053*	*110,953*	*29,139*	*7,580*	*5,567,725*
Other residential property and non-profit institutions serving households	24,844,400	100,122	7,990	23,593	24,976,105
Home loans	23,191,070	94,256	7,293	22,449	23,315,068
Personal loans	540,827	175	373	120	541,495
Other uses	1,112,503	5,691	324	1,024	1,119,542
Subtotal	56,036,386	2,332,365	77,653	38,337	58,484,741
Less: Value adjustments for asset impairment not allocated to operations					–
Total					58,484,741

(*) Includes loans and advances to credit institutions, loans and advances to customers, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and risks.

Thousand euro	31/12/2013				
	Spain	Rest of EU	America	Rest of the world	Total
Credit institutions	4,194,280	438,882	29,969	225,321	4,888,452
Public authorities	12,620,826	522,238	49	–	13,143,113
Central government	10,456,325	522,238	49	–	10.978.612
Rest	2,164,501	–	–	–	2,164,501
Other financial institutions	4,567,749	464,678	4,501	–	5,036,928
Non-financial companies and individual entrepreneurs	9,323,097	102,028	27,023	11,445	9,463,593
Real estate construction and development	2,436,154	1,588	–	–	2,437,742
Civil engineering construction	143,271	1,492	–	2,529	147,292
Other uses	6,743,672	98,948	27,023	8,916	6,878,559
Large companies	*1,442,552*	*16,034*	*22,306*	–	*1,480,892*
SMEs and individual entrepreneurs	*5,301,120*	*82,914*	*4,717*	*8,916*	*5,397,667*
Other residential property and non-profit institutions serving households	26,662,378	64,232	7,657	27,643	26,761,910
Home loans	24,437,588	61,944	6,998	26,619	24,533,149
Personal loans	487,222	187	423	49	487,881
Other uses	1,737,568	2,101	236	975	1,740,880
Subtotal	57,368,330	1,592,058	69,199	264,409	59,293,996
Less: Value adjustments for asset impairment not allocated to operations					–
Total					59,293,996

(*) Includes loans and advances to credit institutions, loans and advances to customers, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and risks.

- Activities in Spain

Thousand euro)	31/12/2014								
	Aragón	Madrid	Cataluña	Valencia	Andalucía	Castilla León	Castilla La Mancha	Rest	Total
Credit institutions	1,065,912	449,946	72,049	101,901	67,180	3,026	–	222,452	1,982,466
Public authorities	884,897	471,113	118,673	187,366	142,265	128,695	12,893	564,770	16,288,643
Central government (*)	–	–	–	–	–	–	–	–	13,777,971
Rest	884,897	471,113	118,673	187,366	142,265	128,695	12,893	564,770	2,510,672
Other financial institutions	358,361	2,970,780	7,448	10,576	431	710	20	184,268	3,532,594
Non-financial companies and individual entrepreneurs	3,470,433	1,925,014	735,263	403,593	521,705	716,936	453,487	1,161,852	9,388,283
Real estate construction and development	522,728	599,743	165,919	98,693	233,480	131,868	242,278	263,998	2,258,707
Civil engineering construction	6,891	32,185	467	–	–	417	–	867	40,827
Other uses	2,940,814	1,293,086	568,877	304,900	288,225	584,651	211,209	896,987	7,088,749
Large companies	*1,086,626*	*294,338*	*89,216*	*31,917*	*34,515*	*63,307*	*18,641*	*50,136*	*1,668,696*
SMEs and individual entrepreneurs	*1,854,188*	*998,748*	*479,661*	*272,983*	*253,710*	*521,344*	*192,568*	*846,851*	*5,420,053*
Other residential property and non-profit institutions serving households	6,900,035	5,913,979	2,246,137	2,173,090	1,589,005	1,258,902	1,617,429	3,145,823	24,844,400
Home loans	6,094,617	5,651,552	2,137,384	2,095,676	1,534,813	1,156,900	1,547,711	2,972,417	23,191,070
Personal loans	221,258	81,982	35,802	24,328	17,714	40,997	25,736	93,010	540,827
Other uses	584,160	180,445	72,951	53,086	36,478	61,005	43,982	80,396	1,112,503
Subtotal	12,679,638	11,730,832	3,179,570	2,876,526	2,320,586	2,108,269	2,083,829	5,279,165	56,036,386
Less: Value adjustments for asset impairment not allocated to operations									–
Total									56,036,386

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

Thousand euro

	31/12/2013								
	Aragón	Madrid	Cataluña	Valencia	Andalucía	Castilla León	Castilla La Mancha	Rest	Total
Credit institutions	2,824,364	853,227	153,325	52,845	60,758	2,525	19,322	227,914	4,194,280
Public authorities	439,949	326,646	150,102	197,934	152,801	169,966	16,552	710,551	12,620,826
Central government (*)	–	–	–	–	–	–	–	–	10,456,325
Rest	439,949	326,646	150,102	197,934	152,801	169,966	16,552	710,551	2,164,501
Other financial institutions	487,214	3,624,187	241,950	9,456	137,792	205	29	66,916	4,567,749
Non-financial companies and individual entrepreneurs	2,916,848	1,980,779	756,460	406,177	846,346	766,093	474,478	1,175,916	9,323,097
Real estate construction and development	561,277	609,680	182,233	111,959	282,671	128,197	250,892	309,245	2,436,154
Civil engineering construction	17,540	45,836	162	96	2,044	61,901	40	15,652	143,271
Other uses	2,338,031	1,325,263	574,065	294,122	561,631	575,995	223,546	851,019	6,743,672
Large companies	*281,527*	*396,884*	*119,169*	*62,749*	*283,757*	*130,049*	*37,154*	*131,263*	*1,442,552*
SMEs and individual entrepreneurs	*2,056,504*	*928,379*	*454,896*	*231,373*	*277,874*	*445,946*	*186,392*	*719,756*	*5,301,120*
Other residential property and non-profit institutions serving households	7,541,668	6,332,265	2,386,475	2,308,446	1,659,596	1,345,230	1,719,791	3,368,907	26,662,378
Home loans	6,486,988	5,970,630	2,239,975	2,196,280	1,588,597	1,225,492	1,614,459	3,115,167	24,437,588
Personal loans	193,405	89,268	37,254	27,159	14,397	16,099	28,990	80,650	487,222
Other uses	861,275	272,367	109,246	85,007	56,602	103,639	76,342	173,090	1,737,568
Subtotal	14,210,043	13,117,104	3,688,312	2,974,858	2,857,293	2,284,019	2,230,172	5,550,204	57,368,330
Less: Value adjustments for asset impairment not allocated to operations									–
Total									57,368,330

(*) The risk pertains to the Central Government and is not allocated by Autonomous Region.

3.1.5.2 Information on refinancing and restructuring operation

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 basic criteria of this policy includes, to the extent possible, the incorporation of efficient, liquid additional guarantees that increasing the possibilities of collecting the amounts owed.

The Group has defined its refinancing, restructuring, renovation and renegotiation policies as credit risk management instruments 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 Entity's risk position through the delivery of additional effective guarantees and the review of existing guarantee.

Prior to their refinancing, restructuring or renegotiation, operations should fulfil 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. For such purposes, 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.
- In no event is the refinancing of operations presenting payment incidents in other financial institutions permitted, unless the amounts involved have a residual weight with respect to the limit of the new operation and provided that it is a necessary condition to settle a problematic situation in the Group.

When each refinancing and restructuring operation is analysed, the potential risk of default is analysed, classifying the operation as standard, substandard or doubtful, and any amounts deemed unrecoverable are recognised. The provisions necessary to cover the loss incurred are recorded.

The period of arrears on an operation that is past due or in litigation does not cease to run when it is refinanced or restructured, unless there is reasonable certainty that the customer can make payment on schedule, or additional good security is provided and, in either case, unless the overdue ordinary interest is paid.

When refinancing involves termination and the inception of new operations, the carrying value attributed to the new operations may not exceed the carrying value of the derecognised financing. Only in this event is the original asset written off since it is replaced by another, but in any event the derecognition or otherwise of the original asset does not affect the recognition of any necessary impairment losses, which will be recorded whatever the case.

There is an internal reporting system which permits the individual identification and follow-up of refinancing, refinanced, restructured, renewed or renegotiated operations.

For private individuals and the self-employed, an automated evaluation of potential risk in refinancing operations is carried out regularly, on the basis of which the accounting classification and provisions are determined. This analysis is performed taking into account the following factors:

- Existence of other previous refinancing with respect to the risks in question;
- Recurring revenues consistent with the amortisation plan;
- Existence or inclusion of efficient guarantees: new owners or guarantors with good standing are incorporated during the renegotiation, or the guarantee covers at least 80% of outstanding capital, taking into account its restated value,
- Payment of outstanding interest: Interest is paid at the time of the refinancing,
- Duration of grace period according to the last refinancing.

If sustained payment behaviour is observed (full repayments of capital and interest) for at least six months in the case of habitual dwellings and 12 months in other cases, the transaction's accounting classification will be revised and downgraded to the immediately preceding risk level, with the resulting evaluation and, as appropriate, adjustment of the relevant impairment losses.

The accounting classification of refinancing granted to companies is based on regular individualised analyses of the borrowers in which their financial situation and capacity to meet payment commitments, and the efficiency of the guarantees furnished, are examined.

The existence of sustained repayment behaviour over a lengthy period of time (regular payment of capital and interest) is considered to be sufficient evidence to consider that the credit status of the operation has been normalised and therefore entails the cessation of the classification of the operation as a refinancing or restructuring.

In 2012 Ibercaja adhered to the Code of Good Practice for the viable restructuring of debts secured by mortgage over habitual dwellings governed by Royal Decree 6/2012.

Set out below is a breakdown of refinancing and restructuring balances outstanding at 31 December 2014:

Thousand euro	Standard					
	Fully secured by mortgage		Other real-estate guarantees		Unsecured	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public institutions	11	57,496	3	11,979	63	214,274
Other corporate borrowers and individual entrepreneurs	3,388	526,344	87	38,228	4,316	323,369
Of which: financing of construction and real estate development activities	119	100,330	8	14,519	30	5,578
Other individual borrowers	2,796	267,555	83	5,850	3,850	28,663
Total	6,195	851,395	173	56,057	8,229	566,306

Thousand euro	Substandard						
	Fully secured by mortgage		Other real-estate guarantees		Unsecured		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public institutions	–	–	–	–	–	–	–
Other corporate borrowers and individual entrepreneurs	833	502,889	79	109,625	708	68,969	125,429
Of which: financing of construction and real estate development activities	114	308,375	29	91,272	1	91	94,718
Other individual borrowers	2,030	264,448	61	6,468	1,113	6,963	11,598
Total	2,863	767,337	140	116,093	1,821	75,932	137,027

Thousand euro	Doubtful						
	Fully secured by mortgage		Other real-estate guarantees		Unsecured		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public institutions	–	–	–	–	–	–	–
Other corporate borrowers and individual entrepreneurs	2,569	1,141,584	420	301,737	2,364	526,510	1,058,526
Of which: financing of construction and real estate development activities	362	739,279	156	252,634	452	208,996	684,740
Other individual borrowers	3,617	409,566	518	25,848	2,263	21,303	106,967
Total	6,186	1,551,150	938	327,585	4,627	547,813	1,165,493

Set out below is a summary of the information included in the three tables above at 31 December 2014:

Thousand euro	Total		
	Number of operations	Gross amount	Specific coverage
Public institutions	77	283,749	–
Other corporate borrowers and individual entrepreneurs	14,764	3,539,255	1,183,955
Of which: financing of construction and real estate development activities	1,271	1,721,074	779,458
Other individual borrowers	16,331	1,036,664	118,565
Total	31,172	4,859,668	1,302,520

A reconciliation between opening and closing balances for refinanced and restructured assets, as well as related impairment losses, is set out below:

Thousand euro	Standard	Substandard		Doubtful		Total	
	Risk	Risk	Provisions	Risk	Provisions	Risk	Provisions
Situation as at 31/12/2013	1,145,901	1,256,821	181,411	2,417,868	1,087,569	4,820,590	1,268,980
New operations	769,711	97,335	25,871	203,390	131,293	1,070,436	157,164
Discontinued operations	(412,319)	(264,411)	(39,809)	(354,628)	(100,460)	(1,031,358)	(140,269)
Reclassifications	(29,535)	(130,383)	(30,446)	159,918	47,091	–	16,645
Situation as at 31/12/2014	1,473,758	959,362	137,027	2,426,548	1,165,493	4,859,668	1,302,520

Impairment losses associated with these operations recorded in the income statement during 2014 amount to €34 million.

Set out below is a breakdown of refinancing and restructuring balances outstanding at 31 December 2013:

Thousand euro	Standard					
	Fully secured by mortgage		Other real-estate guarantees		Unsecured	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public institutions	8	44,399	–	–	39	83,516
Other corporate borrowers and individual entrepreneurs	1,252	362,750	50	25,119	2,750	308,028
Of which: financing of construction and real estate development activities	122	123,195	8	17,509	16	880
Other individual borrowers	3,917	287,250	75	3,628	3,976	31,211
Total	5,177	694,399	125	28,747	6,765	422,755

Thousand euro	Substandard						
	Fully secured by mortgage		Other real-estate guarantees		Unsecured		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public institutions	–	–	–	–	–	–	–
Other corporate borrowers and individual entrepreneurs	788	644,694	57	112,215	619	123,789	165,041
Of which: financing of construction and real estate development activities	149	439,590	33	106,473	5	22,926	132,360
Other individual borrowers	2,890	348,056	98	7,738	2,041	20,329	16,370
Total	3,678	992,750	155	119,953	2,660	144,118	181,411

Thousand euro	Doubtful						
	Fully secured by mortgage		Other real-estate guarantees		Unsecured		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public institutions	–	–	–	–	1	1,002	–
Other corporate borrowers and individual entrepreneurs	1,714	1,174,405	231	266,153	1,695	443,041	976,213
Of which: financing of construction and real estate development activities	505	880,936	134	231,870	406	184,598	690,374
Other individual borrowers	4,546	476,078	365	18,458	2,941	38,731	111,356
Total	6,260	1,650,483	596	284,611	4,637	482,774	1,087,569

Set out below is a summary of the information included in the three tables above at 31 December 2013:

Thousand euro	Total		
	Number of operations	Gross amount	Specific coverage
Public institutions	48	128,917	–
Other corporate borrowers and individual entrepreneurs	9,156	3,460,194	1,141,254
Of which: financing of construction and real estate development activities	1,378	2,007,977	822,734
Other individual borrowers	20,849	1,231,479	127,726
Total	30,053	4,820,590	1,268,980

A reconciliation between opening and closing balances for refinanced and restructured assets, as well as related impairment losses, is set out below:

Thousand euro	Standard	Substandard		Doubtful		Total	
	Risk	Risk	Provisions	Risk	Provisions	Risk	Provisions
Situation as at 31/12/2012	3,723,358	521,313	212,039	961,253	347,506	5,205,924	559,545
Review of policies	(1,774,480)	(60,168)	(18,788)	(92,746)	(35,310)	(1,927,394)	(54,098)
Acquisition of Cajatres (*)	353,758	174,324	22,204	420,490	152,405	948,572	174,609
New operations	303,171	563,512	22,491	349,691	320,083	1,216,374	342,574
Discontinued operations	(303,550)	(114,082)	(16,482)	(205,254)	(80,289)	(622,886)	(96,771)
Reclassifications	(1,156,356)	171,922	(40,053)	984,434	383,174	–	343,121
Situation as at 31/12/2013	1,145,901	1,256,821	181,411	2,417,868	1,087,569	4,820,590	1,268,980

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

Impairment losses associated with these operations recorded in the income statement during 2013 amount to €87 million.

A breakdown of operations refinanced or restructured which, following the relevant restructuring or refinancing, have been classified as doubtful during 2014 and 2013 is as follows:

Thousand euro	2014	2013
Public institutions	–	1,002
Other corporate borrowers and individual entrepreneurs	122,542	762,089
Of which: financing of construction and real estate development activities.	38,050	565,707
Other individual borrowers	35,913	307,080
Total	158,455	1,070,171

At 31 December 2014, the Group assessed renegotiated transactions and according to its best judgement identified and provided for those that in the absence of renegotiation could have been become non-performing or would have been impaired. The related overall risk exposure amounts to €959,362 thousand (€1,256,821 thousand at 31 December 2013) which agrees with refinancing operations classified as substandard indicated above.

3.1.6 Problematic asset management policies

Ibercaja Banco, S.A. establishes specific policies in relation to the management of real estate sector assets, which have been particularly affected by the recent economic downturn.

These policies focus on favouring compliance with borrowers' obligations and mitigating the risks to which the Group is exposed. In this respect, alternatives are sought that enable the completion and sale of projects, while an analysis is performed of the renegotiation of the risks if the Group's credit position improves and basically assurance is obtained that the borrower is able to continue business activities. In this respect, consideration is given to the borrower's track record, his willingness to pay and the improvement in the Group's forecast losses, attempting to increase loan security and not increase the customer risk.

Additionally, the Group supports developers once the developments are completed, by collaborating in the management and speeding-up of sales.

In the event that support measures are not possible or sufficient, other alternatives are sought such as dation in payment or the purchase of the assets and as a last resort, a judicial claim is filed with subsequent foreclosure.

All those assets that become part of the Group's balance sheet are managed with a view to their divestment or lease.

In this respect, the Group has special purpose companies, specialising in development project management, real estate sales and real estate asset leasing. The Group has specific units to develop these strategies and coordinate the actions of its special purpose subsidiaries, branch office network and the other players involved. Additionally, the Group has a website www.ibercaja.es/inmuebles as one of the main tools used to inform the interested public of such assets.

3.1.6.1 Loans and receivables related to development and real estate activities and retail mortgages.

- Financing of construction and real estate development activities and relevant coverage:

Thousand euro	Gross amount		Excess over guarantee value (*)		Impairment adjustment. Specific cover	
	2014	2013	2014	2013	2014	2013
Financing of construction and real estate development activities recorded by: group credit institutions (businesses in Spain)	3,159,128	3,770,865	1,002,360	982,904	1,070,885	1,259,421
Of which: doubtful	1,629,942	1,854,830	701,351	736,353	914,460	1,045,368
Of which: substandard	643,912	852,879	164,613	246,551	156,425	209,706
Memorandum items: write-off assets	173,493	95,144	–	–	–	–

Thousand euro	Carrying value	
	2014	2013
Memorandum items: Figures public consolidated balance sheet		
Total customer loans, excluding Public Administrations (businesses in Spain)	32,963,301	35,871,211
Total consolidated assets (total businesses)	62,322,492	63,149,384
Value adjustments and provisions for credit risk. General total cover (total businesses)	–	–

(*) Excess over the gross amount of each transaction of the value of the guarantees in rem calculated in accordance with Appendix IX Circular 04/2004. In other words, taking the lower of the purchase and valuation price and applying the different reductions depending on the nature of the guarantee..

- Financing of construction and real estate development activities.

Thousand euro	Financing of construction and real estate development activities. Gross amount	
	2014	2013
Unsecured	355,163	429,161
With mortgage guarantee	2,803,965	3,341,704
Finished buildings	1,067,046	1,460,816
Housing	864,038	1,173,437
Rest	203,008	287,379
Buildings under construction	508,392	539,976
Housing	452,932	501,258
Rest	55,460	38,718
Land	1,228,527	1,340,912
Developed land	1,179,115	1,295,177
Other land	49,412	45,735
Total	3,159,128	3,770,865

- Home loans

Thousand euro	Gross amount		Of which: doubtful	
	2014	2013	2014	2013
Home loans	23,346,151	24,626,638	894,878	872,194
Unsecured	203,147	291,632	57,481	56,544
With mortgage guarantee	23,143,004	24,335,006	837,397	815,650

- Home loan mortgages according to the percentage which the total risk represents with respect to the amount of the latest valuation available (LTV):.

At 31 December 2014 and 31 December 2013, the detail is as follows:

Thousand euro	2014					
	Risk with respect to latest available valuation (LTV)					
	Less than 40%	More than 40% and less than or equal to 60%	Over 60% and less than or equal to 80%	Over 80% and less than or equal to 100%	Over 100%	Total
Gross amount	4,624,324	7,545,989	9,098,039	1,657,229	217,423	**23,143,004**
Of which: doubtful	50,481	146,671	383,168	219,402	37,675	**837,397**

Thousand euro	2013					
	Risk with respect to latest available valuation (LTV)					
	Less than 40%	More than 40% and less than or equal to 60%	Over 60% and less than or equal to 80%	Over 80% and less than or equal to 100%	Over 100%	Total
Gross amount	4,460,414	7,502,092	10,172,276	1,972,889	227,335	**24,335,006**
Of which: doubtful	50,639	131,811	380,291	221,397	31,513	**815,651**

At 31 December 2014 92% of home loan mortgages has a LTV of less than 80% (91% at 31 December 2013).

3.1.6.2 Real estate assets acquired in payment of debts.

Set out below is information concerning real estate assets acquired in payment of debts at 31 December 2014 and 2013:

Thousand euro	2014			2013		
	Net carrying value of cover	Of which: Impairment adjustment (1)	Of which: Total impairment cover (2)	Net carrying value of cover	Of which: Impairment adjustment (1)	Of which: Total impairment cover (2)
Real estate assets deriving from financing of construction and real estate development	629,959	396,392	721,543	656,902	419,918	694,096
Finished buildings	260,162	62,005	181,405	234,914	79,791	172,780
Housing	195,511	45,069	137,930	175,047	63,752	136,321
Rest	64,651	16,936	43,475	59,867	16,039	36,459
Buildings under construction	18,461	2,669	19,705	17,854	2,498	17,612
Housing	18,236	2,669	19,570	17,632	2,498	17,477
Rest	225	–	135	222	–	135
Land	351,336	331,718	520,433	404,134	337,629	503,704
Developed land	209,035	185,371	311,460	264,384	194,192	307,007
Other land	142,301	146,347	208,973	139,750	143,437	196,697
Real estate assets deriving from home loan mortgages	241,395	37,252	160,012	212,056	44,153	134,977
Real estate assets acquired in payment of debts	39,310	6,509	38,357	30,268	7,127	26,325
Equity instruments, interests and financing non-consolidated companies holding such assets	5,061	–	1,687	5,976	5,026	6,713
Total	915,725	440,153	921,599	905,202	476,224	862,111

(1) Value adjustments after the acquisition date.

(2)Total cover at acquisition and subsequent dates.

3.2 Operational risk

This is defined as the risk of loss resulting from the absence of adaptation or a fault in the processes, personnel or internal systems or deriving from external events.

3.2.1 Operational risk management strategies and policies

The Board of Directors establishes the strategies and policies for the management of this risk, documented in the "operational risk management framework", at the suggestion of the Global Risk Committee.

The Group currently has a management and assessment model for this risk, which basically envisages the following:

- General aspects: definition of the operational risk and risk classification and assessment.
- Methodologies applied to identify, assess and measure operational risks.
- Scope of application of the methodologies and personnel involved in the management of this risk (organisation structure).
- Management support models (management, control and mitigation of the operational risk); information deriving from previous methodologies and implementation of measures aimed at mitigating this risk.

The scope of application of the management and operational risk assessment model extends to both the business and support units of Ibercaja Banco and the Financial Group's subsidiaries.

Its application and effective use in each unit and subsidiary are handled on a decentralised basis. The Central Risk Unit carries out the measurement, monitoring, analysis and reporting of the risk.

3.2.2 Measurement, management and control procedures

The Group applies the operational risk management model and combines the use of the following methodologies, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and controls in place over processes and activities together with the compilation and analysis of risk indicators.
- A total of 567 possible operational risks inherent in the Group's activities have been identified and assessed. As a result of the on-going self-assessment processes, it may be concluded that the estimated exposure to the overall impact of these risks is medium-low.
- Quantitative methodology, supported by the identification and analysis of real losses arising in the Group which are recorded in the data base established to this effect (BDP).

The quantification of real losses recorded in the losses date base (annual average for 2012-2014) reflects that the net annual total (taking into account direct recoveries and those due to insurance) of losses due to operational risk events is €2,152 thousand, corresponding to an average of 2,494 events.

This figure for real losses is low level with respect to capital requirements and is consistent with the overall results of the aforementioned quantitative assessment (low risk).

The progress made in relation to operational risk management and control processes deriving from the policies in place has enabled Ibercaja Banco Group, since December 2010, to calculate capital consumption owing to Operational Risk using the standard method, in accordance with Rule 97 of Bank of Spain Circular 3/2008 until 2013. At present, this is calculated in accordance with Articles 312 to 320 of EU Regulation 575/2013 on prudential requirements for credit institutions.

3.3 Interest rate risk

This is defined as 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.

The interest rate risk exposure derives from the revaluation risk, curve risk, base risk or optionality risk. Specifically, the revaluation risk derives from temporary differences existing at maturity or the review of rates on transactions sensitive to the interest rate risk .

3.3.1 Interest rate risk management strategies and policies

The management of this risk aims to contribute to maintaining current and future performance at adequate levels and preserving the Group's economic value.

The Board of Directors establishes the strategies, policies and limits on the management of this risk, which are documented in the "Interest rate risk management policy and procedures manual" at the suggestion of the Global Risk Committee.

3.3.2 Measurement and control procedures

The Group manages the risk exposure deriving from its portfolio operations, both when they are contracted and throughout their subsequent monitoring, and also includes in its analytical timeline the forecast development of the business and expectations in respect of interest rates, as well as management and hedging proposals, simulating different behavioural scenarios.

The Group's tools enable the effects of interest rate shifts on its net interest income and its economic value to be measured, scenarios to be simulated on the basis of the assumptions concerning the performance of interest rates and business operations and the potential impact on capital and results deriving from abnormal market fluctuations (stress scenarios) to be estimated such that its results are taken into account when establishing and reviewing policies and planning process.

With respect to the optionality risk, basic assumptions are established concerning the sensitivity and duration of the sight savings operations, as maturities are not established contractually, together with the assumptions concerning early repayment on loans, based on historical experience in different scenarios.

Likewise, the effect of interest rate fluctuations on net interest revenue and equity is monitored through the fixing of exposure limits. The limits enable exposure to interest rate risk to be maintained within levels that are compatible with the approved policies.

The sensitivity profile of the Group's balance sheet to interest rate risk at 31 December 2014 and 31 December 2013 is as follows, indicating the carrying value of those financial assets and liabilities affected by such risk, which are classified based on the estimated period elapsing to the date of review of the interest rate or maturity.

Al 31 de diciembre de 2014:

Million euro	Time to the review of the effective interest rate or maturity						
	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Sensitive balance	Insensitive balance	Between 1 and 5 years	More than 5 years
Assets	7,898	10,898	18,245	37,041	20,328	8,919	11,409
Financial assets with fixed interest rate and other assets without set maturity date	724	308	1,820	2,852	14,635	3,872	10,763
Fixed-rate financial assets hedged by derivatives	655	62	52	769	5,073	4,443	630
Financial assets at variable interest rates	6,519	10,528	16,373	33,420	620	604	16
Liabilities	12,587	5,028	18,401	36,016	21,353	13,896	7,457
Financial liabilities with fixed interest rate and other liabilities without set maturity date	7,506	2,658	13,780	23,944	20,353	13,181	7,172
Fixed-rate financial liabilities hedged by derivatives	415	1,432	3,993	5,840	118	(202)	320
Financial liabilities at variable interest rates	4,666	938	628	6,232	882	917	(35)
Difference or gap for the period	(4,689)	5,870	(156)	1,025	(1,027)	(4,977)	
Accumulated difference or gap	(4,689)	1,181	1,025	1,025	(1,027)	(3,952)	–
Average gap	(4,689)	(285)	2,290	537	–	–	–
% of total assets	(8.17)	(0.50)	3.99	0.94	–	–	–

At 31 December 2013:

	Time to the review of the effective interest rate or maturity						
	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Sensitive balance	Insensitive balance	Between 1 and 5 years	More than 5 years
Assets	**9,173**	**11,380**	**19,315**	**39,868**	**18,837**	**7,411**	**11,426**
Financial assets with fixed interest rate and other assets without set maturity date	852	(24)	1,375	2,203	18,349	6,929	11,420
Fixed-rate financial assets hedged by derivatives	721	111	56	888	(4)	–	(4)
Financial assets at variable interest rates	7,600	11,293	17,884	36,777	492	482	10
Liabilities	**13,089**	**7,789**	**16,028**	**36,906**	**21,799**	**15,373**	**6,426**
Financial liabilities with fixed interest rate and other liabilities without set maturity date	6,152	4,631	11,512	22,295	21,573	15,365	6,208
Fixed-rate financial liabilities hedged by derivatives	1,254	1,279	4,477	7,010	(219)	(431)	212
Financial liabilities at variable interest rates	5,683	1,879	39	7,601	445	439	6
Difference or gap for the period	**(3,916)**	**3,591**	**3,287**	**2,962**	**(2,962)**	**(7,962)**	**5,000**
Accumulated difference or gap	**(3,916)**	**(325)**	**2,962**	**2,962**	**(2,962)**	**(5,000)**	**–**
Average gap	(3,916)	(1,223)	3,415	1,294	–	–	–
% of total assets	(6.67)	(2.08)	5.82	2.21	–	–	–

Sensitive balances are those maturing, or repriced, within the coming twelve months. This period is established as a reference for the quantification of the impact of the variation in interest rates on the Group's annual net interest income.

The Gap shown in the table represents the difference between sensitive assets and liabilities in each period, i.e. the net balance exposed to price fluctuations. The average Gap for the period is €537 million, 0.94% of assets (€1,294 million, 2.21% of assets at 31 December 2013).

Using data at 31 December 2014 the impact on the Bank's net interest income in the event of a 200 basis point rise in interest rates is €12.3 million, representing 2.03% of net interest income for the next 12 months; in the event of a decrease of 200 basis points it is €-47.1 million euros, representing -7.81% of net interest income for the coming 12 months (in December 2013, €19.4 million and 3.41% in the event of an increase and €-54.3 million and -9.56% in the event of a decrease), assuming that the size and structure of the balance sheet remain unchanged and interest rate shifts take place instantaneously and are equal at all points on the curve.

The impact on the Group's economic value in the event of a 200 basis point rise in interest rates amounts to €-49 million, -0.85% with respect to its equity value, and in the event of a 200 base point fall, €-71 million, -1.23% with respect to its equity value (in December 2013, €-26 million and -0.49% in the event of an increase and €236 million and 4.34% in the event of a decrease), assuming that the size of the balance sheet remains unchanged.

3.4 Liquidity risk

This is defined as the possibility of incurring losses because of not having or not being able to access sufficient liquid funds to settle payment obligations.

3.4.1 Liquidity risk management strategies and policies

The management and control of the liquidity risk are governed by principles of financial autonomy and balance sheet equilibrium, ensuring the continuity of the business and that there is sufficient liquidity available to meet payment commitments (i.e. the settlement of liabilities on their respective maturity dates) without undermining the capacity to respond to strategic market opportunities.

The Board of Directors establishes the strategies, policies and limits on the management of liquidity risk, which are documented in the "Liquidity risk management policy and procedures manual" at the suggestion of the Global Risk Committee.

The strategies for winning funds in retail segments and the use of alternative sources of short and long-term liquidity have enabled the Group to have the necessary resources to address demand for solvent credit fuelled by business activities and to secure cash positions within the management limits contained in the liquidity manual.

3.4.2 Measurement and control procedures

Liquidity risk is measured taking into account estimated cash flows for assets and liabilities and additional guarantees or instruments which are available to ensure alternative sources of liquidity if such proves necessary.

It also includes the forecast development of the business and expectations in respect of interest rates, as well as management and hedging proposals, simulating different behavioural scenarios. These procedures and analysis techniques are revised as frequently as is necessary to ensure that they function efficiently.

Short, medium and long-term forecasts are prepared in order to know financing needs and limit compliance, taking into account the latest macroeconomic tendencies because of their impact on the performance of assets and liabilities on the balance sheet, and contingent liabilities and derivative products. Similarly, the liquidity risk is controlled by setting exposure limits within levels compatible with the policies approved.

Furthermore, the Group is ready to tackle potential crises, both internal and in the markets, with contingency plans and procedures which guarantee sufficient liquidity with the lowest possible cost in adverse scenarios, estimating how the most significant variables will behave, establishing a series of alerts in the face of anomalous market situations and planning the obtainment of funds during the recession.

At 31 December 2014 the Group's available liquidity amounts to €12,785 million while issuance capacity amounts to €6,567 million. Total available liquidity therefore amounts to €19,352 million, which is €1,999 million more than at the previous year end. Wholesale maturities during the year amounted to €1,589 million (nominal), arranged through ordinary bonds (€35 million), Government-backed ordinary bonds (€494 million), mortgage covered bonds and territorial bonds (€894 million) and securitisation bonds held by third parties (€143 million). In addition, buybacks of treasury shares have taken place amounting to €73 million, arranged through securitisation bonds, subordinated debt and preference shares for €11 million.

Ibercaja Banco has a credit facility with the European Central Bank which includes pledged assets with a discountable value of €9,581 million at 31 December 2014, of which €4,790 has been drawn down. Therefore, bearing in mind accrued interest of €58 million, the available balance amounts to €4,732 million, which can be accessed to meet the Group's liquidity needs.

The Group has various sources of funding in addition to the above facility. These include the broad base of retail deposits amounting to €30,356 million, of which 80% relate to stable balances. In addition, we can mention financing with securities collateral amounts to €8,570 million, of which €2,709 million has been arranged with central counterparty entities, wholesale issuances of €7,330 million characterised by the diversification in maturity dates, deposits at Group financial institutions totalling €2,729 million and other customer deposits amounting to €1,455 million, among others.

The Group's balance sheet does not reflect any significant liquidity risk concentrations as regard assets or sources of funding.

In relation to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with terms that trigger reimbursement depending on downgrades in the Bank's credit rating, such that €381.5 million would be affected by a one-step rating downgrade.
- Liability derivatives of €465 million, which have required the provision of additional guarantees of €560 million and asset derivatives of €377 million for which additional guarantees of €358 million have been received.
- Financing with securities collateral of €3,141 million, which has required the contribution of additional guarantees of €194 million in cash and €25 million in public debt.

Ibercaja Banco has entered into framework netting agreements with all entities with which it operates in derivatives; its signature is a prerequisite for entities with which such operations are to be initiated. Ibercaja Banco has also concluded guarantee agreements with the main national and international counterparties in the derivative markets in which it operates.

Set out below is a breakdown of available liquidity:

Thousand euro	2014	2013
Cash on hand and on deposit at central banks	435,066	499,316
Available under policy	4,732,432	4,769,818
Eligible assets outside policy	7,195,103	5,192,752
Other marketable assets not eligible for Central Bank	422,472	199,540
Accumulated available balance	12,785,073	10,661,426

At 31 December 2014 the mortgage covered bond issue capacity amounts to €6,567,346 thousand (€6,692,425 at 31 December 2013).

Set out below is a breakdown by period of the contractual maturities of assets and liabilities (liquidity gap) at 31 December 2014 and 2013:

Thousand euro	On demand	Up to one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Loans and advances to credit institutions	69,131	28,017	44,319	565	14,544	183,611	**340,187**
Loans to other financial institutions	–	27,045	315	1,642	870	856	**30,728**
Temporary acquisitions of securities and security loans	–	–	–	–	–	–	**–**
Loans (including overdue, doubtful, non-performing and foreclosed)	–	29,683	698,351	2,248,058	7,538,403	27,132,569	**37,647,064**
Liquidation of securities portfolio	–	246,540	444,956	2,319,182	5,746,926	5,854,102	**14,611,706**
Hedging derivatives	–	162	37,355	133,363	253,650	51,834	**476,364**
Trading derivatives	–	–	–	8,826	25,470	7	**34,303**
Net interest income	–	143,846	38,202	314,808	–	–	**496,856**
Total at 31 December 2014	69,131	475,293	1,263,498	5,026,444	13,579,863	33,222,979	53,637,208
Total at 31 December 2013	193,245	1,775,010	1,102,575	4,546,339	15,392,571	33,929,923	56,939,663
Liabilities							
Wholesale issues	–	24,207	409,241	1,105,482	3,157,542	2,633,712	**7,330,184**
Deposits from credit institutions	2,925	57,473	31,251	39,500	3,500	–	**134,649**
Deposits from other financial institutions and bodies	394,135	71,536	129,507	1,234,129	962,159	70,875	**2,862,341**
Deposits from large non-financial companies	–	–	–	–	–	–	**–**
Financing other customers	14,727,758	1,122,934	1,953,013	9,299,792	4,705,941	1,075	**31,810,513**
Funds for intermediary lending	43	–	–	–	597,448	–	**597,491**
Financing with securities collateral	–	3,582,735	3,335,636	629,229	1,022,021	–	**8,569,621**
Other net outflows	851	30,011	67,734	295,445	16,012	47,972	**458,025**
Hedging derivatives	–	741	23,072	51,400	291,510	224,058	**590,781**
Loans arranged pending disbursement	–	196,506	–	–	–	–	**196,506**
Commitments available with third parties	2,087,661	–	–	–	–	–	**2,087,661**
Financial guarantees issued	–	3,513	–	49	9,161	13,304	**26,027**
Total at 31 December 2014	17,213,373	5,089,656	5,949,454	12,655,026	10,765,294	2,990,996	54,663,799
Total at 31 December 2013	16,505,486	3,456,751	4,633,947	11,486,357	17,155,094	3,775,578	57,013,213
Gap 2014	(17,144,242)	(4,614,363)	(4,685,956)	(7,628,582)	2,814,569	30,231,983	
Gap 2013	(16,312,241)	(1,681,741)	(3,531,372)	(6,940,018)	(1,762,523)	30,154,345	
Accumulated gap							
(without at sight savings account) 2014	–	(4,614,363)	(9,300,319)	(16,928,901)	(14,114,332)	16,117,651	
Accumulated gap							
(without at sight savings account) 2013	–	(1,681,741)	(5,213,113)	(12,153,131)	(13,915,654)	16,238,691	

Includes maturities of the principal and interest and no new business hypotheses are assumed.

Maturity of demand deposits has been included in the first time band although this is not contractually established and therefore in practice cash outflows are distributed throughout all time bands.

Financing for other customers includes the implicit derivative in structured deposits.

Loan commitments amount to €2,087,661 thousand (€2,833,160 thousand at 31 December 2013). Although these commitments are immediately available to customers and therefore are treated as "demand" items, under IFRS 7 in practice the cash outflows are allocated over all the time-periods.

With respect to the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily represent a real disbursement obligation or liquidity needs, which will depend on the fulfilment of the conditions requiring the disbursement of the guarantee amount committed by the Group.

The Group only expects cash outflow in relation to financial guarantee contracts classified as doubtful or substandard. The amount which is expected to be paid under such contracts is reflected under Provisions for contingent risks and commitments (Note 12) in the amount of € 26,027 thousand (€22,382 thousand at 31 December 2013).

The following tables set out the maturities of long-term wholesale financing.

At 31 December 2014:

Thousand euro	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Senior debt	–	–	–	–	11,748	–	11,748
Government secured debt	–	–	–	–	–	–	–
Subordinated and preferred	–	–	–	–	506,216	–	506,216
Mortgage and territorial bonds and covered bonds	–	–	398,333	1,051,474	2,339,025	1,942,136	5,730,968
Securitisation	–	23,987	10,907	54,008	300,554	691,576	1,081,032
Promissory notes and deposit certificates	–	220	–	–	–	–	220
Wholesale issues	–	24,207	409,240	1,105,482	3,157,543	2,633,712	7,330,184
Long-term financing with securities collateral	–	972,710	2,900,000	–	917,290	–	4,790,000
Period maturities	–	996,917	3,309,240	1,105,482	4,074,833	2,633,712	12,120,184
Accumulated maturities	–	996,917	4,306,157	5,411,639	9,486,472	12,120,184	

Wholesale issues net of treasury shares. However, multiple assignor bonds are carried at the gross amount issued while treasury shares are reflected as available liquidity in accordance with Bank of Spain guidelines on preparing LQ statements.

At 31 December 2013:

Thousand euro	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Senior debt	–	–	–	35,393	11,748	–	47,141
Government secured debt	–	–	–	493,600	–	–	493,600
Subordinated and preferred	–	–	–	20,000	429,209	81,253	530,462
Mortgage and territorial bonds and covered bonds	–	–	–	893,866	3,359,199	2,371,771	6,624,836
Securitisation	–	6,942	12,093	61,170	317,632	898,957	1,296,794
Promissory notes and deposit certificates	–	957	2,822	1,426	–	–	5,205
Wholesale issues	–	7,899	14,915	1,505,455	4,117,788	3,351,981	8,998,038
Long-term financing with securities collateral	–	–	–	–	4,790,000	–	4,790,000
Period maturities	–	7,899	14,915	1,505,455	8,907,788	3,351,981	13,788,038
Accumulated maturities	–	7,899	22,814	1,528,269	10,436,057	13,788,038	

Wholesale issues net of treasury shares. However, multiple assignor bonds are carried at the gross amount issued while treasury shares are reflected as available liquidity in accordance with Bank of Spain guidelines on preparing LQ statements.

The diversification policy on timing the maturity of wholesale issues will enable the Group to cover maturities in the next few years, with a comfortable equity position. Bearing in mind available liquidity (€12,785 million), the Group could cover all long-term wholesale financing maturities (€7,330 million). In addition, the Group has an issuance capacity of €6,567 million (total available liquidity of €19,352 million).

3.5 Exposure to other risks

3.5.1 Exposure to market and counterparty risk

3.5.1.1 Market and counterparty risk management strategies and policies

a) Market risk

This is defined as the possibility of incurring losses on positions held in the market resulting from an adverse movement in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) which determine the value of such positions.

The Group manages market risk with the aim of achieving a suitable financial return in relation to the risk assumed, bearing in mind certain levels of overall exposure, exposure due to types of segmentation (portfolios, instruments, sectors, subjects, ratings), portfolio structure and profitability/risk objectives. In the management and control of this risk, sensitivity analyses and stress scenario simulations are applied to estimate the impact on income and equity.

The Board of Directors establishes the strategies, policies and limits on the management of market risk, which are documented in the "Capital Markets Management Policy Manual" at the suggestion of the Global Risk Committee.

In order to manage the market risk, there are identification, measurement, monitoring, control and mitigation policies as well as operations policies in place for its negotiation, position re-assessment, portfolio classification and measurement, operations settlement, new product approval, broker relations and function delegation.

b) Counterparty risk

This is defined as the possibility that counterparties may default on obligations deriving from financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors establishes the strategies, policies and limits on the management of this risk, which are documented in the "Capital market management policy manual" and "Risk facility manual", at the suggestion of the Global Risk Committee.

In order to manage the counterparty risk, the Group has identification, measurement, monitoring, control and mitigation policies in place. Moreover, the "Risk facility manual" lays down the criteria, methods and procedures for granting risk facilities. limit proposals, formalisation process and documentation of operations and the risk monitoring and control procedures for financial institutions, local corporations and listed and / or classified companies, except for development companies.

Risk facilities are established basically on the basis of the ratings assigned by credit rating agencies, the reports issued by such agencies and the expert analysis of their financial statements.

In order to grant operations related to the counterparty risk (financial institutions, local corporations and listed companies and / or companies rated by rating agencies), the Capital Markets and higher Government Bodies will be responsible for managing the assumption of the risk, taking into account the credit line limits set.

In order to manage, control and measure the counterparty risk, the Group uses specialist tools to analyse the consumption of risks in each product and include the calculation of risks at Group level in a single application.

3.5.1.2 Measurement and control procedures

a) Market risk:

Portfolios exposed to market risk are characterised by their high level of sectorial and geographical diversification and value, their high liquidity and the absence of trading activities. This means that the market risk assumed overall is very small.

Since 2009 the Group follows up on a daily basis the performance of the forecast loss on the management portfolio, given a confidence level of 99% and a 1 or 10 day timeframe as a result of the variations in the risk factors that determine the price of the financial assets through the VaR (value at risk).

The VaR calculation is carried out using different methodologies:

– The parametric VaR relies on the assumption of normality of variations related to risk factors for the calculation of the forecast loss on the portfolio given a confidence level of 99% and a 1 day or 10 day timeframe.

– The parametric VaR (diversified) takes into account the diversification offered by correlating risk factors (interest rates, exchange rates, share prices etc.). It is the standard measure.

– The parametric VaR (not diversified) assumes the absence of diversification between such factors (correlations equal to 1 or –1, as appropriate), and is useful in periods of stress or changes in the correlation of risk factors.

– The Historical Simulation VaR uses the previous year's relative variations in the risk factors to generate scenarios in which the potential portfolio loss is assessed given a confidence level of 99% and a 1 to 10 day timeframe.

– The VaR Shortfall measures, given a VaR calculated at 99% and with a 1 day timeframe, the expected loss with respect to 1% of the worst results beyond the VaR. It provides a measure of losses in the event of a VaR. Break.

– In any event, the impact in absolute terms of the VaR is relativized with respect to equity.

At 31 December 2014 the VaR measurement generates the following values:

Thousand euro

Confidence level :99%	Diversified parametric VaR	Parametric VaR v. Equity	Non-diversified parametric VaR	Non-diversified parametric VaR v. Equity	VaR Historical Simulation	VaR Historical Simulation v. Equity	VaR Shortfall	VaR Shortfall v. Equity
Timeframe: 1 day	(33,188)	1.14%	(55,912)	1.92%	(45,053)	1.55%	(45,053)	1.55%
Timeframe: 10 days	(104,951)	3.61%	(176,811)	6.09%				

The VaR calculation at 31 December 2013 recorded the following values:

Thousand euro

Confidence level :99%	Diversified parametric VaR	Parametric VaR v. Equity	Non-diversified parametric VaR	Non-diversified parametric VaR v. Equity	VaR Historical Simulation	VaR Historical Simulation v. Equity	VaR Shortfall	VaR Shortfall v. Equity
Timeframe: 1 day	(27,231)	1.10%	(43,115)	1.74%	(31,102)	1.25%	(33,643)	1.36%
Timeframe: 10 days	(86,398)	3.48%	(136,343)	5.50%				

During the year, the VaR has varied due to developments in the financial markets and volatile stock market indices and interest rates, remaining on limited levels with respect to equity. The Spanish risk premium has dropped to around 100 points, reflecting an improvement in economic recovery expectations.

Similarly and complementing the VaR analysis, stress tests have been performed analysing the impact of different risk factor scenarios on the value of the portfolio being measured. All this information is set out in daily reports.

b) Counterparty risk

The limits authorised by the Board of Directors are established by volume of investment and include the overall exposure limits and individual limits to investment by issuer.

In addition, legal limits on concentration and major exposures are complied with under EU Regulation 575/2013.

Monitoring systems ensure that the risks assumed are at all times within the established limits. They incorporate the review of news bulletins on entities assigned a specific risk, the analysis of financial statements, controls of changes in ratings, and monitoring of risk consumed by Spanish companies and risks assumed with credit entities.

The counterparty risk mitigation techniques include framework netting contracts, guarantee contracts, the reduction of portfolios in the event of adverse lending events, the reduction in risk facilities, in the event of a fall in rating or negative news from a company and the specific follow-up of companies' financial information.

With those entities with which it is agreed to compensate risks and there is an agreement to provide guarantees, in accordance with Bank of Spain requirements, the risk may be computed at the resulting net position.

3.5.2 Foreign exchange risk management

This is defined as the possibility of incurring losses deriving from adverse shifts in the exchange rates of the currencies in which the Group's assets, liabilities and off-balance sheet operations are denominated .

The Group maintains no positions of a speculative nature in foreign currency. Nor are there any material positions in foreign currency of a non-speculative nature.

The Group's policy is to limit this type of risk, mitigating it at the time it arises through the arrangement of symmetric asset and liability operations or through financial derivatives enabling them to be hedged.

3.5.3 Sovereign debt exposure

Set out below is information concerning sovereign debt exposure, including all positions with public institutions, at 31 December 2014 and 2013:

- Breakdown of carrying value of exposure by country:

Thousand euro	2014	2013
Spain	16,162,220	13,248,309
Italy	860,665	511,620
Portugal	108,882	1,082
France	30,950	15,952
Rest	28,923	4,645
Total	**17,191,640**	**13,781,608**
of which: the insurance company	4,110,657	3,268,434

- Breakdown of carrying value of exposure by portfolio in which the assets are reflected:

Thousand euro	2014	2013
Financial liabilities held for trading	436	604
Available-for-sale financial assets	12,437,345	4,731,811
Loans and receivables	866,810	948,894
Held-to-maturity investments	3,887,049	8,100,299
Total	17,191,640	13,781,608
of which: the insurance company	4,110,657	3,268,434

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

- Breakdown of term to maturity of exposure by portfolio in which the assets are reflected:

Thousand euro	2014					
	Up to 3 months	Between 3 months and 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial assets held for trading	85	164	101	19	67	436
Available-for-sale financial assets	102,463	604,326	2,836,237	1,827,660	7,066,659	12,437,345
Loans and receivables	24,313	87,658	75,565	148,292	530,982	866,810
Held-to-maturity investments	552,902	1,229,290	2,000,498	41,005	63,354	3,887,049
Total	679,763	1,921,438	4,912,401	2,016,976	7,661,062	17,191,640
of which: the insurance company	40,937	205,781	672,005	745,915	2,446,019	4,110,657

Thousand euro	2013					
	Up to 3 months	Between 3 months and 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Financial assets held for trading	69	429	50	-	56	604
Available-for-sale financial assets	80,100	466,458	1,645,707	703,948	1,835,598	4,731,811
Loans and receivables	37,162	170,386	91,561	194,767	455,018	948,894
Held-to-maturity investments	149,969	1,307,368	3,369,030	1,605,741	1,668,191	8,100,299
Total	267,300	1,944,641	5,106,348	2,504,456	3,958,863	13,781,608
of which: the insurance company	56,227	171,091	585,831	585,519	1,869,766	3,268,434

- Other disclosures
  - Fair value. The fair value of the instruments recognised as held for trading and available for sale agrees with the aforementioned carrying value. The fair value of the held to maturity portfolio is detailed in Note 26.

    Note 26 sets out the methodology used to value loans and discounts. It should be noted that the fair value detailed does not significantly differ from carrying value. Except for loans and discounts, the remaining fair value associated with the sovereign risk is calculated through level 1 valuation techniques (a description is set out in Note 26).
  - A 100 basis point variation in the interest rate would have an effect of 3.02% on fair value (2.43% in 2013).
  - Non-performing assets with public institutions total €9,459 thousand (€5,675 thousand at 31 December 2013), as indicated in Note 10.5. The Group considers that the remaining exposure is not impaired given that the requirements set out in Note 2.3 are not met.

3.5.4 Reputational risk management

This is defined as 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.

The Group has a Regulatory Compliance Unit to ensure and supervise compliance with the principle regulations applicable to it on its regulated activities such as those relating to the prevention of money laundering and terrorism financing, investor protection in the marketing of financial instruments and the provision of investment services (MIFID), Internal Rules of Conduct in Securities Markets, legislation on suspected market abuse, etc.

3.6 Risk control

The control of risks is a fundamental element in the internal control system of a credit institution since such risks, basically financial and operational, are inherent in the financial products and services of which its activity is made up.

The Group has risk control systems in place based on:

- The Global Risk Committee which defines and carries out the follow-up of the Group's risk strategy and policies.
- Procedures for the identification and measurement of risks, permitting their monitoring and control.
- A structure of limits for the main counterparties, instruments, markets and terms which is subject to the approval of the Board of Directors on an annual basis, in order to define prudent policies and avoid risk concentrations. A hierarchical structure of authorisations for the granting or assumption of risk on the basis of the amount and nature thereof.

- Direct controls distributed over the various decision-making levels, to ensure that transactions are carried out in accordance with the authorised terms.
- A Risk Control Unit, independent of business management, which verifies, among other issues, compliance with the risk limits approved by the Board of Directors or others set by the Global Risk Committee, and reports regularly to Senior Management.
- A Regulatory Compliance Unit, included in the Risk Control function, that supervises compliance with certain legal rules governing some of the Group's activities in order to minimise the penalties and loss of reputation which non-compliance may bring about.
- The Internal Audit area reviews the adequate functioning of risk control systems, also verifying compliance with established policies, procedures and internal rules, and reporting to a committee at management level, which adopts such decisions as may be necessary to correct the weaknesses or mitigate the weaknesses observed. Information is also provided concerning the annual internal audit planning and the most relevant conclusions obtained, to the relevant Group governing bodies.
- The Board of Directors' Audit and Compliance Committee, whose competencies include supervising the internal control system, internal audit and risk management systems, among other areas, and for regularly revising them so that the main risks may be adequately identified, managed and disclosed.
- The Major Risks and Solvency Committee, whose competencies include the analysis and evaluation of proposals concerning the Group's risk strategy and policies to submit them for the approval of the Bank's Board of Directors, monitor the suitability of risks assumed to the established risk profiles and to yield expectations in relation to the risks incurred, submit to the Bank's Board of Directors the proposals it deems necessary or advisable in order to bring the Group's risk management into line with best practices and monitor the Bank's solvency levels and propose actions it deems advisable to improve said levels.

4 Distribution of results

The distribution of Ibercaja Banco, S.A.'s profits that the Board of Directors will propose to the General Shareholders' Meeting for approval and the proposal approved for 2013 are detailed below:

Thousand euro	2014	2013
Distribution		
To dividends:	–	–
To reserves		
Legal reserve	*7,122*	–
Reserve for goodwill	*6,403*	–
Prior-year losses(*)	*57,691*	*(39,523)*
Profit/(loss) for the year	71,216	(39,523)

(*) The profit for 2013 that figures in the above table does not coincide with the figure reflected as a comparative balance in the income statement due to the effect of the change in accounting policy mentioned in Note 1.12.1.

5 Information on the Board of Directors and Senior Management

Pursuant to Bank of Spain Circular 4/2004, "key administration and management personnel" of Ibercaja Banco, (understood as those persons with authority and responsibility for planning, managing and controlling the company's activities, directly or indirectly), comprise the members of the Board of Directors and Senior Management. Due to their positions these persons are regarded as "related parties" and as such are subject to the disclosure requirements described in the present Note.

Related parties also include the persons with whom "key management personnel" maintain certain family or personal relations, and also controlled companies having significant influence or major voting power belonging to key personnel or members of their families. Transactions between Ibercaja Banco Group and related parties are disclosed in Note 42.

5.1 Remuneration of the Board of Directors

The table below sets out a breakdown of the remuneration accrued by the members of the Company's Board of Directors, solely in their capacity as Directors, in respect of per diems for attendance and travel to Board meetings and remuneration for their membership of Board committees, as well as meetings of the governing bodies of Group companies, during 2014 and 2013:

Thousand euro		2014	2013
Amado Franco Lahoz	Chairman	36.3	21.9
José Luis Aguirre Loaso (*)	1st Deputy Chairman and CEO	32.5	23.9
Francisco Manuel García Peña	2nd Deputy Chairman	18.7	17.6
Alberto Palacio Aylagas (**)	Board Member	–	2.8
Eugenio Nadal Reimat (***)	Board Member	32.8	26.1
Jesús Bueno Arrese	Board Member	79.4	29.7
Manuel Pizarro Moreno	Board Member	–	–
Miguel Fernández De Pinedo López (*)	Board Member	–	89.3
Gabriela González–Bueno Lillo	Board Member	80.6	4.9
Jesús Solchaga Loitegui	Board Member	15.4	4.9
Juan María Pemán Gavín	Board Member	27.3	8.4
Vicente Eduardo Ruiz de Mencía	Board Member	–	1.4
Vicente Condor López (****)	Board Member	19.6	–
Jesús Barreiro Sanz (*****)	Secretary and Board Member	5.6	–

(*) Víctor Iglesias Ruiz was appointed Chief Executive Officer on 28 January 2015, replacing José Luis Aguirre Loaso.
(**) Directors of the Company who resigned from the Board during 2013.
(***) Director of the Company who resigned from the Board on 1 October 2014.
(****) Company director appointed on 27 January 2014.
(*****) Company director appointed on 11 November 2014.

The Entity has not undertaken any commitments with respect to pensions with any current or former member of the Board of Directors by reason of their Board membership.

5.2 Senior Management's remuneration

For the purposes of preparing these financial statements, Senior Management has been considered to consist of the members of the Governing Bodies in their capacity as managers (Chairman and CEO) and the 16 employees (same number in 2013) forming part of the management team of Ibercaja Banco, S.A., identified in the Economic and Activity Report, who have held the positions of Assistant Managing Directors, Assistant General Managers and Assistant Managers during the financial year.

Two persons joined Senior Management during 2014. This section also includes remuneration received by Senior Executives even if they have performed their services during the full year.

The following table sets out the remuneration accrued by the Company in favour of Senior Management:

No remuneration with respect to pensions or life insurance premiums for former members of Senior Management has been recorded during the year.

5.3 Directors' duty of loyalty

At 31 December 2014, in relation to the requirements of Articles 229 and 230 of the Spanish Companies Act 2010, the members of Ibercaja Banco's Board of Directors and persons related to them as referred to in Article 231 of that Act have confirmed that they do not engage in any activities for their own or a third party's account which involve any current or potential competition with the Company or which otherwise place them in a permanent state of conflict with the Company's interests.

The Annual Corporate Governance Report which forms part of the accompanying Directors' Report provides details of all situations of conflict of interest that have arisen during the year.

Thousand euro	Short-term compensation		Post-employment benefits		Total	
	2014	2013	2014	2013	2014	2013
Senior management	3,527	3,245	354	352	**3,881**	**3,597**

6 Cash and deposits with central banks

This heading on the consolidated balance sheets at 31 December 2014 and 2013 breaks down as follows:

Thousand euro	2014	2013
Cash	191,816	199,917
Deposits at the Bank of Spain	242,453	298,559
Deposits at other central banks	811	813
Valuation adjustments	9	42
	435,089	499,331

The average effective interest rate on debt instruments classified in this portfolio during 2014 has been 0.11% (0.36% in 2013).

7 Asset and liability trading portfolios

7.1 Composition of the balance and the maximum credit risk - debtor balances

Set out below is a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by geographical area, class of counterparty and type of instrument:

Thousand euro	2014	2013
Geographical area		
Spain	35,163	24,676
Other European Union countries	9,709	7,571
Rest of the world	10,960	4,579
	55,832	36,826
Counterparty category		
Credit institutions	51,245	26,971
Resident public administrations	436	595
Non-resident public administrations	–	9
Other resident sectors	3,627	9,251
Other non–resident sectors	524	–
	55,832	36,826
Instrument type		
Debt securities	959	890
Derivatives not traded on organised markets	54,873	35,936
	55,832	36,826

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

The average effective interest rate on debt instruments classified in this portfolio during 2014has been 3.60% (3.94% in 2013).

7.2 Breakdown of balance - creditor balances

Set out below is a breakdown of the financial liabilities included in this category at 31 December 2014 and 2013, classified by geographical area, class of counterparty and type of instrument:

Thousand euro	2014	2013
Geographical area		
Spain	43,061	26,429
Other European Union countries	5,137	1,097
Rest of the world	264	20
	48,462	**27,546**
Counterparty category		
Credit institutions	48,462	24,933
Other resident sectors	–	2,613
	48,462	**27,546**
Instrument type		
Derivatives not traded on organised markets	48,462	27,546
Of which: embedded derivatives segregated from hybrid financial instruments	*33,816*	*18,249*
	48,462	**27,546**

7.3 Traded financial derivatives

Traded financial derivatives break down as follows at 31 December 2014 and 2013 by product type, fair value and notional value:

Thousand euro	Fair value			
	Balances receivable		Balances payable	
	2014	2013	2014	2013
Unexpired foreign exchange forward purchases/sales	–	547	506	1
Index/securities options	33,614	17,305	33,288	16,970
Interest-rate options	1,125	1,747	1,760	1,984
Other interest rate transactions	20,134	16,337	12,908	8,591
Interest rate swaps (IRS)	20,134	16,337	12,908	8,591
	54,873	**35,936**	**48,462**	**27,546**

Thousand euro	Notional amount	
	2014	2013
Unexpired foreign exchange forward purchases/sales	48,981	52,609
Securities options/ indexes	1,394,700	667,740
Interest-rate options	100,711	122,980
Embedded derivatives on securities /indexes	1,357,785	650,296
Other interest rate transactions	657,654	696,461
Embedded interest rate derivatives	95,538	106,839
Derivatives, wholesale market	483,238	476,055
Distribution of derivatives	78,878	113,567
	3,559,831	2,190,086

In addition to the balances detailed in the table above, the face value of securities options (payables) deriving from the yield guarantee provided by the Group to investment funds it markets at 31 December 2014 totals €1,694,631 thousand (€1,731,230 thousand at 31 December 2013).

8 Other financial assets at fair value through profit or loss

Set out below is a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by geographical area, class of counterparty and type of instrument:

Thousand euro	2014	2013
Geographical area		
Spain	57,127	59,347
Other European Union countries	2,063	9,578
Rest of the world	2,357	–
	61,547	68,925
Counterparty category		
Credit institutions	4,744	10,772
Resident public administrations	3,360	3,542
Other resident sectors	53,443	54,611
	61,547	68,925
Instrument types		
Loans and advances to credit institutions	324	–
Loans and advances to customers	43	–
Debt securities	7,780	13,119
Shares in investment funds	53,400	55,806
	61,547	68,925

In this portfolio, the Group classifies assets (mainly holdings in investment funds) managed jointly with liabilities derived from insurance contracts (unit linked) measured at fair value.

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

9 Available-for-sale financial assets

9.1 Composition of the balance and the maximum credit risk

Set out below is a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by geographical area, class of counterparty and type of instrument:

Thousand euro	2014	2013
Geographical area		
Spain	12,982,359	6,300,838
Other European Union countries	1,218,592	387,401
Rest of Europe	5,217	6,495
Rest of the world	593,535	604,933
Total gross amount	14,799,703	7,299,667
(Impairment losses)	(21,423)	(22,526)
Total net amount	14,778,280	7,277,141
Counterparty category		
Credit institutions	1,141,810	1,328,845
Resident public administrations	11,411,005	4,572,426
Non-resident public administrations	1,026,340	159,385
Other resident sectors	852,102	838,280
Other non-resident sectors	368,446	400,731
Total gross amount	14,799,703	7,299,667
Instrument type		
Debt securities	14,275,396	6,709,462
Government debt securities	*11,411,232*	*4,520,296*
Foreign government debt securities	*1,026,326*	*159,385*
Issued by financial institutions	*1,091,946*	*1,270,051*
Other fixed income securities	*745,892*	*759,730*
Other equity instruments:	524,307	590,205
Shares in listed Spanish companies	*142,229*	*153,033*
Shares in unlisted Spanish companies	*259,385*	*332,449*
Shares in listed foreign companies	*101,268*	*78,272*
Shares in unlisted foreign companies	*265*	*6,997*
Shares in investment funds	*21,160*	*19,454*
Total gross amount	14,799,703	7,299,667

All impairment losses detailed in the table above relate to the hedging of the credit risk on debt securities and are reversible.

Impairment losses on equity instruments amount to €64,108 thousand at 31 December 2014 (€62,532 thousand at 31 December 2013). These losses are reflected by reducing the gross amount disclosed above and are irreversible.

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

Equity instruments in the available-for-sale financial asset portfolio the fair value of which cannot be calculated sufficiently objectively are measured at cost net of any impairment calculated under the criteria described in Note 2.3.1. The carrying value of these capital instruments at 31 December 3014 amounted to €94,453 thousand (€145,369 thousand at 31 December 2013). This figure is made up of a considerable number of holdings which are individually not significant. In relation to these instruments, the following should be noted:

- Some of the instruments included in this portfolio are covered by the Term Sheet in which the conditions established by the European Commission for Banco Grupo Cajatres, S.A. due to the capital assistance provided to it are determined. These conditions include measures to divest non-strategic lines of business (Note 1.10.1.2). The remaining holdings may be sold on the basis of market opportunities.
- During 2014 instruments of this kind with a carrying value of €40,868 thousand were sold (€13,280 thousand at 31 December 2013), generating a loss of €5,849 thousand (gain of €2,038 thousand at 31 December 2013).

The average effective interest rate of the debt instruments classified in this portfolio during 2014 was 2.85% (3.62% in 2013), which includes the effect of adjustments to revenues on interest rate risk hedging operations.

9.2 Impaired debt securities

At 31 December 2014 there are impaired debt securities amounting to €20,646 thousand (€22,526 thousand at 31 December 2013), of which €15,000 thousand has fallen due (€7,000 thousand at 31 December 2013).

9.3 Hedging of credit risk and other risks

Movements in impairment losses recorded on credit risk hedges for Debt Securities during 2014 and 2013 are as follows:

Thousand euro	2014	2013
Balance at start of the year	22,526	22,526
Transfer charged to profit for the year	784	224
Reversal of provisions by credit to income	(669)	(60)
Applications	–	–
Exchange differences and other movements	(1,218)	(198)
Balance at the end of the year	21,423	22,526
Of which:		
– Specifically calculated	20,646	22,303

The Entity has analysed possible impairments for all equity instruments classified as available-for-sale financial assets in order to recognise any necessary value adjustments. For these purposes, impairment is deemed to exist when accumulated decreases in market values have taken place continuously over more than 18 months, or by more than 40%.

The analysis has revealed a need to transfer €20,734 thousand to the income statement in 2014 (€32,491 thousand in 2013).

Additionally, in 2014 impairment losses have been recognised on Other equity instruments measured at cost amounting to €15,473 thousand (€13,825 thousand in 2013).

The impairment losses indicated in this note are carried in the consolidated income statement under Impairment losses on financial assets (Other financial instruments not carried at fair value through profit or loss).

10 Loans and receivables

The items making up this balance sheet caption at 31 December 2014 and 2013 are as follows:

Thousand euro	2014	2013
Loans and advances to credit institutions (Note 10.2)	1,160,611	1,367,026
Loans and advances to customers (Note 10.3)	33,830,111	36,820,105
Debt securities (Note 10.4)	642,156	760,216
	35,632,878	38,947,347

10.1 Composition of the balance and maximum credit risk

Set out below is a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by geographical area, class of counterparty and type of instrument:

(Miles de euros)	2014	2013
Geographical area		
Spain	36,888,373	40,707,830
Rest of the world	980,190	516,021
Total gross amount	37,868,563	41,223,851
(Impairment losses)	(2,235,685)	(2,276,504)
Total net amount	35,632,878	38,947,347
Counterparty category		
Credit institutions	1,183,737	1,545,508
Resident public administrations	866,810	948,869
Non-resident public administrations	–	25
Other resident sectors	35,615,586	38,520,597
Other non-resident sectors	202,430	208,852
Total gross amount	37,868,563	41,223,851
Instrument type		
Debt securities	647,351	760,216
Loans and credit	35,720,837	38,049,271
Assets acquired under repurchase agreements	–	984,858
Term deposits at credit institutions	772,188	771,905
Other	728,187	657,601
Total gross amount	37,868,563	41,223,851

The carrying value shown in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for:

- The asset item relating to the present value of fees receivable from financial guarantees, recorded under the caption "Other" (in the breakdown by instrument types) amounts to €1,509 thousand at 31 December 2014 (€2,287 thousand at 31 December 2013). Note 27.1 contains an analysis of the face value of financial guarantees, which reflects the maximum credit risk exposure level.
- The assets transferred to securitisation funds that have not been eliminated from the balance sheet, in accordance with the content of Note 2.8, are reflected under the heading "Loans and credit " (in the breakdown by instrument types) and at 31 December 2014 total €4,519,819 thousand (€5,135,823 thousand at 31 December 2013) and are analysed in Note 27.5. The maximum credit risk exposure is stated at the value of all positions held by the Group in the aforementioned securitisation funds, which total €3,572,225 thousand at 31 December 2014 (€4,094,578 thousand at 31 December 2013). Bonds issued by securitisation funds subscribed by non-Group third parties amount to €1,023,621 thousand at 31 December 2014 (€1,236,005 thousand at 31 December 2013) and are analysed in Note 19.4.

10.2 Loans and advances to credit institutions

The analysis of financial assets included under this heading at 31 December 2014 and 2013 is as follows:

	2014	2013
Demand deposits:	274,324	343,207
Other accounts	274,324	343,207
Term or with advance notice:	776,028	880,613
Fixed-term deposits	772,188	771,905
Assets acquired under repo agreements	–	106,772
Other accounts	3,840	1,936
Other financial assets:	108,028	136,410
Cheques due from financial institutions	1,048	9,733
Cash guarantees provided	9,503	9,250
Clearing houses	29,717	32,306
Other items	67,760	85,121
Impaired assets	–	4,755
Valuation adjustments	2,231	3,230
Total gross amount	1,160,611	1,368,215
(Impairment losses)	–	(1,189)
Total net amount	1,160,611	1,367,026

The average effective interest rate on debt instruments classified in this portfolio during 2014 has been 2.74% (0.92% in 2013).

10.3 Loans and advances to customers

The analysis of financial assets included under this heading at 31 December 2014 and 2013 is as follows:

Thousand euro	2014	2013
Loans and credit	35,720,837	38,049,271
Trade credit	347,374	339,409
Secured loans	26,287,325	28,160,745
Other term receivables	3,712,887	3,890,795
Finance leases	178,168	182,964
Demand loans and other	1,318,501	1,483,818
Impaired assets	3,888,783	4,006,313
Valuation adjustments	(12,201)	(14,773)
Assets acquired under repo agreements	–	878,086
Other financial assets	339,764	168,063
Financial transactions pending settlement	14,581	12,150
Cash guarantees provided	5,535	43,510
Fees on financial guarantees	1,509	2,287
Other items	318,139	110,116
Total gross amount	36,060,601	39,095,420
(Impairment losses)	(2,230,490)	(2,275,315)
Total net amount	33,830,111	36,820,105

At 31 December 2014, the balance in Other items includes €56,282 thousand (€63,315 thousand at 31 December 2013) relating to the present value of the amount pending payment to the Deposit Guarantee Fund due to the extraordinary expense agreed on 30 July 2012 (Note 1.8).

The average effective interest rate on debt instruments classified in this portfolio during 2014 has been 2.07% (2.23% in 2013).

10.4 Debt securities

The analysis of financial assets included under the category Debt securities at 31 December 2014 and 2013 is as follows:

Thousand euro	2014	2013
Debt securities	641,675	760,216
Impaired assets	5,676	–
Total gross amount	647,351	760,216
(Impairment losses)	(5,195)	–
Total net amount	642,156	760,216

The average effective interest rate on debt instruments classified in this portfolio during 2014 has been 1.06% (1.53% in 2013).

10.5 Impaired and substandard assets

Financial assets classified under loans and receivables and regarded as impaired due to the related credit risk at 31 December 2014 and 2013, analysed by the length of time that has elapsed since the oldest unpaid amounts fell due as at the above dates, are as follows:

Thousand euro	Not due	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Balances at 31 December 2014	924,746	323,167	177,605	175,051	2,293,890	3,894,459
Balances at 31 December 2013	944,220	676,299	278,438	336,333	1,775,778	4,011,068

The breakdown of impaired assets by counterparty category is as follows:

Thousand euro	2014	2013
Credit institutions	–	4,755
Resident public administrations	9,459	5,675
Other resident sectors	3,834,818	3,946,420
Other non-resident sectors	50,182	54,218
	3,894,459	4,011,068

Generally, due and receivable assets are not considered to be impaired until they go unpaid for more than 90 days. The breakdown of unimpaired due and receivable assets by counterparty category is as follows:

Thousand euro	2014	2013
Credit institutions	–	70
Resident public administrations	4,556	1,811
Non–resident public administrations	–	25
Other resident sectors	168,422	223,827
Other non–resident sectors	1,256	2,516
	174,234	228,249

Financial assets classified as loans and receivables and regarded as substandard amount to €1,303,346 thousand at 31 December 2014 (€1,609,933 thousand at 31 December 2013).

10.6 Hedging of credit risk

Movements in 2014 and 2013 in measurement adjustments due to impairment and the accumulated amount at the start and end of those years for loans and receivables, are set out below (thousand euro):

Movements in 2014:	Balance at 01/01/2014	Movements reflected in the income statement: Transfers	Movements reflected in the income statement: Recoveries	Applications	Other	Balance at 31/12/2014
Specifically calculated	2,276,211	1,214,641	(901,970)	(255,644)	(97,918)	2,235,320
Calculated in general	–	–	–	–	–	–
Country risk	293	493	(421)	–	–	365
Total impairment losses	2,276,504	1,215,134	(902,391)	(255,644)	(97,918)	2,235,685

Movements in 2013:	Balance at 01/01/2013	Inclusion of Cajatres (*)	Movements reflected in the income statement: Transfers	Movements reflected in the income statement: Recoveries	Applications	Other	Balance at 31/12/2013
Specifically calculated	1,505,263	586,934	1,485,576	(1,175,297)	(70,042)	(56,223)	2,276,211
Calculated in general	–	–	–	–	–	–	–
Country risk	282	–	309	(298)	–	–	293
Total impairment losses	1,505,545	586,934	1,485,885	(1,175,595)	(70,042)	(56,223)	2,276,504

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

Other includes transfers of the provisions for bad debts on credit transactions settled through foreclosure or dation as payment for assets for the total or partial settlement of the debt. As indicated in Notes 2.15 and 2.18 to the consolidated financial statements concerning the recognition of investment property and non-current assets for sale, when the entity acquires an asset through foreclosure or dation in payment, it should be recognised at the carrying amount of the original loan at the most, including the relevant bad debt provisions transferred.

Of the value adjustments for impairment, specifically calculated indicated above, €351,097 thousand relates to adjustments for substandard risks at 31 December 2014 (€389,659 thousand at 31 December 2013).

The impairment adjustments estimated on an individual basis total an accumulated amount of €376,118 thousand at 31 December 2014 (€522,189 thousand at 31 December 2013).

Recoveries for 2013 include the release of impairment losses on ordinary loans recorded in 2012 totalling €614,069 thousand. These losses were recorded as a result of the extraordinary non-recurring requirements derived from Royal Decree-Law 2/2012 and Royal Decree-law 18/2012, the purpose of which was to raise confidence in the Spanish financial sector by performing the requisite write-downs of real-estate assets and financing related to property construction and promotion.

Under the above legislation, these provisions could only be used for specific cover necessary as a result of the subsequent reclassification as doubtful or substandard of any financing classified as normal or the foreclosure or receipt of assets as payment for such debts. Nonetheless, the rule also envisaged that these provisions could be used to cover other assets insofar as they had not been fully applied for the use described above at 31 December 2013 and in accordance with the guidance established by the Bank of Spain on that date.

In this respect, the provisions that were reversed and reassigned to specific coverage in 2013 amounted to €369,726 thousand. The remaining provisions recorded in December 2012, amounting to € 244,343 thousand, were reversed at the end of 2013 and the following provisions were created in the same amount, in accordance with Bank of Spain guidelines:

Thousand euro	
Specific provision for bad debts	191,550
Impairment of foreclosure assets	28,652
Impairment of shareholdings in real-estate companies held by Banco Grupo Cajatres, S.A.U.	24,141
	244,343

The breakdown of impaired assets by counterparty category is as follows:

Thousand euro	2014	2013
Credit institutions	–	1,189
Other resident sectors	2,193,398	2,231,650
Other non-resident sectors	42,287	43,665
	2,235,685	2,276,504

Set out below are the different items recorded in 2014 and 2013 under "Asset impairment losses (net)- Loans and discounts" in the consolidated income statement for those years:

Thousand euro	2014	2013
Impairment losses credited to asset value adjustments	312,743	310,290
Impairment losses credited to assets	13,718	–
Doubtful loans recovered	(4,907)	(974)
	321,554	309,316

The movement in Loans and discounts written off in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Balances at the beginning of the year	419,366	161,237
Acquisition of Cajatres (*)	–	221,272
Additions of assets unlikely to be recovered	255,644	70,042
Additions accrued interest receivable	20,536	4,156
Additions of assets by charge to the income statement	13,718	–
Doubtful loans recovered	(4,907)	(974)
Write-offs accrued interest receivable	(189)	(904)
Other items	(63,619)	(35,463)
Balances at the end of the year	640,549	419,366

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

Accrued interest pending receipt recorded in memorandum accounts and associated with impaired financial assets totalled €148,111 thousand at 31 December 2014 (€115,261 thousand at 31 December 2013).

11 Held-to-maturity investments

11.1 Composition of the balance and the maximum credit risk

Set out below is a breakdown of the financial assets included in this category at 31 December 2014 and 2013, classified by geographical area, class of counterparty and type of instrument:

Thousand euro	2014	2013
Geographical area		
Spain	6,272,410	10,729,172
Other European Union countries	408,273	781,202
Rest of the world	1,000	1,007
Total gross amount	6,681,683	11,511,381
(Impairment losses)	–	–
Total net amount	6,681,683	11,511,381
Counterparty category		
Resident credit institutions	201,841	496,647
Non-resident credit institutions	1,000	1,007
Resident public administrations	3,887,049	7,726,417
Non-resident public administrations	–	373,882
Other resident sectors	2,183,520	2,506,108
Other non-resident sectors	408,273	407,320
Total gross amount	6,681,683	11,511,381
Instrument type		
Government debt	3,887,049	6,448,403
Foreign government debt	–	372,811
Debt issued by European Stability Mechanism (Notes 1.10.1.4 and 19.5)	407,239	407,320
SAREB bonds (Note 1.10.1.3)	2,173,358	2,216,442
Other fixed income securities	214,037	2,066,405
Total gross amount	6,681,683	11,511,381

In the first half of 2014 the Group sold assets classified in the investments held to maturity portfolio for a nominal aggregate value of €2,985 million, generating a profit of €380 million. The objective of this decision was to strengthen the Group's equity following the acquisition of Banco Grupo Cajatres, S.A.U. within the framework of the new solvency requirements.

The sales were made in accordance with accounting legislation, which envisages situations in which such sales can be made without raising any doubts about the Company's intention to maintain the rest of the held-to-maturity portfolio, and are attributable to a one-off, non-recurring event which could not reasonably have been foreseen by the Company.

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

The average effective interest rate on debt instruments classified in this portfolio during 2014has been 1.38% (3.94% in 2013).

11.2 Overdue and impaired assets

There are no overdue or impaired assets in this portfolio at 31 December 2014 and 2013.

12 Hedging derivatives (receivable/payable) and fair-value changes of hedged items in portfolio hedges of interest rate risk

12.1 Hedging derivatives

Financial derivatives designated as hedging instruments in hair-value hedging operations break down as follows by product type, fair value and notional value at 31 December 2014 and 2013:

Thousand euro	Fair value			
	Balances receivable		Balances payable	
	2014	2013	2014	2013
Options	–	2,661	253,436	205,563
Stock options	–	1,486	–	815
Share swaps	–	1,175	–	1,620
Interest-rate options	–	–	253,436	203,128
Other interest rate transactions	496,506	516,382	351,476	91,901
Interest rate swaps (IRS)	496,506	516,382	351,476	91,901
	496,506	519,043	604,912	297,464

The carrying value figuring in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for the asset derivatives contracted for which there are netting or compensation agreements in place and which are also covered by a collateral agreement which consists of formalising deposits in an amount equivalent to the net fair value of the derivative transactions, such that in the event of any default affecting the derivative obligations by one of the parties, the other party does not have 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 fulfilled. The carrying value of financial instruments covered by these agreements and the deposits payable and receivable generated with the counterparties are as follows:

Thousand euro	Financial instruments subject to offset agreements	
	2014	2013
Assets resulting from derivatives	499,122	510,420
Liabilities resulting from derivatives	586,992	259,529

Thousand euro	Deposits subject to derivative offset agreements	
	2014	2013
Deposits recognised under assets	495,730	230,620
Deposits recognised under liabilities	358,181	410,024

Almost all fair value hedges obtained by the Group are for the purpose of hedging the risk of changes in the fair value of asset and liability debt instruments issued at a fixed rate of interest, in the event of changes in the interest rate of reference. This risk involves an increase in the fair value of financial liabilities should the interest rate of reference decline, and a decrease in the fair value of financial assets if the rate should increase. To mitigate this risk the Group obtains mainly financial swaps, whose value varies in line and symmetrically with the changes in the value of the hedged items.

The following table contains details regarding the face value of hedges, set out by hedged and hedging items:

Thousand euro	2014	2013
Hedging item	13,723,213	10,969,259
Stock options	–	170,600
Interest-rate options	2,672,423	2,672,423
Interest rate swaps (IRS)	11,050,790	8,025,567
Share swaps	–	100,669
Hedged item	13,723,213	10,969,259
Customer transactions	5,153,540	5,219,011
Debenture loans	3,317,229	4,757,905
Fixed interest	5,252,444	992,343

12.2 Adjustments of financial assets and liabilities due to macro-hedges

As explained In Note 2.4, gains or losses arising from changes in fair value of interest-rate risk relating to financial instruments which are efficiently covered in fair-value macro-hedging operations are credited or debited to this heading on the consolidated balance sheet.

Fair-value changes of hedged items (assets and liabilities) in portfolio hedges of interest rate risk are as following at 31 December 2014 and 2013:

Thousand euro	Fair value			
	Balances receivable		Balances payable	
	2014	2013	2014	2013
Mortgage loans	128,991	40,135	–	–
Financial liabilities	–	–	6,668	6,474
	128,991	40,135	6,668	6,474

Concerning the assets affected by macro-hedges, in 2012 Banco Grupo Cajatres, S.A.U. entered into an interest-rate option agreement under which, during the period 2013-2026, it shall pay, over and above the relevant face value in each period, the positive difference between the floor rate and the 12-month Euribor rate (or zero if the difference is negative). The initial face value and maximum value of the option is €2,672 million and covers any change in value of the implicit floor rate in the migrate loans against interest rate fluctuations.

The nominal value of financial liabilities covered amounted to €117,564 thousand at 31 December 2014 (€456,884 thousand at 31 December 2013).

13 Non-current assets held for sale

At 31 December 2014 and 2013 the balances in this caption on the consolidated balance sheets were as follows:

Thousand euro	2014	2013
Foreclosure assets	1,001,226	960,342
Other assets	80,486	35,162
Total gross amount	1,081,712	995,504
(Impairment losses)	(349,087)	(352,962)
Total net amount	732,625	642,542

Other assets at 31 December 2014 includes the holding in EBN Banco de Negocios, S.A. On 28 November 2014, together with the other shareholders, Ibercaja Banco, S.A. signed an agreement to sell all its shares in EBN Banco de Negocios, S.A. for €11,875 thousand. This price has not had a significant impact on the Company's income statement. The agreement is contingent on the obtention of the requisite administrative authorisations, which at the year-end had yet to be obtained.

Movements in this consolidated balance sheet heading in 2014 and 2013 are as follows:

Thousand euro	Foreclosure assets	Other assets	Total
Cost			
Balances at 1 January 2013	823,178	23,214	846,392
Acquisition of Cajatres (*)	91,433	9,205	100,638
Additions	97,678	–	97,678
Disposals due to sales or through other means	(73,818)	–	(73,818)
Other transfers and other movements	21,871	2,743	24,614
Balances at 31 December 2013	960,342	35,162	995,504
Additions	135,140	–	135,140
Disposals due to sales or through other means	(116,925)	–	(116,925)
Other transfers and other movements	22,669	45,324	67,993
Balances at 31 December 2014	1,001,226	80,486	1,081,712
Impairment losses			
Balances at 01 January 2013	(279,357)	(232)	(279,589)
Acquisition of Cajatres (*)	(31,778)	–	(31,778)
Transfer charged to profit for the year	(79,457)	–	(79,457)
Recovered amount credited to profit	10,929	–	10,929
Applications and other movements	26,933	–	26,933
Balances at 31 December 2013	(352,730)	(232)	(352,962)
Transfer charged to profit for the year	(48,089)	–	(48,089)
Recovered amount credited to profit	15,387	–	15,387
Applications and other movements	38,235	(1,658)	36,577
Balances at 31 December 2014	(347,197)	(1,890)	(349,087)
Net non-current assets held for sale			
Balances at 31 December 2013	607,612	34,930	642,542
Balances at 31 December 2014	654,029	78,596	732,625

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

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 website 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 most non-current assets held for sale 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 situation of the market.

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.

Loans granted during the year to finance sales of this type of assets amount to €51,344 thousand (€56,646 thousand at 31 December 2013) and the accumulated amount of loans granted is €248,407 thousand (€197,063 thousand at 31 December 2013).

At 31 December 2014 the average sales percentage financed for the purchaser amounts to 67.77% (69.28% at 31 December 2013).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance valued by an independent valuer is indicated.

Thousand euro	Carrying value		Of which: valued by an independent valuer	
	2014	2013	2014	2013
Non-current assets held for sale	1,081,712	995,504	1,013,625	963,226
Residential	970,105	921,674	943,447	918,877
Industrial	80,625	54,253	54,262	27,995
Agricultural	15,916	19,577	15,916	16,354
Other	15,066	–	–	–

The fair value calculated by an independent valuation company for the assets amounts to €1,244,072 thousand at 31 December 2014 (€1,040,832 thousand at 31 December 2013).

The valuations are on Level 2 in the fair value hierarchy.

The valuations of foreclosed assets were practically all performed in the last three years by valuation companies and agencies that have a recognised professional capacity and recent experience in the location and category of the assets subject to valuation . Most valuations were performed by Tasaciones Hipotecarias S.A., Gesvalt Sociedad de Tasación, S.A. and UVE Valoraciones, S.A.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. The residual method has been used to value land, the discounted cash flow method for assets for rent and the comparable method for housing. 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.).

14 Investments

14.1 Investments in associates

Investments in associates break down as follows on the consolidated balance sheets at 31 December 2014 and 2013:

Thousand euro	2014	2013
Equity instruments	118,891	148,496
(Impairment losses)	(1,411)	(1,411)
Total net amount	117,480	147,085

The balance of "Interests - associates" in the consolidated balance sheets at 31 December 2014 and 2013 includes the goodwill associated with these ownership interests. This goodwill is analysed below, indicating the entity from which it has originated:

Thousand euro Entity	2014	2013
Heraldo de Aragón, S.A.	11,149	15,308
Campusport, S.L.	–	759
CAI Seguros Generales, Seguros y Reaseguros, S.A.	6,699	6,699
	17,848	22,766

Set out below are movements in impairment losses in associates in 2014 and 2013:

Thousand euro	2014	2013
Balance at start of the year	1,411	17,795
Net transfers (Note 39)	3,657	19,159
Transfer charged to profit for the year	5,942	36,626
Recovered amount credited to profit for the year	(2,285)	(17,467)
Recovered amount credited to prior-year profits	(1,345)	(13,266)
Applications	–	(1,751)
Other movements	(2,312)	(20,526)
Balance at the end of the year	1,411	1,411

14.2 Shareholdings in jointly-controlled entities

Schedules I and II shows a breakdown of the investments treated as jointly-controlled entities at 31 December 2014 and 2013, together with relevant information regarding these companies.

There are no impairment losses or goodwill associated with these shareholdings.

14.3 Notifications concerning share acquisitions

Pursuant to Article 155 of the Spanish Companies Act 2010, it is reported that during the year no acquisitions in which an interest of over 10% has been obtained in a company have taken place.

15 Reinsurance assets

At 31 December 2014 and 2013, the entire balance recorded under this consolidated balance sheet heading relates to profit sharing arising from reinsurance policies.

The reconciliation between the opening and closing balances under this heading in 2013 and 2014 is as follows:

Thousand euro	
Balances at 31 December 2012	963
Acquisition of Cajatres (*)	731
Net transfers	(480)
Balances at 31 December 2013	1,214
Acquisition of Caja Badajoz Vida y Pensiones (**)	380
Net transfers	(30)
Balances at 31 December 2014	1,564

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

(*) Derived from the acquisition of Caja Badajoz Vida y Pensiones, S.A. de Seguros, described in Note 17.1.1.

16 Tangible assets

Movements in this consolidated balance sheet heading in 2014 and 2013 are as follows:

Thousand euro	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances at 01 January 2013	998,384	159,025	24,967	1,182,376
Acquisition of Cajatres (*)	750,825	323,666	8,479	1,082,970
Additions	12,446	16,019	4,244	32,709
Disposals due to sales or through other means	(98,434)	(1,157)	(6,755)	(106,346)
Other transfers and other movements	(64,632)	69,061	–	4,429
Balances at 31 December 2013	1,598,589	566,614	30,935	2,196,138
Additions	14,546	23,005	6,585	44,136
Disposals due to sales or through other means	(36,002)	(5,616)	(7,110)	(48,728)
Other transfers and other movements	(140,734)	122,323	(6,043)	(24,454)
Balances at 31 December 2014	1,436,399	706,326	24,367	2,167,092
Accumulated depreciation				
Balances at 01 January 2013	(438,846)	(11,668)	(7,678)	(458,192)
Acquisition of Cajatres (*)	(327,419)	(50,890)	(6,452)	(384,761)
Disposals due to sales or through other means	51,062	621	3,594	55,277
Transfers against the income statement	(31,098)	(4,994)	(3,827)	(39,919)
Other transfers and other movements	10,760	(8,263)	–	2,497
Balances at 31 December 2013	(735,541)	(75,194)	(14,363)	(825,098)
Disposals due to sales or through other means	23,575	1,493	3,994	29,062
Transfers against the income statement	(31,761)	(9,237)	(3,934)	(44,932)
Other transfers and other movements	35,354	(34,869)	5,893	6,378
Balances at 31 December 2014	(708,373)	(117,807)	(8,410)	(834,590)
Impairment losses				
Balances at 01 January 2013	(329)	(34,454)	(110)	(34,893)
Acquisition of Cajatres (*)	–	(34,569)	–	(34,569)
Transfer charged to profit for the year	(11,521)	(18,090)	–	(29,611)
Recovered amount credited to profit	–	953	–	953
Applications and other movements	9,460	3,004	(40)	12,424
Balances at 31 December 2013	(2,390)	(83,156)	(150)	(85,696)
Transfer charged to profit for the year	(1,916)	(30,503)	–	(32,419)
Recovered amount credited to profit	–	224	–	224
Applications and other movements	1,163	(4,357)	150	(3,044)
Balances at 31 December 2014	(3,143)	(117,792)	–	(120,935)
Net property, plant and equipment				
Balances at 31 December 2013	860,658	408,264	16,422	1,285,344
Balances at 31 December 2014	724,883	470,727	15,957	1,211,567

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

The transfer between tangible assets for own use and investment property results from the fact that following the merger between Ibercaja Banco and Banco Grupo Cajatres described in Note 1.10.3, certain real-estate assets of Banco Grupo Cajatres are no longer used in the Group's business and their value is expected to be recovered via rentals or sales.

At 31 December 2014 fully-depreciated tangible assets still in use amount to €224,028 thousand (€325,108 at 31 December 2013).

During 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. (which merged in 2014 as explained in Note 1.10.3) availed themselves of the option allowed under Article 9 of Law 16/2012 to restate its tangible assets for tax purposes. Accordingly, certain properties for own use and investment properties were restated.

The restatement for tax purposes in Ibercaja Banco, S.A. totalled €17,888 thousand, generating tax payable of 5% of said amount, i.e. €894 thousand. However, as the assets restated for tax purposes had already been restated for accounting purposes under the first application of Circular 4/2004, the increase in the assets' carrying value was restricted to those assets in which the new tax value exceeded the book value prior to the restatement, amounting to €2,450 thousand.

In Banco Grupo Cajatres, S.A.U., the restatement for tax purposes totalled €36,094 thousand, generating tax payable of 5% of said amount, i.e. €1,805 thousand. However, as the assets restated for tax purposes had already been restated for accounting purposes in 2010 due to the creation of the Institutional Protection System which gave rise to the Company, there was no increase in the assets' carrying value since the new tax value did not exceed the book value prior to the restatement in any case.

Under Article 9 of Law 16/2012, the restatement will become effective with respect to the tax depreciation of the assets as from 1 January 2015.

The 2013 annual accounts of both entities detail the movements occurring during that year in the revaluation reserve under Law 16/2012. Due to the merger between these entities as described in Note 1.10.3, the balance sheet of Ibercaja Banco reflects only the reserve derived from this entity (Note 24). There have been no movements in this reserve during 2014.

16.1 Property, plant and equipment for own use

The breakdown by nature of the items forming part of the balance of this consolidated balance sheet caption at 31 December 2014 and 2013, not taking into account impairment losses, is as follows:

Thousand euro	Cost	Accumulated depreciation	Impairment losses	Net balance
Computer equipment and facilities	222,547	(189,007)	–	33,540
Furniture, vehicles and other installations	467,172	(378,466)	–	88,706
Buildings	907,843	(168,068)	(2,390)	737,385
Work in progress	1,027	–	–	1,027
Balances at 31 December 2013	1,598,589	(735,541)	(2,390)	860,658
Computer equipment and facilities	232,935	(198,587)	–	34,348
Furniture, vehicles and other installations	440,429	(366,650)	–	73,779
Buildings	761,526	(143,136)	(3,143)	615,247
Work in progress	1,509	–	–	1,509
Balances at 31 December 2014	1,436,399	(708,373)	(3,143)	724,883

In 2014 no indemnities from third parties were received for asset impairment and no indemnities are receivable at 31 December 2013.

There are no major commitments to purchase property, plant and equipment for own use or restrictions on their ownership at 31 December 2014 and 2013.

16.2 Investment property

In 2014 rental income from the Group's investment property amounted to €12,240 thousand (€5,864 thousand in 2013), other related expenses amounted to €791 thousand (€756 thousand in 2013) and operating expenses were incurred in respect of depreciation in 2014 amounting to €9,237 thousand (€4,994 thousand in 2013).

75.12% (81% in 2013) of the carrying amount is based on valuations carried out by experts with recognised professional capacity and recent experience in the location and category of investment properties under valuation. The valuation of these properties has been carried out mainly by TINSA, Tasaciones Inmobiliarias, S.A., General de Valoraciones, S.A. and Gesvalt Sociedad de Tasación, S.A.

Note 13 sets out the criteria applied to determine the fair value of these assets.

The following table sets out a classification by type of investment properties. Similarly, the carrying amount of these assets (not taking into account impairment losses) which has been valued by an independent valuer is indicated.

Thousand euro	Carrying value		Of which: valued by an independent valuer	
	2014	2013	2014	2013
Investment property	588,519	491,420	442,087	395,622
Residential	185,169	112,306	104,152	80,930
Commercial and industrial	400,125	379,055	337,881	314,638
Agricultural	3,225	59	54	54

The valuations indicated above were mostly carried out in 2014 and 2013.

The fair value calculated by an independent valuation company for the assets amounts to €458,842 thousand at 31 December 2014 (€412,276 thousand at 31 December 2013).

The valuations are on Level 2 in the fair value hierarchy.

There are no major commitments to acquire or hold investment properties, or restrictions on their ownership at 31 December 2014.

16.3 Other assets assigned under operating lease

The Group includes in this caption mainly the assets subject to leasing contracts, which amount to €15,956 thousand at 31 December 2014 (€14,806 thousand at 31 December 2013). In 2014 rental income from these assets amounted to €6,400 thousand (€6,277 thousand in 2013), while operating expenses in respect of depreciation and other related expenses amounted to €3,934 thousand and €1,230 thousand, respectively (€3,827 thousand and €1,239 thousand in 2013).

16.4 Impairment losses

During 2014 impairment losses amounting to €1,916 thousand were recognised on property, plant and equipment for own use and €30,279 thousand on investment properties (€11,521 thousand and €17,137 thousand i 2013) (Note 39).

17 Intangible assets

17.1 Goodwill

A breakdown of the items making up this consolidated balance sheet heading at 31 December 2014 and 2013 is as follows:

Thousand euro	2014	2013
Banco Grupo Cajatres, S.A.U. (Note 1.10.2)	128,065	128,065
Tintas Arzubialde, S.L.	–	3,255
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	–
	144,934	131,320

The goodwill associated with Caja Badajoz Vida y Pensiones, S.A de Seguros arose from the acquisition on 3 September 2014 of 50% of said entity, which was not held by the Group at the end of the preceding year.

This acquisition took place within the reorganisation of the Group's insurance business due to the takeover of Banco Grupo Cajatres, S.A.U. in 2013 (Note 1.10.2).

This company's merger balance sheet at 31 August 2014, the date of acquisition for accounting purposes, reflected assets and liabilities valued at fair value amounting to €359,317 and

€310,622 thousand, respectively. There were no significant differences between these fair values and the prior book values.

The consideration for the 50% acquired amounted to €41,515 thousand, amount determined in accordance with the pre-existing agreements between the seller and Banco Grupo Cajatres, S.A.U. which stipulated that, in the event of Banco Grupo Cajatres, S.A.U. being acquired by another entity, the seller would be entitled to dispose of its interest for said amount.

The estimated fair value of the 50% shareholding acquired has been estimated at €32,782 thousand. The recognition of this business combination has resulted in the recording of:

a) A loss due to an indemnity amounting to €8,733 thousand, recorded in "Other items" under the heading "Other operating charges" on the consolidated income statement (Note 36) for the difference between the price paid and the fair value of the shareholding acquired.

b) A profit of €8,434 thousand resulting from the difference between the fair value of the prior shareholding and its carrying value (€24,348 thousand), which has been recorded under "Gains/(losses) from disposals of assets not classified as non-current available for sale" on the consolidated income statement (Note 40).

c) Goodwill amounting to €16,869 thousand due to the difference between the fair value of the 100% of the holding (€65,564 thousand) and the fair value of the assets and liabilities at the date of purchase.

d) A profit of €6,296 thousand relating to the transfer to the income statement of the valuation adjustments related to available-for-sale financial assets existing at the acquisition date, which has been recorded under "Gains/(losses) from disposals of assets not classified as non-current available for sale" on the consolidated income statement (Note 40).

For the purposes of allocating the goodwill referred to in Note 2.16.1, the Group considered that there is only one cash generating unit coincident with the entire balance, since the goodwill is not monitored on a lower level for internal management purposes nor are there distinct operating segments, as indicated in Note 27.9.

At the year end, the Group has calculated the value in use of the cash generating unit consisting of Ibercaja Banco and concluded that no impairment needs to be reflected in that CGU.

The value in use was calculated based on estimated future cash flows derived from business projects to 2019, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of €427,821 thousand and a growth rate in that cash flow of 1.65%. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 10.6%.

A sensitivity analysis was performed of the valuation in the face of reasonably foreseeable changes in the key valuation variables (distributable cash flow used to calculate the terminal value, perpetual growth rate of said cash flow and discount rate), and it was observed that these changes would not, in any event, entail the need to recognise impairment of the goodwill since the value in use calculated would continue to exceed the carrying value of the CGU.

Below is a summary of the main criteria used in the calculation of value in use, which have served as support for the key assumptions that determine the calculation of this value in use:

- Estimated cash flows base on the Entity's business plan
  - Moderate recovery in net interest income and fees in coming years
  - Normalisation of the results of financial operations.
  - Significant improvement in the efficiency ratio as a result of leveraging synergies arising from the integration with Banco Cajatres Group.
  - Normalisation of provisions for loan losses, considering the current consensus on macro-economic expectations.
- Discount rate

  This figure is based on a 10-year Spanish bond yield of 4% (versus 2% currently), a beta of 1.65 (versus 1.45 at present in the financial sector) and a market risk premium of the 4 %.
- Growth rate in perpetuity of cash flows as from 2018

  The rate is set at a level below the forecast of the International Monetary Fund for the growth in Spain's Gross Domestic Product in the medium term.

17.2 Other intangible assets

This heading is analysed below:

Thousand euro	Cost	Accumulated amortisation	Impairment losses	Net balance
Computer applications	123,438	(104,839)	(5,789)	12,810
Trademark (*)	7,500	(750)	–	6,750
Relations with Banco Grupo Cajatres, S.A.U.				
customers (core deposits)	45,031	(2,252)	–	42,779
Other	4,444	(1,427)	–	3,017
Balances at 31 December 2013	**180,413**	**(109,268)**	**(5,789)**	**65,356**
Computer applications	90,734	(71,399)	(1,671)	17,664
Trademark (*)	7,500	(2,250)	–	5,250
Relations with Banco Grupo Cajatres, S.A.U.				
core deposits	45,031	(8,139)	–	36,892
Other	4,345	(1,637)	–	2,708
Balances at 31 December 2014	**147,610**	**(83,425)**	**(1,671)**	**62,514**

(*) refers to the estimated value of the brands of the former savings banks that gave rise to Banco Grupo Cajatres S.A. (CAI, Caja Círculo and Caja Badajoz).

The cost of the asset termed relations with Banco Grupo Cajatres, S.A.U. customers reflects the net present value, at the time of the acquisition of this entity, of the cost savings represented by the sight and term deposits of this entity with respect to other sources of alternative financing.

Movements under this consolidated balance sheet caption in 2014 and 2013 were as follows:

Thousand euro	Computer applications	Trademark (*)	Customer relations Banco Grupo Cajatres	Rest	Total
Cost					
Balances at 01 January 2013	71,665	–	–	–	71,665
Acquisition of Cajatres (*)	46,344	7,500	45,031	4,444	103,319
Additions	5,291	–	–	–	5,291
Disposals due to sales or through other means	–	–	–	–	–
Other transfers and other movements	138	–	–	–	138
Balances at 31 December 2013	123,438	7,500	45,031	4,444	180,413
Additions	11,846	–	–	–	11,846
Disposals due to sales or through other means	(50,398)	–	–	(99)	(50,497)
Other transfers and other movements	5,848	–	–	–	5,848
Balances at 31 December 2014	90,734	7,500	45,031	4,345	147,610
Accumulated amortisation					
Balances at 01 January 2013	(59,469)	–	–	–	(59,469)
Acquisition of Cajatres (*)	(41,112)	–	–	–	(41,112)
Disposals due to sales or through other means	–	–			–
Transfers against the income statement	(4,258)	(750)	(2,252)	(1,427)	(8,687)
Other transfers and other movements	–	–	–	–	–
Balances at 31 December 2013	(104,839)	(750)	(2,252)	(1,427)	(109,268)
Disposals due to sales or through other means	41,858	–	–	72	41,930
Transfers against the income statement	(6,886)	(1,500)	(5,887)	(282)	(14,555)
Other transfers and other movements	(1,532)	–	–	–	(1,532)
Balances at 31 December 2014	(71,399)	(2,250)	(8,139)	(1,637)	(83,425)
Impairment losses					
Balances at 01 January 2013	(271)	–	–	–	(271)
Acquisition of Cajatres (*)	(2,258)	–	–	–	(2,258)
Transfer charged to profit for the year	(3,260)	–	–	–	(3,260)
Recovered amount credited to profit for the year	–	–	–	–	–
Applications and other movements	–	–	–	–	–
Balances at 31 December 2013	(5,789)	–	–	–	(5,789)
Transfer charged to profit for the year	–	–	–	–	–
Recovered amount credited to profit for the year	–	–	–	–	–
Applications and other movements	4,118	–	–	–	4,118
Balances at 31 December 2014	(1,671)	–	–	–	(1,671)
Net property, plant and equipment					
Balances at 31 December 2013	12,810	6,750	42,779	3,017	65,356
Balances at 31 December 2014	17,664	5,250	36,892	2,708	62,514

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

At 31 December 2014 fully-amortised intangible assets still in use amount to €58,396 thousand (€85,966 thousand at 31 December 2013).

18 Other assets

The balances under this heading on the consolidated balance sheets at 31 December 2014 and 2013 are analysed below:

Thousand euro	2014	2013
Accruals and deferred income	20,144	24,486
Inventories	411,186	495,619
Transactions in transit	3,082	13,159
Other	22,285	21,742
Total gross amount	456,697	555,006
(Impairment losses)	(178,571)	(230,418)
Total net amount	278,126	324,588

Impairment analysed above relates in full to Inventories.

Movements in Inventories in 2014 and 2013 are as follows:

Thousand euro	Foreclosure assets	Other assets	Total
Cost			
Balances at 01 January 2013	333,489	105,619	439,108
Acquisition of Cajatres (*)	–	82,741	82,741
Additions	9,334	411	9,745
Disposals due to sales or through other means	–	(12,330)	(12,330)
Other transfers and other movements	(23,645)	–	(23,645)
Balances at 31 December 2013	319,178	176,441	495,619
Additions	12,336	229	12,565
Disposals due to sales or through other means	–	(86,647)	(86,647)
Other transfers and other movements	(10,351)	–	(10,351)
Balances at 31 December 2014	321,163	90,023	411,186
Impairment losses			
Balances at 01 January 2013	(172,287)	(10,303)	(182,590)
Acquisition of Cajatres (*)	–	(53,511)	(53,511)
Transfer charged to profit for the year	(817)	(2,626)	(3,443)
Recovered amount credited to profit	3,094	–	3,094
Applications and other movements	2,214	3,818	6,032
Balances at 31 December 2013	(167,796)	(62,622)	(230,418)
Transfer charged to profit for the year	(562)	(2,537)	(3,099)
Recovered amount credited to profit	1,842	–	1,842
Applications and other movements	236	52,868	53,104
Balances at 31 December 2014	(166,280)	(12,291)	(178,571)
Net inventories			
Balances at 31 December 2013	151,382	113,819	265,201
Balances at 31 December 2014	154,883	77,732	232,615

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

Within the inventory balance, €321,163 thousand pertains to residential real-estate assets (€489,538 thousand at 31 December 2013).

The valuations of the above assets have been restated principally in the past three years. 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. Most valuations have been performed by TINSA, Tasaciones Inmobiliarias, S.A., Gesvalt Sociedad de Tasación, S.A. and General de Valoraciones, S.A.

Note 13 sets out the criteria applied to determine the fair value of these assets.

Inventory-related expenses for 2014 and 2013 break down as follows:

Thousand euro	2014	2013
Cost of sales of inventories disposed of during the year (Note 36)	791	756
Impairment losses on inventories (Note 39)	1,257	349
Impairment write-downs	*1,374*	*390*
Impairment write-down reversals	*(117)*	*(41)*
Total net amount	2,048	1,105

19 Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2014 and 2013 are as follows:

Thousand euro	2014	2013
Central bank deposits (Note 19.1)	4,848,302	4,855,479
Deposits from credit institutions (Note 19.2)	3,241,613	4,197,762
Customer funds (Note 19.3)	39,868,562	39,991,664
Marketable debt securities (Note 19.4)	1,631,249	2,995,125
Subordinated debt financing (Note 19.5)	556,574	567,520
Other financial liabilities (Note 19.6)	677,860	474,199
	50,824,160	53,081,749

19.1 Deposits from central banks

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2014 and 2013, based on the nature of the transaction concerned, is indicated below:

Thousand euro	2014	2013
European Central Bank	4,790,000	4,790,000
Valuation adjustments	58,302	65,479
	4,848,302	4,855,479

At 31 December 2014 and 2013 this heading includes the funding obtained from the European Central Bank liquidity auction (targeted longer-term refinancing operations or TLTRO) with maturity between 3 and 4 years.

The average effective interest rate on debt instruments classified in this caption during 2014 has been 0.17% (0.57% at 31 December 2013).

19.2 Deposits from credit institutions

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2014 and 2013, based on the nature of the transaction concerned, is indicated below:

Thousand euro	2014	2013
On demand	**10,687**	**135,947**
Other accounts	10,687	135,947
Term or subject to prior notice	**3,222,764**	**4,053,850**
Fixed-term deposits	1,078,442	1,255,395
Assets ceded under repurchase agreements	2,131,152	2,788,239
Other accounts	13,170	10,216
Valuation adjustments	**8,162**	**7,965**
	3,241,613	**4,197,762**

The average effective interest rate on debt instruments classified in this caption during 2014 was 0.67% (0.51% in 2013).

Sight accounts include the 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 repo or simultaneous operations.

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 fulfilled. The carrying value of financial instruments covered by these agreements and the deposits payable and receivable generated with the counterparties are as follows:

Thousand euro	Financial instruments subject to offset agreements	
	2014	2013
Assets under repos	6,653	14,098
Liabilities under repos	4,467	5,732

Thousand euro	Deposits subject to repo offset agreements	
	2014	2013
Deposits recognised under assets	4,100	2,500
Deposits recognised under liabilities	1,367	11,735

19.3 Customer deposits

The composition of the balance under this caption in the consolidated balance sheets at 31 December 2014 and 2013, based on the geographic location, nature and counterparties of the transaction concerned, is indicated below:

Thousand euro	2014	2013
Geographical location		
Spain	39,727,859	39,843,960
Rest of the world	140,703	147,704
	39,868,562	39,991,664
By nature		
Current and savings accounts	14,991,231	13,971,145
Term deposits	17,523,987	17,756,465
Temporary assignment of assets	1,605,539	2,181,720
Unique mortgage covered bonds (Nota 43.1)	5,104,469	5,498,835
Valuation adjustments	643,336	583,499
	39,868,562	39,991,664
Counterparty		
Resident public administrations	781,634	838,140
Other resident sectors	38,946,225	39,005,820
Non-resident public administrations	10	10
Other non-resident sectors	140,693	147,694
	39,868,562	39,991,664

The average effective interest rate on debt instruments classified in this caption during 2014 was 1.15% (1.20% in 2013).

The heading mortgage covered bonds (in the breakdown by nature) includes unique mortgage covered bonds issued under Law 2/1981 governing the Mortgage Market for amounts of €5,104,469 thousand (€5,498,835 thousand at 31 December 2013). The mortgage bonds have been issued at floating interest rates while issues at fixed interest rates are hedged against interest-rate risk through interest rate swaps.

19.4 Marketable debt securities

The balance under this heading on the consolidated balance sheets at 31 December 2014 and 2013 are analysed below:

Thousand euro	2014	2013
Promissory notes and bills	13,752	150,213
Nominal mortgage covered bonds (Note 43.1)	3,930,000	4,430,000
Nominal value of other securities linked to transferred financial assets	1,023,621	1,236,005
Nominal value - other non-convertible securities	11,747	547,140
Treasury shares	(3,384,878)	(3,436,206)
Valuation adjustments	37,007	67,973
	1,631,249	2,995,125

A breakdown of the security issues associated with financial assets transferred is as follows:

Thousand euro					Amount subscribed	
Type	Nominal interest	Issuance date	Maturity date	Nominal issue	2014	2013
TDA2 securitisation bonds	Variable	13.10.2005	(*)	904,500	208,457	261,977
TDA3 securitisation bonds	Variable	12.05.2006	(*)	1,007,000	226,249	269,008
TDA4 securitisation bonds	Variable	18.10.2006	(*)	1,410,500	207,946	268,001
TDA5 securitisation bonds	Variable	11.05.2007	(*)	1,207,000	193,557	227,401
TDA6 securitisation bonds	Variable	25.06.2008	(*)	1,521,000	21,550	24,042
TDA ICO-FTVPO securitisation bonds	Variable	15.07.2009	(*)	447,200	165,862	185,576
					1,023,621	1,236,005

(*) These bonds are amortised as the mortgage loans that have been assigned to the relevant securitisation fund are repaid. .

Details of issues of other non-convertible securities are as follows:

Thousand euro					Amount subscribed	
Type	Nominal interest	Issuance date	Maturity date	Nominal issue	2014	2013
Government-backed ordinary bonds	4.44%	04.04.2011	30.07 2014	500,000	-	500,000
Ordinary bonds	Variable	24.06.2013	29.06.2014	35,393	-	35,393
Ordinary bonds	Variable	24.06.2013	25.05.2016	10,508	10,508	10,508
Ordinary bonds	Variable	10.07.2013	25.05.2016	1,239	1,239	1,239
					11,747	547,140

The average effective interest rate on debt instruments classified in this caption during 2014 was 1.06% (2.35% in 2013).

19.5 Subordinated liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2014 and 2013 are analysed below:

Thousand euro	2014	2013
Nominal subordinated bonds	142,246	153,071
Nominal preference shares	5,233	5,350
Contingent convertible bonds (Note 1.10.1.4)	407,000	407,000
Valuation adjustments	2,095	2,099
	556,574	567,520

The €5,233 thousand of preference shares relates to the outstanding balance of an issuance in 2006 for a nominal value of €150,000 thousand with an indefinite duration and an interest rate of the 3-month Euribor plus 113 basis points. They may be redeemed at the Company's discretion once 10 years have elapsed as from the issue date, subject to Bank of Spain authorisation. If the advance redemption right is not exercised, the nominal annual variable interest rate applicable to this issue will be increased as from that date by 100 base points.

Details regarding each issue of subordinated bonds are as follows:

Thousand euro			Nominal amount	
Issuance	Nominal interest	Expiration	2014	2013
20 April 2006	Variable	20 April 2018	62,433	62,468
25 April 2007	Variable	25 April 2019	79,765	90,504
28 February 2007	Variable	28 February 2019	-	50
18 October 2001	Mixed	18 October 2021	18	18
15 June 2007	Mixed	15 June 2022	30	31
			142,246	153,071

Although maturity has been set for the principal issuances between 2018 and 2019, the Company reserves the right to redeem them after 7 years, although this may be reduced to 5 years through the agreement of the Meeting of Debenture Holders, after the date of issue, subject to Bank of Spain authorisation. These issues are subordinated and come behind all common creditors with respect to debt seniority.

Issues of preference shares and subordinated bonds are authorised by the Bank of Spain for their classification as computable tier 1 and tier 2 capital, respectively.

Accrued interest payable on subordinated liabilities amounts to €36,981 thousand at 31 December 2014 (€17,805 thousand at 31 December 2013).

The average effective interest rate on debt instruments classified in this caption during 2014 was 6.62% (5.03% in 2013).

19.6 Other financial liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2014 and 2013 are analysed below:

Thousand euro	2014	2013
Debentures payable	161,498	56,305
Guarantee deposits received	1,537	16
Collection accounts	319,212	140,819
Special accounts	37,700	30,634
Financial guarantees	1,414	3,333
Other items	156,499	243,092
	677,860	474,199

19.7 Information on delays in payments to suppliers Additional Provision Three. Disclosure requirement Law 15/2010:

Set out below is information on the payments made and pending to suppliers:

Thousand euro	Thousand euro		%	
	2014	2013	2014	2013
Within the maximum legal limit	330,215	268,854	96%	93%
Rest	13,119	18,984	4%	7%
Total payments during the year	343,334	287,838	100%	100%
Average weighted payment period exceeded (days)*	43	73		
Deferrals that at the year-end date exceed the maximum legal period			1,784	7,630

* The statutory limit is 60 days.

20 Liabilities under insurance contracts

At 31 December 2014 and 2013 the balances in this caption on the consolidated balance sheets were as follows:

Thousand euro	2014	2013
Technical reserves for:		
Life insurance:	6,814,418	6,204,847
Unearned premium reserve	*16,259*	*13,869*
Mathematical reserves	*6,798,159*	*6,190,978*
Benefits pending payment	45,172	39,457
Profit sharing and returned premiums	18,440	14,622
Life insurance in which the investment risk is borne by the policyholders	225,487	74,717
	7,103,517	6,333,643

There is no accepted reinsurance at 31 December 2014 or 31 December 2013.

The reconciliation between the opening and closing balances under this heading in 2013 and 2014 is as follows:

Thousand euro	
Balances at 31 December 2012	4,865,039
Acquisition of Cajatres (*)	1,076,380
Net transfers	330,748
Other movements	61,476
Balances at 31 December 2013	6,333,643
Acquisition of Caja Badajoz Vida y Pensiones (**)	289,704
Net transfers	67,447
Other movements	412,723
Balances at 31 December 2014	7,103,517

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

(*) Derived from the acquisition of Caja Badajoz Vida y Pensiones, S.A. de Seguros, described in Note 17.1.1.

20.1 Risk management under insurance contracts

The Group's risk exposure under the insurance contracts arranged and related operations are market (interest rate, concentration, spread and variable income); counterparty, operational and underwriting - life.

Market, counterparty and operational risks on this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 Risk Management. The risk in the underwriting - life insurance activity derives from a possible increase in liabilities resulting from the non-fulfilment of the assumptions under which the policies were concluded and encompasses a variety of risks, the most significant of which are the following:

- Longevity risk: deriving from adverse variations in complying with the mortality table (survival risk). It is not significant in the arrangement of life annuities and liability policies managed by the insurance company. Concerning the longevity risk, there is a monthly follow-up of the technical result on the portfolios affected and the part of this result affected by the survival risk is analysed.
- Risk of fall: this indicates the sensitivity of the value of liabilities to shifts in surrender rates. Its impact is associated with the volatility of the savings business. A follow-up is carried out of the historical performance of the surrender level, taking into account prior year experience. The assumptions obtained from this analysis are taken into account 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, it is verified that the flows expected from the assets are sufficient in time and quantity to meet expected future commitments.
- Mortality risk: this indicates the sensitivity of the value of liabilities to adverse variations because the claims ratio exceeds forecasts. Its impact derives from life-risk insurance. This risk is managed through a rating system based on the personal characteristics of each policyholder. This system is reviewed regularly by a control unit and is accepted by reinsurers.

Likewise, for controlling and monitoring mortality risk the Company performs a monthly review of the claims ratio associated with each product sold, as well as the impact of this variable on each product's performance.

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, mortality tables PERM/F-2000P that were approved by the Resolution of the Directorate General for Insurance and Pension Funds of 3 October 2000, that conforms to transitional provision 2.5 of the Private Insurance Regulations, have been taken as a reference.

Set out below is the performance of the claims ratio for direct life insurance and its comparison with the forecast claims ratio.

	Life insurance - saving		Life annuities		Unit-linked insurance		Individual life (risk) insurance		Total life insurance	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Portfolio at 31 December (No. contracts)	420,878	377,120	50,384	46,457	22,077	10,059	341,277	313,041	834,616	746,677
No. expected claims	1,788	1,563	2,105	1,947	312	70	495	410	4,700	3,990
No. actual claims	971	917	1,863	1,635	337	54	365	319	3,536	2,925
Percentage (actual/expected)	54.32%	58.67%	88.50%	83.98%	108.18%	77.14%	73.75%	77.80%	75.23%	73.31%

The insurance companies have established a policy for assigning risks to leading reinsurers in the sector, mitigating the risk through the dispersion of the sums insured and the accumulation of claims deriving from the same event. The reinsurance policy is revised annually.

20.2 Classification of the insurance risk

Set out below are the premiums issued, classified based on their characteristics:

Thousand euro	2014	2013
Life insurance (risk) premiums	55,091	43,612
Savings insurance premiums	1,053,898	988,506
	1,108,989	1,032,118
Premiums for individual policies	1,101,059	1,019,112
Premiums for group policies	7,930	13,006
	1,108,989	1,032,118
Regular premiums	426,207	330,693
Single premiums	682,782	701,425
	1,108,989	1,032,118
Premiums for policies with no profit-sharing	1,066,400	1,017,120
Premiums for policies with profit-sharing	40,206	12,568
Premiums for policies where the investment risk is assumed by the policyholder	2,383	2,430
	1,108,989	1,032,118

The premiums under the insurance contracts detailed in the table above are presented in the income statement under "Income on insurance and reinsurance contracts", which amounted to €1,112,826 thousand at 31 December 2014 (€1,037,490 thousand at 31 December 2013). This heading also reflects income from reinsurance amounting to €3,837 thousand at 31 December 2014 (€5,372 thousand at 31 December 2013).

According to the Directorate General of Insurance, those insurance policies where, although a group policy is formalised, the premium payment obligations and inherent rights pertain to the insured are classed as individual policies. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2014 amounting to €1,113,735 thousand, (€1,046,420 thousand in 2013) relate to the technical reserves associated with such contracts.

20.3 Sensitivity to the 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 2014 while the impact resulting from a variation in the interest rate curve is as follows:

- A parallel increase of 50 base points in the discount curve entails a reduction of 1.92% in the value of the asset and 4.43% in the value of the liability.
- A parallel fall of 50 base points in the discount curve entails an increase of 1.66% in the value of the asset and 4.62% in the value of the liability.

As most of the insurers' 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 Provisiones

Movements in 2014 and 2013, and the purpose of the provisions recorded under these captions in the consolidated balance sheet at 31 December 2014 and 2013, are as follows:

Thousand euro	Provisions for pensions and similar obligations	Provisions for taxes and other legal contingencies	Provisions for contingent exposures and commitments	Other provisions
Balances at 01 January 2013	111,840	5,798	7,723	34,073
Acquisition of Cajatres (*)	99,475	492	10,267	73,231
Appropriations charged to income statement				
Interest and similar charges	*281*	–	–	–
Transfers to provisions and other	*1,558*	–	*10,864*	–
Reversal of provisions by credit to income	(697)	(112)	(6,520)	(47,912)
Provisions utilised	(35,869)	–	(2)	(2,468)
Transfers (Note 37.2)	(21,872)	–	–	21,872
Other movements	(2,449)	(229)	50	2,427
Balances at 31 December 2013	152,267	5,949	22,382	81,223
Appropriations charged to income statement				
Interest and similar charges	*196*	–	–	–
Transfers to provisions and other	*574*	*6,070*	*10,653*	*18,603*
Staff costs (Note 37)	–	–	–	*77,390*
Reversal of provisions by credit to income	(1,828)	–	(7,717)	(20,543)
Provisions utilised	(11,867)	(909)	–	(13,579)
Other movements	33,413	(803)	709	–
Balances at 31 December 2014	172,755	10,307	26,027	143,094

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

The caption Provisions – Provisions for contingent exposures and commitments includes impairment losses related to the financial guarantees granted by the Group (Note 27.1).

The most relevant part of the outstanding balance under "Other provisions" at 31 December 2014 corresponds to the labour cost of redundancy proceedings in 2013, 2014 and 2015 pending payment (€96,402 thousand 31 December 2014; Note 37). The remainder of the balance relates to the coverage of other ordinary business risks for the Company.

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term compensation commitments are described below, which are recorded as provisions on the balance sheet at 31 December 2014 and 2013:

Thousand euro	2014	2013
Liabilities		
Pre-retirement agreement	2,168	6,066
Externalised post-employment benefits	156,638	125,428
Non-externalised post-employment benefits	7,018	6,275
Fund for labour-related costs of the restructuring plan (Notes 1.10.1.2 and 37.2)	6,931	14,498
	172,755	152,267

The balance in net liabilities figuring on the balance sheet for defined benefit plans breaks down as follows:

Thousand euro	2014	2013
Commitments on the balance sheet relating to:		
Post-employment benefits (Note 37.2)	(37,841)	2,479
Other long-term compensation - pre-retirement (Note 37.3)	(9,099)	(20,564)
Other long-term compensation - remainder	–	–
(Shortfall)/Surplus	(46,940)	(18,085)
Impact of limit on assets	(2,041)	–
Net liability figuring on balance sheet:	(48,981)	(18,085)
Assets linked to pensions (*)	119,569	124,285
Net pension assets (**)	4,205	9,897
Net pension (provision)	(172,755)	(152,267)

(*) Financial assets in subsidiary Ibercaja Vida, S.A.

(**) Recorded under "Other assets" on the consolidated balance sheet.

The costs recognised in the income statement for employee benefits are as follows:

Thousand euro	2014	2013
Defined benefit plans	(3,434)	(1,484)
Contributions to defined contribution plans	(1,978)	(3,728)
Interest and similar charges	114	555
Transfers to provisions	1,254	(861)
Actuarial gains/(losses) on long-term employee benefits	–	(92)
	(4,044)	(5,610)

Amounts recognised on the statement of changes in equity:

Thousand euro	2014	2013
Actuarial gains/(losses) on post-employment benefits	(38,932)	884
Limitation on assets	224	-
	(38,708)	884

The main financial and actuarial assumptions used in measuring the commitments are as follows:

	2014	2013
Technical interest rate	0.32% - 4.00%	0.77% - 3.15%
Expected yield on assets	0.32% - 4.00%	0.87% - 3.15%
Annual pension revision rate	1.00% - 2.00%	1.00%
Annual salary increase rate	2,00%	2,00% (pre-retired personnel)
Growth in Social Security contribution bases	1.00%	5% in 2014; 1.00% rest
Retirement age	60 – 67 years and agreed	60 – 65 and agreed age
Disability tables	75% Disability rates Soc. capital	75% Disability rates Soc. capital
Mortality tables	PER 2000P - PER 2000C	PER 2000P - PER 2000C
Life expectancy		
Employees retiring in FY 2014/2013		
Men	*21.94*	*22.31*
Women	*26.43*	*26.80*
Employees retiring in FY 2034/2033		
Men	*24.29*	*24.67*
Women	*28.64*	*29.04*

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 10.98 years and the weighted average discount rate was 1.69%.

22 Other liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2014 and 2013 are analysed below:

Thousand euro	2014	2013
Staff cost time-apportionment	26,464	36,466
Transactions in transit	2,396	3,301
Other	118,838	74,063
	147,698	113,830

23 Valuation adjustments

23.1 Available-for-sale financial assets

This caption on the consolidated balance sheets reflects the net amount of changes in fair value of assets classified as available for sale 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). These changes are recorded in the income statements when the assets that gave rise to them are sold or impaired.

The detail of measurement adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26) is as follows:

Thousand euro			Fair value hierarchy		
2014	Valuation adjustments	Fair value	Level 1	Level 2	Level 3
Listed equity instruments	5,161	258,737	258,737	–	–
Unlisted equity instruments	40,109	171,117	–	–	171,117
Listed fixed interest securities	626,863	14,253,973	13,907,991	345,982	–
Total	672,133	14,683,827	14,166,728	345,982	171,117

Thousand euro			Fair value hierarchy		
2013	Valuation adjustments	Fair value	Level 1	Level 2	Level 3
Listed equity instruments	(25,338)	244,199	244,199	–	–
Unlisted equity instruments	40,797	200,636	–	–	200,636
Listed fixed interest securities	225,510	6,686,937	6,441,601	245,336	–
Total	240,969	7,131,772	6,685,800	245,336	200,636

23.2 Other valuation adjustments

Almost all valuation adjustments relate to corrections of accounting mismatches (Note 2.19).

24 Shareholders' funds and non-controlling interests

24.1 Shareholders' funds

As at 31 December 2014 and 2013, this heading breaks down as follows:

Thousand euro	2014	2013
Capital	2,611,730	2,611,730
Reserves	(244,024)	(140,506)
Legal reserve	*5,427*	*5,427*
Revaluation reserves	*3,304*	*3,306*
Reserves in companies measured under the equity method	*(82,987)*	*(59,222)*
Other reserves	*(169,768)*	*(90,017)*
Profit/(loss) for the year	150,653	(67,684)
Total	2,518,359	2,403,540

24.1.1 Capital

Share capital at 31 December 2014 consists of 2,611,730,000 shares (2,611,730,000 shares at 31 December 2013) with a par value of €1 each, of a single class and series. The Bank's shares are represented by bearer certificates.

The shareholders of Ibercaja Banco, S.A. are as follows:

Thousand euro	31/12/2014	31/12/2013
Fundación Bancaria Ibercaja	87.80%	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%	4.85%
Caja Círculo Fundación Bancaria	3.45%	3.45%
Fundación Ordinaria Caja Badajoz	3.90%	3.90%

24.1.2 Reserves

Appendix II includes a breakdown by companies generating the balance of "Accumulated reserves" and "Reserves in entities carried under the equity method".

24.2 Non-controlling interests

Movements in non-controlling interests in 2014 and 2013 are set out below for each of the dependent companies concerned:

- Movements in 2014:

Thousand euro

Entity	Balance at 01/01/14	Increases in shareholding	Decreases in shareholding	Results attributed	Other changes in equity	Balance at 31/12/14
Agencia de Viajes de la Caja de Ahorros de Badajoz, S.A.	(57)	–	–	1	51	(5)
Arcai Inmuebles, S.A.	(2)	–	2	–	–	–
Dopar, S.L.	105	–	–	4	6	115
Enclama, S.L.	96	–	–	50	6	152
Gestora Valle de Tena, S.A.	70	(63)	–	–	(7)	–
Grupo Alimentario Naturiber, S.A.	1,942	–	–	9	(1,666)	285
Interchip, S.A.	(8)	–	(7)	15	–	–
Tintas Arzubialde, S.L.	53	–	(13)	(40)	–	–
Viajes Caja Círculo, S.A	(185)	–	–	32	133	(20)
Total	2,014	(63)	(18)	71	(1,477)	527

- Movements in 2013:

Thousand euro

Entity	Balance at 01/01/13	Acquisition of Cajatres (*)	Increases in shareholding	Decreases in shareholding	Results attributed	Other changes in equity	Balance at 31/12/2013
Agencia de Viajes de la Caja de Ahorros de Badajoz, S.A.	–	10	–	(12)	(55)	–	(57)
Arcai Inmuebles, S.A.	–	(33,168)	34,603	–	(1,435)	(2)	(2)
Comercial Logística Calamocha, S.A.	(698)	–	–	982	(284)	–	–
Dopar, S.L.	–	–	105	–	–	–	105
Enclama, S.L.	–	–	96	–	–	–	96
Gestora Valle de Tena, S.A.	67	–	–	–	3	–	70
Grupo Alimentario Naturiber, S.A.	1,088	–	–	–	(53)	907	1,942
Interchip, S.A.	–	19	–	(11)	(16)	–	(8)
Jamcal Alimentación, S.A.	4,839	–	–	(4,877)	38	–	–
Tintas Arzubialde, S.L.	–	(88)	151	–	(10)	–	53
Viajes Caja Círculo, S.A	–	(91)	–	(36)	(58)	–	(185)
Total	5,296	(33,318)	34,955	(3,954)	(1,870)	905	2,014

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

Relevant financial information concerning the companies making up non-controlling interests is set out below at 31 December 2014:

Thousand euro

Entity	Assets	Liabilities	Profit/(loss) after taxes	Cash flow
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	120	8	6	35
Dopar, S.L.	552	210	119	237
Enclama, S.L.	378	123	10	52
Grupo Alimentario Naturiber, S.A.	65,307	60,331	117	1,353
Viajes Caja Círculo, S.A	126	13	187	33

Relevant financial information concerning the companies making up non-controlling interests is set out below at 31 December 2013:

Thousand euro

Entity	Assets	Liabilities	Profit/(loss) after taxes	Cash flow
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	41	45	(273)	–
Arcai Inmuebles, S.A.	30,250	111,561	(5,518)	56
Dopar, S.L.	442	197	(14)	–
Enclama, S.L.	490	266	40	–
Gestora Valle de Tena, S.A.	1,039	204	29	52
Grupo Alimentario Naturiber, S.A.	73,592	64,177	(714)	(1,644)
Interchip, S.A.	657	559	10	–
Tintas Arzubialde, S.L.	12,313	11,889	25	3
Viajes Caja Círculo, S.A	35	167	(575)	–

25 Tax situation

25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporate Income Tax Consolidated Tax Group (No. 579/11). In 2012 the other Group companies qualifying for this regime were included. Therefore corporate income tax has been assessed on a consolidated basis.

For its part, Banco Grupo Cajatres has been the parent company of tax consolidation group No. 415/11. As a result of the securities exchange in July 2013 whereby Ibercaja Banco took control of Banco Grupo Cajatres, the three savings banks that were its original shareholders were excluded from consolidation and Banco Grupo Cajatres ceased to meet the requirements to be the parent entity of the group. Accordingly, Banco Grupo Cajatres and its investee companies that meet the relevant requirements have been included since the fiscal year commencing 1 January 2014 in the tax consolidation group headed by Fundación Bancaria Ibercaja (formerly, Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja).

Fundación Bancaria Ibercaja is also the parent company of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to form part of said group.

25.2 Years open to tax inspection

Ibercaja Banco was incorporated in 2011 as a result of the spin-off for the indirect performance of the financial activities of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja. On acquiring in bloc all the assets and liabilities effectively spun off, it assumed all the obligations and was subrogated to all the rights and relationships associated therewith, including those related to tax.

In this respect, the years 2010 and subsequent years are open to inspection by the tax authorities for corporate income tax for Fundación Bancaria Ibercaja, and 2010 and subsequent years for other Group entities. For other taxes, the periods after December 2010 are open to inspection.

In 2014 the tax authorities concluded the tax audit proceedings of a general nature in relation to Caja de Ahorros y Monte de Piedad Aragón y Rioja in respect of corporate income tax for 2005 to 2008 and value added tax (VAT) and tax withholdings from June 2009 to December 2010. Likewise, the tax audit of Ibercaja Vida (corporate income tax for 2008 to 2011 and June 2009 to December 2011 for VAT, tax on insurance premiums and withholdings on earned income, professional fees and non-residents) has terminated. The assessments signed in both cases were duly accounted for and paid, without any significant losses being incurred. At 31 December 2014 the actions concerning Cerro Murillo (corporate income tax for years 2009 to 2011, and VAT for January 2010 to December 2011) and Residencial Murillo (corporate income tax for 2009 to 2011 and VAT for the 2nd, 3rd and 4th quarters of 2011) were still under way.

When Banco Grupo Cajatres, S.A. acquired in bloc the segregated equity of Caja de Ahorros de la Inmaculada de Aragón, Caja de Ahorros y Monte de Piedad del Círculo Católico de Obreros de Burgos, y Monte de Piedad and Caja General de Ahorros de Badajoz, it assumed all the obligations and was subrogated to all the rights and actions attaching to that equity which had previously pertained to said entities. In 2014 the tax audit on Caja de Ahorros de la Inmaculada de Aragón was completed. No significant losses resulted from the assessments, and the relevant amounts were duly paid and accounted for. At 31 December 2014, Caja de Ahorros y Monte de Piedad del Círculo Católico de Obreros de Burgos is still undergoing a tax audit for corporate income tax for years 2008 to 2010 and other taxes for periods subsequent to June 2009. Monte de Piedad y Caja General de Ahorros de Badajoz is open to inspection for 2010 and subsequent years with respect to corporate income tax, and for other tax for periods subsequent to 2010.

The tax audits on Group companies CAI Inmuebles, S.A., CAI División de Servicios Generales, S.L. and CAI Vida y Pensiones Seguros y Reaseguros, S.A. for corporate income tax for years 2008 to 2010 and other taxes for periods subsequent to June 2009 have also been completed. The tax audits involving ARCAI Inmuebles (corporate income tax for 2009 to 2011 and VAT from February 2010 to December 2011) and Impulso XXI (corporate income tax for 2010 and 2011 and quarterly VAT for 2010, 2011 and 2012) have also terminated. The remaining Group entities are open to inspection for 2010 and subsequent years with respect to corporate income tax. For other taxes, the periods after December 2010 are open to inspection.

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 the consolidated profit before taxes for 2014 and 2013 and the corporate income tax expense is as follows:

Thousand euro	2014	2013
Consolidated profit before tax	**215,106**	**(123,881)**
Corporate income tax at the general tax rate	64,532	(37,165)
Effect of permanent differences	(1,587)	(1,328)
Other adjustments on consolidation	4,635	(10,390)
Tax deductions and tax credits	(3,495)	(5,419)
Corporate income tax expense for the year	**64,085**	**(54,302)**
Adjustments to prior year tax expense	297	(25)
Total corporate income tax expense	**64,382**	**(54,327)**

The corporate income tax expense and the adjustment to the corporate income expense for the business in Portugal amount to €291 thousand and €4 thousand, respectively.

The corporate income tax expense was reduced in 2014 by €33,037 thousand due to the deferred taxes related to the origination and reversal of temporary differences (€113,481 thousand reduction in 2013).

In 2014 income was generated that gave rise to the deduction for the reinvestment of extraordinary gains and the reinvestment commitment arising from this deduction has been fulfilled. The following table shows the extraordinary gains that resulted in this deduction:

Thousand euro

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 (forecast)	5,652	2013-2014

Note the data for 2010 and prior years refers 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 the 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 2014 and 2013 are as follows:

Thousand euro	Deferred tax assets	Deferred tax liabilities
Balance at 01 January 2013	**572,857**	**130,524**
Acquisition of Cajatres (*)	904,179	129,259
Prior year restatement and other	(15,063)	7,687
Generated during the year	540,627	126,295
Applied during the year	(426,159)	(6,229)
Change in deferred tax assets and liabilities applied to equity	(18,379)	48,008
Balance at 31 December 2013	**1,558,062**	**435,544**
Prior year restatement and other	(129,974)	(102,392)
Generated during the year	156,953	–
Applied during the year	(154,263)	(2,287)
Change in deferred tax assets and liabilities applied to equity	(3,284)	76,524
Balance at 31 December 2014	**1,427,494**	**407,389**

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

The breakdown of deferred tax assets and liabilities of the Group, classified by type of temporary difference and tax credit is as follows:

Thousand euro	Deferred tax assets		Deferred tax liabilities	
	2014	2013	2014	2013
Impairment of financial assets	774,868	806,968	5,518	67,997
Pension commitments and other provisions	63,556	30,001	–	–
Fixed assets	–	–	179,732	172,336
Foreclosure assets	28,439	47,110	–	–
Other adjustments	30,538	84,965	75,689	125,285
Total temporary differences with a balancing entry in the income statement	897,401	969,044	260,939	365,618
Total temporary differences with balancing entry in equity	10,413	13,697	146,450	69,926
Credit in respect of available tax losses	519,369	537,466	–	–
Credit for available deductions	311	37,855	–	–
Total tax credits	519,680	575,321	–	–
	1,427,494	1,558,062	407,389	435,544

The breakdown of corporate income tax associated with each item included in the statement of recognised income and expenses is as follows:

Thousand euro	2014	2013
Actuarial gains /(losses) in defined benefit pension plans	(11,613)	265
Items not to be reclassified to income statement	(11,613)	265
Available-for-sale financial assets	184,785	116,441
Valuation gains/(losses)	197,728	119,901
Amounts transferred to income statement	(12,943)	(3,460)
Cash flow hedges	(42)	-
Entities accounted for by the equity method	-	-
Other recognised income and expenses	(115,409)	(36,035)
Items that may be reclassified to the income statement	69,334	80,406
	57,721	80,671

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.

Royal Decree Law 14/2013 amended the Corporate Income Tax Law as follows:

a) Effective for tax periods beginning on or after 1 January 2011, provisions for impairment of loans and other assets arising from the possible insolvency of debtors not related to the taxpayer and those pertaining to apportionments or contributions to social welfare systems and, where appropriate, early retirement, which might have generated deferred tax assets, are to be included in the tax base in accordance with the provisions of the corporate income tax act, subject to the limit of the positive taxable base prior to their inclusion and the offsetting of tax losses. The application of this rule has meant a decrease in tax credits for tax loss carryforwards and deductions pending application as well as an increase in deferred tax assets related to loan impairment, foreclosure asset impairment and expenses related to pension obligations, amounting to €353,939 thousand.

b) The deferred tax assets relating to provisions for the impairment of loans and other assets arising from possible debtor insolvency not related to the taxpayer, as well as those derived from appropriations or contributions to social welfare systems and, if applicable, early retirement, will become an enforceable claim against the tax authorities in cases where the taxpayer incurs accounting losses or the entity is liquidated or is judicially declared insolvent. Deferred tax assets arising from the right to offset tax losses in subsequent years will become an enforceable claim against the tax authorities when they result from the inclusion in the tax base, as from the first fiscal year commencing 2014, the provisions for impairment of loans and other assets arising from possible borrower insolvency, as well as appropriations or contributions to employee welfare systems and, where appropriate, early retirement, which generated the deferred tax assets referred to above. These assets may be exchanged for public debt securities once the term for offsetting tax loss carryforwards stipulated in the Corporate Income Tax Law expires, calculated as from the accounting recognition of said assets. In the case of assets recorded prior to the entry into force of this Law, said term is calculated as from the entry into force of the Law.

In 2014, the net amount of deferred tax assets and liabilities related to temporary differences amounted to €500,425 thousand (€547,197 thousand at 31 December 2013). 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 public authorities in the above circumstances (monetised assets), which assume that their recoverability is not dependent on the existence of future taxable profits. Their recognition is therefore justified. At 31 December 2014 these deferred tax assets amounted to €667 million (€654 million 31 December 2013), which exceeds the net amount of the deferred tax assets and liabilities for temporary differences indicated in the above paragraph.

In addition, at 31 December 2014 there are deferred tax assets for tax loss carryforwards pending offset and unused tax credits amounting to €519,680 thousand (€575.321 thousand at 31 December 2013). The vast majority of these tax assets result from the losses incurred by the Company in 2012 and 2013, which were extraordinary and non-recurring in character, mainly due to the write-down of real estate assets in 2012 and renegotiated assets in 2013, as disclosed in the annual accounts 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 such tax loss carryforwards to be offset in a reasonably short 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 Company at 31 December 2014, 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 17.1 describes the grounds for the basic assumptions used in determining the business plan taken into consideration by the Bank.

According to the estimates under the business plan discussed above, the estimated term for recovering these deferred tax assets is 8 years.

Note 1.13 lists corporate restructuring operations carried out during 2014 by the Ibercaja Group. In this respect, the annual accounts of the companies that have acquired assets include the disclosures laid down by Article 93 of the revised Corporate Income Tax Act approved by Legislative Royal Decree 4/2004 in cases in which they opted to apply the special tax regulations provided for in Chapter VIII of Title VII of said revised Act.

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 2014 and 2013 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 valuation system (levels 1, 2 and 3):

Thousand euro			Fair value hierarchy		
2014	Total balance sheet	Fair value	Level 1	Level 2	Level 3
Cash and deposits with central banks	435,089	435,089	–	435,089	–
Held for trading	55,832	55,832	514	20,679	34,639
Other financial assets at fair value through profit or loss	61,547	61,547	61,180	367	–
Available–for–sale financial assets	14,778,280	14,683,827	14,166,728	345,982	171,117
Loans and receivables	35,632,878	38,807,072	499,744	1,227,289	37,080,039
Held–to–maturity investments	6,681,683	6,799,611	3,850,358	2,949,253	–
Of which: Sovereign risk	*3,887,049*	*4,000,413*	*4,000,413*	–	–
Hedging derivatives	496,506	496,506	–	496,506	–
Total financial assets	58,141,815	61,339,484	18,578,524	5,475,165	37,285,795
Held for trading	48,462	48,462	–	13,416	35,046
Other financial liabilities at fair value through profit or loss	–	–	–	–	–
Financial liabilities at amortised cost	50,824,160	52,038,088	–	52,038,088	–
Hedging derivatives	604,912	604,912	–	604,912	–
Total financial liabilities	51,477,534	52,691,462	–	52,656,416	35,046

Thousand euro 2013	Total balance sheet	Fair value	Fair value hierarchy Level 1	Level 2	Level 3
Cash and deposits with central banks	499,331	499,387	–	499,387	–
Held for trading	36,826	36,826	587	17,196	19,043
Other financial assets at fair value through profit or loss	68,925	68,925	68,925	–	–
Available–for–sale financial assets	7,277,141	7,131,772	6,685,800	245,336	200,636
Loans and receivables	38,947,347	41,275,926	350,231	1,360,313	39,565,382
Held–to–maturity investments	11,511,381	11,785,749	8,502,489	3,283,260	–
Of which: Sovereign risk	*8,100,299*	*8,356,497*	*7,715,075*	*641,422*	–
Hedging derivatives	519,043	519,043	–	519,043	–
Total financial assets	58,859,994	61,317,628	15,608,032	5,924,535	39,785,061
Held for trading	27,546	27,546	–	8,592	18,954
Other financial liabilities at fair value through profit or loss	48,800	48,800	–	48,800	–
Financial liabilities at amortised cost	53,081,749	54,442,686	–	54,442,686	–
Hedging derivatives	297,464	297,464	–	297,464	–
Total financial liabilities	53,455,559	54,816,496	–	54,797,542	18,954

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 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 are 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: Generally fair value is determined by discounting the estimated cash flows, which are derived from business plans in 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.

  The fair value of financial assets available for sale does not include financial instruments measured at historical cost amounting to €94,453 thousand at 31 December 2014 (€145,370 thousand 31 December 2013). No information on the fair value of these instruments is disclosed as it cannot be estimated accurately. These securities are not traded on a regulated market and sufficient information is not available to determine their fair value because they are instruments in which a non-significant individual investment has been made and as there are no recent transactions involving such instruments that would enable a reference to be established for calculating fair value. In any event, an individual analysis is performed to identify evidence of impairment and any impairment detected is recorded in accordance with the criteria described in Note 2.3.4. Note 9.1 sets out information on these instruments.

- Loans and advances to customers (loans and receivables): 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 1.33% 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, in an economic and financial crisis such as the present crisis and 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 losses incurred 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 are held 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 Company 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 2014 there were financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria amounting to €5,345 thousand (€30,622 in 2013).

For certain financial instruments (mainly the trading portfolio and operations related to financial derivatives), there is a balancing entry in the income statement for changes in fair value. The detail of the effect on the income statement arising from changes in fair value is as follows, classified on the basis of the hierarchical level of the fair value on which the financial instruments are located:

Thousand euro	2014	2013
Level 1	346	852
Level 2	(14,655)	4,536
Level 3	526	(212)
	(13,783)	5,176

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, revealing separately changes during the year attributable to the following:

Thousand euro	Controlling interests - Assets	Available-for-sale financial assets	Held for trading - Liabilities
Balance at 01 January 2013	11,863	116,795	12,156
Acquisition of Cajatres (*)	–	62,054	–
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense.	7,333	62	7,393
Purchases	6,538	6,881	6,091
Sales	–	(1,268)	–
Issues	–	–	–
Settlements and maturities	(6,691)	–	(6,686)
Transfers from or to level 3 in or out of the above portfolios	–	16,112	–
Balance at 31 December 2013	19,043	200,636	18,954
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense.	2,680	(16,025)	3,450
Purchases	15,411	164	15,028
Sales	–	(2,927)	–
Issues	–	–	–
Settlements and maturities	(2,495)	–	(2,386)
Transfers from or to level 3 in or out of the above portfolios	–	(10,731)	–
Balance at 31 December 2014	34,639	171,117	35,046

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

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 the above-mentioned embedded derivatives. As shown in the table included at the beginning of this Note, the values of both derivatives compensate each other since they have the same features and almost the same nominal values. The Company measures both derives according to the quotations offered by the counterparty.

As for instruments classified as financial assets available for sale, most of the balance corresponds to investments in an insurance company and venture capital funds.

The fair value of the investment in the insurance company was calculated based on estimated future cash flows derived from business projects to 2017, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of €88.8 million and a growth rate in that cash flow of 1%. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 9.02%.

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 Company believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine said value would not have a significant impact on the results, total assets or equity of Ibercaja Banco.

27 Other significant information

27.1 Contingent exposures

The following table breaks down financial guarantees granted at 31 December 2014 and 2013 in accordance with the maximum risk assumed by the Group:

Thousand euro	2014	2013
Guarantees and other sureties	**598,774**	**704,233**
Financial guarantees	99,616	163,034
Other guarantees and sureties	499,158	541,199
Irrevocable letters of credit	**22,357**	**20,775**
Irrevocable documents issued	22,343	20,775
Irrevocable documents confirmed	14	-
Assets associated with third party obligations	**929**	**929**
	622,060	725,937

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 by the Group.

The income obtained from guarantee instruments is recorded under the captions "Fees received" and "Interest and similar income" (in the amount relating to the restatement of the commission values) in the consolidated income statements for 2014 and 2013, and are calculated by applying the rate established contractually based on the nominal amount of the guarantee concerned.

The provisions recorded to cover the guarantees provided to third parties, which have been calculated by applying criteria similar to those for the calculation of financial asset impairment stated at their amortised cost, are included under the caption "Provisions for contingent risks and commitments" in the balance sheet (Note 21).

At 31 December 2014 and 2013, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

Thousand euro	2014	2013
Securitized assets (net of measurement adjustments)	4,495,474	5,106,789
Assets under repos	3,798,433	4,961,595
Assets associated with Bank of Spain policy (*)	4,499,100	4,890,881
Other	203,346	301,358
	12,996,353	15,260,623

(*) Additionally, €4,929,570 thousand (€ 4,834,315 thousand in 2013) relating to own securitisation bonds and mortgage bonds that are also associated with the policy with the Bank of Spain, to secure monetary policy operations in the Eurossytem which at 31 December 2014 and 2013 was not available.

27.3 Contingent commitments

At 31 December 2014 and 2013, the limits on financing contracts granted and the undrawn balances were as follows:

Thousand euro	2014		2013	
	Limit granted	Undrawn balance	Limit granted	Undrawn balance
Drawable by third parties	5,351,003	2,080,672	6,552,865	2,382,854
Available immediately	1,933,722	1,466,932	2,647,539	1,856,759
Available subject to conditions	3,417,281	613,740	3,905,326	526,095
Financial asset forward purchase commitments	–	–	–	11,270
Securities subscribed pending disbursement	–	10,111	–	10,037
Documents in clearing houses	–	403,221	–	611,188
Other items	–	–	–	71,629
	5,351,003	2,494,004	6,552,865	3,086,978

The amounts available relate to variable interest operations.

27.4 Third-party resources managed and marketed by the Group and securities deposit taker

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2014 and 2013 are indicated in the following table:

Thousand euro	2014	2013
Collective Investment Undertakings	7,788,106	6,422,126
Pension funds	4,423,289	4,264,265
Insurance products	171,811	432,281
Discretionary portfolio management	1,007,352	933,891
	13,390,558	**12,052,563**
Of which: managed by the Group	12,280,500	10,893,072

Set out below is a breakdown of the securities deposited by the third parties in the Group at 31 December 2014 and 2013:

Thousand euro	2014	2013
Fixed income	7,913,717	4,779,786
Equities	5,164,231	5,060,576
	13,077,948	**9,840,362**

27.5 Securitisation of assets

The Group carried out various asset securitisation operations before 1 January 2004 which were derecognised from the consolidated balance sheet (Note 2.8). Securitized assets outstanding at 31 December 2014 and 2013 are analysed below:

Thousand euro	2014	2013
Assets transferred to TDA Ibercaja 1, FTA in 2003	125,444	144,158
	125,444	**144,158**

In addition, the Group has securitized assets by assigning loans from its portfolio to a securitisation fund in which it continued to bear the related substantial risks and benefits over the securitized assets in accordance with the transfer conditions agreed (granting of subordinated financing to the fund which substantially absorb the loan losses expected on securitized assets), and therefore these assets have been retained in full on the balance sheet. Details of the balances recorded in relation to these operations are set out below:

Thousand euro	2014	2013
Assets transferred to TDA Ibercaja 2, FTA in 2005	318,987	355,304
Assets transferred to TDA Ibercaja 3, FTA in 2006	403,819	444,098
Assets transferred to TDA Ibercaja 4, FTA in 2006	607,031	663,465
Assets transferred to TDA Ibercaja 5, FTA in 2007	595,508	649,965
Assets transferred to TDA Ibercaja 6, FTA in 2008	873,567	941,914
Assets transferred to TDA Ibercaja ICO.–TVPO , FTH in 2009	249,586	278,669
Assets transferred to TDA Ibercaja 7, FTA in 2009	1,471,321	1,567,295
Assets transferred to AyT Colaterales Global Empresas, FTA in 2008	–	41,816
Assets transferred to AyT Colaterales Global Hipotecario, FTA in 2008	–	102,860
Assets transferred to AyT ICO – FT VPO III, FTA in 2009	–	90,437
	4,519,819	5,135,823

Note 10.1 provides details concerning the Company's exposure in securitisation funds and the amount of the liabilities of securitisation funds 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 securitized assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2014 and 2013, which are backed by the transferred assets mentioned above, is as follows:

Thousand euro	2014	2013
Liabilities issued by TDA Ibercaja 2, FTA in 2005	307,588	286,831
Liabilities issued by TDA Ibercaja 3, FTA in 2006	383,725	358,749
Liabilities issued by TDA Ibercaja 4, FTA in 2006	542,055	487,588
Liabilities issued by TDA Ibercaja 5, FTA in 2007	548,265	505,830
Liabilities issued by TDA Ibercaja 6, FTA in 2008	755,122	741,374
Liabilities issued by TDA Ibercaja ICO–FTVPO, FTH in 2009	218,538	228,930
Liabilities issued by TDA Ibercaja 7, FTA in 2009	1,221,783	1,177,929
Liabilities issued by AyT Colaterales Global Empresas, FTA	–	34,592
Liabilities issued by AyT Colaterales Global Hipotecario, FTA	–	82,101
Liabilities issued by AyT ICO – FT VPO III, FTH	–	79,144
	3,977,076	3,983,068

27.6 Assets received under guarantees

Assets received under guarantee at 31 December 2014 amount to €9,450 thousand (€43,236 thousand at 31 December 2013).

27.7 Leases

27.7.1 Finance leases

Finance leases in which the Group is the lessor are characterized as follows:

- 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.

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 lease contracts which establish a 15 year mandatory compliance period, with a total term of up to 35 years. At 31 December 2014 there are 100 contracts (56 concluded in 2012, 26 in 2013 and 18 in 2014) which were entered into simultaneously at the time the property was sold to the lessor and include a purchase option at market prices at the end of the contract. The rental income associated with these properties, is updated annually based on the Consumer Price Index (without any correction factor). The value of the instalments payable within the mandatory compliance period amounts to €2,942 thousand within one year, €11,767 thousand within one to five years and €25,824 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 the main contract.

In the operations in which the Group is the lessee, the amount of the leases recorded as an expense in 2014 totalled €24,532 thousand (€23,725 thousand in 2013).

Refurbishing expenses and capital investment relating to leased assets for which the Group is the lessee, net of depreciation, total €57,456 thousand at 31 December 2014 (€36,301 thousand at 31 December 2013).

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 impact and complies with current environmental legislation. During 2014 and 2013 the Entity has not made any environment-related investments and neither does it consider that there are any significant environment-related contingencies.

27.9 Segmentation

The Entity has revised the identification of operating segments for the purposes of the information disclosed in these annual accounts in accordance with applicable accounting standards in 2014. For these purposes, the highest instance for taking operational decisions to define the operating segments is the Entity's Management Committee. The Entity has concluded that there are no distinct segments as the results of the different activities carried out by the Group are not examined on a differentiated basis by Management, for the following reasons:

- The services provided to customers do not differ significantly from each other, and therefore there is no justification for a differentiated supervision.
- Non-banking activities (not including the marketing of bancassurance products) are not significant.

Nevertheless, in accordance with applicable regulations, information on the distribution of the Entity's revenues by geographical area and product type have been included in the present Note to the annual accounts.

The Group carries out almost all of its activities in Spain, except for the three branches in Portugal, and the type of customer is similar throughout its area of action.

The breakdown of the Group's revenue (which includes interest and similar income, income from equity instruments, fees received, income from financial transactions and other operating income) by type of product or service is as follows:

Thousand euro	Revenue from third-party customers	
	2014	2013
Banking	1,960,659	1,492,928
Insurance	1,319,209	1,226,209
Other	34,673	24,061
	3,314,541	2,743,198

28 Interest and similar income

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Deposits at the Bank of Spain and other central banks	495	1,285
Loans and advances to credit institutions	34,533	7,426
Money market transactions through counterparties	75	100
Loans and advances to customers	746,010	705,031
Debt securities	574,618	519,891
Doubtful assets	32,610	15,879
Rectification of products due to hedging operations	(20,972)	(27,321)
Income from insurance contracts linked to pensions (Note 37.2)	537	813
	1,367,906	1,223,104

Set out below is a breakdown of the amounts reflected under this caption, classified taking into account the relevant financial instrument portfolio:

Thousand euro	2014	2013
Financial assets at fair value through profit or loss	29	111
Available-for-sale financial assets	328,167	383,609
Held-to-maturity investments	246,422	136,171
Loans and receivables	813,228	728,436
Rectification of income due to hedging operations	(20,972)	(27,321)
Other revenues	1,032	2,098
	1,367,906	1,223,104

29 Interest and similar charges

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Deposits at the Bank of Spain and other central banks	7,942	24,591
Deposits from credit institutions	25,348	31,015
Money market transactions through counterparties	2,620	2,750
Deposits from public administrations	7,127	7,222
Deposits from other resident sectors	552,473	508,537
Non-resident deposits	1,427	1,363
Marketable debt securities	58,061	86,792
Subordinated liabilities	36,973	17,805
Rectification of expenses due to hedging operations	(141,621)	(167,181)
Interest expense pension funds (Note 37.2)	196	281
Interest extraordinary contribution Deposit Guarantee Fund (Note 1.8).	1,276	1,319
Financial cost of savings life insurance contracts	116,736	116,400
	668,558	630,894

Set out below is a breakdown of the amounts reflected under this caption, classified taking into account the originating portfolio:

Thousand euro	2014	2013
Financial liabilities at amortised cost	691,971	680,075
Adjustment of costs deriving from book hedges	(141,621)	(167,181)
Insurance contracts	118,012	117,719
Other expenses	196	281
	668,558	630,894

30 Return on equity instruments

The amount recorded under this caption relates in full to dividends from equity instruments and other shares in the Available-for-sale assets portfolio amounting to €11,802 thousand at 31 December 2014 (€8,870 thousand at 31 December 2013).

31 Fee and commission income

Fee and commission income accrued in 2014 and 2013, classified in accordance with the item generating the fees, are reflected in the following table:

Thousand euro	2014	2013
Fees for contingent exposures	7,345	6,778
Fees for contingent commitments	3,368	2,779
Fees for foreign currency exchange	212	184
Fees for collection and payment services	126,566	109,857
Securities service fees	11,616	9,920
Non-bank financial product marketing fees	147,816	119,671
Other fees	35,338	31,474
	332,261	280,663

Under the terms of the Asset Administration and Management Agreement (Note 1.10.1.3), Other fees includes €3,190 thousand for the fees received by the Entity in 2014 from the provision of services to SAREB (€4,591 thousand in 2013) and €1,951 thousand relating to the success fees received by the Entity in 2014 for management services in the leasing or transfer of the assets transferred to a third party. No amount was recognised in this respect in 2013.

32 Fee and commission expense

Expenses for fees accrued in 2014 and 2013, classified in accordance with the item generating the fees, are reflected in the following table:

Thousand euro	2014	2013
Fees paid to other entities and correspondent banks	11,711	13,341
Fees paid on securities transactions	2,063	1,676
Other fees	3,132	2,406
	16,906	17,423

33 Net gains/(losses) on financial transactions

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013, based on the financial instrument portfolios from which they originate, is as follows:

Thousand euro	2014	2013
Financial assets at fair value through profit or loss (trading portfolio)	2,852	3,925
Other financial instruments at fair value through profit or loss	1,500	999
Financial instruments not carried at fair value through profit or loss	438,185	130,156
Available-for-sale financial assets	43,143	11,534
Loans and receivables	(3,565)	128
Held-to-maturity investments	380,349	28,498
Liabilities at amortised cost	18,258	89,996
Other gains/(losses) from financial transactions	(17,618)	1,137
Adjustments to hedged instruments (fair value hedges)	242,944	217,957
Hedging derivative (fair value hedges)	(259,579)	(217,267)
Other	(983)	447
	424,919	136,217

Results associated with liabilities at amortised cost relate to repurchases made during the year of preference shares (€41 thousand in 2014 and €1,401 thousand in 2013; Note 19.5), subordinated debt (€900 thousand in 2014 and €39,409 thousand in 2013; Note 19.5) and securitisation bonds (€17,317 thousand in 2014 and €49,185 thousand in 2013; Note 19.4).

34 Exchange differences

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Translation into euro of monetary items denominated in foreign currency	738	1,862
Foreign currency trading	(467)	(373)
	271	1,489

No gain or loss was obtained on the cancellation of exchange differences recorded in equity, in accordance with the matters explained in Note 2.5.3.

35 Other operating income

The breakdown of the balance under this income statement heading in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Income from investment property (Note 16.2)	12,240	5,864
Income from other operating leases	6,400	7,236
Sales and income from provision of services	35,332	32,499
Financial fees offsetting direct costs	6,476	5,275
Income from insurance and reinsurance contracts issued (Note 20.2)	1,112,826	1,037,490
Other items	4,108	4,491
	1,177,382	1,092,855

36 Other operating charges

The breakdown of the balance under this income statement heading in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Expenses on rentals of investment property (Note 16.2)	791	756
Contribution to Deposit Guarantee Fund (Note 1.8).	60,935	104,392
Expenses on insurance and reinsurance contracts (Note 20.2)	1,113,735	1,046,420
Other items	35,448	21,274
Severance expenses (Note 17.1)	*8,733*	–
Cost of sales of inventories disposed of during the year (Note 18)	*791*	*756*
Rest	*25,924*	*20,518*
	1,210,909	1,172,842

37 Personnel expenses

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Wages and salaries	320,329	273,562
Social security contributions	79,474	67,770
Contributions to pension funds and insurance policies	5,412	5,212
Termination benefits	101,024	20,665
Other personnel expenses	7,298	7,725
	513,537	374,934

In May, Ibercaja management and the employees' representatives reached an agreement within a redundancy procedure that included a plan for voluntary early retirement for which 375 employees were eligible who, due to their age or the closure of their places of work, had decided to terminate their employment. The 287 employees that availed themselves of the plan left the Bank in stages, until February 2015. This plan has resulted in personnel expenses amounting to €41,271 thousand.

In December, Ibercaja management took the decision to instigate new redundancy proceedings in 2015 which, among other matters, include the conditions for voluntary early retirement for which 236 employees are eligible who, due to their age, had decided to terminate their employment, in the same terms as those agreed in May 2014. In December the employees' representatives were informed of the decision. Under the provisions of paragraph 165 of IAS 19 "Employee Benefits" and since the conditions set out in IAS 37 "Provisions" for the recognition of restructuring costs are met, this plan has resulted in the recognition of personnel expenses amounting to €59,504 thousand.

Note 21 explains the liabilities pending payment related to the agreements described in the foregoing paragraphs.

37.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2014 and 2013 is as follows:

	Workforce 31/12/2014		Workforce 31/12/2013	
	Men	Women	Men	Women
GR. 1 Senior management	14	1	14	1
GR. 1 Levels I to V	1,722	671	1,854	679
GR. 1 Levels VI to X	1,457	1,582	1,531	1,605
GR. 1 Levels XI to XIII	412	513	510	659
GR. 2 and cleaners	40	8	62	12
	3,645	2,775	3,971	2,956

At 31 December 2014 the workforce includes 12 employees that work in Portugal (14 at end-2013; Note 27.9.2.).

The average number of Group employees in 2014 and 2013 is as follows:

	2014	2013
GR. 1 Senior management	14	14
GR. 1 Levels I to V	2,497	2,703
GR. 1 Levels VI to X	3,085	3,314
GR. 1 Levels XI to XIII	1,057	1,277
GR. 2 and cleaners	50	89
	6,703	7,397

37.2 Personnel expenses - post-employment benefits

Net figures recognised on the balance sheet for defined benefit post-employment plans at 31 December 2014 and 2013 are as follows:

Thousand euro	2014	2013
Present value of the obligations financed	(325,877)	(297,009)
Fair value of plan assets	288,036	299,488
(Shortfall)/Surplus	(37,841)	2,479
Impact of limit on assets	(2,041)	-
Net liability figuring on balance sheet:	(39,882)	2,479
Assets linked to pensions (*)	*119,569*	*124,285*
Net pension assets (**)	*4,205*	*9,897*
Net pension (provision)	*(163,656)*	*(131,703)*

(*) Financial assets in subsidiary Ibercaja Vida, S.A.

(**) Recorded under "Other assets" on the consolidated balance sheet.

The reconciliation of the opening to the closing balances of the present value of post-employment defined benefit plan obligations during 2014 and 2013 is as follows:

Thousand euro	2014	2013
Initial present value of obligations	(297,009)	(224,044)
Cajatres acquisition	–	(86,346)
Cost of services for the current year	(362)	–
Interest costs	(3,358)	(7,243)
Past service cost	–	–
Profit and loss on plan reductions, settlements	6,264	–
Recalculation of valuations:	–	–
Gains/(losses) on changes in demographic assumptions	*(6,470)*	*(5,512)*
Gains/(losses) on changes in financial assumptions	*(49,605)*	*(6,714)*
Gains/(losses) due to experience	*3,488*	*5,105*
Benefits paid	24,050	27,745
Transfers and others	(2,875)	–
Final present value of obligations	(325,877)	(297,009)

The reconciliation of the opening to the closing balances of the present value of post-employment defined benefit plan assets during 2014 and 2013 is as follows:

Thousand euro	2014	2013
Initial fair value of the assets	299,488	224,055
Cajatres acquisition	–	88,089
Interest income	3,589	7,815
Profit and loss on plan reductions, settlements	(7,824)	–
Recalculation of valuations:		
Yield on plan assets excluding interest income/(expense)	*44*	–
Gains/(losses) on changes in financial assumptions	*6,774*	*3,503*
Gains/(losses) due to experience	*7,090*	*4,502*
Change in asset limit, excluding interest expense	*(253)*	–
Employer contributions	247	414
Member contributions	–	–
Benefits paid	(23,721)	(27,745)
Transfers and others	561	(1,145)
Final fair value of the assets	285,995	299,488

An analysis of the main types of asset that comprise the plan assets concerned at 31 December 2014 and 2013 is as follows:

Thousand euro	2014	2013
Shares	–	1.72%
Debt instruments	76.45%	61.11%
Land and buildings	–	–
Insurance policies	10.85%	23.23%
Other assets	12.70%	13.94%
Total	100.00%	100.00%

An analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

	2015	2016	2017	2018	2019	2020-2024
Probable post-employment benefits	17,893	17,468	17,047	16,606	16,137	72,758

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of the post-employment plan obligations to changes in the main assumptions is explained below:

	Change in p.b.	Increase in assumptions	Decrease in assumptions
Discount rate	50 p.b.	(6.98%)	7.85%
Salary increase rate	50 p.b.	1.68%	(1.52%)
Pension increase rate	50 p.b.	6.26%	(5.74%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

37.3 Personnel expenses - long-term compensation for early retirees

Net figures recognised on the balance sheet for long-term compensation payable to early retirees under defined benefit plans at 31 December 2014 and 2013 are as follows:

Thousand euro	2014	2013
Present value of the obligations financed	(9,099)	(20,564)
Fair value of plan assets	–	–
Net liability figuring on balance sheet:	(9,099)	(20,564)
Insurance contracts linked to pensions	–	–
Net pension assets	–	–
Net pension (provision)	(9,099)	(20,564)

The reconciliation of the opening to the closing balances of the present value of long-term defined benefit plan obligations for early retirees during 2014 and 2013 is as follows:

Thousand euro	2014	2013
Initial present value of obligations	(20,564)	(884)
Cajatres acquisition	-	(77,312)
Cost of services for the current year	-	-
Interest costs	(117)	(17)
Past service cost	-	-
Profit and loss on plan reductions, settlements	-	-
Recalculation of valuations:	-	-
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	*(477)*	-
Gains/(losses) due to experience	*1,471*	*(92)*
Benefits paid	10,588	35,869
Transfers (Note 21)	-	21,872
Final present value of obligations	(9,099)	(20,564)

38 Other administration expenses

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows

Thousand euro	2014	2013
Buildings, installations and office equipment	53,605	50,597
Equipment maintenance, licences, work and computer programs	29,056	24,479
Communications	18,366	17,278
Advertising and publicity	11,238	7,820
Contributions and taxes	24,123	18,415
Other management and administration expenses	79,523	69,706
	215,911	188,295

- Other disclosures

  Fees payable to PricewaterhouseCoopers Auditores, S,L, for auditing the 2014 annual accounts Ibercaja Bank and group companies (including securitisation funds) amount to €759 thousand (€805 thousand in 2013). In addition, the audit firm received fees amounting to €118 thousand (€200 thousand in 2013) for other audit work and €284 thousand (€176 thousand in 2013) for other services.

  Audit fees payable to other auditors in relation to the auditing of the annual accounts of certain Group companies in 2013 amounted to €272 thousand.

  The fees for other services provided by other companies operating under the PricewaterhouseCoopers name amounted to €49 thousand in 2014 (€441 thousand in 2013) of which €24 thousand relates to tax advisory services (€26 thousand in 2013).

39 Other asset impairment losses

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Goodwill and other intangibles	–	3,260
Impairment losses on inventories (Note 18)	1,257	349
Impairment losses on property, plant and equipment for own use (Note 16.4)	1,916	11,521
Impairment losses on investment property (Note 16.4)	30,279	17,137
Impairment losses on shareholdings (Note 14.1)	2,312	5,893
	35,764	38,160

40 Gains (losses) from disposals of assets not classified as non-current available for sale

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Gains from disposals of assets not classified as non-current available for sale	22,955	10,915
Losses on sale of shareholdings	1,246	(1,125)
Gains on other items	2,041	1,091
	26,242	10,881

Gains on sales of assets include profits originating in the acquisition of 50% of Caja Badajoz Vida y Pensiones, S.A. de Seguros detailed in Note 17.1 for an overall amount of €14,730 thousand. The other gains relate almost entirely to profits on property sales.

41 Gains (losses) from non-current assets available for sale not classified as discontinued operations

The breakdown of the balance under this consolidated income statement caption in 2014 and 2013 is as follows:

Thousand euro	2014	2013
Impairment losses on non-current assets for sale	(32,702)	(68,528)
Results on disposal of shareholdings considered strategic	(218)	(1,783)
	(32,920)	(70,311)

42 Related parties

The balances recorded on the consolidate balance sheets at 31 December 2014 and 2013 and in the consolidated income statements for 2014 and 2013 are as follows:

Thousand euro	2014					2013				
	Group comp.	Assoc.	Jointly-cont. entities	Other related parties (*)	Related individuals (**)	Group comp.	Assoc.	Jointly-cont. entities	Other related parties (*)	Related individuals (**)
Assets										
Loans and credits	167	130,144	46,966	–	53,130	–	121,025	41,501	22,368	22,334
Counterparties insurance contracts	–	–	–	–	–	–	–	–	–	–
Liabilities										
Customer deposits	114,905	24,720	180	725,783	39,058	123,729	17,365	131,593	493,169	24,130
Liabilities from insurance contracts linked to pensions	–	–	–	730,907	–	–	–	–	506,438	–
Provisions	–	–	–	–	–	–	–	–	–	–
Income statement										
Expenses										
Interest and similar charges	186	121	7	8,282	206	454	273	1,309	11,508	335
Fees and other expenses	–	–	–	–	–	–	–	–	–	–
Income										
Interest and similar income	–	2,115	996	–	2,704	252	1,761	1,745	233	426
Fees and other income	268	10	–	–	–	–	9	519	198	4
Dividends	–	2,684	–	–	–	–	1,732	–	–	–
Other										
Contingent liabilities	–	745	–	–	359	–	37,789	2,032	–	797
Commitments	–	1,130	–	–	6,636	–	7,200	11,113	–	1,755

(*) Investment funds and companies and pension funds.

(**) Senior management, Board of Directors, relatives to the second degree and entities related thereto.

The financial operations included have been carried out in accordance with the usual operating processes of the Group parent entity, in arm's length conditions. Arm's length conditions are also applied in other operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable market price method.

43 Other disclosures

43.1 Information on the mortgage market

In accordance with Royal Decree 716/2009 whereby certain aspects of Law 2/1981 governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2012, 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 entities 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 him and his 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 bonds issued by an entity and not matured may not exceed 80% of unamortised capital on 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 bonds issued may not exceed 65%. At 31 December 2014, the figure was 47.76% (53.29% at 31 December 2013).

Mortgage bonds are securities especially guaranteed by the issuer where the entire portfolio of mortgage loans arranged in its favour guarantee compliance with its payment commitments.

The level of overcollateralisation or backing of mortgage bonds is 209.39% at 31 December 2014 (200.89% at 31 December 2013).

At 31 December 2014, 99.22% of transactions in the mortgage portfolio have been formalised through loans (99.05% at 31 December 2013). Of these, instalments are collected on a monthly basis for 94.30% (95.75% at 31 December 2013). The operations formalised at variable interest rates are 99.52% of the total (99.53% at 31 December 2013) and of these, 84.92% are tied to the Euribor (82.19% at 31 December 2013).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitisations written off the balance sheet):

Thousand euro	Nominal value	
	2014	2013
Total loans	30,445,815	32,489,335
Mortgage securities issued	2,123,631	2,338,987
Of which: loans on the balance sheet	2,037,579	2,238,674
Mortgage transfer certificates	2,521,632	2,940,994
Of which: loans on the balance sheet	2,482,239	2,897,148
Mortgage loans pledged as security for financing received	–	–
Loans backing the issue of secured bonds and mortgage bonds	25,800,552	27,209,354
Ineligible loans	6,838,125	7,113,205
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	5,540,215	5,708,794
Other	1,297,910	1,404,411
Eligible loans	18,962,427	20,096,149
Non–qualifying portions	44,975	149,828
Qualifying portions	18,917,452	19,946,321
Loans covering mortgage bond issues	–	–
Qualifying loans to cover covered bond issues	*18,917,452*	*19,946,321*

Note 3.1.4 sets out the carrying amount of loans secured by mortgage and its reconciliation to mortgage market information.

- Information on eligible loans and mortgages:

Thousand euro	2014				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
	Less than 40%	More than 40% and less than or equal to 60%	Over 60 % and less than or equal to 80 %	Over 80%	Total
Eligible loans for the issue of secured bonds and mortgage bonds					18,962,427
Home	3,729,785	5,971,684	7,466,537	13,069	17,181,075
Over other assets	832,215	829,195	119,942		1,781,352

Thousand euro	2013				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
	Less than 40%	More than 40% and less than or equal to 60%	Over 60 % and less than or equal to 80 %	Over 80%	Total
Eligible loans for the issue of secured bonds and mortgage bonds					20,096,149
Home	3,536,925	5,882,188	8,598,210	18,736	18,036,059
Over other assets	778,561	906,634	374,895		2,060,090

- Information concerning the issue of mortgage covered bonds. Loans and mortgages pending repayment:

Thousand euro	2014		2013	
	Loans backing the issue of mortgage bonds and mortgage secured bonds	Of which: Eligible loans	Loans backing the issue of mortgage bonds and mortgage secured bonds	Of which: Eligible loans
Total	25,800,552	18,962,427	27,209,354	20,096,149
Origin of operations	25,800,552	18,962,427	27,209,354	20,096,149
Originated by the Bank	25,186,467	18,370,088	26,533,972	19,444,357
Subrogated other entities	614,085	592,339	675,382	651,792
Currency	25,800,552	18,962,427	27,209,354	20,096,149
Euro	25,796,978	18,962,427	27,206,245	20,096,149
Other currencies	3,574	-	3,109	-
Payment status	25,800,552	18,962,427	27,209,354	20,096,149
Payment normality	23,002,196	18,225,176	24,289,883	19,239,890
Other situations	2,798,356	737,251	2,919,471	856,259
Average residual period to maturity	25,800,552	18,962,427	27,209,354	20,096,149
Up to 10 years	4,443,547	2,100,297	4,506,410	2,162,702
More than 10 years and up to 20 years	7,309,452	5,791,596	7,018,827	5,581,671
More than 20 years and up to 30 years	10,030,135	7,908,302	11,022,738	8,706,458
More than 30 years	4,017,418	3,162,232	4,661,379	3,645,318
Interest rate	25,800,552	18,962,427	27,209,354	20,096,149
Fixed	248,485	46,598	304,048	131,283
Variable	24,715,427	18,473,990	26,328,010	19,637,464
Mixed	836,640	441,839	577,296	327,402
Holders	25,800,552	18,962,427	27,209,354	20,096,149
Entities and individual entrepreneurs	6,348,984	2,695,897	7,012,146	3,290,543
Of which: real estate developments	*3,218,016*	*1,069,171*	*3,444,906*	*1,222,786*
Other individuals and non-profit institutions serving households	19,451,568	16,266,530	20,197,208	16,805,606
Type of guarantee	25,800,552	18,962,427	27,209,354	20,096,149
Assets /finished buildings	23,109,144	18,257,258	24,439,328	19,362,367
Residential	21,672,938	17,385,353	17,370,687	13,725,524
Of which: Official housing	*2,338,402*	*2,215,063*	*1,728,144*	*1,613,814*
Commercial	753,730	417,831	817,505	512,680
Other	682,476	454,074	6,251,136	5,124,163
Assets/ buildings under construction	845,892	344,289	657,144	202,057
Residential	355,270	49,500	640,169	190,949
Of which: Official housing	*19,422*	*2,345*	*25,683*	*4,814*
Commercial	1,627	97	6,142	5,652
Other	488,995	294,692	10,833	5,456
Land	1,845,516	360,880	2,112,882	531,725
Developed	1,286,856	27,989	1,574,076	214,184
Other	558,660	332,891	538,806	317,541

- Nominal value of covered bonds issued by the Company

Thousand euro	Nominal value	
	2014	2013
Mortgage covered bonds (Note 19.4)	3,930,000	4,430,000
Ibercaja November 2009	-	500,000
Ibercaja April 2010	500,000	500,000
Ibercaja April II 2010	100,000	100,000
Ibercaja March 2011	30,000	30,000
Ibercaja December 2011	1,000,000	1,000,000
Ibercaja March 2012 I	750,000	750,000
Ibercaja March 2012 II	750,000	750,000
Ibercaja September 2012	800,000	800,000
AYT mortgage covered bonds (Nota 19.3)	3,404,469	3,798,835
AYT 5 unique covered bond (15 years)	101,613	101,613
AYT 6 unique covered bond (10 years)	-	100,000
AYT 8 unique covered bond (10 years)	-	285,366
AYT 8 unique covered bond (15 years)	104,634	104,634
AYT 9 unique covered bond (10 years)	383,333	383,333
AYT 9 unique covered bond (15 years)	216,667	216,667
AYT 10 unique covered bond (10 years)	323,974	323,974
AYT 10 unique covered bond (20 years)	341,026	341,026
AYT Global 2016 unique covered bond	227,778	227,778
AYT Global 2021 unique covered bond	225,000	225,000
AYT Global 2017 unique covered bond	150,000	150,000
AYT Global 2018 unique covered bond	270,000	270,000
AYT Global 2022 Series III unique covered bond	19,444	19,444
AYT Cajas Global 2018 Series IV covered bond	50,000	50,000
AYT Cajas Global 2023 Series X covered bond	75,000	75,000
AYT Cajas Global 2016 Series XI covered bond	50,000	50,000
AYT Cajas Global 2027 Series XIII covered bond	165,000	165,000
AYT Cajas Global 2019 Series XIV covered bond	25,000	25,000
AYT Cajas Global 2016 Series XXIII covered bond	310,000	310,000
AYT Cajas Global 2015 Series XXVI covered bond	90,000	90,000
AYT Financiación Inversiones I, F.T.A. (BEI I)	–	9,000
AYT Financiación Inversiones II, F.T.A. (BEI II)	16,000	16,000
AYT Financiación Inversiones III, F.T.A. (BEI III)	15,000	15,000
AYT Cajas Global 2017 Series XVI covered bond	120,000	120,000
AYT Cajas Global 2015 Series XX covered bond	125,000	125,000
TDA mortgage covered bonds (Nota 19.3)	1,700,000	1,700,000
TDA 5 unique covered bond	300,000	300,000
TDA 6 unique covered bond	250,000	250,000
TDA 7 unique covered bond	400,000	400,000
TDA 6 unique covered bond (extension)	250,000	250,000
TDA Series A4 unique covered bond	300,000	300,000
TDA Series A1 unique covered bond	200,000	200,000

- Information on period remaining to maturity of mortgage market securities:

Thousand euro	2014		2013	
	Amount	Average period to maturity (months)	Amount	Average period to maturity (months)
Outstanding mortgage bonds	–	–	–	–
Mortgage covered bonds in issue	9,034,469	–	9,928,835	–
Of which: Not reflected under liabilities on the balance sheet	*3,300,000*	–	*3,300,000*	–
Debt securities Issued through public offering	–	–	–	–
Debt securities Other issues	3,930,000	–	4,430,000	–
Time to maturity up to one year	*500,000*	–	*500,000*	–
Time to maturity from one to two years	*780,000*	–	*500,000*	–
Time to maturity from two to three years	–	–	*780,000*	–
Time to maturity from three to five years	*2,550,000*	–	*1,000,000*	–
Time to maturity from five to ten years	*100,000*	–	*1,650,000*	–
Time to maturity more than ten years	–	–	–	–
Deposits	5,104,469	–	5,498,835	–
Time to maturity up to one year	*953,308*	–	*394,366*	–
Time to maturity from one to two years	*787,779*	–	*991,233*	–
Time to maturity from two to three years	*670,000*	–	*749,854*	–
Time to maturity from three to five years	*851,247*	–	*1,091,613*	–
Time to maturity from five to ten years	*836,110*	–	*1,265,745*	–
Time to maturity more than 10 years	*1,006,025*	–	*1,006,024*	–
Mortgage securities issued	2,037,579	123	2,238,674	126
Other issues	2,037,579	123	2,238,674	126
Mortgage transfer certificates	2,482,239	138	2,897,148	156
Other issues	2,482,239	138	2,897,148	156

None of the issues has been completed through a public offering and all are denominated in euro. 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 and mortgage covered bonds (eligible and non-eligible):

Thousand euro	2014		2013	
	Eligible loans	Ineligible loans	Eligible loans	Ineligible loans
Opening balance	20,096,149	7,113,205	15,311,704	6,620,332
Acquisition of Cajatres (*)	-	-	5,473,163	1,305,111
Disposals in the year	1,890,875	768,216	1,215,073	1,191,830
Repayment at maturity	20,990	11,210	11,096	53,414
Early repayment	176,482	53,610	203,268	332,140
Subrogation other entities	4,801	727	4,875	4,630
Maturities and other	1,688,602	702,669	995,834	801,646
Additions in the year	757,153	493,136	526,355	379,592
Originated by the Bank	755,840	493,136	525,783	379,592
Subrogation other entities	1,313	-	572	-
Final balance	18,962,427	6,838,125	20,096,149	7,113,205

(*) Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.10.2.

- Information on available balances in mortgage loans backing the issue of mortgage bonds and mortgage covered bonds:

Thousand euro	2014	2013
Total	171,904	228,855
Potentially eligible	81,911	154,351
Ineligible	89,993	74,504

43.2 Customer service

Within the framework of the protection measures for customers of financial institutions established by Law 44/2002 (22 November) on financial system reform measures and with the double aim of preserving and strengthening customer confidence, at a meeting held on 22 September 2011 the Board of Directors of Ibercaja Banco, S.A. approved the Customer Care Regulations which govern the activity of the Ibercaja Group's Customer Care Service, in order to attend to and resolve customer complaints regarding their interests and legally recognised rights concerning transactions, contracts or financial services rendered by Group companies.

The content of the Regulations can be consulted at any Ibercaja Group branch and on the website www.ibercaja.es. Users can also use the branches and website to present complaints or claims, or consult the relevant procedures.

For these purposes, Ibercaja Group is made up of Ibercaja Banco, S.A. and the following companies: Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Patrimonios, S.A., Sociedad Gestora de Carteras; 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; e Ibercaja Mediación de Seguros, S.A. Caja3 Bolsa Sociedad de Valores; Caja Círculo Operador de Banca-Seguros Vinculado S.A.U.; CAI Vida y Pensiones Seguros y Reaseguros, S.A.; CAI Mediación de Seguros, S.A.

In accordance with the above-mentioned legislation, the Customer care service at Ibercaja Group presented a statistical report to the Board of Directors of Ibercaja Banco, S.A. at a meeting held on 25 February 2015 regarding complaints and claims handled, the decisions taken, the general criteria followed when taking these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a) Claims handled

Figures relate to Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. in 2014 and 2013.

The 7,628 incidents dealt with by the Customer Care Service represents an increase of 18.35% compared with 2013 (6,445 incidents). Complaints, suggestions and claims numbered 5,949 in total, this being an increase of 3.74%.

Cases relating to the Data Protection Law have increased considerably due to the merger process, from 711 in 2013 to 1,679 in 2014, an increase of 136%.

Money-related claims involved a total of €674,881.36. 968 cases were resolved in the customers' favour, representing a sum of €40,433.72 (€45,520.98 in 2013), this being 5.99% of the total amount claimed (10.24% in 2013).

The average response time for the issues handled by the Customer Care Service was 35.43 days for total cases and 29.72 days for claims (in 2013, response times at Ibercaja Banco were 41.37 days for all cases and 44.66 days for claims).

b) General criteria contained in the decisions

These have formed the basis for the decisions which were issued with strict observance of corporate governance and banking practice standards, transparency and protection of financial users, the opinions formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. The decisions were based on contractual documents signed with customers.

Following the merger of Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U., the handling of the complaints, suggestions, Data Protection Law applications and claims submitted by customers have revealed some matters in which there is room for improvement. Some of these relate to service quality, since complaints due to delays and attention at branches have increased, and others to matters concerning the marketing of certain products and the application of rates prevailing in Ibercaja Banco to customers of Banco Grupo Cajatres, S.A.U.

44 Balance sheets at 31 December 2014 and 2013, income statements, statements of recognised income and expense, total statements of changes in equity and cash-flow statements of Ibercaja Banco, S.A. for the years ended 31 December 2014 and 2013

Balance sheet as at 31 december 2014 and 2013

(Thousand euro) Assets	2014	2013(*)
Cash and deposits with central banks	434,700	345,653
Financial assets held for trading	53,999	27,875
Debt securities	959	890
Derivatives held for trading	53,040	26,985
Memorandum items: loaned or pledged	–	–
Available–for–sale financial assets		
financial assets	9,471,223	2,231,274
Debt securities	8,981,953	1,841,830
Equity instruments	489,270	389,444
Memorandum items: loaned or pledged	*3,618,820*	*1,164,045*
Loans and receivables	36,048,514	30,214,951
Loans and advances to credit institutions	834,981	1,005,948
Loans and advances to customers	34,709,965	29,031,453
Debt securities	503,568	177,550
Memorandum items: loaned or pledged	*4,977,648*	*5,533,556*
Held–to–maturity investments	6,681,685	4,088,342
Memorandum items: loaned or pledged	*4,399,885*	*2,580,362*
Adjustments of financial assets due to		
macro–hedges	128,992	–
Hedging derivatives	492,742	491,597
Non–current assets held for sale	189,233	72,556
Investments	857,624	855,327
Associates	90,239	60,979
Jointly–controlled entities	46,685	46,685
Group companies	720,700	747,663
Insurance contracts linked to pensions	130,467	102,339
Tangible assets	882,266	384,687
Property, plant and equipment	560,898	359,445
For own use	*560,898*	*359,445*
Investment properties	321,368	25,242
Memorandum items: Acquired under		
finance leases	–	–
Intangible assets	189,373	9,737
Goodwill	128,065	–
Other intangible assets	61,308	9,737
Tax assets	1,516,596	566,027
Current	8,106	–
Deferred	1,508,490	566,027
Other assets	94,908	65,130
Total assets	57,172,322	39,455,495
Memorandum items		
Contingent exposures	638,663	429,575
Contingent commitments	3,273,191	2,556,361

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Balance sheet as at 31 december 2014 and 2013

(Thousand euro) Liabilities and equity	2014	2013(*)
Financial liabilities held for trading	**48,462**	**21,630**
Derivatives held for trading	48,462	21,630
Financial liabilities at cost amortised cost	**53,060,501**	**36,625,612**
Deposits from central banks	4,848,302	2,534,006
Deposits from credit institutions	3,227,669	3,635,782
Customer deposits	43,060,404	28,021,882
Marketable debt securities	691,732	1,837,877
Subordinated liabilities	560,582	250,372
Other financial liabilities	671,812	345,693
Adjustments of financial liabilities due to		
Macro–hedges	6,668	–
Hedging derivatives	**596,975**	**74,541**
Provisions	**328,517**	**150,802**
Pension funds and similar obligations	143,696	102,083
Provisions for taxes and other legal contingencies	10,150	5,224
Provisions liabilities and Contingent commitments	26,089	7,291
Other provisions	148,582	36,204
Tax liabilities	**373,833**	**123,259**
Current	251	–
Deferred	373,582	123,259
Other liabilities	**173,525**	**67,941**
Total liabilities	**54,588,481**	**37,063,785**
Shareholders' funds	**2,367,434**	**2,327,403**
Capital	2,611,730	2,611,730
Reserves	(315,512)	(220,387)
Profit/(loss) for the year	71,216	(63,940)
Valuation adjustments	**216,407**	**64,307**
Financial assets available for sale	216,255	64,123
Rest	152	184
Total equity	**2,583,841**	**2,391,710**
Total liabilities and equity	**57,172,322**	**39,455,495**

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Income statements for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
Interest and similar income	1,184,844	813,157
Interest and similar charges	602,560	407,892
Net interest income	582,284	405,265
Return on equity instruments	87,937	116,085
Fee and commission income	262,737	183,666
Fee and commission expense	15,167	12,224
Net gains(losses) on financial assets and liabilities	414,908	87,196
Financial liabilities held for trading	2,711	3,873
Financial instruments not measured at fair value through profit or loss	429,805	81,776
Other	(17,608)	1,547
Exchange differences (net)	270	1,327
Other operating income	18,279	9,329
Other operating charges	82,585	74,540
Gross income	1,268,663	716,104
Administrative expenses	683,330	414,332
Personnel expenses	489,945	285,600
Other administration expenses	193,385	128,732
Depreciation and amortisation	48,232	25,938
Provisions (net)	(5,945)	10,221
Financial asset impairment losses (net)	345,920	268,901
Loans and receivables	309,971	246,674
Other financial instruments not carried at fair value through profit or loss	35,949	22,227
Income from operating activities	197,126	(3,288)
Other asset impairment losses (net)	76,793	134,967
Goodwill and other intangibles	–	–
Other assets	76,793	134,967
Gains(losses) from disposals of assets not classified as non–current available for sale	6,638	10,427
Negative difference on business combinations	–	–
Gains(losses) from non–current assets available for sale not classified as discontinued operations	(21,649)	(5,295)
Profit/(loss) before tax	105,322	(133,123)
Corporate income tax	34,106	(69,183)
Profit/(loss) for year from continuing operations	71,216	(63,940)
Profit (loss) from discontinued operations (net)	–	–
Profit/(loss) for the year	71,216	(63,940)

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Statements of recognised income and expense for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
A) Profit/(loss) for the year	71,216	(63,940)
B) Other recognised income and expense	118,027	132,382
B.1) Items not to be reclassified to income statement	(4,819)	7,102
Actuarial gains /(losses) in defined benefit pension plans	(6,884)	10,146
Non–current assets held for sale	–	–
Corporate income tax relating to items not to be reclassified to income statement	2,065	(3,044)
B.2) Items that may be reclassified to income statement	122,846	125,280
Available–for–sale financial assets	175,542	170,165
Valuation gains/(losses)	211,283	164,185
Amounts transferred to income statement	(35,741)	5,980
Other reclassifications	–	–
Cash flow hedges	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Amounts transferred to initial carrying amount of hedged items	–	–
Other reclassifications	–	–
Hedges of net investment in foreign operations	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Exchange differences	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Non–current assets held for sale	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Other recognised income and expenses	(43)	6,155
Corporate income tax relating to items that may be reclassified to income statement	(52,653)	(51,040)
C) Total recognised income and expense	189,243	68,442

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Total statement of changes in equity for the year ended 31 december 2014

Thousand euro	Shareholders' funds							
	Capital	Share premium	Reserves	Profit/(loss) for the year)	Dividends	Total shareholders' funds	Valuation adjustments	Total equity
I. Closing balance at 31/12/2013 (*)	2,611,730	–	(220,387)	(63,940)	–	2,327,403	64,307	2,391,710
Adjustments due to changes in accounting policies	–	–	(26,366)	–	–	(26,366)	29,254	2,888
Adjustments due to errors	–		–	–	–	–	–	–
II. Adjusted opening balance	2,611,730	–	(246,753)	(63,940)	–	2,301,037	93,561	2,394,598
Total recognised income and expenses	–	–	(4,819)	71,216	–	66,397	122,846	189,243
Other changes in equity	–	–	(63,940)	63,940	–	–	–	–
Capital increases	–	–	–	–	–	–	–	–
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	–	–	–	–	–	–	–
Transfers between equity items	–	–	(63,940)	63,940	–	–	–	–
Increases /(decreases) due to business combinations	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–
Other increases/(decreases) in equity	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2014	2,611,730	–	(315,512)	71,216	–	2,367,434	216,407	2,583,841

(*) Has been restated (Note 1.4).

Total statement of changes in equity for the year ended 31 december 2013

Thousand euro	Shareholders' funds							
	Capital	Share premium	Reserves	Profit/(loss) for the year)	Dividends	Total shareholders' funds	Valuation adjustments	Total equity
I. Closing balance at 31/12/2012	2,278,500	–	315,278	(518,946)	–	2,074,832	(54,776)	2,020,056
Adjustments due to changes in accounting policies	–	–	(22,288)	–	–	(22,288)	–	(22,288)
Adjustments due to errors	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,278,500	–	292,990	(518,946)	–	2,052,544	(54,776)	1,997,768
Total recognised income and expenses	–	–	13,299	(63,940)	–	(50,641)	119,083	68,442
Other changes in equity	333,230	–	(526,676)	518,946	–	325,500	–	325,500
Capital increases	325,500	–	–	–	–	325,500	–	325,500
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	–	–	–	–	–	–	–
Transfers between equity items	7,730	–	(526,676)	518,946	–	–	–	–
Increases /(decreases) due to business combinations	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–
Other increases/ (decreases) in equity	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2013	2,611,730	–	(220,387)	(63,940)	–	2,327,403	64,307	2,391,710

(*) Presented for comparative purposes only; has been restated (Note 1.4).).

Cash flow statements for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
Cash flows from operating activities	(4,428,704)	(505,808)
Profit/(loss) for the year	71,216	(63,940)
Adjustments to obtain cash flows from operating activities	408,562	400,048
Depreciation and amortisation	48,232	25,938
Other adjustments	360,330	374,110
Net increase/decrease in operating assets	(3,405,647)	1,926,129
Financial liabilities held for trading	(19,843)	2,189
Other financial assets at fair value through profit or loss	–	–
Available–for–sale financial assets	(6,589,995)	873,765
Loans and receivables	3,268,554	842,193
Other operating assets	(64,363)	207,982
Net increase/decrease in operating liabilities	(1,515,055)	(2,733,026)
Financial liabilities held for trading	20,916	4,750
Other financial liabilities at fair value through profit or loss	–	–
Financial liabilities at amortised cost	(1,786,340)	(2,670,756)
Other operating liabilities	250,369	(67,020)
Corporate income tax collections/payments	12,220	(35,019)
Cash flows from investing activities	4,486,727	301,453
Payments made	(413,142)	(122,757)
Tangible assets	(64,972)	(15,850)
Intangible assets	(11,556)	(4,643)
Investments	(314,418)	(99,979)
Other business units	–	–
Non–current assets held for sale and associated liabilities	(22,196)	(2,285)
Held–to–maturity investments	–	–
Other payments related to investing activities	–	–
Payments received	4,899,869	424,210
Tangible assets	27,504	18,098
Intangible assets	–	–
Investments	8,077	12,396
Other business units	–	–
Non–current assets held for sale and associated liabilities	11,602	5,376
Held–to–maturity investments	4,852,686	388,340
Other collections related to investing activities	–	–

(*) Presented for comparative purposes only; has been restated (Note 1.4).

Cash flow statements for the years ended 31 december 2014 and 2013

(Thousand euro)	2014	2013(*)
Cash flows from financing activities	395,841	(29,339)
Payments made	(5,270)	(29,339)
Dividends	–	–
Subordinated liabilities	(5,270)	(29,339)
Other payments related to financing activities	–	–
Payments received	–	–
Issue of treasury shares	–	–
Other collections related to financing activities	–	–
Acquisition of Cajatres	401,111	–
Effect of exchange rate fluctuations	–	–
Net increase (decrease) in cash and cash equivalents	453,864	(233,694)
Cash and cash equivalents at the beginning of the year	8,491	242,185
Cash and cash equivalents at the end of the year	462,355	8,491
Memorandum items:		
Components of cash and cash equivalents at year end		
Cash	191,427	124,855
Cash equivalent balances in central banks	243,273	220,798
Net balances of demand deposits in credit institutions	27,655	(337,162)
Total cash and cash equivalents at the year end	462,355	8,491

(*) Presented for comparative purposes only; has been restated (Note 1.4).

SCHEDULE I INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies

		% shareholding			
		2014		2013	
Entity	Country of residence	Direct	Indirect	Direct	Indirect
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	Spain	80.00%	–	–	80.00%
Anexa Capital, S.A.	Spain	100.00%	–	–	100.00%
Araprom, S.A.	Spain	–	–	–	100.00%
Arcai Inmuebles, S.A.	Spain	–	–	–	98.98%
Badajoz Siglo XXI	Spain	100.00%	–	–	100.00%
Banco Grupo Cajatres, S.A.U.	Spain	–	–	100.00%	–
CAI División de Servicios Generales, S.L.	Spain	–	–	–	100.00%
CAI Inmuebles, S.A.	Spain	100.00%	–	–	100.00%
CAI Mediación de Seguros, S.A.	Spain	100.00%	–	–	100.00%
CAI Viajes, S.A.	Spain	100.00%	–	–	100.00%
CAI Vida y Pensiones, Seguros y Reaseguros, S.A.	Spain	–	–	–	100.00%
Caja 3 Bolsa Sociedad de Valores, S.A.	Spain	100.00%	–	–	100.00%
Caja Círculo Correduría de Seguros, S.A.	Spain	–	–	–	100.00%
Caja de Badajoz Vida y Pensiones, S.A. de Seguros	Spain	100.00%	–	–	50.00%
Caja Inmaculada Energía e Infraestructuras, S.A.	Spain	100.00%	–	–	100.00%
Caja Inmaculada Gestión Inmobiliaria, S.L.	Spain	–	–	–	100.00%
Cajaragón, S.L.	Spain	75.00%	25.00%	75.00%	25.00%
Cartera de Inversiones Lusitania, S.L.	Spain	100.00%	–	–	100.00%
Cerro Goya, S.L.	Spain	98.70%	1.30%	95.00%	5.00%
Cerro Murillo, S.A	Spain	99.77%	0.23%	99.29%	0.71%
Dopar Servicios, S.L.	Spain	50.00%	7.50%	50.00%	7.50%
Enclama, S.L.	Spain	50.00%	7.50%	50.00%	7.50%
Espacio Industrial Cronos, S.A.	Spain	100.00%	–	–	100.00%
Gedeco Zona Centro, S.L.	Spain	–	100.00%	–	100.00%
Genética el Bardal, S.A.	Spain	–	–	–	100.00%
Gestora Valle de Tena, S.A.	Spain	–	–	–	90.10%
Golf del Puerto, S.A.	Spain	–	–	–	98.98%
Grupo Alimentario Naturiber, S.A.	Spain	89.41%	–	89.41%	–
I.C. Inmuebles, S.A.	Spain	–	–	100.00%	–
Ibercaja Gestión, S.A.	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Gestión de Inmuebles, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Leasing y Financiación, S.A., E.F.C.	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Paticipaciones Empresariales, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Patrimonios, S.A.	Spain	100.00%	–	0.01%	99.99%

Entity	Country of residence	% shareholding 2014 Direct	% shareholding 2014 Indirect	% shareholding 2013 Direct	% shareholding 2013 Indirect
Ibercaja Pensión, S.A.	Spain	100.00%	–	1.00%	99.00%
Ibercaja Servicios Financieros, S.A.	Spain	–	–	99.77%	0.23%
Ibercaja Servicios Inmobiliarios, S.A.	Spain	99.00%	1.00%	99.00%	1.00%
Ibercaja Viajes, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Vida, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja, S.A.	Spain	100.00%	–	100.00%	–
Iberprofin, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Inmobiliaria Impulso XXI, S.A.	Spain	100.00%	–	–	100.00%
Inmobinsa Inversiones Inmobiliarias, S.A.	Spain	–	100.00%	–	100.00%
Interchip, S.A.	Spain	–	–	–	88.88%
Inversiones Turísticas y Deportivas, S.L.	Spain	–	–	–	98.98%
Mantenimiento de Promociones Urbanas, S.A.	Spain	100.00%	–	100.00%	–
Método 21 S.L.	Spain	–	–	–	100.00%
Nuevas Inversiones Aragonesas 2011, S.L.	Spain	–	–	–	100.00%
Plattea Canna, S.A.	Spain	–	–	–	100.00%
Promociones Inmobiliarias Berben el Puerto, S.L.	Spain	–	–	–	98.98%
Promur Viviendas, S.A.	Spain	–	–	–	100.00%
Radio Huesca, S.A.	Spain	100.00%	–	100.00%	–
Residencial Murillo, S.A.	Spain	100.00%	–	–	100.00%
Servicios a Distancia IBD, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Telehuesca, S.L.	Spain	–	100.00%	–	100.00%
Tintas Arzubialde, S.L.	Spain	–	–	–	88.88%
Tipo Línea, S.A.	Spain	100.00%	–	100.00%	–
Viajes Caja Círculo, S.A.	Spain	75.00%	–	–	75.00%
Viviendas Caja Círculo, S.A.	Spain	–	–	–	100.00%

Jointly-controlled entities

Entity	Country of residence	% shareholding 2014 Direct	% shareholding 2014 Indirect	% shareholding 2013 Direct	% shareholding 2013 Indirect
Aramón Montañas de Aragón, S.A.	Spain	50.00%	–	50.00%	–
Ciudad del Corredor, S.L.	Spain	–	50.00%	–	50.00%
Corredor del Iregua, S.L.	Spain	–	50.00%	–	50.00%
Desarrollos Vivir Zaragoza, S.A.	Spain	–	50.00%	–	50.00%
Ibervalor Energía Aragonesa, S.A.	Spain	50.00%	–	50.00%	–
Montis Locare, S.L.	Spain	47.73%	–	–	47.73%
Promociones Palacete del Cerrillo, S.L.	Spain	–	33.33%	–	33.33%
Torrecerredo Moncayo, S.L.	Spain	–	–	–	50.00%
Urbanizadora Arcas Reales, S.A.	Spain	–	–	–	50.00%

Associates

		% shareholding			
		2014		2013	
Entity	Country of residence	Direct	Indirect	Direct	Indirect
ACB Sportrust Zaragoza, S.L.	Spain	–	–	–	20.00%
Aliancia Inversiones en Inmuebles Dos, S.L.	Spain	25.75%	–	–	25.75%
Anglia Real Estate, S.L.	Spain	–	35.56%	–	35.56%
Araven, S.L.	Spain	–	50.00%	–	50.00%
Asociación Técnica de Cajas de Ahorro, A.I.E.	Spain	31.00%	–	–	31.00%
C y E Badajoz Servicios Sociosanitarios, S.A.	Spain	33.00%	–	–	33.00%
CAI Seguros Generales, Seguros y Reaseguros, S.A.	Spain	50.00%	–	–	50.00%
Campusport, S.L.	Spain	–	–	–	21.09%
Centro de Transportes Aduana de Burgos, S.A.	Spain	25.45%	–	–	25.45%
Cerro de Mahí, S.L.	Spain	–	33.33%	–	33.33%
Chip Audiovisual, S.A.	Spain	17.50%	–	25.00%	25.00%
Concessia Cartera y Gestión de Infraestructuras, S.A.	Spain	23.73%		6.30%	17.43%
Cuatro Estaciones Inmobiliaria Siglo XXI, S.L.	Spain	–	–	–	10.00%
Desarrollo Urbanísticos Cedra, S.A.	Spain	–	–	–	33.00%
Desarrollos Inmobiliarios Salamanca, S.L.	Spain	–	–	–	25.00%
Desarrollos Sud-57, S.L.	Spain	–	–	–	35.00%
Desarrollos Urbanos Orión, S.L.	Spain	–	–	–	34.00%
Districlima Zaragoza, S.L.	Spain	35.00%		20.00%	15.00%
Edificios y Chalets 2000, S.A.	Spain	–	–	–	44.61%
Europea Desarrollos Urbanos, S.L.	Spain	–	20.00%	–	20.00%
Heraldo de Aragón, S.A.	Spain	39.94%	–	25.34%	14.60%
Imaginarium, S.A. (a)	Spain	10.65%	16.38%	–	27.03%
Inmobiliaria Monte Arenal 2000, S.L.	Spain	–	–	–	49.00%
Inmobiliaria Montesoto, S.L.	Spain	–	–	–	40.71%
Inmourbe, F.I.I.F	Portugal	32.78%	–	–	40.87%
Inverzona Seis Participaciones Aragonesas, S.A.	Spain	27.02%	–	27.02%	–
Liderazgo Inmobiliario de Aragón, S.L.	Spain	–	50.00%	–	50.00%
Mobart Circulo Participaciones, S.L.	Spain	50.00%	–	–	50.00%
Negio Constructora, S.A.	Spain	–	20.00%	–	20.00%
Nuevas Energías de Castilla S.A.	Spain	48.00%	–	–	48.00%
Nuevos Materiales de Construcción, S.A.	Spain	21.93%	–	21.93%	–
Ocho17 Eficiencia Energética, S.L.	Spain	17.94%	2.42%	–	21.68%
Parque Tecnológico del Motor de Aragón, S.A.	Spain	12.46%	10.50%	12.46%	10.50%
Plataforma Logística de Zaragoza, PLAZA, S.A.	Spain	30.58%	–	15.29%	15.29%
Prames Audiovisual, S.A.	Spain	40.00%		20.00%	20.00%
Promocas 2005, S.L.	Spain	–	–	–	45.00%
Promociones Empresariales Área 9, S.L.	Spain	–	–	–	40.00%
Promopuerto 2006, S.L.	Spain	–	45.70%	–	45.70%

		% shareholding			
		2014		2013	
Entity	Country of residence	Direct	Indirect	Direct	Indirect
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Spain	31.28%	–	15.64%	15.64%
Publicaciones y Ediciones Alto Aragón, S.A.	Spain	46.78%	–	46.78%	–
Residencia Jardín Nuestra Señora María Auxiliadora, S.A.	Spain	40.00%	–	–	40.00%
Rioja Nueva Economía, S.A.	Spain	42.55%	–	42.55%	–
Savia Capital Innovación y Crecimiento, S.A., S.C.R.	Spain	45.77%		26.64%	19.13%
Segóbrida del Eresma, S.A.	Spain	–	–	–	32.26%
Soc. Española de Banca de Negocios, S.A.	Spain	–	–	21.09%	–
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Spain	23.41%	–	10.16%	13.25%
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	Spain	22.16%	–	11.08%	11.08%
Solavanti, S.L.	Spain	–	20.00%	–	20.00%
Titulización de Activos, S.G.F.T., S.A.	Spain	38.56%	–	38.56%	–
Tom Sagan Sports, S.L.	Spain	–	–	–	40.00%
Turolense del Viento, S.L.	Spain	–	20.00%	–	20.00%
Valora Capital Inmuebles, S.A.	Spain	–	–	–	30.00%
Viacajas, S.L.	Spain	24.41%	–	19.07%	5.34%

(a) Quoted on the Alternative Stock Market. Fair value at 31 December 2014 is €2,208 thousand (€2,449 thousand at 31 December 2013)

SCHEDULE II FINANCIAL INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies

(Thousand euro)

Entity	Date financial statements	Contribution to consolidated profits 2014	Contribution to consolidated profits 2013	Contribution to consolidated reserves 2014	Contribution to consolidated reserves 2013	Non-controlling interests 2014	Non-controlling interests 2013
Agencia de Viajes de la Caja Badajoz, S.A.	Dec - 14	6	(228)	(348)	–	(5)	(57)
AnexaCapital, S.A.	Dec. 14	3,342	(99)	20	–	–	–
Araprom, S.A.	Nov -14	(6)	1	–	–	–	–
Arcai Inmuebles, S.A.	Nov -14	(854)	639	–	–	–	–
Badajoz Siglo XXI	Dec - 14	(1,479)	(7,025)	(10,009)	–	–	–
Banco Grupo Cajatres, S.A.U.	–	–	(110,574)	–	–	–	–
CAI División de Servicios Generales, S.L.	–	–	(50,479)	–	–	–	–
CAI Inmuebles, S.A.	Dec - 14	1,982	(6,404)	(205,164)	–	–	–
CAI Mediación de Seguros, S.A.	Dec - 14	1,089	396	3,514	–	–	–
CAI Viajes, S.A.	Dec - 14	29	(3)	300	–	–	–
Caja Badajoz Vida y Pensiones, seguros y Reaseguros, S.A.	Dec - 14	3,350	–	10,698	–	–	–
CAI Vida y Pensiones, Seguros y Reaseguros, S.A.	–	–	16,923	–	–	–	–
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec - 14	31	(7)	24	–	–	–
Caja 3 Bolsa Sociedad de Valores, S.A.	Dec - 14	(121)	5	1,495	–	–	–
Caja Círculo Correduría de Seguros, S.A.	–	–	189	–	–	–	–
Caja Inmaculada Gestión Inmobiliaria, S.L.	–	–	(38)	–	–	–	–
Cajaragón, S.L.	Dec - 14	–	–	(2)	(2)	–	–
Cartera de Inversiones Lusitania, S.L.	Dec - 14	(76)	(323)	644	–	–	–
Cerro Goya, S.L.	Dec - 14	(3,631)	(3,148)	(11)	(11)	–	–
Cerro Murillo, S.A	Dec - 14	(66,595)	(85,752)	(131)	(562)	–	–
Comercial Logística Calamocha, S.A.	–	–	(284)	–	–	–	–
Dopar Servicios, S.L.	Dec - 14	10	(7)	224	–	115	105
Enclama, S.L.	Dec - 14	119	20	204	–	152	96
Espacio Industrial Cronos, S.A.	Dec - 14	(2,438)	(111)	(7,725)	–	–	–
Gedeco Zona Centro, S.L.	Dec - 14	(177)	(217)	(18,812)	–	–	–
Gestora Valle de Tena,	–	–	27	–	655	–	70
Genetica El Bardal	–	–	(29)	–	–	–	–
Golf del Puerto, S.A.	Nov -14	(842)	–	–	–	–	–
Grupo Alimentario Naturiber, S.A.	Dec - 14	117	(1,781)	(7,357)	(5,368)	285	1,940
I.C. Inmuebles, S.A.	–	–	(37,297)	–	(3)	–	–
Ibercaja, S.A.	Dec - 14	686	697	(23,237)	(20,342)	–	–
Ibercaja Banco, S.A.	Dec - 14	71,216	(39,523)	(315,512)	(234,008)	–	–
Ibercaja Gestión, S.A.	Dec - 14	24,441	19,825	45,042	44,816	–	–
Ibercaja Gestión de Inmuebles, S.A.	Dec - 14	8	10	32	21	–	–

(Thousand euro)

Entity	Date financial statements	Contribution to consolidated profits 2014	Contribution to consolidated profits 2013	Contribution to consolidated reserves 2014	Contribution to consolidated reserves 2013	Non-controlling interests 2014	Non-controlling interests 2013
Ibercaja Leasing y Financiación, S.A.	Dec - 14	823	1,490	14,395	13,081	–	–
Ibercaja Mediación de Seguros, S.A.	Dec - 14	24,121	15,846	34,606	31,587	–	–
Ibercaja Paticipaciones Empresariales, S.A.	Dec - 14	14	7	71	69	–	–
Ibercaja Patrimonios, S.A.	Dec - 14	847	277	1,989	1,712	–	–
Ibercaja Pensión, S.A.	Dec - 14	10,495	8,723	23,932	21,082	–	–
Ibercaja Servicios Financieros, S.A.	–	–	7,696	–	23,537	–	–
Ibercaja Servicios Inmobiliarios, S.A.	Dec - 14	59	240	319	279	–	–
Ibercaja Viajes, S.A.	Dec - 14	(116)	(97)	220	216	–	–
Ibercaja Vida, S.A.	Dec - 14	80,422	64,828	258,401	136,145	–	–
Iberprofin, S.L.	Dec - 14	36	28	25	(4)	–	–
Inmobiliaria Impulso XXI, S.A.	Dec - 14	344	(1,750)	(27,855)	–	–	–
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec - 14	210	2,643	24,828	22,449	–	–
Interchip, S.A.	Nov -14	66	–	–	–	–	–
Inversiones Turísticas y Deportivas, S.L.	Nov -14	(379)	–	–	–	–	–
Jamcal Alimentación, S.A.	–	–	38	–	–	–	–
Mantenimiento de Promociones Urbanas, S.A.	Dec - 14	61	82	222	220	–	–
Método 21 S.L.	Nov -14	4,464	110	–	–	–	–
Nuevas Inversiones Aragonesas 2011, S.L.	Nov -14	(12)	(148)	–	–	–	–
Plattea Canna, S.A.	–	–	(3,229)	–	–	–	–
Promociones Inmobiliarias Berben el Puerto, S.L.	Nov -14	(1)	–	–	–	–	–
Promur Viviendas, S.A.	–	–	(7,158)	–	(1)	–	–
Radio Huesca, S.A.	Dec - 14	(352)	(446)	1,076	1,501	–	–
Residencial Murillo, S.A.	Dec - 14	(54,350)	(38,278)	15,318	(50)	–	–
Servicios a Distancia IBD, S.L.	Dec - 14	153	116	36	25	–	–
Telehuesca, S.L.	Dec - 14	(50)	(88)	(208)	(123)	–	–
Tintas Arzubialde, S.L.	Dec - 14	(176)	(1,988)	–	–	–	45
Tipo Línea, S.A.	Dec - 14	(341)	(154)	1,594	1,729	–	–
Viajes Caja Círculo, S.A.	Dec - 14	187	(175)	(794)	–	(20)	(185)
Viviendas Caja Círculo, S.A.	Nov -14	335	(397)	–	–	–	–

Entity	Date financial statements	Financial information 2014 Capital	2014 Reserves and val. adj.	2014 Profit/(loss)	2013 Capital	2013 Reserves and val. adj.	2013 Profit/(loss)
Agencia de Viajes de la Caja Badajoz, S.A.	Dec - 14	454	(348)	6	273	(58)	(219)
Anexa Capital S.C.R., S.A.	Dec - 14	18,293	20	3,342	31,700	(18,939)	(2,810)
Araprom, S.A.	Nov -14	60	49	(7)	60	52	-
Arcai Inmuebles, S.A.	Nov -14	2,060	(81,839)	(854)	60	(77,051)	(4,320)
Badajoz Siglo XXI	Dec - 14	40,950	3,641	(1,479)	40,950	(1,436)	(8,007)
Banco Grupo Cajatres, S.A.U.	-	-	-	-	204,865	(1,000,543)	(149,548)
CAI División de Servicios Generales, S.A.	-	-	-	-	9,914	(107,029)	(9,833)
CAI Inmuebles, S.A.	Dec - 14	64	(205,164)	1,982	49,170	(289,494)	(12,526)
CAI Mediación de Seguros, S.A.	Dec - 14	60	3,514	1,089	60	2,355	1,158
CAI Viajes, S.A.	Dec - 14	60	300	29	60	268	32
CAI Vida y Pensiones, Seguros y Reaseguros, S.A.	-	-	-	-	22,500	41,119	16,923
Caja 3 Bolsa Sociedad de Valores, S.A.	Dec - 14	5,000	1,495	(121)	5,000	1,490	5
Caja Badajoz Vida y Pensiones, Seguros y Reaseguros, S.A.	Dec - 14	11,720	38,487	3,350			
Caja Círculo Correduría de Seguros, S.A.	-	-	-	-	60	1,526	189
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec - 14	1,154	9,600	31	1,154	62	(38)
Caja Inmaculada Gestión Inmobiliaria, S.L.	-	-	-	-	100	435	(79)
Cajaragón, S.L.	Dec - 14	4	(2)	-	4	(2)	
Cartera de Inversiones Lusitania, S.L.	Dec - 14	16,814	(3,260)	(76)	16,814	(2,881)	(315)
Cerro Goya, S.L.	Dec - 14	13,503	(11)	(3,631)	660	(11)	(3,148)
Cerro Murillo, S.A	Dec - 14	222,381	(131)	(66,595)	158,627	(562)	(85,752)
Dopar Servicios, S.L.	Dec - 14	20	224	10	20	238	(13)
Enclama, S.L.	Dec - 14	20	204	119	20	164	40
Espacio Industrial Cronos, S.A.	Dec - 14	28	(7,725)	(2,438)	28	(7,644)	(81)
Gedeco Zona Centro, S.L.	Dec - 14	7,185	(14,332)	(177)	7,185	(14,748)	(431)
Genética el Bardal, S.A.	-	-	-	-	60	76	(29)
Gestora Valle de Tena, S.A.	-	-	-	-	60	745	30
Golf del Puerto, S.A.	Nov -14	9,006	(40,745)	(842)	9,006	(38,738)	(1,338)
Grupo Alimentario Naturiber, S.A.	Dec - 14	12,217	(7,357)	117	12,216	(809)	(1,992)
I.C. Inmuebles, S.A.	-	-	-	-	51,998	(3)	(37,297)
Ibercaja, S.A.	Dec - 14	73,715	(23,237)	686	73,715	(20,342)	697
Ibercaja Banco, S.A.	Dec - 14	2,611,730	(99,105)	71,216	2,611,730	(133,792)	(39,523)
Ibercaja Gestión, S.A.	Dec - 14	2,705	51,275	24,441	2,705	48,403	19,825
Ibercaja Gestión de Inmuebles, S.A.	Dec - 14	120	32	8	120	21	10
Ibercaja Leasing y Financiación, S.A.	Dec - 14	3,006	14,395	823	3,006	13,081	1,490
Ibercaja Mediación de Seguros, S.A.	Dec - 14	60	34,846	24,121	60	31,792	15,846
Ibercaja Paticipaciones Empresariales, S.A.	Dec - 14	150	71	14	150	69	7
Ibercaja Patrimonios, S.A.	Dec - 14	4,417	2,423	847	4,417	1,949	277
Ibercaja Pensión, S.A.	Dec - 14	11,010	25,926	10,495	11,010	21,082	8,723
Ibercaja Servicios Financieros, S.A.	-	-	-	-	2,644	23,595	7,696

Entity	Date financial statements	Financial information 2014 Capital	Reserves and val. adj.	Profit/(loss)	2013 Capital	Reserves and val. adj.	Profit/(loss)
Ibercaja Servicios Inmobiliarios, S.A.	Dec - 14	60	319	59	60	279	240
Ibercaja Viajes, S.A.	Dec - 14	94	220	(116)	60	216	(97)
Ibercaja Vida, S.A.	Dec - 14	105,065	330,725	80,422	105,065	155,808	64,828
Iberprofin, S.L.	Dec - 14	50	25	36	50	(4)	28
Inmobiliaria Impulso XXI, S.A.	Dec - 14	18,000	(27,855)	344	18,000	(19,977)	(1,787)
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec - 14	40,051	24,828	210	40,051	22,449	2,643
Interchip, S.A.	Nov -14	90	11	66	80	10	8
Inversiones Turísticas y Deportivas, S.L.	Nov -14	8,892	(9,393)	(379)	8,892	(8,991)	(364)
Mantenimiento de Promociones Urbanas, S.A.	Dec - 14	65	222	61	65	220	82
Método 21 S.L.	Nov -14	1,598	(1,596)	4,464	1,598	(14,660)	(131)
Nuevas Inversiones Aragonesas 2011, S.L.	Nov -14	3	13	(12)	3	(30,417)	(879)
Plattea Canna, S.A.	-	-	-	-	17,747	(19,321)	461
Promociones Inmobiliarias Berben el Puerto, S.L.	Nov -14	121	(714)	(1)	121	(714)	-
Promur Viviendas, S.A.	-	-	-	-	13,139	(1)	(7,158)
Radio Huesca, S.A.	Dec - 14	1,291	1,076	(352)	1,291	1,506	(446)
Residencial Murillo, S.A.	Dec - 14	132,012	15,465	(54,350)	50,270	96	(38,278)
Servicios a Distancia IBD, S.L.	Dec - 14	480	36	153	480	25	116
Telehuesca, S.L.	Dec - 14	752	(208)	(50)	752	(123)	(88)
Tintas Arzubialde, S.L.	-	-	-	-	800	(396)	20
Tipo Línea, S.A.	Dec - 14	120	1,596	(341)	120	1,729	(154)
Viajes Caja Círculo, S.A.	Dec - 14	720	(794)	187	472	(173)	(431)
Viviendas Caja Círculo, S.A.	Nov -14	60	62	335	21,918	(71,880)	(1,401)

Jointly-controlled entities

Entity	Date financial statements	Contribution to consolidated profits 2014	Contribution to consolidated profits 2013	Contribution to consolidated reserves 2014	Contribution to consolidated reserves 2013	Value of interest 2014	Value of interest 2013
Aramón Montañas de Aragón, S.A.*	Sept - 14*	(6,335)	(5,674)	(18,022)	(20,383)	33,772	39,086
Caja de Badajoz Vida y Pensiones, S.A.	Dec - 14	–	1,464	–	–		16,031
Other companies		(1,758)	(881)	(20,886)	(23,968)	4,703	5,194

(Thousand euro)

Entity	Financial information 2014: Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Dividends paid
Aramon, Montañas de Aragón S.A. and subsidiaries	3,877	159,931	71,847	5,038	34,305	–

(Thousand euro)

Entity	Financial information 2014: Profit/(loss) from ordinary activities	Profit/(loss) after tax from discontinued operations	Other recognised income and expenses	Total recognised income and expenses	Cash and cash equivalents	Current financial liabilities
Aramon, Montañas de Aragón S.A. and subsidiaries	(11,750)	–	384	(11,187)	641	66,381
Rest	(658)	–	–	(658)	–	–

(Thousand euro)

Entity	Financial information 2014: Non-current financial liabilities	Depreciation	Amortisation	Interest income	Interest costs	Corporate income tax expense/(income)
Aramon, Montañas de Aragón S.A. and subsidiaries	2,919	2,587	12,622	30	4,716	44

(Thousand euro)

Entity	Financial information 2013: Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Dividends paid
Aramon, Montañas de Aragón S.A. and subsidiaries	5,005	173,587	85,327	7,231	34,862	–

(Thousand euro)

Entity	Financial information 2013					
	Profit/(loss) from ordinary activities	Profit/(loss) after tax from discontinued operations	Other recognised income and expenses	Total recognised income and expenses	Cash and cash equivalents	Current financial liabilities
Aramon, Montañas de Aragón S.A. and subsidiaries	(14,527)	–	576	(13,952)	1,166	78,994
Rest	(6,979)	(17,549)	–	(17,549)	–	–

(Thousand euro)

Entity	Financial information 2013					
	Non-current financial liabilities	Depreciation	Amortisation	Interest income	Interest costs	Corporate income tax expense/ (income)
Aramon, Montañas de Aragón S.A. and subsidiaries	5,412	5,812	13,210	54	5,306	(197)

Associates

(Thousand euro)

Entity	Date financial statements	Contribution to consolidated profits		Contribution to consolidated reserves		Value of interest	
		2014	2013	2014	2013	2014	2013
Concessia Cartera y Gestión de Infraestructuras, S.A.**	Nov -14*	96	99	352	–	16,748	16,462
Heraldo de Aragón, S.A.**	Dec - 14	(1,048)	382	4,566	4,451	38,183	43,333
NH Hoteles S.A.	–	–	(17,467)	–	–	–	–
Soc. Española de Banca de Negocios, S.A.***	Sept – 14 (*)	1,530	350	(10,417)	(2,762)	–	13,454
Other companies		(482)	(4,426)	(38,580)	(16,560)	62,549	73,836

* The financial information for this company relates to the date indicated except in relation to the contribution to estimated consolidated results at 31 December 2014.

** Latest available unaudited data.

*** Entity classified at 31 December 2014 as a non-current asset held for sale (Note 13).

(Thousand euro)

Entity	Financial information 2014				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income
Concessia Cartera y Gestión de Infraestructuras, S.A. and subsidiaries	17,606	75,850	1,842	20,589	3,905
Heraldo de Aragón, S.A.	12,043	83,567	28,200	12,434	3,062
Rest	–	–	–	–	–

(Thousand euro)

Entity	Financial information 2014				
	Profit/(loss) from ordinary activities	Profit/(loss) after tax from discontinued operations	Other recognised income and expenses	Total recognised income and expenses	Dividends
Concessia Cartera y Gestión de Infraestructuras, S.A. and subsidiaries	1,314	–	–	1,314	–
Heraldo de Aragón, S.A.	(4,689)	–	–	(4,689)	–
Rest	(3,572)	–	–	(3,572)	–

(Thousand euro)

Entity	Financial information 2013				
	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income
Concessia Cartera y Gestión de Infraestructuras, S.A. and subsidiaries	19,785	72,406	3,075	19,970	4,534
Heraldo de Aragón, S.A.	12,584	87,968	39,064	2,789	3,171

(Thousand euro)

Entity	Financial information 2013				
	Profit/(loss) from ordinary activities	Profit/(loss) after tax from discontinued operations	Other recognised income and expenses	Total recognised income and expenses	Dividends
Concessia Cartera y Gestión de Infraestructuras, S.A. and subsidiaries	1,002	–	776	1,777	–
Heraldo de Aragón, S.A.	(1,055)	–	588	(467)	–
Rest	(43,394)	(68,075)	(2,847)	(70,882)	–

SCHEDULE III ANNUAL BANKING REPORT

On 27 June 2014 the Official State Gazette published Law 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of European Parliament and Council Directive 2013/36/EU of 26 June 2013 relating to access to the business 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 of Transitional Provision 12 of Law 10/2014, credit institutions are required to publish as an appendix to the audited financial statements, specifying by 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 income before taxes

e) Corporate income tax

f) Grants or public aid received

Therefore, the above-mentioned information is set out below:

a) Name, nature and geographical location of the activity

Ibercaja Banco is a credit institution with registered office located at Plaza de Basilio Paraíso n° 2. It is entered in the Mercantile Register of Zaragoza, volume 3865, book 0,sheet 1, page Z-52186, entry 1, and the Bank of Spain Special Register, under number 2085. It corporate website (electronic head office) is www.ibercaja.es, where its bylaws and other public information can be accessed.

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 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 annual accounts.

The consolidated Group carries out practically all its activity in Spain.

b) Business volume

Information on consolidated business volume is as follows, by country. Business volume has been regarded as gross income, as reflected in the Group's consolidated income statement at the end of 2014:

Thousand euro	31/12/2014
Spain	1,408.874
Portugal	1,297
	1,410,171

c) Number of equivalent full time employees

Equivalent full time employees by country are as follows at end-2014:

Thousand euro	31/12/2014
Spain	6,277
Portugal	12
	6,289

d) Gross income before taxes

Thousand euro	31/12/2014
Spain	214,877
Portugal	229
	215,106

e) Corporate income tax

Thousand euro	31/12/2014
Spain	64,091
Portugal	291
	64,382

f) Grants or public aid received

No grants or public aid have been received by Ibercaja Banco, S.A. or any Group company during 2014.

Other information

The return on the Group's assets during the year calculated as net income dividend by total assets is 0.24%.

SCHEDULE IV RECONCILIATION OF CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012 AND THE CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

As indicated in Note 1.12.1. in relation to the restatement of comparative figures as a result of the retroactive application of IFRIC 21, details are given below of the reconciliation between the figures calculated by the directors in previous years and the comparative figures included in these annual accounts regarding the consolidated balance sheets at 31 December 2013 and 2012 and the consolidated income statement for the year ended 31 December 2013.

- Consolidated balance sheet at 31 December 2013

Thousand euro

Assets	2013 restated	Adjustment	2013 before restatement
Cash and deposits with central banks	499,331	–	499,331
Financial liabilities held for trading	36,826	–	36,826
Other financial assets at fair value through profit or loss	68,925	–	68,925
Available-for-sale financial assets	7,277,141	–	7,277,141
Loans and receivables	38,947,347	–	38,947,347
Held-to-maturity investments	11,511,381	–	11,511,381
Adjustments of financial assets due to macro-hedges	40,135	–	40,135
Hedging derivatives	519,043	–	519,043
Non-current assets held for sale	642,542	–	642,542
Investments	207,396	–	207,396
Reinsurance assets	1,214	–	1,214
Tangible assets	1,285,344	–	1,285,344
Intangible assets	196,676	–	196,676
Tax assets	1,591,495	31,805	1,559,690
Current	33,433	–	33,433
Deferred	1,558,062	31,805	1,526,257
Other assets	324,588	–	324,58
Total assets	63,149,384	31,805	63,117,579
Memorandum items			
Contingent exposures	725,937	–	725,937
Contingent commitments	3,086,978	–	3,086,978

Thousand euro

Liabilities and equity	2013 restated	Adjustment	2013 before restatement
Financial liabilities held for trading	27,546	–	27,546
Other financial liabilities at fair value through profit or loss	48,800	–	48,800
Financial liabilities at amortised cost	53,081,749	106,015	52,975,734
Deposits from central banks	4,855,479	–	4,855,479
Deposits from credit institutions	4,197,762	–	4,197,762
Customer deposits	39,991,664	–	39,991,664
Marketable debt securities	2,995,125	–	2,995,125
Subordinated liabilities	567,520	–	567,520
Other financial liabilities	474,199	106,015	368,184
Adjustments of financial liabilities due to macro–hedges	6,474	–	6,474
Hedging derivatives	297,464	–	297,464
Liabilities under Insurance contract	6,333,643	–	6,333,643
Provisions	261,821	–	261,821
Tax liabilities	442,330	–	442,330
Other liabilities	113,830	–	113,830
Total liabilities	60,613,657	106,015	60,507,642
Shareholders' funds	2,403,540	(74,210)	2,477,750
Capital	2,611,730	–	2,611,730
Reserves	(140,506)	(35,909)	(104,597)
Profit/(loss) attributed to the parent entity	(67,684)	(38,301)	(29,383)
Valuation adjustments	130,173	–	130,173
Non-controlling interests	2,014	–	2,014
Total equity	2,535,727	(74,210)	2,609,937
Total liabilities and equity	63,149,384	31,805	63,117,579

• Consolidated income statement for the year ended 31 December 2013

Thousand euro

Income statement	2013 restated	Adjustment	2013 before restatement
Interest and similar income	1,223,104	–	1,223,104
Interest and similar charges	630,894	–	630,894
Net interest income	592,210	–	592,210
Return on equity instruments	8,870	–	8,870
Share of profit/(loss) of equity–accounted entities	(26,153)	–	(26,153)
Fee and commission income	280,663	–	280,663
Fee and commission expense	17,423	–	17,423
Net gains(losses) on financial assets and liabilities	136,217	–	136,217
Exchange differences (net)	1,489	–	1,489
Other operating income	1,092,855	–	1,092,855
Other operating charges	1,172,842	(54,716)	1,118,126
Expenses on insurance and reinsurance contract	*1,046,420*	–	*1,046,420*
Rest of other operating expenses	*126,422*	*(54,716)*	*71,706*
Gross income	895,886	(54,716)	950,602
Administrative expenses	563,229	–	563,229
Depreciation/amortisation	48,606	–	48,606
Provisions (net)	(42,819)	–	(42,819)
Financial asset impairment losses (net)	355,796	–	355,796
Income from operating activities	(28,926)	(54,716)	25,790
Other asset impairment losses (net)	38,160	–	38,160
Gains(losses) from disposals of assets not classified as non–current available for sale	10,881	–	10,881
Negative difference on business combinations	2,635	–	2,635
Gains(losses) from non–current assets available for sale not classified as discontinued operations	(70,311)	–	(70,311)
Profit/(loss) before tax	(123,881)	(54,716)	(69,165)
Corporate income tax	(54,327)	(16,415)	(37,912)
Profit/(loss) for year from continuing operations	(69,554)	(38,301)	(31,253)
Profit (loss) from discontinued operations (net)	–	–	–
Profit/(loss) for the year	(69,554)	(38,301)	(31,253)
Profit/(loss) attributed to parent company	(67,684)	(38,301)	(29,383)
Profit attributed to non–controlling interests	(1,870)	–	(1,870)

- Consolidated balance sheet at 31 December 2012

Thousand euro

Assets	2012 restated	Adjustment	2012 before restatement
Cash and deposits with central banks	289,520	–	289,520
Financial liabilities held for trading	33,655	–	33,655
Other financial assets at fair value through profit or loss	113,274	–	113,274
Available-for-sale financial assets	6,644,655	–	6,644,655
Loans and receivables	30,720,703	–	30,720,703
Held-to-maturity investments	3,820,919	–	3,820,919
Hedging derivatives	701,018	–	701,018
Non-current assets held for sale	566,803	–	566,803
Investments	178,279	–	178,279
Reinsurance assets	963	–	963
Tangible assets	689,291	–	689,291
Intangible assets	12,194	–	12,194
Tax assets	619,841	15,390	604,451
Current	31,594	–	31,594
Deferred	588,247	15,390	572,857
Other assets	288,263	–	288,263
Total assets	44,679,378	15,390	44,663,988
Memorandum items			
Contingent exposures	451,098	–	451,098
Contingent commitments	2,019,919	–	2,019,919

Thousand euro

Liabilities and equity	2012 restated	Adjustment	2012 before restatement
Financial liabilities held for trading	16,880	–	16,880
Financial liabilities at amortised cost	37,145,867	51,299	37,094,568
Deposits from central banks	2,519,847	–	2,519,847
Deposits from credit institutions	4,371,510	–	4,371,510
Customer deposits	24,772,015	–	24,772,015
Marketable debt securities	4,861,206	–	4,861,206
Subordinated liabilities	289,395	–	289,395
Other financial liabilities	331,894	51,299	280,595
Hedging derivatives	172,256	–	172,256
Liabilities under Insurance contract	4,855,039	–	4,855,039
Provisions	159,434	–	159,434
Tax liabilities	132,630	–	132,630
Other liabilities	76,771	–	76,771
Total liabilities	42,558,877	51,299	42,507,578
Shareholders' funds	2,155,816	(35,909)	2,191,725
Capital	2,278,500	–	2,278,500
Reserves	361,577	(35,909)	397,486
Profit/(loss) attributed to the parent entity	(484,261)	–	(484,261)
Valuation adjustments	(40,611)	–	(40,611)
Non-controlling interests	5,296	–	5,296
Total equity	2,120,501	(35,909)	2,156,410
Total liabilities and equity	44,679,378	15,390	44,663,988

Ibercaja Banco, S.A. and subsidiaries

Consolidated directors' report for 2014

Section I Directors' report

1 Description of Ibercaja Group

Ibercaja Banco Group mainly engages in retail banking, and carries out practically all of its business in Spain. Its corporate purpose is the performance of all types of activities, operations, contracts and banking services in general that are permitted by legislation in force at any given moment, including the rendering of investment and auxiliary services.

Ibercaja Banco was incorporated in accordance with the provisions of Royal Decree 1245/1995 (14 July), on the creation of banks, trans-frontier activities and other matters relating to the legal system governing credit institutions, exercising the financial functions carried out until 2011 by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja. It is entered into the Zaragoza Mercantile Registry in Volume 3865, Book 0, Sheet 1, Page Z-52186, Entry 1ª, as well as in the Bank of Spain Special Registry under number 2085. Its registered address is located in Zaragoza at Plaza Basilio Paraíso, number 2.

The Bank leads a group of subsidiaries. The companies that make up the Ibercaja Banco consolidated group carry out different activities. Those of the Financial Group are notable due to their importance, both from the standpoint of the diversification of banking products offered and profitability, which are carried out by specialised investment funds, savings and pension plans, bancassurance, wealth management and finance and operating leases.

2 Evolution and results obtained by the business

2.1 Economic environment

Global economic growth in 2014 is close to 3.4%. The expansive monetary policies of central banks have played a special role in the recovery which, nevertheless, shows sharp differences between companies. The US economy has shown high levels of dynamism, growing around 2.4% during the year. In Japan, the first VAT increase in April had a negative impact on the economy, leading to two quarters of declining GDP that rang alarms. Among emerging countries, India is gaining protagonism and its approximate 5% growth in 2014 was less than expected but the reforms taken notable improve the outlook for the country. China lost steam, despite GDP staying above 7%, Brazil entered into recession and Russia suffered the consequences of the falling price of crude oil and international sanctions.

The Eurozone is undergoing a stagnant stage, with weak 0.8% growth. Of the two large economies on the continent, the lethargy of its environment shows in Germany's exports and France made slight advances thanks to the public sector and Italy is in recession, while Spain and some peripheral countries show improvements. Inflation has fallen to minimums, raising fears of deflation. The employment market is improving but the unemployment rate remains above 11%. Under this scenario, the ECB has proposed adopting additional stimulus measures to encourage consumption and investment, notably the QE debt acquisition programme.

The Spanish economy has entered into an upward cycle, attaining an estimated GDP gain of 1.4%, which is the best in Europe in terms of growth. After re-entering positive territory, household consumption accelerated by more than 2% during the year. Investments in capital goods maintain seven consecutive quarters of growth. While construction has hit bottom after six straight years of constant decline, home sales and prices have stopped dropping. Employment data are positive and the Active Population Survey for the fourth quarter shows that more than 430,000 jobs have been created and at the end of the year there were 417,000 new contributors to social security. Nevertheless, the 23.7% unemployment rate is still very high.

Prices contracted by 1% in December. This was pushed along by the decrease in crude oil prices, some foods, salary containment and a high percentage of excess production capacity.

The public deficit has moderated, more due to the growth of tax revenues than cost cutting. Government debt has scaled upon to nearly 100% of GDP.

The ECB cut the benchmark interest rate twice to 0.05% and has maintained its policy of economic stimulus by providing liquidity to the system through targeted longer-term refinancing operations (TLTROS) and the purchase of mortgage bonds and ABS. It has also announced an asset purchase programme following the example of the US Federal Reserve and the BoJ in Japan. Taking into account the difference in the cycle in the Eurozone compared with the United States, these measures have resulted in a quick depreciation of the euro against the dollar.

Financing conditions in the debt market have improved due to the decline in interest rates and the Spanish risk premium, allowing the government and the private sector to record significant savings on debt financing.

The equities market had moments of significant volatility, especially during the second half of the year, as a result of episodes such as the rapid decline in crude prices, the depreciation of the rouble or the situation in Greece. The Ibex 35 ended the year up by 3.66%, better than other European indexes, but below expectations at the start of the year.

The Spanish banking sector has benefited from a more benign macroeconomic climate and the improvement in its own fundamentals, after the profound restructuring of the system, the cleaning up of balance sheets and the efforts made to reinforce capital levels carried out in prior years. There are still pending matters, among them recovering profitability and normalizing the level of non-performing assets on the balance sheet.

From a regulatory standpoint, in July the Single Resolution Mechanism was approved in order to regulate the ordered closing of entities and reducing taxpayer cost for banking crises such as that seen recently. The AQR exercises and stress tests were carried out to evaluate the quality of assets and the level of solvency of European banks. In general, Spanish entities easily passed these tests. European regulations regarding solvency and banking supervision were transposed into Spanish Law through Law 10/2014 (26 July) on the ordering, supervision and solvency of credit institutions. The Single Supervisory Mechanism entered into force in November under the control of the ECB and with significant changes that require subjecting entities to regular evaluations of their risk profile, capital and liquidity adequacy, business model, profitability and governance.

2.2 Most relevant issues during the period

In a year characterized by the recovery of results after the efforts made in 2013 in compliance with regulatory modifications and the acquisition of Banco Grupo Cajatres, the most relevant issues during the period may be summarized as follows:

- In October the legal, technological and operating integration of Banco Grupo Cajatres was completed. The assets and liabilities of the target company have fully passed to Ibercaja Banco, which carries out all of the banking activity and subrogated to the rights and obligations of Banco Grupo Cajatres. With this transaction, the Group has been reinforced and becomes the eighth largest entity within the Spanish banking system, it consolidates its privileged position in traditional markets and improves its position nationally. The adoption of Ibercaja's business model by the new network is giving rise to income synergies at the commercial level that will materialize in full in the medium-term.
- The subsidiaries in the Real Estate Group have been restructured to simplify and facilitate their management. The main corporate structure consists of two holding companies and a management company for the assets acquired through acquisitions or foreclosures. As a result of the merger of Banco Grupo Cajatres, including stakes in some companies engaging in the life and casualty insurance business, the Financial Group has implemented a restructuring plan in order to avoid duplications and to improve efficiency. In 2014 part of this project has been executed and it is expected to be completed over the course of 2015. CAI Vida y Pensiones was spun off, transferring the life insurance business to Ibercaja Vida and the management of pension funds and plans to Ibercaja Pensión, and Caja Badajoz Vida y Pensiones is now wholly owned by Ibercaja Banco and will be merged into Ibercaja Vida in 2015.
- Ibercaja successfully completed the Comprehensive Assessment that the ECB carried out with respect to the main credit institutions after assuming supervisory authority, together with national supervisors and the European Banking Authority. The rigorous examination of the balance sheet and the Entity's procedures shows the quality of the credit portfolio as well as the strength of its capital position under the two hypothetical macroeconomic scenarios analysed. In both cases the capital ratio exceeded the minimum requirements by more than 2% and excess capital and reserves is more than €650 million.
- Commercial action during the year was very dynamic in order to maintain activity volume and to avoid the potential loss of business deriving from the restructuring of the Banco Grupo Cajatres network. Retail customer deposits increased appreciably, especially in the Personal Banking segment and in those savings products in which the Group has known capacity, such as investment funds, pension plans and savings insurance. The credit portfolio has been affected by the general tendency of families and businesses to deleverage. However, over the past few months there have been signs of the reactivation of new transactions, which will foreseeably be a trend that will consolidate over the course of 2015.

- The Group obtained a net profit of €151 million, after write-offs and allocations totalling €432 million. The recovery of profits is starting to give rise to the fruits of the merger in the form of income synergies, cost savings and economies of scale.
- Doubtful assets fell by €118 million, which is a particularly important data point since it breaks the upward trend that had been seen since the start of the economic crisis in 2008. The Entity maintains a default rate of 10.78%, with a positive gap compared with the system of 1.83%. The sale of properties has improved compared to 2013. The joint effort of the office network and the Property Management Unit has meant that the number of units sold increased by more than 20%.
- Ibercaja has reinforced its capital and increased available liquidity. The CET1 BIS III phase in ratio is 11.13%, which is a 106 basis point improvement compared with the end of 2013, pro forma. Liquid assets increased by €2,124 million to more than €12,785 million, which is 20.51% of assets. Wholesale issues during the year were not renewed given the solid structure of retail financing with an LTD ratio of 91.91%.

2.3 Analysis of the main figures in the balance sheet.

(Milllon euro)	Main Headings in the consolidated balance sheet		
	December 2014	December 2013	Variance
Active cash and bank depostis	1,596	1,866	(271)
Net customer loans	33,830	36,820	(2,990)
Securities portfolio	22,320	19,826	2,494
Propierty, plant and equipment	1,212	1,285	(74)
Intangible asssets	207	197	11
Other assets	3,157	3,155	3
Total assets	62,322	63,149	(827)
Deposits at credit institutions and central banks	8,090	9,053	(963)
On-balance sheet customer deposits	49,160	49,937	(777)
Customer depostis	39,869	40,040	(172)
Marketable debt securities	1,631	2,995	(1,364)
Subordinated liabilities	557	568	(11)
Insurance policy liabilities	7,104	6,334	770
Provisions	352	262	90
Other liabilities	1,899	1,362	537
Total liabilities	59,501	60,614	(1,113)
Equity	2,822	2,536	286
Total liabilities and equity	62,322	63,149	(827)

Total assets on the consolidated balance sheet total €62,322 million fell by €827 million or 1.31% in relative terms.

Gross customer loans totalled €36,061 million, which represents a change of -5.64% during the year, without taking into consideration the temporary acquisition of assets. This decline falls within the private-sector deleveraging process that affects the entire Spanish financial system.

Financing for the acquisition and rehabilitation of homes has the highest weight within the Entity´s credit portfolio structure and represents 66% of the total. Despite a certain improvement in home demand indicators, the declining trend in the volume of mortgage loans extended throughout 2014. The balance in this business segment ended the year at €23,685 million, which is a 5.32% contraction. The adjustment to the active balance of consumer loans is 7.48%, in parallel to the events in the sector. However, the more than 24% growth in originations compared to 2013 is notable.

Credit for production activities other than real estate development totals €6,715 million and represents 19% of the portfolio. The Group has the objective of strengthening its relationship with businesses through a new integral company service model. The initiative means that almost 60% of the amount of new transactions carried out during the year will be with small and medium-sized businesses, which in the medium-term will improve the Entity´s position in this business area.

Loans and credit facilities associated with real estate development represent only 9%, which is a year-on-year decrease of 12.94% and is the result of both the evolution of the sector and the management carried out by the Entity with respect to this financing.

(Millon euro and %)	Distribution of customer loans by purpose			
	December 2014	December 2013	Variance	Variance %
Consumer loans	24,979	26,415	(1,436)	(5.44)
Mortgage loans	23,685	25,016	(1,332)	(5.32)
Consumer and other	1,294	1,398	(105)	(7.48)
Loans to companies	10,016	10,977	(962)	(8.76)
Property development	3,301	3,791	(490)	(12.94)
Non-real estate production activities	6,715	7,186	(471)	(6.56)
Public sector and other	1,066	1,703	(637)	(37.41)
Gross customer loans, ex repos	36,061	38,217	(2,156)	(5.64)
Gross customer loans	36,061	39,095	(3,034)	(7.76)

Based on collateral, secured loan investments, basically for the acquisition of primary housing by individuals, sell by 6.65% and other term borrowers declined by 4.57%. Commercial loans grew by 2.35% and impaired assets decreased by 2.93%. For the first time since the start of the crisis there has been a decline in doubtful balances totalling €118 million, and this trend is expected to consolidate over the coming quarters in terms of both a lower rate of entry into non-performing territory as well as recovery activities. The loan default ratio is 10.78% which is 1.83% better than the financial system as a whole. By segment, household financing for the acquisition of homes, which has the highest weight within all of the investments, presents a contained delinquency rate of 3.95%. The default rate for the loan portfolio fell to 6.66%, excluding real estate activities.

The total provision for insolvencies, including those associated with contingent risks and liabilities, totals €2,283 million, which is a coverage rate of 57.56% of doubtful risks. This solid level is one of the highest in the system and increased by 60 basis points during the year, and is a reflection of the efforts made to fund provisions over the past few years.

(Millon euro and %)	Distribución of consumer loans by collateral			
	December 2014	December 2013	Variance	Variance %
Trade credit	347	339	8	2.35
Secured loans	26,287	28,161	(1,873)	(6.65)
Other term receivables	3,713	3,891	(178)	(4.57)
Finance leases	178	183	(5)	(2.62)
Credit on demand and sundry debtors	1,319	1,483	(164)	(11.09)
Impaired assets	3,889	4,006	(118)	(2.93)
Measurement adjustments	(12)	(15)	3	17.41
Other financial assets	340	168	172	102.16
Gross customer loans, ex repos	36,061	38,217	(2,156)	(5.64)
Temporary acquisition of assets	–	878	(878)	100.00
Gross customer loans	36,061	39,095	(3,034)	(7.76)
Impairment losses	(2,230)	(2,275)	45	1.97
Gross customer loans	33,830	36,819	(2,990)	(8.12)

The carrying amount of the Group's portfolio of properties that have been foreclosed or acquired in lieu of debt totals €916 million and represents only 1.47% of assets. Most of these items relate to finished houses, 95% of which are primary residences, and real estate developments in progress. The coverage associated with real estate assets (including initial write-downs and the provisions recorded subsequent to the foreclosure of the property) is 50.16%. The Entity's policy is focused on facilitating borrower compliance with obligations by renegotiating debts, and foreclosure is the last resort when no possibility of recovering the financed amount is seen. Ibercaja also supports developers once developments have been completed, collaborating with the management and facilitation of sales. The ultimate goal is obtaining value from the properties in the portfolio through their sale, while simultaneously encouraging the recruitment and association of customers to which financing is granted under these transactions. The joint effort of the office network and the Property Management Unit meant that the number of units sold increased by more than 20% compared with 2013.

Developer, credit and real estate asset risk deriving from the financing of construction and real estate development declined by 9.52% during the year. The coverage for problematic assets (doubtful, substandard and foreclosed) associated with the real estate sector is 52.20%.

(Millon euro and %)	Details of assets that have been foreclosed or acquired in lieu of debts		
	Carryig amount	Coverege	% Cov.
From construction and real estate development financing	1,352	722	53
Finished buildings	442	181	41
Mortgage loans	333	138	41
Other	108	43	40
Buildings under construction	38	20	52
Mortgage loans	38	20	52
Other	–	–	38
Soil	872	520	60
Developed land	520	311	60
Other land	351	209	59
From home purchase financing	401	160	40
Other foreclosed assets	84	40	47
Total foreclosed assets	1,837	922	50.16

Refinanced balances totalling €4,860 million have remained practically stable compared with 2013, while the coverage associated with doubtful and sub- prime risks increased to 38.47%.

The portfolio of fixed-income securities, shares and interests in companies amounts to €22,320 million, 35.81% of the consolidated balance sheet. The €2,494 million increase during the year relates almost entirely to Spanish government debt.

Financial assets available-for-sale totalling €14,778 million, represents 66.21% of the total and reflected the highest growth during the year, €7,501 million. The held-to-maturity investment portfolio totalling €6,682 million represents 29.94% of the structure. Within the framework of the new solvency requirements, the Group sold assets in the portfolio with a nominal value of €2,985 million, generating a profit on financial transactions totalling €380 million. Ibercaja repurchased fixed income securities in order to management balance-sheet interest rates and to maintain recurring profits from interest margins, mainly relating to Spanish and regional government debt.

By type of assets, fixed income totals €21,587 million and represents 96.71%. It consists basically of Spanish government debt, regional government debt, private bond issues, SAREB bonds received during the deconsolidation of the assets held by Banco Grupo Cajatres and equities from the issue of contingent convertible bonds. Equities fell by €120 million to €734 million. This heading mainly consists of listed shares in domestic and foreign companies, in addition to interests in unlisted companies. The Group exits shareholdings from those companies that are not strategic for its business and do not generate adequate profits for the capital consumed. Within the framework of the restructuring of Banco Grupo Cajatres, the Bank has committed to a gradual disposal of several shareholdings up to 2015. At the end of 2014 the divestment of 88% of the non-real estate companies has been completed and all of the stakes in real estate companies covered by the agreement concluded with EU authorities have been sold or liquidated.

(Millon euro and %)	Classification of the securities portfolio			
	December 2014	December 2013	Variance	Variance %
Trading portfolio	1	1	–	7.75
Debt securities	1	1	–	7.75
Other assets at fair value throug changes in profit or loss	61	69	(8)	(11.24)
Debt securities	8	13	(5)	(40.70)
Other equity instruments	53	56	(2)	(4.31)
Available-for-sale financial assets	14,778	7,277	7,501	103.08
Debt securities	14,254	6,687	7,567	113.16
Other equity instruments	524	590	(66)	(11.17)
Loans	642	760	(118)	(15.53)
Debt securities	642	760	(118)	(15.53)
Investments held to maturity	6,682	11,511	(4,830)	(41.96)
Shares	156	207	(51)	(24.80
Total securities portfolio	22,320	19,826	2,494	12.58
Fixed income	21,587	18,973	2,614	13.78
Equities	734	853	(120)	(14.03)
Shares	156	207	(51)	(24.80)
Other equity instruments	578	646	(68)	(10.57)

The active balance at credit institutions and in cash totals €1,596 million, which is a €270 million decline, mainly due to the decrease in the temporary acquisition of assets. Liability positions at credit institutions and central banks fell by €8,090 million to €963 million, essentially due to the reduction in the temporary assignment of assets. Financing from the ECB totals €4,790 million. The Entity has participated in the recent Eurosystem financing transactions (TLTROs), obtaining €917 million in the December auction.

Property, plant and equipment net of depreciation totals €1,212 million, and 60% relates to assets being used by the Entity. Intangible assets total €207 million and mainly relates to goodwill and other items generated on the acquisition of Banco Grupo Cajatres, as well as computer software.

Deferred tax assets total €1,427 million, of which €667 million can be monetized, i.e. their recovery does not depend on future taxable profits.

Customer deposits total €62,555 million. Balance sheet items, which consists of customer deposits, borrowings represented by negotiable securities, subordinated liabilities and insurance policy liabilities, total €49,160 million, while intermediary activity assets total €13,391 million. In this respect the maturity of wholesale issues that have not been renewed and the good performance of retail network resources should be noted. The latter total €48,547 million, which is 4.12% more than in December 2013. Ibercaja's commercial policy has focused on offering attractive products for customers that improve the yield on their savings and provide incentives for associating with the Entity. As a result, balance sheet resources increased by 1.28% to €31,880 million, and those relating to intermediary activities, driven by the migration of savings from term deposits, rose by 10.03%. Well-funded management in investment funds has shown very favourable performance with an 18.82%

increase that is due to both customer contributions and increases in value during the year. Amounts under management in pension plans rose by more than 8.21% while the growth for life insurance is more moderate. The Group's participation in the investment fund industry totals 3.95%, while its market share in pension plans and life insurance is 5.85% and 4.07%, respectively, which places Ibercaja in the fifth position in the industry ranking of both businesses.

(Millon euro and %)	Details of retail network customer deposits			
	December 2014	December 2013	Variance	Variance %
On demand savings	14,651	13,684	967	7.07
Term deposits	17,218	17,757	(539)	(3.03)
Assets acquired/sold under resale/repurchase agreements	11	36	(25)	(69.77)
On-balance sheet retail customer deposits	**31,880**	**31,476**	**404**	**1.28**
Ceding of assets to be held to maturity	232	299	(67)	(22.38)
Investment funds	7,809	6,572	1,237	18.82
Pension plans	3,267	3,019	248	8.21
Insurance	5,358	5,258	101	1.91
Off-balance sheet retail customer depostis	**16,667**	**15,148**	**1,519**	**10.03**
Total retail customer depostis	48,547	46,625	1,922	4.12

In 2014 Ibercaja did not carry out any institutional issue. The availability of liquid assets has allowed maturities totalling €1,423 million during the period to be comfortably covered, and they consisted of mortgage bonds (€894 million), secured debt (€494 million) and senior debt (€35 million). The third promissory note program that matured this year was not renewed as there is no demand for this type of instrument.

During the year the entity repurchased its own issues for a nominal amount of €84 million, of which €11 million relate to subordinated debt and preferred shares and the rest to securitizations.

Provisions on the liability side of the balance sheet totalling €352 million increased by €90 million, largely due to the recognition of the amounts pending payment due to the layoffs in progress.

Equity totals €2,822 million, which reflects a €286 million change during the year deriving from the contribution of profits for the year and the good performance of measurement adjustments.

2.4. Income Statement

(Millon euro and %)	Main headings in the income statement			
	December 2014	December 2013	Variance	Variance %
Interest margin	**699**	**715**	**(16)**	**(2.20)**
Yield on equity instruments	12	10	2	20.45
Net fees	316	302	14	4.52
Results from financial operations	425	228	197	86.71
Other operating results	(42)	(101)	59	58.77
Gross margin	**1,410**	**1,154**	**256**	**22.23**
Operating expenses	789	730	59	8.04
Other profit and loss	26	23	3	11.70
Profit before write-offs	**647**	**447**	**200**	**44.87**
Provisions, impairmet and other write-offs	432	572	(140)	(24.48)
Profit (loss) before tax	**215**	**(125)**	**341**	**–**
Tax	64	(60)	125	–
Consolidated profit for the year	**151**	**(65)**	**216**	**–**
Profit attributable to parent company	**151**	**(63)**	**214**	**–**

NOTE: To make this comparison with last year, the income statement for 2013 has been restated. The 12-month results obtained by Banco Grupo Cajatres, the impact of the international accounting standard IFRIC 21 on levies relating to the contribution to the Deposit Guarantee Fund and the unification of accounting policies after the merger of CAI Vida y Pensiones into Ibercaja Vida are included, such that part of the costs of that company that were recognized under other operating charges were transferred to interest margin in 2013.

Interest margin totals €699 million. Based on a uniform scope, the year-on-year change totals -2.20%. The income from loan investments have been conditioned by the decline in volume and the decrease in the average yield as a result of the fall in interest rates, particularly the portfolio of mortgages indexed to the Euribor. Another factor that has contributed to the tightening of margins is the lower amount of contributions to the fixed income portfolio as items that have been sold or have matured have been replaced by others offering a lower yield. The good development of retail financing costs has allowed part of the reduction in the yield from loans and the securities portfolio to be offset. It should be mentioned that the customer spread has improved over the course of the year to 1.18% during the final quarter, which is 20 basis points more than during the same period in 2013 and 7 basis points higher than in the third quarter.

Net fees and differences on exchange grew by 4.52%, using a constant scope, to €316 million. Those deriving from the rendering of services fell by 1.89%, mainly due to those generated through the use of means of payment as a result of the lower business volume and the reduction in the exchange rates starting on 1 September 2014 (Royal Decree Law 8/2014). The decline in this type of fee was easily offset through the contribution of those originating on the management of assets, whose year-on-year increase of 12.66% is due to the increase in the amounts under management in investment funds, pension plans and insurance, resulting from the channelling of savings towards those products.

The yield on capital instruments contributed €12 million to the gross margin. The increase compared with 2013 is mainly due to the higher dividends paid by Telefónica.

The profit on financial transactions increased to €425 million. The active management of the portfolio has allowed the entity to take advantage of opportunities in the market, and during the first half of 2014 latent capital gains mainly relating to fixed income securities materialized. The entity has also repurchased its own issues of subordinated debt, preferred shares and securitization bonds.

The results obtained by entities from consolidated using the equity method total €-8 million, which is a reduction of the losses seen a year ago due to the divestments that took place in 2013, including real estate investee companies falling within the Banco Grupo Cajatres restructuring process.

The heading Other products and operating charges reflects a figure of €-31 million and basically records the expense generated by the contribution to the Deposit Guarantee Fund, partially offset by the income from subsidiaries, corporate transactions and property investments.

The application of the international accounting standard IFRIC 21 on levies, relating to the contribution to the Deposit Guarantee Fund, represented and expense totalling €61 million this year and consists of the ordinary contribution for 2014, and the recognition in the 2013 accounts of an additional €55 million, mainly deriving from the extraordinary payment for 2013.

The evolution of the interest margin and the good results obtained from fees and financial transactions brought the gross margin up to €1,410 million, 22.23% more than last year.

Operating expenses amount to €789 million, which is a -3.47% change during the year, excluding non-recurring items and including Banco Grupo Cajatres in 2013. Personnel expenses totalled €514 million and this reflects the extraordinary impact of the restructuring carried out through the layoffs in progress. Isolating this effect, the contraction of personnel expenses would be 4.03%. Overhead and depreciation/amortization fell by 2.16% and 4.23% respectively.

The heading Other profit and loss totalling €26 million, records the results obtained on the sale of property, plant and equipment and shares in companies.

Profits before write-downs amount to €647 million. All allocations and write-offs charged against profit and loss total €432 million. While if uniform criteria are applied this figure is less than that recorded in 2013, it is high. Taking into account non-recurring profits that were obtained during the year, allocations have been recorded to reinforce coverage for loans, properties and capital instruments.

The good development of recurring income and expenses, together with the generation of extraordinary items, has meant that the Group obtained a profit before taxes totalling €215 million. Once corporate income tax has been deducted together with the portion for minority shareholders, the profit attributed to the parent company totals €151 million.

3 Liquidity and capital resources

Ibercaja manages liquidity by diversifying sources of financing in a prudent and balanced manner, anticipating needs to comply with its obligations on a timely basis and so investment activities are not affected.

The Group maintains a comfortable liquidity position. Almost all liquid assets are eligible and at the year and they totalled €12,785 million (20.51% of assets), and reflect an appreciable increase during the year.

The capacity to issue mortgage and territorial bonds is measured at €6,567 million. Over collateralization, measured as the qualifying portfolio in excess of active mortgage bonds, is 209.4% which easily exceeds the legal minimum of 125% and the average for all financial institutions.

The maturities of issues on wholesale markets are distributed over terms until 2027. In 2015 and 2016 they total €1,273 million and €807 million, respectively, and they may be comfortably covered with available liquidity.

The low level of loan dynamism and the growth in customer deposits contributed to improving the commercial gap. The loan to deposit ratio was 91.91%, which is 8.04% lower than that seen in December last year.

Total computable equity for Ibercaja Bank Group totals €2,905 million and represents a solvency ratio of 11.78%. Tier 1 capital (CET1) totals €2,746 million, with an 11.13% ratio and this represents an excess of €1,636 million over the regulatory required minimum. Since December 2013 this ratio increased by 106 basis points. The strengthening of capital is due to the good performance of profit for the year and the 6.68% decrease in risk-weighted assets to €24,664 million, resulting from the decline in credit, the weighting of credit for companies, the reduction of the assignment of capital for operating risks and the divestment from investee companies, both voluntary and within the framework of the restructuring obligations assumed by Banco Grupo Cajatres.

4 Risk management

Overall risk management is essential to preserve the Entity's solvency. Among the strategic priorities is the development of systems, tools and structures that allow it to measure, monitor and control risk exposure levels at all times, ensuring that they are adequate for the resources being managed and respond to the demands of regulators and markets.

Credit risk is most relevant within the banking activity, although the management of risk includes counterparty, concentration, market, liquidity, interest rate, operating, reputation and insurance and other risks.

The actions taken by the Entity in this area have the following objectives: quantify the risks more precisely, integrate the measurement of risk into management, increase the efficiency of the decision process regarding risk and optimise the profit/risk ratio.

Note 3 of Ibercaja Bank Group's notes to the annual accounts for 2014 presents more detailed information regarding the management of various types of risk.

5 Human resources and the office network

Ibercaja has 6,420 employees, of which 6,001 work for the parent company. During the year the payroll was reduced by 507 professionals. This evolution falls within the reconversion process that affects the Spanish financial system and brings the personnel structure into line with the current needs of the business. Last May Ibercaja Banco reached an employment agreement to apply the layoff process. This programme was voluntarily joined by 292 employees, of which 236 left the Bank in 2014 and the rest will do so during the first few months of 2015.

At the end of 2014 the Entity had 1,356 branch offices, which is a decline of 51 offices during the year. The Group maintains a leadership position in its Traditional Zone of action (Aragon, La Rioja and Guadalajara, Burgos and Badajoz), where 65% of the network is located. The entity is also a reference in Madrid and in other provinces, such as Barcelona, Valencia and Lerida it has a notable presence.

There are more than one hundred specialised business banking managers, two hundred personal banking specialists and specific private banking centres that support the office network.

6 Research and Development

Ibercaja implements technological projects or the improvement of existing resources to increase the quality of customer service, the operating management of offices and to respond to regulatory requirements.

The most relevant action taken during the year with respect to internal and organisational efficiency is the technological integration of Banco Grupo Cajatres into Ibercaja, which was completed in October 2014. Data concerning 3 million customers were unified and nearly 6 million contracts were transferred to a single platform, without interfering with the ordinary operation of both entities. To take on this project infrastructure investments were necessary, such as the installation of a new mainframe computer and the change of terminals at Banco Grupo Cajatres.

To respond to the European legislation that promotes the reform of securities contracts, the Spanish system must be adapted to that in place in other European countries. Ibercaja started to develop the first phase that affects equities transactions and it will be operational in October 2015. The second phase concerning fixed income securities will be started afterwards.

The new CIRBE (Bank of Spain Risk Information Centre) has introduced profound changes into the preceding model relating to the content and format of information exchanges. To take advantage of synergies with other entities, Ibercaja has joined the PYRAMID-CIRBE project implemented by CECA.

Several modifications and adaptations were implemented during the year, relating to: SEPA (transfer and debit regulations), new requirements deriving from the approval of the CRDIV- Basel III regulations, support for the information sent to the ECB, FATCA (tax treatment of US persons), etc.

In order to attend to the progressively growing demand for channels other than physical presence, website improvement projects have been applied to www.ibercajadirecto.com with respect to its design and programming, both of which are very important to optimise customer visits.

7 Environment

The Group is aware of the need to reconcile business development with the preservation and care of the environment. It has defined a policy that constitutes the framework of reference for all environmental action. It is based on compliance with general environmental legislation, the prevention of pollution from its own processes, adequate waste management, making employees aware of the responsible use of natural resources and the communication of environmental action taken by customers and suppliers.

The Entity has obtained the Environmental Management System Certificate issued by AENOR, which certifies that the Central Services building meets the requirements of Standard UNE-EN ISO 14001:2004.

The Group believes that it substantially complies with environmental legislation and it maintains procedures to ensure and guarantee compliance. During 2014 no significant investments were made in this area and no significant contingencies are deemed to exist with respect to the protection and improvement of the environment.

8 Other information

8.1. Rating Agency Classifications

The evolution of macro-economic figures and the favourable perspectives of the Spanish economy have led the main rating agencies to raise the rating for the Kingdom of Spain and, as a result, to improve the outlook for the environment in which financial institutions operate.

Standard & Poor's and Fitch ratified the credit ratings for Ibercaja Banco and improved the outlook to positive. This outlook indicates the possible increase in the rating in the short or medium-term, taking into account the evolution of solvency and credit quality.

	Credit rating agency classifications		
	Long-term	Short-term	Outlook
Standard & Poor's	BB	B	Positive
Moody's	Ba3	NP	Negative
Fitch Ratings	BB+	B	Positive

In April the European Parliament approved the Directive regarding the Single Resolution Mechanism, which decreases the support that EU Member States may provide to entities in difficulty. The implementation of this Directive could give rise to a change in the rating for some entities, in particular those that have a higher degree of sovereign support.

8.2. Treasury shares

There have been no transactions involving Treasury shares in 2014.

9 Outlook

The Spanish economy starts 2015 with a very favourable outlook that calls for an acceleration of growth to rates exceeding 2%. The good performance of household consumption, investments and exports will be reinforced by factors such as the reduction of some taxes, a decrease in the price of oil, the recovery of employment, depreciation of the euro and the new monetary expansion measures adopted by the ECB. However, some aspects could cast a shadow on the good outlook, such as the weakness of some of our primary commercial partners and the political uncertainty generated in a markedly electoral year.

The macro economic situation will re-launch activity in the financial system supported by the ECB measures, which reduce the cost of financing and encourage the granting of credit. Extremely low interest rates and the increase in competition in obtaining new transactions will place pressure on the yield of the credit portfolio, partly offset by the decline in the cost of deposits, which still has some room to run. The rationalisation of costs, together with lower impairment losses, will be keys to driving profits.

Within this framework, and within the Strategic Plan 2015-2017, Ibercaja faces the challenge of accelerating the already started process of measures and reforms to lay the foundation to achieve a more profitable and capitalised business, capable of successfully competing in a very demanding market.

10 Subsequent events

There have been no significant subsequent events.

Section II Corporate governance report

Annual corporate Governance Report for Entities other than savings banks that issue securities traded on official markets

A Structure of ownership

A.1 Details regarding shareholders or most significant members of the company at the year-end

Name	% of share capital
Fundación Bancaria Ibercaja	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%
Fundación Ordinaria Caja Badajoz	3.90%
Caja Círculo Fundación Bancaria	3.45%

A.2 Indicate if there are family, commercial, contractual or corporate relationships between owners of significant shareholdings 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:

Name 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 and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description
Fundación Bancaria Ibercaja	Corporate	Protocol for managing the financial stake held by Foundation Bancaria Ibercaja in the Ibercaja Banco, S.A. in accordance with the provisions of Law 26/2013 (27 December).

A.4 Indicate the legal and bylaw restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock:

Yes ☐ No ☑

Description of the restrictions

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 Articles of Association. Describe how this is different from the minimum system established by the Spanish Companies Act 2010 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.

B.2 Explain the system for adopting resolutions. Describe how this is different from the system established by the Spanish Companies Act 2010 or any other applicable legislation.

The system for adopting corporate resolutions is in line with the system established by the Spanish Companies Act. With the exception of those cases for which the Law or the Articles of Association establish a qualified majority, the majority that is necessary to approve a resolution is the favourable vote of one-half plus one of the shares with voting rights that are present or represented at the meeting.

Those attending the general meeting will have one share for each share that they possess or represent.

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.

Shareholders at a Universal Extraordinary General Meeting held on 27 January 2014 at the proposal of the Nominations and Compensation Committee unanimously adopted a resolution to appoint Mr. Vicente Cóndor López as a member of the Board of Directors (Independent Director).

On 28 May 2014 Shareholders at a Universal Ordinary General Meeting unanimously adopted a resolution to approve the individual and consolidated annual accounts for Ibercaja Banco, S.A. (consisting of the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, the Notes to the Annual Accounts and the Directors' Report for 2013, which were prepared by the Board of Directors at a meeting held on 26 March 2014) as well as the application of the profit for the year.

At a Universal Extraordinary General Meeting held on 23 July 2014 shareholders unanimously adopted a resolution approving the merger of Banco Grupo Cajatres, S.A.U. into Ibercaja Banco, S.A., winding up without liquidating the target company and transferring all of its assets and liabilities to the acquiring company, which universally acquires all of its rights and obligations. Shareholders also adopted a resolution to apply the special tax system established by Title VII, Chapter VIII, additional provision two, of the Spanish Corporate Income Tax Act (CITA) approved by Legislative Royal Decree 4/2004 (5 March).

At a Universal Extraordinary General Shareholder Meeting held on 11 November 2014, shareholders unanimously adopted a resolution to appoint Mr. Jesús Barreiro Sanz as a member of the Board of Directors and to re-elect PricewaterhouseCoopers Auditores, S.L. as the external auditor of the individual and consolidated annual accounts for Ibercaja Banco, S.A. for 2014 and 2015.

B.4 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 http://www.ibercaja.es under the section "Corporate Information" and “Investor information”.

B.5 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 2014 no meeting was held with the various syndicates of the holders of securities issued by Ibercaja Banco or those issued previously by Banco Grupo Cajatres.

C Management structure of the company

C.1 Board or governing body

C.1.1 State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of Directors / members of the governing body
15

Minimum number of Directors / members of the governing body
5

C.1.2 Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Directors/members of the governing body

Name of the Director/ Member of the governing body	Representative	Latest date of appointment
Amado Franco Lahoz	n/a	22-09-2.011
José Luis Aguirre Loaso	n/a	22-09-2.011
Francisco Manuel García Peña	n/a	24-07-2.013
Jesús Máximo Bueno Arrese	n/a	22-09-2.011
Manuel Pizarro Moreno	n/a	22-09-2.011
Gabriela González-Bueno Lillo	n/a	24-07-2.013
Jesús Solchaga Loitegui	n/a	24-07-2.013
Juan María Pemán Gavín	n/a	24-07-2.013
Vicente Eduardo Ruiz de Mencía	n/a	24-07-2.013
Vicente Cóndor López	n/a	27-01-2.014
Jesús Barreiro Sanz	n/a	11-11-2.014

C.1.3 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director/ Member of the governing body	Name of the Group company	Position
Amado Franco Lahoz	Fundación Bancaria Ibercaja	Chairman
Jesús Máximo Bueno Arrese	Fundación Bancaria Ibercaja	Patron
Jesús Máximo Bueno Arrese	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Chairman
Jesús Solchaga Loitegui	Cerro Murillo, S.A.	Director
Jesús Solchaga Loitegui	Ibercaja Mediación de Seguros, S.A.U.	Director
Jesús Barreiro Sanz	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Director

C.1.4 Fill-in the following table with information regarding the number of female Directors on the Board Directors and Committees, and the evolution of this figure over the past four years:

	Number of Directors							
	2014		2013		2012		2011	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	1	9%	1	10%	–	–	–	–
Executive Committee	1	14%	–	–	–	–	–	–
Audit Committee	1	33%	1	33%	–	–	–	–
Nominations and Compensation Committee	–	–	–	–	–	–	–	–
Large Risk and Solvency Committee	–	–	–	–	–	–	–	–

C.1.5 Complete the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year.

Thousand euro

Compensation	Individual	Group
Fixed compensation	977	–
Variable compensation	78	–
Per Diems	210	58
Other compensation	80	–
Total	1,345	58

C.1.6 Identify the members of senior management who are not Executive Directors and indicate the aggregate compensation accrued to them during the year:

Name	Position
Luis Enrique Arrufat Guerra	Assistant General Manager
Víctor Manuel Iglesias Ruiz	Assistant General Manager
Luis Miguel Carrasco Miguel	Assistant General Manager
Francisco José Serrano Gill de Albornoz	Assistant General Manager
María Pilar Segura Bas	Assistant General Manager
José Luis Rodrigo Molla	Sub-Director General
José Palma Serrano	Sub-Director General
José Luis Lázaro Crespo	Sub-Director General
Francisco Javier Palomar Gómez	Sub-Director General
José Manuel Merino Aspiazu	Sub-Director General
Joaquín Rodríguez de Almeida Pérez Surio	Sub-Director General
José Morales Paules	Sub-Director
José Javier Pomar Martín	Sub-Director
Luis Fernando Allué Escobar	Sub-Director
Javier Arto Fillola	Sub-Director

Thousand euros

Total senior management compensation
2,793

C.1.7 Indicate whether the Articles of Association or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

Yes ☑ No ☐

Maximum term (years)
5

C.1.8 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 annual accounts before they are approved by the Board or Governing Body:

Name	Position

C.1.9 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 Articles of Association 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.1.10 Is the Secretary to the Board of Directors or Governing Body a Director?

Sí ☑ No ☐

C.1.11 Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Among the duties assigned to the Audit and Compliance Committee, Article 35 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.

In any event, the Audit and Compliance Committee must receive a written statement of independence from the auditor with respect to the Company 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.

Furthermore, on an annual basis, before the issue of the audit report, the Committee will issue a report in which an opinion will be expressed as to the auditor's opinion and must ensure that the

Company reports to the National Stock Market Committee any change in the auditor as a Relevant Event accompanied, if appropriate, by a statement regarding the existence of any disagreements with the outgoing auditor and their content.

It must also 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 committees:

Name	No. of members	Functions
Executive Committee	7	The Executive Committee will dispatch all issues falling within the scope of authority of the Board of Directors which, in the opinion of the committee, must be resolved without delay, with the only exception of the matters that cannot be delegated. The Board of Directors will be informed of the resolutions adopted at the first meeting held after the date of the Committee's meeting.
Audit and Compliance	3	– Inform the Shareholders' Meeting about issues raised by shareholders regarding matters within its sphere of competence. – Supervise the effectiveness of internal control, internal audit and risk management systems, as well as the process of preparing and presenting regulated financial information. – Make proposals to the Board of Directors regarding the submission to Shareholders of the proposals for appointing the Company's auditor. – Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor's independence and others relating to the audit process. – Receive written confirmation from the external auditor regarding its independence with respect to the Company or associated companies and information regarding additional services of any kind rendered to those companies by the auditor or any associated person or company, and issued the relevant report.
Nominations and Compensation Committee	3	– Prepare and review the criteria to be followed with respect to the composition of the Board and the selection of candidates. Evaluate competencies, knowledge and experience that are necessary. – Report the proposed appointment of directors for the Board of Directors to be submitted to shareholders at a general meeting, as well as the proposals for the re-election or dismissal of those Directors. – Provide information regarding the members of each Committee. – Propose and report to the Board, Directors' compensation policy, the individual compensation for executive directors and the conditions in their contracts and the basic conditions for special contracts.

Name	No. of members	Functions
		– Regular review of the compensation programmes;- Ensure the transparency of the compensation policy; – Report any transactions that could give rise to conflicts of interest. – Report on the senior officer appointments and removals which the chief executive proposes to the Board.
Large Risk and Solvency Committee	3	Advise the Board regarding the overall propensity for current and future risk by the Entity and its Group, its strategy in this area, assist the Board with supervising the application of this strategy by senior management, to monitor the Bank's solvency levels and propose the improvement actions deemed advisable.

C.2.2 State all the committees of the Board of Directors or Governing Body and the members thereof:

Executive or delegate committee

Name	Position
Mr. Amado Franco Lahoz	Chairman
Mr. José Luis Aguirre Loaso	Director
Mr. Jesús Bueno Arrese	Director
Mr. Manuel Pizarro Moreno	Director
Mrs. Gabriela González-Bueno Lillo	Director
Mr. Juan María Pemán Gavín	Director
Mr. Jesús Barreiro Sanz	Secretary

Audit and compliance committee

Name	Position
Mrs. Gabriela González-Bueno Lillo	Chairman
Mr. Jesús Bueno Arrese	Director
Mr. Vicente Condor López	Director
Mr. Jesús Barreiro Sanz	Secretary

Nominations and compensation committee

Name	Position
Mr. Manuel Pizarro Moreno	Chairman
Mr. Jesús Solchaga Loitegui	Director
Mr. Jesús Barreiro Sanz	Secretary

Large risk and solvency committee

Name	Position
Mr. Jesús Bueno Arrese	Chairman
Mr. Vicente Condor López	Director
Mr. Juan María Pemán Gavín	Director
Mr. Jesús Barreiro Sanz	Secretary

C.2.3. Describe the rules of organization and operation and the responsibilities of each of the Board committees or members of the Governing Body. If appropriate, describe the authority of the CEO.

Ceo

The CEO's duties cover the effective management of the Company's business, always in accordance with the decisions and criteria established by shareholders at a General Meeting, the Board of Directors and the Executive Committee in the areas of their respective competencies.

Executive Committee

The Committee will be formed by a minimum of five and a maximum of seven Directors, of which the CEO must form part. The Chairman of the Board of Directors presides over the Committee, and the Secretary is the Secretary to the Board.

The permanent delegation of authority by the Board of Directors to the Executive Committee will consist of all the Board's authorities, except for those that cannot be delegated. Its resolutions will be valid and binding without the full board having to subsequently ratify the decision. In those cases in which, in the opinion of the Chairman or three members of the executive 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.

Audit and Compliance Committee

It will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience in accounting, audit or risk management.

The committee chairman must be an independent Director and replaced every four years and may be re-elected again after one year elapses after leaving the position. The Secretary to the committee will be the Secretary to the Board of Directors.

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. The members of the committee may appoint another member to represent them on the committee. The resolutions of the Audit and

Compliance Committee will be logged in an official record book and signed by the Chairman and the Secretary.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may require the attendance of the Company's auditor. One of its meetings will be necessarily dedicated to evaluate 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.

Nominations and Compensation Committee

It 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 Chairman, and the Secretary will be the Secretary to the Board.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. In addition, a meeting will be held each time the Board of Directors or the Chairman request a report be issued or proposals made.

The committee will adopt its resolutions by a majority vote of the directors that form part of the committee, present or represented at the meeting. In the case of a tie, the Chairman will have a casting vote.

Large Risk and Solvency Committee

The Committee will consist of a minimum of three members, designated by the Board of Directors, one of which will be the Chairman. The CEO will attend meetings and will have the right to be heard, but not to vote.

The Committee is responsible for: Analysing and evaluating proposals regarding Group risk strategies and policies to submit them for the approval of the Bank's Board of Directors; Monitor the degree to which the risks assumed are adequate for the established profile and the yield expectations with respect to the risks incurred; Submit to the Bank's Board of Directors all proposals it deems necessary or advisable for the purposes of adapting the Group's risk management to best practices; Monitor the Bank's solvency levels and propose the actions considered necessary for improvement.

C.2.4. Indicate the number of meetings held by the Audit Committee during the year.

Number of meetings
7

C.2.5 En el caso de que exista la comisión de nombramientos, indique si todos sus miembros son consejeros o miembros del órgano de administración externos.

Yes ☑ No ☐

D Related party operations and intra-group operations

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.

Service agreement concluded with Fundación Bancaria Ibercaja in the amount of €611,330.

D.2 List any significant transactions between the Company and/or Companies in its group and the Directors or members of the governing body or company executives.

During the year two sale & lease-back transactions were carried out for a total of €4,632 thousand and consisted of the sale of two premises owned by Ibercaja banco and subsequently leased back to the entity by the company Finca de Novella, S.L., of which the member of the Entity's Board of Directors Mr. Manuel Pizarro Moreno is a shareholder.

After receiving a favourable report from the Nominations and Compensation Committee, the Board of Directors adopted a resolution to authorise the renewal of the lease agreement for the premises owned by Comunidad de Bienes Barreiro Sanz, C.B. of which, through an inheritance, the Secretary to the Board Jesús Barreiro Sanz, forms part.

Prior to execution each of these transactions was determined to meet the following conditions: i) that they were carried out in accordance with an agreement whose conditions were the same as those for other transactions carried out with other counterparties, ii) that they had the same prices as those for other transactions with other investors, iii) the amount does not exceed 1% of the Entity's annual income.

D.3 Provide details of intra-group transactions.

During the year no relevant intragroup operations 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.

Directors have the obligation to abstain from attending and intervening in deliberations that affect matters in which the Director, or a related person, has a personal interest. For these purposes, related persons are considered to be those indicated in Article 231 of the Spanish Companies Act 2010.

In addition, the Directors may not directly or indirectly carry out professional or commercial transactions with the company unless the conflict of interest is previously reported and the Board, after receiving a report from the Nominations and Compensation Committee, approves the transaction.

The Directors must notify the Board of Directors of any situation of direct or indirect conflict which they might have with the interests of the Company. The Director must also inform the Company of all positions held and the activities carried out in other companies or entities and, in general, of any event or situation that may be relevant to the position of Company Director.

Directors, or related persons, may not take advantage of a company business opportunity unless previously offered to the company and is rejected and the intention of the Director is approved by the Board after having received a report from the Nominations and Compensation Committee. A business opportunity is understood to be any possibility of making an investment or carrying out a commercial transaction that has arisen or has been discovered with respect to the exercising of the Director's duties, or through the use of company's resources and information, or under any circumstance that it is reasonable to think that the third-party offer was in reality directed at the Company.

A Director violates the loyalty duty to the company if the directly, knowingly allows or does not reveal the existence of transactions carried out by family members or companies in which an executive position is held or a significant shareholding is held, that has not been subject to the conditions and controls established in the aforementioned Board Regulations.

E Control and risk management systems

E.1 Explain the scope of the Risk Management System.

The solvency, liquidity and credit quality of the assets constitute the fundamental foundation supporting the Entity's risk management.

Due to its exposure level, credit risk is the most important within Ibercaja's risk profile, although the management of risks also includes others such as counterparty, concentration, market, liquidity, interest rate, operational, reputation risks, etc.

The Entity has an adequate risk management structure in which the tasks of identifying, measuring, monitoring, managing and controlling risks are clearly distributed independently, but in a related manner, into the following areas:

- Corporate Governance: The governing bodies establish the guidelines for investment and risk policies, which will be developed and applied by the rest of the organization when carrying out duties, both in the case of the parent and the other companies that make up the Group.
- Strategy and risk profile: To establish the aforementioned guidelines, the governing bodies receive computer and technical support from specialized committees and management. In particular, the Overall Risk Committee defines and monitors the Group's risk policies and strategy.
- Risk management: Risk management decisions are adopted by various bodies and units within the Group when performing their specific duties.
- Risk control: Risk control is the responsibility of Audit management, which is independent of general management.

The organisational structure of governance and risk management at the Entity is proportional to the complexity of the business and guarantees the uniform application of policies and procedures.

Among the principles governing the Bank´s risk management system are the following: integral management, quality, diversification, independence, continuity, delegation and association, binding decision models, uniformity, control, continuous improvement and transparency.

The Entity's risk management pursues the following objectives:

- To evaluate the key business risks in accordance with their relevance and probability, quantifying them as precisely and in as much detail as possible.
- To integrate the measurement of risk into the operating and decision-making processes (establishing limits and policies, approval of operations, follow-up, recovery) and analytical processes (profitability calculations and analyses by client and segment, products, responsibility centres and business lines).
- To increase the efficiency of the process of accepting, monitoring and recovery of risk through the use of statistical tools and adequate information system, which facilitate the taking of decisions.
- To ensure the integrity and quality of the risk information which should in turn improve the reporting and communication systems at all of the levels involved in risk management.
- To create an environment for monitoring models and tools that makes it possible to ascertain their prediction capabilities.

The determination of objectives in the Entity's overall risk management area focuses on preserving and improving the credit quality of the portfolio and the new loan business through the processes of admission, monitoring and recovery, the active management of liquidity from all areas of the business and maintaining solvency at high levels.

E.2 Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management System.

The Entity's organizational chart clearly reflects its organizational structure with respect to risks and the bodies responsible for management, monitoring and controlling those risks. The maximum risk control body is the Board of Directors, which is responsible for establishing and promoting risk policies. These duties may be exercised directly or through the CEO.

In order to reinforce the consideration of the matters relating to risks in the terms established by Directive 2013/36/EU, the Board of Directors of Ibercaja Banco adopted a resolution to create the Large Risk and Solvency Committee, formed by members of the Board that do not carry out executive duties at the Entity and which, notwithstanding other tasks that may be assigned by the Board, is responsible for advising the governing body regarding the overall current and future risk of the Entity and its Group and its strategy in this respect, in addition to assisting with the supervision of the application of the strategy by senior management.

On a supplementary basis, the Articles of Association expressly attribute a relevant role in the supervision of risk management systems to the Audit and Compliant Committee. In addition, internal executive committees have been created with responsibilities in the area: Audit Committee and the Overall Risk Committee. The Audit Committee is responsible for:

- Monitor the Entity's control and audit within the Entity's Departments, and to propose the Annual Internal Audit and Control Plan for the Group.

- Analyse and debate the results set out in the Internal Audit and Control reports in order to obtain conclusions and take decisions that once reported to the relevant Department, mitigate risks affecting issues that were raised in those reports.
- Continuously monitor the implementation of the corrective measures and analyse any variances that may arise and implement alternative plans if necessary. The respective Governing Bodies of the Companies pertaining to the Financial Group define their own investment and risk policies provided that they fall within the overall limits and risk strategies and policies established for the entire Group.

In order to establish these guidelines, the Governing Bodies receive information and technical support from specialized Committees and Departments, which subsequently specify the risk management strategies and policies based on the guidelines that have been received.

The overall Risk Committee performs an essential role in this area, given that it specifies the Group's strategies and policies and performs monitoring activities. This Committee is made up of the highest level executives to whom the Units that are directly related to the management of the various types of risks inherent to the Entity's activity and that of its Group report. The Overall Risk Committee had the following duties:

- Define and monitor the Group's risk management policies and strategies:
- Establish objectives and strategies for the development of structure and composition of the sums set out in the balance sheet.
- It analyses the Group's exposure and its results under various scenarios: levels of tolerance. Risk premiums
- Plan medium-term capital needs of the Group. Establish capital objectives based on risk profiles, overall and with respect to various types of exposure.

The organizational outline provides the Entity with an overall risk governance and management structure, aligned with market trends with the business' current needs and complexity of Ibercaja Group. 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.

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.

Counterparty risk: Possibility that counterparties may default on obligations deriving from financial transactions (fixed income, interbank, derivatives, etc.).

Concentration risk: Possibility of suffering losses due to a position or group of positions that are sufficiently important in term of capital, total assets or the level of general risk, which may endanger the integrity of the Institution.

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.

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.

Liquidity risk: Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

Interest rate risk: This is defined as 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.

Exchange rate risk: Possibility of incurring losses deriving from adverse changes in exchange rates for currencies in which the Group's off-balance sheet assets, liabilities and operations are denominated.

Business Risk: Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. A variant of business risk is strategic risk, which is defined as the probability of incurring losses as a result of selecting a strategy that is finally shown to be inadequate to remain and compete in the market.

Reputation risk: This is defined as 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 organization, 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 a risk tolerance level.

The Entity regularly carries out a self-evaluation of Pillar II capital. This process is intended to ensure an adequate relationship between the risk profile presented by the Bank and the equity it effectively has on hand. To achieve this a process is carried out to allow:

- The identification, measurement and aggregation of risks (not only those in Pillar I).
- Define the risk profile.
- Determine the capital that is necessary to cover relevant risks.
- Plan capital in the medium term and stress tests scenarios.
- Establish a target equity level that allows for the minimum requirements of Pillar I to be comfortably maintained.

An analysis of the risks to which it is exposed and the valuation of risks identified as relevant, configures are risk profile characterised by good internal and corporate good governance, management systems and internal control that are adequate for the activities carried out and reduced risk.

The development of the Entity's equity level and its quality, and its comparison with the equity necessary to cover relevant risks, both for those requiring regulatory capital and the Pillar II risks, as well as the capital planning carried out, give rise to a good solvency situation in that the volume of equity is higher than the necessary minimum and the quality of the equity is adequate.

The combination of the above reveals that the Entity's capital strategy, equity maintained, recurring profits, corporate and internal governance and risk management and control systems are adequate for the activities that the Entity carries out and the risks it has assumed.

E.5 State the risks that have materialized 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 capital E.3. Established control systems have functioned adequately throughout the year.

E.6 Explain the response and supervision plans for the entity's primary risks.

Risk management is a fundamental element of any credit institution’s internal control system since risks, basically financial and operational, are inherent to the financial products and services that constitute the entity’s core business. The Group has at its disposal risks control systems based on:

- Procedures for the identification and measurement of risks, permitting their monitoring and control.
- A limits structure for the main counterparties, instruments, markets and terms, which is submitted to the approval of the Board of Directors annually, for the purpose of defining prudent policies and avoiding risk concentrations. A Global Risk Committee that defines and monitors the Group's risk management policies and strategies.
- A defined hierarchical structure of authorization for the granting or assuming of risks, based on amount involved and nature of the risk.
- Direct controls distributed at different decision-making levels which ensure that operations are performed in accordance with established policies and in the terms authorized.
- A Risk Control Unit, which is independent of Business Management which, among other things, verifies compliance with limits approved by the Board of Directors or others established by the Global Risk Committee and reports on compliance to Senior Management on a regular basis.
- A Regulatory Compliance Unit that supervises compliance with the laws that regulate certain activities in order to minimize the penalties and damage to the Group’s reputation which could result from non-compliance.
- The Internal Audit area reviews the adequate operation of the risk control systems, also verifying compliance with established policies, procedures and internal regulations. In addition, both the annual planning of internal audit work and the most relevant conclusions obtained are presented to a relevant governing bodies of the Entity.
- The Board of Directors 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.

F Internal control and risk management systems relating to the process of issuing financial information (icrms)

Describe the mechanisms that make up the control and risk management systems with respect to the financial reporting information control system (FRICS) at the entity.

F.1 Control environment at the Entity

State whether at least the following exists and, if so, describe the main characteristics:

F.1.1 Which bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective IFRCS; (ii) it is implementation; and (iii) its supervision.

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.

The aforementioned Board Regulations establish, as an authority that cannot be delegated, "the preparation of the individual and consolidated annual accounts and the approval of financial information" together with the "establishment and supervision of risk control and reporting systems".

The Regulations also indicate that the Board "will adopt all measures necessary to ensure that the half-yearly, quarterly and any other financial information that may be made available to markets is prepared in accordance with the same principles, criteria and professional practices applied to the preparation of the annual accounts and will be as reliable as those accounts".

Senior Management has assumed the responsibility of designing and implementing the IFRCS through the Management Control Department, since it centralizes the large majority of the activities intended to attain an adequately functioning IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the internal control and reporting systems: "verify the adequacy and integrity of the internal control systems; know and supervise the process of preparing and presenting regulated financial information regarding the Company and, if appropriate, the Group, as well as its integrity, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting policy; supervise the efficiency of internal control and risk management systems, regularly reviewing them so that the main risks are identified, managed and adequately reported; review the company's accounts, monitor compliance with legal requirements and the proper application of generally accepted accounting principles, as well as reporting any proposals to modify accounting principles and standards suggested by Management; review the regular financial information that must be provided by the Board to markets and regulatory bodies".

F.1.2 Do the following elements exist, especially with respect to the process of preparing financial information:

- Which Departments and/or mechanisms are responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for making them known to company employees, especially with regard to the process of preparing financial information.

The Organizational Development Department at Ibercaja is responsible for ensuring an efficient organizational structure at the company, 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 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. Intern, each Department, together with the Organizational Development Apartment, 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.

As regards the process of preparing financial information, this is the responsibility of the Management Control Department, which includes the General Accounting, Tax Advisory, Management Control, Management Information and Overall Risk Strategy units. The Management Control 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 decentralized 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 Management Control 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, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing noncompliance and proposing corrective/disciplinary actions.

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 and the Audit and Compliance Committee is responsible for approving updates and improvements.

- A reporting system which allows employees to report financial and / or accounting irregularities, breaches of the Code of Conduct and irregular activities within the organisation to the Audit Committee.

Audit Management is responsible for the existence of a whistle-blower channel through which information is currently received regarding any behaviour that violates the standards, principles and values of the Company and in particular, any irregular behaviour of a financial and accounting nature.

- Training and regular refresher programmes for personnel involved with the preparation and review of financial information, as well as the evaluation of the FRICS, covering at least the accounting, audit, internal control and risk management rules.

Ibercaja 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 and Material Resources Department, and keep records of the training.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2014 was particularly focused on internal training sessions at the Department level that covered internal control, risk management and 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 the Spanish Confederation of Savings Banks (Confederación Española de Cajas de Ahorros, abbreviated as CECA) and to cover specific training needs that may be identified.

F.2 Evaluation of financial information risks

Describe at least:

F.2.1 The main characteristics of the risk identification process, including error or fraud:

- Whether the process exists and is documented.

Ibercaja has developed and applied 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 Management Control Unit while supervision is the responsibility of the Audit and Compliance Committee.

- Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, disclosure and comparability; rights and obligations), whether it is regularly updated and how frequently.

The procedure has been designed taking into account all of the financial information objectives set out in the document "Internal control over financial reporting in listed companies" issued by the Spanish Stock Market Commission (existence, integrity, measurement, presentation and disclosures 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.

- The existence of a process for identifying the scope of consolidation, bearing in mind the existence of complex business structures, instrumental entities or special purpose vehicles, among others.

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.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they 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) measurement; (iv) presentation; (v) and rights and obligations; and it effectively takes into consideration other types of risks (operating, technological, financial, legal, reputational, environmental, etc.)

- Which governing body supervises the process?

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 2014 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. In particular, all modifications resulting from the completion of the merger of Banco Grupo Cajatres, S.A. in October 2014 have been taken into account.

F.3 Control activities.

Report, indicating the main characteristics, if there is at least:

F.3.1 Procedures for reviewing and authorising the financial information and the description of the FRICS to be published in securities markets, indicating the persons responsible, as well as the documentation describing the flow of activities and controls (including those relating to the risk of fraud) for the various types of transactions that may materially affect the financial statements, including the accounting closing procedure and the specific review of relevant judgements, estimates, valuations and projections.

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.

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 fiscal year and preparing the consolidated financial statements. The group has specific procedures for closing the fiscal 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.

Business areas

- Credit investments:

  –Recognition and performance.

  –Doubtful debts and provisions
- Creditors: recognition and costs (on-demand and term accounts, including an accounting of coverage).
- Corporate security issues (including an accounting of coverage)
- Financial Instruments:

  –Debt securities

  –Capital instruments (listed and not listed).
- Real estate assets receive in lieu of payment (Non-current assets held for sale, Investments Properties and Inventories).
- Corporate income tax.
- Pension commitments.
- Insurance

In general terms, the Management Control Unit 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 information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the Bank's relevant processes in relation to the preparation and publication of financial information.

The Technology and Systems Department and, specifically, the Computer 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, in cooperation with Operations, ensuring compliance with legislation and legally required security measures. The Technology and Systems Security Unit is responsible for proposing the information security measures and the policy for applying them.

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 taken action addressing the definition of overall policies and procedures that are uniform with respect to the required security for information systems involved with the preparation of financial information, including physical and logical security, data processing security and final 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 procedures and policies intended to supervise subcontractors, as well as the evaluation, calculation or measurement activities tasked to independent experts that could have a material effect on 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.

It currently has supervision and review procedures of 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 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.

F.4 Information and communications

Report, indicating the main characteristics, if there is at least

F.4.1 Specific task responsible for defining and updating the accounting policies (accounting policy area or department) and resolving doubts or conflicts deriving from their interpretation, maintaining fluid communications with the persons responsible for operations at the organisation, as well as an up-to-date accounting policy manual that has been communicated to the units through which the entity operates:

The Management Control Unit, through the General Accounting Unit is responsible for defining, revising and updating all accounting policies at the Group. 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 any event, the accounting policies are updated to reflect any change in legislation and any new decision that modifies those policies in those cases in which there is a certain amount of discretion. Any update that may have taken place is published daily on the intranet.

In addition, Management Control 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.

Ibercaja does not have a single Accounting Policy Manual, but rather the whole of its accounting policies consist of International Financial Reporting Standards (IFRS), Bank of Spain circular letters (Circular number 4/2004 and subsequent amendments), the policies that must be developed in accordance with current legislation and the specific policies that the Entity has prepared. All of the accounting policies approved by the Entity are available on its intranet, which also indicates any update to those policies. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to the person responsible for General Accounting.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralized 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 for capturing and preparing financial information using uniform formats, applicable and to be used by all units at the Entity or the Group, and support the main financial statements.

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 Management Control Unit 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 Management Control Unit.

F.5 Supervision of system operations.

State whether the following exists and, if so, describe the main characteristics:

F.5.1 State whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including SCIIF. A description of the scope of the evaluation of the IFRCS carried out during the year and the procedures used to execute that review and communicate the results obtained, and does the Entity have an action plan that details any corrective measures that make reference to such an evaluation, having taken into consideration its impact on the financial information:

The internal audit function is the responsibility of Ibercaja's Audit Department, which reports hierarchically to the CEO and functionally to the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Distribution Network Audit, Credit Risk Audit, Computer Process Audit, Financial Audit and Risk Control, divided into the areas of Legislative Compliance, Internal Control and Model Validation.

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 functions currently assigned to the Audit Department and established in the Entity's internal regulations, is the performance of the audits required by the Regulatory Body, which therefore covers the evaluation of the IFRCS.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is fundamental to the supervision of the IFRCS.

The Audit Department is responsible for preparing the annual activity program, reporting that program to the Executive Audit Committee and presenting the proposal to the Audit and Compliance Committee. The latter is responsible for the approval of the plan after reviewing the scope designed the program to determine that it meets the established supervisory objectives.

The Audit Operating Plan for 2014 specifically included several evaluation activities applied to the SCIIF and other issues that affect the process of preparing financial information have been reviewed. In particular, among the actions taken the following are notable: the monitoring of the recommendations deriving from the evaluation of the financial reporting internal control system (SCIIF) in 2013, the audit of the debt securities and equities procedure, the audit of the procedure for foreclosures and property's acquired in lieu of payment, continuous control of Group products and portfolios, the audit of the calculation of capital and reserve requirements with respect to operating risks. The reviews performed result in the preparation of audit recommendations, which are prioritised based on their materiality and which are continuously monitored until completely 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. Report if you have an action plan that is intended to correct or mitigate detected weaknesses.

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 twice during the course of the year at which time any significant weakness that may have been detected can be reported. That meeting is also attended by the Audit Department, the Management Control Department and the Director of the General Accounting Unit. The 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 Executive Audit Committee with respect to the action plans are included in the minutes that are presented to the Managing Director. 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-monthly meetings.

F.6 Other relevant information

None.

F.7 Report from the external auditor

Report from:

F.7.1 If the information regarding the IFRICS that is sent to markets been subjected to review by the external auditor, in which case the relevant report should be included as an Appendix. If not, the reason for not doing this should be explained.

As a result of the review work performed over the course of 2014, particularly those deriving from the merger of Banco Grupo Cajatres, S.A., an implementation plan is being completed and contains certain action plans for the various areas analysed and this process is expected to end during 2015. For this reason the IFRCS has not been subject to review by the external auditor.

G Other information of interest

If there is some relevant corporate governance item at the Company or at the group companies that has not been included in the rest of the sections of this report, but must be included to more completely reflect the governance structure and practices at the Company or its Group, briefly describe:

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

The Entity may also indicate if it has voluntarily applied other codes of ethical principles or good practices, whether international, industry-related or of any other scope. If appropriate, the Entity will identify the code in question and the date on which it was applied.

C.1.2 Mr. Eugenio Nadal Reimat was a member of the Board of Directors of Ibercaja Banco, S.A. until 1 October 2014, at which time he resigned after being appointed to the position of Patron of Fundación Bancaria Ibercaja.

Mr. Jesús Barreiro Sanz was appointed to the Board of Directors on 11 November 2014 and holds the position of Secretary-Director.

C.1.3 Mr. Amado Franco Lahoz, Mr. José Luis Aguirre Loaso, Mr. Eugenio Nadal Reimat, Mr. Jesús Bueno Arrese, Mr. Francisco Manuel García Peña and Mrs. Gabriela González Bueno Lillo occupied the position of Director at Banco Grupo Cajatres, S.A.U. until the merger with Ibercaja Banco, S.A.

Furthermore, Mr. José Luis Aguirre Loaso occupied the position of Managing Director of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja until was transformed into Fundación Bancaria Ibercaja.

C.1.4 The Large Risk and Solvency Committee at Ibercaja Banco, S.A. was created in February 2014.

C.1.5 "Fixed compensation" includes the amounts received by Directors, including life insurance premiums. "Other items" includes the compensation received by Directors for pertaining to Board of Directors Delegate Committees. The section Group indicates the compensation accruing to the Members of the Board of Directors for being members of the Board and/or senior management at Group companies, excluding the parent company.

"Other compensation" includes amounts received for pertaining to internal Board committees. Group "Per diems" include those received for attending governing body meetings held by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja until it was transformed into Fundación Bancaria Ibercaja, and for attending meetings held by the governing bodies of Banco Grupo Cajatres, S.A.U., until merged into Ibercaja Banco.

Incomplete years: Even if a Director has not carried out activities during the complete period being reported, the compensation that has received is included in section C.1.5 of the report.

C.1.6 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 CEOs. To calculate the "senior management compensation" the same compensation items indicated in section C.1.5 that are applicable are used. They include life insurance premiums and contributions to pension funds.

Incomplete years: Even if a Senior Manager has not carried out activities during the complete period being reported, the compensation that has received is included in section C.1.6 of the report.

Mr. Jesús Barreiro Sanz held the post of Assistant Managing Director- General Secretary until 1 November 2014. On 29 October 2014 Mr. Francisco Serrano Gill de Albornoz was appointed Assistance Managing Director-General Secretary, Mrs. María Pilar Segura Bas was appointed Assistant General Director, Mr. Joaquín Rodríguez de Almeida Pérez Surio was appointed Sub-Director General and Mr. Javier Arto Fillola was promoted to the position of Sub-Director.

C.1.8 The annual accounts, both individual and consolidated, are considered to be "certified" when they are presented to the governing body with a statement signed by the persons certifying the accounts 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.2.1 and C.2.2 Governing bodies makes reference to all of the Committees created by the governing body and the CEO at 31 December 2014. Mr. Jesús Barreiro is the non-voting secretary of the Audit and Compliance Committee, the Nominations and Compensation Committee and the Large Risk and Solvency Committee.

D.2 Starting in 2015 related party transactions will be subjected to a prior report from the Audit and Compliance Committee (instead of the Nominations and Compensation Committee).

Heading D. In accordance with the instructions received from the Spanish Securities Market Regulator (Comisión Nacional del Mercado de Valores, CNMV) to complete the report, with respect to definitions, criteria and type of aggregation, the provisions of Order EHA/3050/2004 (15 September) are used with respect to the reporting of associated transactions that must be provided by companies issuing securities that may be listed for trading on official secondary markets. 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.

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 Board of Directors or Governing Body of the Bank at its meeting on 10 March 2015.

Indicate the members of the Board or Governing Body who abstained or voted against the approval of this Report.

Annual report on directors' compensation

A Company compensation policy for the year in progress

A.1 Explained the Company's compensation policy. This heading will include information regarding:

- General principles and criteria governing the compensation policy.
- The most significant changes in the compensation policy compared with that applied during the preceding year, as well as any changes that have been made during the year in the conditions for exercising options that have already been granted.
- Criteria used to establish the company's compensation policy.
- Relative importance of variable compensation items compared with fixed items and the criteria applied to determine the various components of Directors' compensation package (compensation mix).

Explain the compensation policy

The principles that inspire the compensation policy followed by the Entity have the objective of being reasonable and adequate to the practices implemented by the sector, especially taking into account the current economic circumstances in the economic environment in which its activity is carried out.

Furthermore, always taking into account its status as a credit institution, the compensation policy that has been applied weeks to attain an adequate balance between the interests and objectives of the business and the efforts and motivation of the persons rendering their services, in order to favour solid and effective risk management that does not involve assuming excessive risks.

When preparing the compensation policy for members of the Board of Directors the principles established by several international and EU organisations have been taken into account (particularly the Compensation Policies and Practices Guidelines), as well as Spanish transposition rules that have gradually been implemented into Spanish legislation (especially Law 10/2014, Royal Decree 216/2008, as amended by Royal Decree 771/2011, and Circular 3/2008).

The compensation system established in the Bylaws makes a distinction between executive directors and non-executive directors, as described in section A.3 below. With this distinction, and with the authority following to the Board of Directors to set compensation for the Chairman and the CEO, the compensation for the services rendered by "Senior Management" is intended to be adequate, taking into account not only the previously mentioned principles but also the compensation items applied by other entities in the sector.

In 2014 a resolution was adopted to modify the compensation policy to introduce malus clauses that would be activated if the Entity's situation declines relative to fundamental financial parameters (solvency, credit quality and liquidity) for the purposes of modulating the payment of variable compensation. A substantial part of the variable compensation component, whether or not deferred, and in any event 50% will be paid in financial instruments linked to the value of the Entity's shares (provided that the variable element of the compensation exceeds the minimum threshold established).

A.2 Information regarding preparatory work and the process of taking decisions that has been followed to establish the compensation policy and the roles carried out, if any, by the compensation committee and other controlling bodies when configuring the compensation policy. This information will include any instructions given to the compensation committee, in its composition and the identity of the external advisors whose services have been used to define the compensation policy. Similarly, the nature of the Directors that were involved in defining compensation policy will be described.

Explain the process for setting the compensation policy

The duties of the Board of Directors and the Nominations and Compensation Committee in this area are established by the Bylaws and the Board of Directors Regulations.

Article 14 of the Board Regulations attributes consultation and supervisory duties to the Nominations and Compensation Committee. It is responsible for proposing and reporting to the Board:

a) The compensation policy for directors;

b) The individual compensation for Executive Directors and other conditions regarding their contracts;

c) The basic conditions of special contracts.

In addition, the Committee, which is presided by an independent Director, must:

a) Regularly review the compensation programmes, weighting their adequacy and performance.

b) Ensure the transparency of compensation and the observance of the Company's compensation policy.

The Board, after receiving a report from the Nominations and Compensation Committee, must:

–Approve the variable compensation system for the persons indicated in the group identified in the compensation policy.

–Verify, as an integral part of the general supervisory duty referred to by Article 4 of the Board Regulations, the proper and effective application of the variable compensation.

–Adopt any corrective measures that are necessary or advisable for the adequate and effective application of the content of the policy.

When establishing the policy, the Nominations and Compensation Committee was provided with a report prepared by the specialized consultant Hay Group in order to specify a proposal in terms of amounts and models of compensation associated with Directors and, in particular, independent directors, that take into account the most habitual practices, and an adequate balance with which the parent has historically worked and also taking into account the dedication of the Chairs of Board Committees.

The proposals from the Nominations and Compensation Committee, which also received the advisory services of Entity's internal units, were reported to the Board of Directors and based on those proposals and reports and the resolutions adopted by shareholders at a General Meeting, the Board approved the Directors' compensation system.

On an annual basis the Nominations and Compensation Committee is provided with an independent internal evaluation to verify that the guidelines and the procedures regarding compensation are being followed. The conclusions of the evaluation are reported to the Board of Directors and any measures that are deemed appropriate are proposed.

The composition of the Nominations and Compensation Committee at 31 December 2014 was as follows: Mr. Manuel Pizarro Moreno (Chairman, Independent Director) and Mr. Jesús Solchaga Loitegui (Independent External Director).

A.3 Indicate the amount and the nature of fixed components, breaking down any compensation for the performance of senior management duties by Executive Directors, any additional compensation for the Chairman or member of any Board Committee, the per diems for attendance in the Board and its Committees and any other fixed compensation received by the Directors, as well as an estimate of their fixed annual compensation in this respect. Identify other benefits that are not paid in cash and fundamental criteria for which they are granted.

Explain the fixed components of the compensation

The compensation system established by the Entity's Bylaws makes a distinction between Executive and Non-executive Directors.

Notwithstanding the Chairman, if there is an exclusive dedication and the Board has signed a salary for the Director's activities, the compensation received by Non-executive Directors will consist of:

a) per diems for attending meetings of the Board and its Committees, notwithstanding the reimbursement of appropriate expenses, and

b) an annual assignment that is determined by the Board for those Directors that have a particular dedication and duties.

The CEO or Executive Director is entitled to receive compensation consisting of:

a) a fixed portion in line with the services and responsibilities assumed;

b) a variable portion based on performance indicators applied to the Director or the company;

c) A benefits package that includes retirement and insurance benefits; and

d) an indemnity in the event of the separation or extinguishing of the legal relationship with the Company for any other reason that is not due to a failure to comply on the part of the Director.

The variable compensation component cannot exceed 40% of the gross fixed compensation portion under any circumstances.

Taking into account that the Chairman and the CEO stated at the Board of Directors' Meeting of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja held on 15 September 2001 his decision to waive compensation from that entity for his positions as the Chairman and CEO of the Bank, shareholders at a general meeting authorized the Board of Directors to set compensation at an amount equal to that which the Parent's Board of Directors established for the Chairman and the CEO, with all adjustments that would have arisen up to the date of the resolution, as well as the amounts that may accrue to the CEO as variable compensation for objectives attained in any other item in the terms established in Article 51 of the Company's Bylaws.

Based on the compensation items set out in the aforementioned Article 51 of the Bylaws, and due to their special dedication and duties, the compensation for the Chairman of the Audit and Compliance Committee was established at €45,600 gross per year, for the Chairman of the Nominations and Compensation Committee the compensation is €30,400 gross per year and that for the Chairman of the Large Risk and Solvency Committee is €45,600 gross per year.

Attendance per diems

To determine the amount of the per diems for attendance to the meetings of the Entity's governing bodies, the criteria followed by the parent entity, Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, were applied and the General Assembly, at a meeting held on 19 April 2007, set the gross per diem at €700 for meetings of the governing bodies. (This amount was established at the proposal of the Board of Directors, after having received a report from the Compensation Committee, which prepared a report based on the corporate social responsibility report prepared by the Spanish Savings Bank Confederation -Confederación Española de Cajas de Ahorros (CECA)- and published in 2006, which indicated the average per diem amount paid by Confederated Savings Banks to the members of governing bodies).

Based on this information, the per diem for attending meetings of the governing body at the Entity was established at €700 per meeting, gross.

A.4 Explain the amount, nature and the main characteristics of the variable components of the compensation systems.

In particular:

- Identify each of the compensation plans benefiting Directors, their scope, date of approval, implementation date, duration and their main characteristics. In the case of stock option plans and other financial instruments, the general characteristics of the plan will include information regarding the conditions for exercising those options or financial instruments in each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason for their accrual.
- Explain the main parameters and grounds for any annual bonus or other systems.
- The classes of Directors (Executive Directors, External Proprietary Directors, External Independent Directors or other External Directors) that benefit from compensation systems or plans that include a variable compensation component.
- The grounds for the variable compensation systems or plans, the criteria for evaluating performance, as well as the components and methods for the evaluation to determine whether or not the evaluation criteria have been met and an estimate of the absolute amount of the variable compensation that would arise under the compensation plan in force, based on the degree of compliance with the assumptions or objectives used as a reference.
- If appropriate, information will be provided on the deferral periods or payment deferrals that have been established and/or the period for retaining shares or other financial instruments, if any.

Explain the variable components of the compensation systems

Only the CEO has a variable compensation component calculated based on compliance with objectives, as is indicated in section A.3 above.

The variable component is established on an annual basis by the Board of Directors, after receiving a favourable report from the Nominations and Compensation Committee at the Entity. The latter is responsible for verifying compliance with overall targets and specific objectives established for the CEO. In 2014 the variable component was set at a maximum of 40% of the gross fixed compensation, establishing a 70%/30% weighting between overall targets (management of your regular investments, customers and activities, income statement, equity) and specific items evaluated based on compliance with budgeted targets.

A substantial part and, in any event, at least 40% of the variable compensation is deferred over the term of the Strategic Plan in order to take into account the economic cycle, the nature of the business, its risks and the activities of the employee concerned, and under no circumstances is the deferral period less than three (3) years.

A.5 Explain the main characteristics of long-term saving systems, including retirement and any other survival benefit, financed in fall or in part by the company, whether appropriated internally or externally, including an estimate of amount equivalent annual costs, indicating the type of plan, whether it is a defined contribution or defined benefit, the conditions for vesting to the economic rights by the Directors and their compatibility with any other type of indemnity due to the early termination of the contractual relationship between the Company and the Director.

Moreover, specify the contributions in favour of the director to defined contribution pension plans; or the increase in the director's consolidated rights, when they involve contributions to plans with defined benefits.

Explain long-term saving systems

There are no long-term saving systems for Directors.

A.6 Indicate any indemnities that have been agreed or paid in the event of the termination of a Director.

Explain the indemnities

No indemnities have been agreed or paid in the event of the termination of a Director.

A.7 Indicate the conditions that must be met by contracts for those fulfilling senior management duties as Executive Directors. Among others, information must be provided about the terms, the limits in the amounts of severance pay, permanence clauses, prior notice terms, and payment as replacement of the aforementioned prior notice, and any other clauses related to recruitment bonuses and severance pay or golden parachute clauses due to early dismissal or termination of the contractual relationship between the company and executive director. Include, inter alia, any non-competition, exclusivity, permanence or post-contractual loyalty and non-competition clauses or agreements.

Explique las condiciones de los contratos de los consejeros ejecutivos

The obligations and rights for the top executive at the company are regulated in a mercantile contracts whose term is associated with the CEO's term of appointment. No indemnities or golden parachutes have been agreed for early or general termination of the contractual relationship, nor are there any non-compete, exclusivity, permanence or loyalty agreements or any covering post-contract competition, notwithstanding the matters expressly stated in the Board Regulations for all Directors, whether or not they are Executive Directors, with respect to non-competition.

A.8 Explain any supplementary compensation accrued by Directors for services rendered other than those inherent to their posts.

Explain supplementary compensation

There is no supplementary compensation accrued by Directors as consideration for the services rendered other than that inherent to their position, except for Mr. Francisco Manuel Garcia Peña, who receives a salary as an employee originating from Banco Grupo Cajatres.

A.9 Specify any compensation paid as advances, credits and guarantees granted, stating the interest rate, their essential features and the amounts possibly reimbursed, as well as the commitments undertaken on behalf of each one as a guarantee.

Explain advance payments, loans and guarantees granted

No advance payments, loans or guarantees have been granted to members of the Entity's Board of Directors.

A.10 Explain the main characteristics of benefits-in-kind.

Explain the compensation in kind

The Entity's Directors do not receive benefits-in-kind.

A.11 State the compensation accrued by the Director by virtue of the payments made by the listed company to a third party at which the Director render services, when those payments are intended to provide compensation for the Director's services at that company.

Explain the compensation accrued by the Director by virtue of the payments made by the listed company to a third party at which the Director render services.

No compensation accrued in this respect.

A.12 Cualquier otro concepto retributivo distinto de los anteriores, cualesquiera que sea su naturaleza o la entidad del grupo que lo satisfaga, especialmente cuando tenga la consideración de operación vinculada o su emisión distorsione la imagen fiel de las remuneraciones totales devengadas por el consejero.

Explain the other compensation items

There are no other types of compensation that could be considered to be a related-party transaction or which could distort the true and fair view of the total compensation received by Directors.

A.13 Explain the action taken by the company with respect to the compensation system to reduce exposure to excessive risk and to adapt it to the objectives, values and long-term interest of the company, which will include, if appropriate, references to: measures established to guarantee that the compensation policy is in line with the company's long-term results, measures that establish an adequate balance between fixed and variable compensation components, measures taken with respect to those personnel categories whose professional activities have a material repercussion on the entity's risk profile, formulas or collection clauses in order to claim the return of any variable components based on results when those components have been paid based on that are later proven to be in accurate and measures foreseen to prevent any conflicts of interest.

Explain the action taken to reduce the risks.

The compensation policy associated with the risk management approved by the Board of Directors seeks to attain an adequate balance between the interests and objectives of the business and the efforts and motivation of the persons rendering their services, in order to favour solid and effective risk management that does not involve assuming excessive risks.

This policy is applicable to persons that carry out professional activities that have a significant influence on the entity's risk profile or that carry out control duties (the so-called "Identified Group", which includes the members of the Board of Directors (whether Executive Directors or not).

When preparing the compensation policy applied by the Entity the principles established by various international and EU organisations have been taken into account, together with Spanish legislation transposing those regulations which have been gradually implemented into Spanish law (especially Law 10/2014, Royal Decree 216/2008, as amended by Royal Decree 771/2011, and Circular 3/2008).

The basic principle that inspires the Compensation Policy referred to in this section is coherence with the business strategy, and the Entity's long-term objectives, values and interests.

The variable compensation component that may be received by the persons included in the Identified Group will be referenced, in any event, to the performance of the recipients based on the overall and specific objectives approved on an annual basis by the Board of Directors, after receiving a report from the Nominations and Compensation Committee. In addition, there will be sufficient flexibility to allow for modulation, to the point that it would be possible to totally eliminate the compensation if necessary.

Variable compensation, including the deferred portion, will only be paid if it is sustainable in accordance with the Entity's situation as a whole and if justified based on the entity's results, from the business unit concerned and the employee involved.

The Board of Directors, at the proposal of the Nominations and Compensation Committee, is responsible for determining and reviewing, on an annual basis, the proportion of variable compensation components compared with fixed compensation, as well as the weighting percentage for the applicable Overall and Specific Objectives. The variable compensation component cannot exceed 40% of the gross fixed compensation portion under any circumstances.

In addition, a substantial part and, in any event, at least 40% of the variable compensation is deferred over the term of the Strategic Plan in order to take into account the economic cycle, the nature of the business, its risks and the activities of the employee concerned, and under no circumstances is the deferral period less than three (3) years.

B Compensation policy foreseen for future years

B.1 Provide a general forecast of the compensation policy for future years that describes the policy with respect to: fixed components and per diems and variable compensation, relationship between the compensation and results, forecasting systems, conditions of executive Director Contracts and a projection of the most significant changes in the compensation policy with respect to preceding years.

General forecast for the compensation policy

No significant future changes to the compensation policy applied during the year are foreseen, notwithstanding those that are necessary, if appropriate, with respect to the treatment of insurance premiums as a result of the legislative changes that may be applicable.

In accordance with the provisions of Royal Decree 1003/2014 (5 December), which amends the Personal Income Tax regulations approved by royal Decree 439/2007 (30 March), on interim payments and deductions for large families or dependent disabled persons, the withholding to be applied in 2015 to per diems paid to Directors will be 37%, instead of the 42% that had been applicable since 2011. This withholding rate is expected to be 35% in 2016.

B.2 Explain the decision-making process for the determination of the planned compensation policy for future years, and the role played, if any, by the compensation committee.

Explain the decision-taking process to configure the compensation policy

The decision-taking process to configure the compensation policy established for future years will adjust to that which is currently established by the Bylaws and in the Board Regulations, as referred to in section A.2 above.

However, after the entry into force of Law 31/2014 (3 December), which amends the Spanish Companies Act 2010 to improve corporate governance, and in application of Article 33.3 of Law 10/2014 (26 June), on the ordering, supervision and solvency of credit institutions, which establishes that the compensation policy for members of the Board of Directors of credit institutions will be subject to the approval of shareholders in the same terms as established under commercial law for listed companies, the compensation paid to Directors will be subject, after a report is prepared by the Nominations and Compensation Committee, to the approval of shareholders in the terms established by Article 529 novodecies of the Spanish Companies Act 2010.

The policy approved in this manner will be in force for three years following that in which approved by shareholders. Any modification or replacement of that policy during that period will require the prior approval of shareholders in accordance with the established approval procedure.

B.3 Explain the incentives created by the company in the compensation system to reduce excessive risk exposure and to bring it in line with the company's long-term goals, values and interests.

Explain the incentives created to reduce risk

The design of the contribution system does not provide incentives for adopting excessive risks.

C Overall summary of how the compensation policy was applied during the year now ended

C.1 Provide a brief explanation of the main characteristics of the compensation structure and items in the compensation policy applied during the year now ended, which provides details of the individual compensation accrued by each of the Directors reflected in section D of this Report, as well as a summary of the decisions taken by the Board to apply those items.

Explain the structure and compensation items in the compensation policy applied during the year

The compensation structure and items in the compensation policy applied during the year have been described in section A.3 above. The Entity's governing body said not taken any decisions that gave rise to any change in the manner in which those items were applied.

And a meeting held on 12 March 2013, and after receiving a favourable report from the Nominations and Compensation Committee, the Board of Directors took into consideration the degree of compliance with the objectives established for 2013 by persons in the Group identified with a variable compensation component.

After receiving a favourable report from the Nominations and Compensation Committee, at that same meeting the Board of Directors approved the overall objectives set by the CEO for the objective based variable compensation for Central Services in 2014.

D Details of the individual compensation accrued by each of the directors

D.1 Fill in the following tables for the individual compensation of each of the Directors (including compensation for exercising executive duties) accrued during the year.

a) Compensation accrued at the company covered by this report:

Cash compensation

(thousand euro)

Name/Type Accrual period 2014	Salary	Fixed compensation	Per Diems	Short-term variable compensation	Long-term variable compensation	Compensation for pertaining to Board committees	Indemnity	Other Items (*)	Total in year 2014	Total in year 2013
Amado Franco Lahoz	–	379.6	24.5	–	–	–	–	7.1	411.2	404.8
José Luis Aguirre Loaso	–	373.3	24.5	68.3	–	–	–	6	472.1	454.1
Francisco Manuel García Peña	–	90	11.2	10	–	–	–	6	117.2	7
Jesús Bueno Arrese	–	–	32.9	–	–	34.2	–	3.8	70.9	29
Eugenio Nadal Reimat	–	–	21	–	–	–	–	3.4	24.4	27.9
Manuel Pizarro Moreno	–	–	–	–	–	–	–	4.9	4.9	4.8
Jesús Solchaga Loitegui	–	–	15.4	–	–	–	–	6	21.4	8.2
Gabriela González Bueno Lillo	–	–	28	–	–	45.6	–	1.7	75.3	5.9
Juan María Pemán Gavín	–	–	27.3	–	–	–	–	7.1	34.4	11.7
Vicente Eduardo Ruiz De Mencía	–	–	–	–	–	–	–	3.9	3.9	3.3
Vicente Condor Lopez	–	–	19.6	–	–	–	–	2.6	22.2	–
Jesus Barreiro Sanz	–	–	5.6	–	–	–	–	6	11.6	–

(*) Relates to insurance premiums.

Share-based compensation systems

		Options held at the start of 2014				Options assigned during the year					Shares delivered during 2014
Name/Type Accrual period 2014	Name of the plan and date of implementation	No. Options	No. of shares involved	Priceon in year (euros)	Exercise period	No. Options	No. of shares involved	Price in year (euros)	Exercise period	Conditions for exercising	No. Price-amount
	Plan 1										
	Plan 2										

		Options exercised in 2014				Options matured And not exercised	Options at the end of 2014				
Name/Type Accrual period 2014	Name of the plan and date of implementation	No. Options	No. of shares involved	Price in year (euros)	Exercise period	No. options	No. options	No. shares involved	No. shares involved	Maturity in year	Other Exercise requirements
	Plan 1										
	Plan 2										

Long-term saving systems

(Thousand euro)

Name/Type Total accrual period in years	Contribution during the year by the Company		Amount of accumulated fundss	
	2014	2013	2014	2013

Other benefits

(Thousand euro)

Name/Type	Compensation in the form of advance payments, loans granted		
	Interest rate for the transaction	Basic characteristics of the transaction	Any amounts reimbursed

Name/Type	Life insurance premiums		Guarantees provided by the Company for Directors	
	2014	2013	2014	2013
Amado Franco Lahoz	6.6	5.9	–	–
José Luis Aguirre Loaso	8.3	7.4	–	–
Francisco Manuel García Peña	2.7	2.5	–	–
Jesús Bueno Arrese	18.3	16.7	–	–
Eugenio Nadal Reimat	4.4	4	–	–
Manuel Pizarro Moreno	3.8	3.5	–	–
Jesús Solchaga Loitegui	11.1	10	–	–
Gabriela González Bueno Lillo	3.6	3.1	–	–
Juan María Pemán Gavín	2.3	2.1	–	–
Vicente Eduardo Ruiz De Mencía	9	8.2	–	–
Vicente Condor Lopez	3	–	–	–
Jesús Barreiro Sanz	3.3	–	–	–

b) Compensation accrued by Company Directors for pertaining to the Boards of other group companies:

Cash compensation

thousand euro

Name/Type Accrual period 2014	Salary	Fixed compensation	Per Diems	Short-term variable compensa-tion	Long-term variable compensa-tion	Compensation for pertaining to Board committees	Indemnity	Other Items (*)	Total in year 2014	Total in year 2013
Amado Franco Lahoz	–	–	11.8	–	–	–	–	–	11.8	12.1
José Luis Aguirre Loaso	–	–	8	–	–	–	–	–	8	5
Francisco Manuel García Peña	–	–	7.5	–	–	–	–	8.5	7.5	162.9
Jesús Bueno Arrese	–	–	12.3	–	–	–	–	–	12.3	13.6
Eugenio Nadal Reimat	–	–	11.8	–	–	–	–	–	11.8	12.1
Manuel Pizarro Moreno	–	–	–	–	–	–	–	–	–	–
Jesús Solchaga Loitegui	–	–	–	–	–	–	–	–	–	5.6
Gabriela González Bueno Lillo	–	–	7	–	–	–	–	–	7	–
Juan María Pemán Gavín	–	–	–	–	–	–	–	–	–	–
Vicente Eduardo Ruiz De Mencía	–	–	–	–	–	–	–	–	–	–
Vicente Condor Lopez	–	–	–	–	–	–	–	–	–	–
Jesus Barreiro Sanz	–	–	–	–	–	–	–	–	–	–

Share-based compensation systems

		Options held at the start of 2014				Options assigned during the year					Shares delivered during 2014
Name/Type Accrual period 2013	Name of the plan and date of implementation	No. Options	No. of shares involved	Priceon in year (euros)	Exercise period	No. Options	No. of shares involved	Price in year (euros)	Exercise period	Conditions for exercising	No. Price-amount
	Plan 1										
	Plan 2										

		Options exercised in 2014				Options matured and not exercised	Options at the end of 2013				
Name/Type Accrual period in years t	Name of the plan and date of implementation	No. Options	No. of shares involved	Price in year (euros)	Exercise period	No. options	No. options	No. shares involved	No. shares involved	Maturity in year	Other Exercise requirements
	Plan 1										
	Plan 2										

Long-term saving systems

(Thousand euro)

Name/Type Total accrual period in years	Contribution during the year by the Company		Amount of accumulated funds	
	2014	2013	2014	2013

Other benefits

(thousand euro)

Name/Type	Compensation in the form of advance payments, loans granted		
	Interest rate for the transaction	Basic characteristics of the transaction	Any amounts reimbursed

Name/Type	Life insurance premiums		Guarantees provided by the Company for Directors	
	2014	2013	2014	2013

c) Summary of compensation (thousand euro):

The summary must include the amounts relating to all compensation items included in this report that have accrued to the Director, in thousand euro.

In the case of long-term saving systems, the contributions or allocations made to this type of system will be included.

	Compensation earned at the Company				Compensation accrued at Group companies				Totals		
Name/Type Accrual period 2014	Total cash compensa-tion	Amount of shares delivered	Gross gain on exercised options	2013 company total	Total cash com-pensation	Amount of shares delivereds	Gross gain on exercised options	2013 Group total	Total in year 2014	Total in year 2013	Contribution to savings systems during the year
Amado Franco Lahoz	417.9	–	–	417.9	11.8	–	–	11.8	429.7	422.8	–
José Luis Aguirre Loaso	480.4	–	–	480.4	8	–	–	8	488.4	466.5	–
Francisco Manuel García Peña	119.9	–	–	119.9	7.5	–	–	7.5	117.4	172.4	–
Jesús Bueno Arrese	89.2	–	–	89.2	12.3	–	–	12.3	101.5	59.3	–
Eugenio Nadal Reimat	28.8	–	–	28.8	11.8	–	–	11.8	40.6	44	–
Manuel Pizarro Moreno	8.7	–	–	8.7	–	–	–	–	8.7	8.3	–
Jesús Solchaga Loitegui	32.5	–	–	32.5	–	–	–	–	32.5	23.8	–
Gabriela González Bueno Lillo	78.9	–	–	78.9	7	–	–	7	85.9	9	–
Juan María Pemán Gavín	36.7	–	–	36.7	–	–	–	–	36.7	13.8	–
Vicente Eduardo Ruiz De Mencía	13	–	–	13	–	–	–	–	13	11.5	–
Vicente Condor Lopez	25.2	–	–	25.2	–	–	–	–	25.2	–	–
Jesus Barreiro Sanz	14.9	–	–	14.9	–	–	–	–	14.9	–	–
Total:	1,346.1	–	–	1,346.1	58.4	–	–	58.4	1,404.5	1,231.4	–

D.2 State the relationship between the compensation received by Directors and the results or other measurements of the entity's performance, explaining how any changes in the company's performance have influenced the change in the compensation for Directors.

Only the CEO's compensation system is associated with the company's performance, as was indicated in previous sections of this report, based on overall and specific objectives that are set by the Board of Directors after receiving a report from the Nominations and Compensation Committee.

D.3 IState the result of the consultation vote by shareholders at the general meeting relating to the annual compensation report for last year, indicating the number of no votes, if any.

	Number	% of total
Votes cast		

	Number	% of cast votes
Votes against		
Votes in favour		
Abstentions		

E Other useful information

If there is some relevant Director compensation item at the Company or at the group companies that has not been included in the rest of the sections of this report, but must be included to more completely reflect the compensation structure and practices at the Company or its Group with respect to Directors, briefly describe:

Section D.1.a)

Mr. Vicente Cóndor López was appointed Director of Ibercaja Banco, S.A. on 27 January 2014.

Mr. Jesús Barreiro Sanz was appointed Director of Ibercaja Banco, S.A. on 11 November 2014, and therefore the compensation indicated in this report refers to that received for being a member of the Board of Directors as from that date.

Mr. Eugenio Nadal Reimat held the position of Director until 1 October 2014, at which time he resigned due to is appointment as Patron of Fundación Bancaria Ibercaja.

Starting in April 2014 the attendance per diems to be received by Mr. Juan María Pemán Gavín are paid directly to Fundación Caja de Ahorros de la Inmaculada.

Section D.1.a) i)

The heading "Other items" refers to insurance premiums paid by the entity, except for life insurance premiums, the amounts of which are indicated in a specific section in this report.

Section D.1.b)

The compensation received by the Entities Directors for pertaining to the Board of Directors of Banco Grupo Cajatres, S.A.U. (until merged into Ibercaja Banco on 1 October 2014) and that of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (until transformed into Fundación Bancaria Ibercaja).

This annual compensation report was approved by the company's Board of Directors at the meeting held on 10 March 2015.

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

Yes ☐ No ☑

Name of the Director who did not vote to approve this report	Reasons (opposition, abstention, failure to attend the meeting)	Explain the reasons

Grupo
iberCaja