Ibercaja Banco S.A.
and subsidiaries

Consolidated Annual Accounts at 31 December 2015
and Consolidated Directors' Report for 2015

(Free translation from the original in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

IBERCAJA BANCO, S.A.

PREPARATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED DIRECTORS' REPORT

On 8 March 2016, the Board of Directors of Ibercaja Banco, S.A. met in Zaragoza and, in compliance with prevailing legislation, have drawn up the consolidated annual accounts for 2015, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of total changes in equity, the consolidated cash flow statement, the notes to the consolidated annual accounts (Notes 1 to 44 and Appendices I to III) and the consolidated Directors' Report for 2015. These documents have been drawn up on official government paper and numbered correlatively.

To the best of our knowledge, the consolidated annual accounts for 2015, prepared in accordance with applicable accounting principles, express fairly the financial position, results and cash flows of the Company and subsidiaries that make up the Ibercaja Banco Group. Similarly, the consolidated directors' report for 2015 includes a fair analysis of the performance, results and position of the Company and subsidiaries that comprise the Ibercaja Banco Group.

SIGNED:

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

MR. JOSÉ LUIS AGUIRRE LOASO
National ID number: 17,109,813-K
1st Deputy Chairman

MR. JOSÉ IGNACIO MIJANGOS LINAZA (*)
National ID number: 13.003.885-F
2nd Deputy Chairman

MR. VÍCTOR IGLESIAS RUIZ
National ID number: 25.143.242-X
CEO

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

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

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

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

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

MR. FRANCISCO MANUEL GARCÍA PEÑA
National ID number: 8.692.701-N
Board Member

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

Ibercaja Banco S.A.
and subsidiaries

Consolidated Annual Accounts
at 31 December 2015

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014
(Thousand euro)

ASSETS	Note	2015	2014 (*)
Cash and deposits with central banks	**6**	**532,626**	**435,089**
Financial assets held for trading	**7**	**41,327**	**55,832**
Debt securities		690	959
Derivatives held for trading		40,637	54,873
Memorandum Items: Loans or pledged		-	-
Other financial assets at fair value through profit and loss	**8**	**52,613**	**61,547**
Loans and advances to credit institutions		-	324
Loans and advances to customers		-	43
Debt securities		5,264	7,780
Other equity instruments		47,349	53,400
Memorandum Items: Loans or pledged		-	-
Available-for-sale financial assets	**9**	**15,599,216**	**14,778,280**
Debt securities		15,157,312	14,253,973
Other equity instruments		441,904	524,307
Memorandum Items: Loans or pledged	27.2	*6,124,738*	*3,571,188*
Loans and receivables	**10**	**35,738,626**	**35,632,878**
Loans and advances to credit institutions		806,270	1,160,611
Loans and advances to customers		32,791,311	33,830,111
Debt securities		2,141,045	642,156
Memorandum Items: Loans or pledged	27.2	*6,083,916*	*4,977,648*
Held-to-maturity investments	**11**	**2,662,571**	**6,681,683**
Memorandum Items: Loans or pledged	27.2	*1,919,326*	*4,399,885*
Adjustments to financial assets due to macro-hedges	**12.2**	**-**	**128,991**
Hedge derivatives	**12.1**	**357,452**	**496,506**
Non-current assets held for sale	**13**	**714,217**	**732,625**
Investments	**14**	**135,136**	**155,955**
Associates		104,217	117,480
Jointly controlled entities		30,919	38,475
Reinsurance assets	**15**	**960**	**1,564**
Tangible assets	**16**	**1,163,734**	**1,211,567**
Property, plant and equipment		708,639	740,840
For own use		*693,940*	*724,883*
Assigned under operating lease		*14,699*	*15,957*
Investment properties		455,095	470,727
Memorandum Items: Acquired under finance lease		-	-
Intangible assets		**203,571**	**207,448**
Goodwill	17.1	144,934	144,934
Other intangible assets	17.2	58,637	62,514
Tax assets		**1,407,620**	**1,464,401**
Current		32,153	36,907
Deferred	25	1,375,467	1,427,494
Other assets	**18**	**312,023**	**278,126**
Inventories		242,721	232,615
Other		69,302	45,511
TOTAL ASSETS		**58,921,692**	**62,322,492**
Memorandum items			
Contingent exposures	**27.1**	**608,480**	**622,060**
Contingent commitments	**27.3**	**2,814,313**	**2,494,004**

LIABILITIES AND EQUITY	Note	2015	2014 (*)
Financial liabilities held for trading	**7**	**35,970**	**48,462**
Derivatives held for trading		35,970	48,462
Financial liabilities at fair value through profit and loss		**-**	**-**
Customer deposits		-	-
Financial liabilities at amortised cost	**19**	**48,581,317**	**50,824,160**
Deposits from central banks		2,053,035	4,848,302
Deposits from credit institutions		4,908,740	3,241,613
Customer deposits		39,029,448	39,868,562
Marketable debt securities		925,818	1,631,249
Subordinated debt		1,047,035	556,574
Other financial liabilities		617,241	677,860
Adjustments to financial liabilities due to macro-hedges	**12.2**	**6,930**	**6,668**
Hedge derivatives	**12.1**	**330,474**	**604,912**
Liabilities under insurance contracts	**20**	**6,382,222**	**7,103,517**
Provisions	**21**	**316,996**	**352,183**
Pension funds and similar obligations		147,189	172,755
Provisions for taxes and other legal contingencies		10,340	10,307
Provisions for contingent exposures and commitments		24,834	26,027
Other Provisions		134,633	143,094
Tax liabilities		**350,115**	**413,296**
Current		5,498	5,907
Deferred	25	344,617	407,389
Other liabilities	**22**	**117,013**	**147,698**
TOTAL LIABILITIES		**56,121,037**	**59,500,896**
Shareholder's funds	**24.1**	**2,615,555**	**2,518,359**
Share capital		2,144,276	2,611,730
Reserves		387,156	(244,024)
Accumulated reserves		*450,746*	*(161,037)*
Reserves in entities measured using the equity method		*(63,590)*	*(82,987)*
Result attributed to the parent entity		84,123	150,653
Valuation adjustments		**183,991**	**302,710**
Available-for-sale financial assets	23.1	487,772	672,133
Cash flow hedges		-	(98)
Entities measured under the equity method		(1,603)	2,467
Other valuation adjustments	23.2	(302,178)	(371,792)
Non-controlling interests	**24.2**	**1,109**	**527**
Valuation adjustments		-	55
Remainder		1,109	472
TOTAL EQUITY		**2,800,655**	**2,821,596**
TOTAL LIABILITIES AND EQUITY		**58,921,692**	**62,322,492**

(*) Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR
THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	Note	2015	2014 (*)
Interest and similar income	**28**	**1,065,640**	**1,367,906**
Interest and similar charges	**29**	**434,064**	**668,558**
NET INTEREST INCOME		**631,576**	**699,348**
Return on equity instruments	**30**	**10,252**	**11,802**
Share of profit/(loss) or equity-accounted entities		**(2,178)**	**(7,997)**
Fee and commission income	**31**	**343,157**	**332,261**
Fee and commission expense	**32**	**10,074**	**16,906**
Net gains/(losses) on financial assets and liabilities	**33**	**86,063**	**424,919**
Held for trading		1,631	2,852
Other financial instruments at fair value through profit or loss		1,514	1,500
Financial instruments not stated at fair value through profit or loss		83,107	438,185
Other		(189)	(17,618)
Exchange differences (net)	**34**	**80**	**271**
Other operating income	**35**	**1,041,328**	**1,177,382**
Income from insurance and reinsurance contracts		992,563	1,112,826
Sales and income from non-financial services rendered		18,137	35,332
Other operating income		30,628	29,224
Other operating charges	**36**	**1,059,373**	**1,210,909**
Expenses of insurance and reinsurance contracts		992,975	1,113,735
Other operating expenses		66,398	97,174
GROSS INCOME		**1,040,831**	**1,410,171**
Administration expenses		**601,835**	**729,448**
Personnel expenses	37	403,974	513,537
Other general administrative expenses	38	197,861	215,911
Depreciation and amortisation	**16 and 17**	**54,536**	**59,487**
Provisions (net)	**21**	**36,975**	**5,812**
Financial asset impairment losses (net)		**207,108**	**357,876**
Loans and receivables	10.6	203,056	321,554
Other financial instruments not carried at fair value through profit or loss	9.3	4,052	36,322
INCOME FROM OPERATING ACTIVITIES		**140,377**	**257,548**
Other assets impairment losses (net)	**39**	**7,572**	**35,764**
Goodwill and other intangible assets		-	-
Other assets		7,572	35,764
Gains/(losses) from disposal of assets not classified as non-current available-for-sale	**40**	**25,377**	**26,242**
Negative difference on business combinations		**-**	**-**
Gains/(losses) from non-current assets available for sale not classified as discontinued operations	**41**	**(39,945)**	**(32,920)**
PROFIT/(LOSS) BEFORE INCOME TAX		**118,237**	**215,106**
Income tax	**25**	**34,158**	**64,382**
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS		**84,079**	**150,724**
Gain/ loss from discontinued operations (net)		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**84,079**	**150,724**
Profit/(loss) attributed to the parent entity		84,123	150,653
Profit/(loss) attributed to non-controlling interests		(44)	71

(*) Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	Note	2015	2014 (*)
A) PROFIT/(LOSS) FOR THE YEAR		**84,079**	**150,724**
B) OTHER RECOGNISED INCOME AND EXPENSE		**(105,701)**	**135,251**
B.1) Items that will not be reclassified to income statement		**15,187**	**(27,095)**
Actuarial gains/(losses) on defined benefit pension plans		21,696	(38,708)
Non-current assets held for sale		-	-
Entities measured using the equity method		-	-
Income tax relating to items that will not be reclassified to income statement	**25.4**	(6,509)	11,613
B.2) Items that may be reclassified to income statement		**(120,888)**	**162,346**
Available-for-sale financial assets		**(288,117)**	**615,949**
Valuation gains/(losses)		(157,582)	659,092
Amounts transferred to the income statement	33	(130,535)	(43,143)
Other reclassifications		-	-
Cash flow hedges		**140**	**(140)**
Measurement gains/(losses)		140	(140)
Amounts transferred to the income statement		-	-
Amounts transferred to initial value of hedged items		-	-
Other reclassifications		-	-
Net investment hedges on foreign operations		**-**	**-**
Measurement gains/(losses)		-	-
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Exchange differences		**-**	**-**
Measurement gains/(losses)		-	-
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Non-current assets for sale		**-**	**-**
Measurement gains/(losses)		-	-
Amounts transferred to the income statement			-
Other reclassifications		-	-
Entities measured using the equity method		**(4,070)**	**566**
Measurement gains/(losses)		(4,070)	566
Amounts transferred to the income statement		-	-
Other reclassifications		-	-
Other recognised income and expenses		**96,350**	**(384,695)**
Income tax relating to items that may be reclassified to profit and loss	**25.4**	**74,809**	**(69,334)**
C) TOTAL RECOGNISED INCOME AND EXPENSE		**(21,622)**	**285,975**
Attributed to the parent entity		(21,523)	287,356
Attributed to minority shareholdings		(99)	(1,381)

(*) Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

TOTAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(Thousand euro)

	Shareholder's funds								
	Share capital	Accumulated reserves	Reserves in entities measured using equity method	Results attributable to the parent entity	Dividends	**Total shareholder's funds (Note 24.1)**	**Valuation adjustments (Note 23)**	**Non-controlling interests (Note 24.2)**	**Total equity**
I. Ending balance at 31/12/2014	**2,611,730**	**(161,037)**	**(82,987)**	**150,653**	**-**	**2,518,359**	**302,710**	**527**	**2,821,596**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-
II. Adjusted beginning balance	**2,611,730**	**(161,037)**	**(82,987)**	**150,653**	**-**	**2,518,359**	**302,710**	**527**	**2,821,596**
Total recognised income and expense	**-**	**13,073**	**-**	**84,123**	**-**	**97,196**	**(118,719)**	**(99)**	**(21,622)**
Other changes in equity	**(467,454)**	**598,710**	**19,397**	**(150,653)**	**-**	**-**	**-**	**681**	**681**
Share capital increases	-	-	-	-	-	-	-	-	-
Share capital reductions (Note 24.1.1)	(467,454)	467,454	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-
Increases 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 treasury shares (net)	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	131,256	19,397	(150,653)	-	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-
Equity settled payments	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	-	681	681
III. Ending balance at 31/12/2015	**2,144,276**	**450,746**	**(63,590)**	**84,123**	**-**	**2,615,555**	**183,991**	**1,109**	**2,800,655**

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

STATEMENT OF TOTAL CHANGES IN CONSOLIDATED EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (*)

(Thousand euro)

	Shareholder's funds								
	Share capital	Accumulated reserves	Reserves in entities measured using equity method	Results attributable to the parent entity	Dividends	**Total shareholder's funds (Note 24.1)**	**Valuation adjustments (Note 23)**	**Non-controlling interests (Note 24.2)**	**Total equity**
I. Ending 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 beginning balance	**2,611,730**	**(81,284)**	**(59,222)**	**(67,684)**	**-**	**2,403,540**	**130,173**	**2,014**	**2,535,727**
Total recognised income and expense	**-**	**(35,834)**	**-**	**150,653**	**-**	**114,819**	**172,537**	**(1,381)**	**285,975**
Other changes in equity	**-**	**(43,919)**	**(23,765)**	**67,684**	**-**	**-**	**-**	**(106)**	**(106)**
Share capital increases	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-
Increases 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 treasury shares (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: Ending balance at 31/12/2014	**2,611,730**	**(161,037)**	**(82,987)**	**150,653**	**-**	**2,518,359**	**302,710**	**527**	**2,821,596**

(*) Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	Note	2015	2014 (*)
CASH FLOWS FROM OPERATING ACTIVITIES		**(2,855,798)**	**(4,925,600)**
Profit/(loss) for the year	**24**	**84,079**	**150,724**
Adjustments made to obtain cash flows from operating activities		**537,142**	**415,132**
Depreciation and amortisation	16, 17	54,536	59,487
Other adjustments		482,606	355,645
Net increase/(decrease) in operating assets		**203,183**	**(4,038,823)**
Held for trading		14,505	(19,006)
Other financial assets at fair value through profit and loss		8,934	7,378
Available-for-sale financial assets		(1,334,611)	(6,810,554)
Loans and receivables		1,275,994	2,790,413
Other operating assets		238,361	(7,054)
Net increase/decrease in operating liabilities		**(3,548,250)**	**(1,448,729)**
Held for trading		(12,492)	20,916
Other financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost		(2,581,316)	(2,086,018)
Other operating liabilities		(954,442)	616,373
Corporate income tax income/(expense)		**(131,952)**	**(3,904)**
CASH FLOWS FROM INVESTING ACTIVITIES		**2,499,308**	**4,923,106**
Payments made		**(62,530)**	**(69,181)**
Tangible assets		(32,435)	(21,189)
Intangible assets		(8,288)	(25,324)
Investments		-	-
Other business units		-	-
Non-current assets held for sale and associated liabilities		(21,807)	(22,668)
Held-to-maturity investments		-	-
Other payments related to investing activities		-	-
Payments received		**2,561,838**	**4,992,287**
Tangible assets		54,577	43,867
Intangible assets		342	-
Investments		16,762	5,695
Other business units		-	-
Non-current assets held for sale and associated liabilities		144,832	90,038
Held-to-maturity investments		2,345,325	4,852,687
Other collections related to investing activities		-	-

(*) Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	Note	2015	2014 (*)
CASH FLOWS FROM FINANCING ACTIVITIES		**482,748**	**(5,371)**
Payments made		**(17,252)**	**(5,371)**
Dividends		-	-
Subordinated liabilities	19.5	(17,252)	(5,371)
Other payments related to financing activities		-	-
Payments received		**500,000**	**-**
Subordinated liabilities	19.5	500,000	-
Issue of treasury shares		-	-
Other collections related to financing activities		-	-
EFFECT OF EXCHANGE RATES FLUCTUATIONS		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**126,258**	**(7,865)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**698,726**	**706,591**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**824,984**	**698,726**
Memorandum Items:			
Components of cash and cash equivalents at end of year			
Cash	6	194,611	191,816
Cash equivalent balances at central banks	6	338,015	243,273
Net balances of on-demand deposits in credit institutions	10.2, 19.2	292,358	263,637
Total cash and cash equivalents at end of year		**824,984**	**698,726**

(*) Presented for comparative purposes only (Note 1.4).

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for for the year ended 31 December 2015

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Appendix II: Financial information on investments in subsidiaries, jointly controlled entities and associates
Appendix III: Annual banking report

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for
for the year ended 31 December 2015

1. Introduction, basis of presentation of the consolidated annual accounts and other information

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 of that year, 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 Sports 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 Bank's General Assembly, during their extraordinary meeting held on 26 July 2011, approved the creation of a new bank with the name of Ibercaja Banco, to which all assets and liabilities for its financial activities were transferred. Following the split and transformation referred to above, Fundación Bancaria Ibercaja 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, 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.

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 for 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 2015 and 2014, prepared in accordance with the same accounting principles and standards and measurement methods applied in the Group’s consolidated annual accounts.

1.2 Basis of presentation of the consolidated annual accounts

The 2015 consolidated annual accounts for Ibercaja Banco Group were prepared by the Company's Directors during the Board meeting held on 8 March 2016 and are pending approval by the General Shareholders' Meeting. The Bank's Board of Directors expects these financial statements will be approved without significant changes. The Group's consolidated annual accounts for 2014 were approved at the Bank's Shareholders' Meeting on 13 April 2015.

The consolidated annual accounts have been prepared taking into account all applicable accounting principles and standards, in accordance with the International Financial Reporting Standards adopted 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 2015 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 system for such entities by adapting it to the accounting environment arising from the adoption of International Financial Reporting Standards by the European Union, 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 annual accounts.

These consolidated annual accounts have been prepared on the basis of the accounting records kept by the Company and the rest of the Group companies. However, since the accounting principles and measurement methods applied to prepare the Group's 2015 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 annual accounts for 2015. These estimates relate basically to the following:

- impairment losses on certain assets and estimates of the associated security (Notes 9, 10, 11, 13, 14, 16 and 18).
- the 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), as well as those used to calculate liabilities under insurance contracts (Note 20).
- 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 to be contingent liabilities and, if appropriate, the necessary provisions to cover those events (Notes 2.20 and 21),
- the fair value of certain unlisted financial assets (Note 26), and
- the recoverability of deferred tax assets (Note 2.14 and 25.4).

The aforementioned estimates were made based on the best information available at 31 December 2015 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 relating to 2014

As required under current legislation, the information contained in these consolidated annual accounts relating to 2014 is presented exclusively for purposes of comparison with the 2015 figures.

1.5 Agency agreements

The Company had no “agency contracts” in force at any time during 2015, in the form envisaged in Article 21 of Royal Decree 84/2015 (13 February).

1.6 Shareholdings in credit institutions

In accordance with Article 28 of Royal Decree 84/2015, set out below is 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	
Company	**2015**	**2014**
Sociedad Española de Banca de Negocios, S.A. (Note 13)	-	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% for all risks (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 higher quality instruments, seeking consistency and uniform application by institutions and countries. The new agreement improves transparency and the comparability of the capital ratios and incorporates new prudential tools in the area of liquidity and leveraging.

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 together with Royal Decree 84/2015 (13 February), which enables that Law and continues with the transposition initiated by Royal Decree-Law 14/2013 and Bank of Spain Circular 2/2014. The latter two bodies of legislation lay down the regulatory options for the requirements applicable during the transitional period.

New legislation that supplements Regulation (EU) No. 575/2013 (CRR) with respect to aspects such as Equity, Liquidity, Pillar I Risks and Capital requirements.

In February 2016 the Official State Gazette published Bank of Spain Circular 2/2016 (2 February) which covers the supervision and solvency of credit institutions and completes the adaptation of Spanish legislation to Directive 2013/36/EU and to Regulation (EU) 575/2013.

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

At 31 December 2015, Ibercaja Banco Group easily meets the minimum solvency ratios (Basel Pillar I) established by current banking regulations, as is shown below:

	Thousand euro	
	2015	**2014**
Shareholder's funds		
CET 1	2,808,130	2,745,740
Tier I	2,808,130	2,745,740
Total shareholder's funds	3,384,655	2,904,603
Risk Weighted Assets (BIS 3)	**23,500,580**	**24,663,611**
Ratios		
CET 1	11.95%	11.13%
Tier I	11.95%	11.13%
Solvency ratio	14.40%	11.78%

Under the requirements set out in the 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 supervisor may require institutions to maintain additional capital levels under the new regulations.

The European Central Bank (ECB) reported its decision regarding the prudential capital requirements for Ibercaja Banco after the Supervisory Review and Evaluation Process (SREP). This decision requires Ibercaja Banco to maintain an ordinary Tier 1 capital ratio (CET1) phase-in of 9.25% on a consolidated basis, as defined by Regulation 575/2013 of the European Parliament and Council.

This requirement covers the minimum established by Pillar I (4.50%) and the Pillar II requirement (4.75%), including the capital conservation buffer.

At 31 December 2015 the CET1 phase in ratio for Ibercaja Banco on a consolidated basis is 11.95%, 2.70% above regulatory requirements. As a result of the Entity's solvency situation the European Central Bank recommendations regarding the regulatory restriction or limitation on the payment of dividends, variable compensation and payment of interest to the holders of additional Tier 1 capital securities are not applicable,

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 procedures for identifying, measuring and aggregating risks.
- it determines the capital that is necessary 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,
- it plans capital in the medium term, and
- it establishes target capital.

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.

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 that is relevant for prudential purposes (Basel Pillar III). Ibercaja Group will therefore post a "Report on information that is relevant for prudential purposes" on its website prior to the time the consolidated annual accounts for 2015 are approved and published.

1.7.5 Credit ratings

The credit ratings granted to Ibercaja Banco, S.A. are as follows:

	Date		Current		Non-current		Outlook	
Company	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Standard&Poors	December 2015	November 2014	B	B	BB	BB	Positive	Positive
Moody's	November 2015	November 2014	NP	NP	B1	Ba3	Stable	Negative
Fitch Ratings	July 2015	November 2014	B	B	BB+	BB+	Positive	Positive

1.8 National Resolution Fund and Deposit Guarantee Fund

1.8.1 National Resolution Fund

Law 11/2015 (18 June) together with the enabling regulations enacted by Royal Decree 1012/2015 transposes Directive 2014/59/EU into Spanish law and establishes a new framework for the resolution of credit institutions and investment service companies and regulates the creation of National Resolution Fund.

According to Regulation (EU) 2015/63, the calculation of each entity's contribution takes into account the proportion they represent of the total aggregate liabilities of all entities, after deducting capital and reserves and guaranteed deposit amounts, adjusted based on the Entity's risk profile.

In accordance with Additional Provision Four of the Law, before 31 January 2016 the National Resolution Fund will transfer the contributions made to the European Single Resolution Fund.

In 2015 the expense incurred for the contribution made to this body amounted to €11,730 thousand (Note 36).

1.8.2 Deposit Guarantee Fund

The Entity is a member of the Deposit Guarantee Fund.

Royal Decree 2606/1996 (20 December), as amended by Royal Decree 1012/2015 (6 November), stipulates that the Deposit Guarantee Fund Management Committee will determine the annual contributions to be made by the entities pertaining to the Credit Institution Deposit Guarantee Fund. In 2015 the Management Committee decided that the annual contribution to the deposit guarantee compartment would be 1.6 per thousand of the calculation base (2 per thousand in 2014) and the contribution to the securities guarantee compartment would be 2 per thousand of the calculation base (2 per thousand in 2014).

The expense for the ordinary contributions referred to above fully accrues at the year-end, such that at that time the balance sheet reflects the liability for the contribution paid in the first quarter of the following year (€33,327 and €53,901 thousand at 31 December 2015 and 2014, respectively; Note 22).

On 30 July 2012 the Deposit Guarantee Fund Management Committee adopted a resolution to apply an extraordinary charge to member entities, payable by each entity in 10 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).

In 2015 the expense incurred for the contributions made to this body amounted to €41,915 thousand (€62,211 thousand in 2014). This amount is recognized under the headings “Other operating charges” (€40,361 thousand and €60,935 thousand in 2015 and 2014, respectively; Note 36) and “Interest and similar charges” (€1,554 thousand and €1,276 thousand in 2015 and 2014, respectively; Note 29). “

1.9 Minimum Reserve Ratio

At 31 December 2015 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 2015 amounted to €296,141 thousand (€281,350 thousand at 31 December 2014).

1.10 Merger with Cajatres

1.10.1 Provisional merger agreement

1.10.1.1 Signing of the merger protocol

At 27 November 2012 Ibercaja Banco, S.A.U. and Banco Grupo Cajatres, S.A. signed a merger protocol involving an acquisition by Ibercaja Banco, S.A.U. that established that it would take place after complying with certain conditions precedent, including the approval of a merger plan between Ibercaja Banco, S.A.U. and Banco Grupo Cajatres, S.A. by the competent national and European authorities.

1.10.1.2 Restructuring Plan

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. 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.

Furthermore, the “Restructuring Plan Cajatres” set out certain measures to be taken by Banco Grupo Cajatres, S.A. in subsequent years during the course of its business as a credit institution, within the framework of its integration into Ibercaja Banco, S.A.U. These measures were reported to the European Commission (in the document entitled “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 aforementioned capital injection. 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 had been closed and at 31 December 2014 the workforce had been reduced by 592 employees, thereby complying with the commitments for 31 December 2014 and 2016, respectively.
- 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 from non-strategic businesses, 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. It is also stipulated that if the holdings have not been sold when these terms terminate, Banco Grupo Cajatres, S.A. or the entity resulting from the combination would write off their carrying value in full. In 2015 the divestment commitment that was established was fulfilled.
- Burden sharing through the repurchase of subordinated loans or exchange for equity instruments, for an amount less than their carrying amount.

1.10.1.3 Transfer of assets to SAREB

Law 9/2012 stipulated 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.

As mentioned in Note 1.10.1.2, 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 were basically the following:

- Foreclosed 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**
Foreclosed assets	293,080	826,283
Of which, foreclosed assets in Group companies	*241,301*	*722,596*
Credit risk:	1,919,005	3,491,988
With a 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 value 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 (up until 25 February 2016) to determine, one or more times, 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 made a number of representations and warranties, and undertook to indemnify SAREB in the event of any failure to comply.

After the relevant analysis, on 26 February 2016 the Bank and SAREB concluded a correction to the “Asset transfer contract” that eliminates the transfer of some assets and modifies the price. As a result, the amount of the SAREB bonds received will be adjusted but this will not have a significant impact on the Entity's income statement.

In the Asset Transfer Agreement, Banco Grupo Cajatres, S.A.U. was 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 million. The bonds were issued at 100% of their face value and are irrevocably guaranteed by the Spanish Government. Details at 31 December 2014 are as follows:

31 December 2015

			Thousand euro
Subscribed	**Interest rate**	**Maturity**	**Nominal amount**
SAREB 2013-3 Senior Bond	Euribor 3 months + 2.46%	28 February 2016	484,700
SAREB 2015-1 Senior Bond	Euribor 3 months + 0.10%	28 February 2016	651,000
SAREB 2015-2 Senior Bond	Euribor 3 months + 0.26%	28 February 2017	976,400
			2,112,100

31 December 2014

			Thousand euro
Subscribed	**Interest rate**	**Maturity**	**Nominal amount**
SAREB 2014-1 Senior Bond	Euribor 3 months + 0.27%	February 28, 2015	651,000
SAREB 2013-2 Senior Bond	Euribor 3 months + 2.08%	February 28, 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 as the transfer an Asset Management and Administration Agreement was concluded, which established that the Bank would continue to manage the transferred assets, establishing the fees receivable by the Bank and a success fee when it takes part in the lease or transfer of the managed assets to a third party (Note 31). That agreement has a term of one year and may be successively renewed. In December 2015 the service relationship that the Company maintained with SAREB.

1.10.1.4 Issue 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 nºSA.35489 –Spain Restructuring of Banco Grupo Cajatres, S.A.

On 12 March 2013, the issuance, subscription and payment of the CoCos, in the amount of €407 million, was executed in a public deed. The bonds were 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 2016, 40% in March 2017 and 55% in December 2017), and the recovery of the net deferred tax assets contributed by Banco Grupo Cajatres.

1.10.2 Definitive merger

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, reflecting the fair value of the consolidated assets and liabilities of Banco Grupo Cajatres, S.A. and certain intangible assets that were not recognised by the acquired entity and after eliminating the financial instruments relating to the liabilities issued by Ibercaja Banco mentioned above, included equity of €96,757 thousand, excluding non-controlling interests.

Goodwill amounting to €128,065 thousand was recognised in the consolidated annual accounts 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.

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 expired, the Entity did not need to change the initially recognised goodwill.

1.10.3 Full merger

On 1 October 2014 a notary certified and executed the public document 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.

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

The merger did not have any effect the consolidated annual accounts for 2014.

1.11 Subsequent events

On 2 February 2016 Ibercaja Banco, S.A. agreed to transfer all of the share capital in its subsidiary Gestión de Inmuebles Salduvia, S.A., to Global Acamar, S.L., which is wholly owned by Aktúa Group.

The parties also committed to concluding a service agreement under which Aktúa, through the acquired vehicle, will render these services that are necessary for the administration, management and marketing of real estate assets covered by that contract on an exclusive basis to Ibercaja Group. This transaction totals €70 million and will generate a capital gain of approximately the same amount (before taxes), and is intended to establish a stable alliance with a leading industrial partner to reinforce the Entity's strategy to drive real estate asset sales through the retail channel and to simplify and optimize its real estate business structure.

1.12 Changes in accounting policies and estimates

1.12.1 Changes in accounting policies

A list of the most relevant amendments made to accounting legislation applicable to the Group is set out below.

During 2015 no significant mandatory standard, modification or interpretation entered into force.

At the date of preparation of these consolidated annual accounts, 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 annual accounts or because they have not yet been adopted by the European Union:

<u>Approved for application in the European Union</u>

- **IAS 19 (Revised) “Employee benefits. Employee contributions to defined benefit plans”**

  IAS 19 (revised in 2011) makes a distinction between employee contributions relating to services rendered and those that are not associated with their 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. The contributions associated with the services that vary in accordance with their duration must be extended over the time during which the service is rendered using the same assignment method applied to benefits. This amendment is applicable to all years commencing as from 1 February 2015 and is applied retrospectively.

- **IFRS 11 (Revised) “Recognition of purchases of shares in 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 business combination accounting principles apply, unless they conflict with IFRS 11. This amendment will be prospectively applied to years commencing as from 1 January 2016, although it may be adopted early.

- **IAS 16 and IAS 38 (Revised) “Clarification of acceptable depreciation and amortisation methods”**

  This amendment clarifies that it is not adequate to use methods based on ordinary income to calculate the depreciation of an asset because the ordinary income generated by an activity that includes the use of an asset generally reflects factors that are different from the consumption of the financial benefits deriving from the asset. The IASB also clarifies that it is generally presumed that ordinary income is an inadequate basis for measuring the consumption of the financial benefits deriving from an intangible asset. This revision will be effective for years commencing as from 1 January 2016 and will be applied prospectively. The amendment may be applied early.

- **IAS 1 (Revised) – “Disclosure Initiatives”**

  The amendments to IAS 1 encourage enterprises to apply professional judgment in determining what information to disclose in the financial statements. The amendments that have been applied clarify that the materiality level applies to the financial statements taken as a whole and the inclusion of immaterial information may impede the usefulness of that 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.

  The amendments to IAS 1 are mandatory for years beginning on and after 1 January 2016.

- **IAS 27 (Revised) “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.

<u>Not approved for application in the European Union</u>

- **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 years commencing as from 1 January 2017, although it may be adopted early.

- **IFRS 9, “Financial instruments”.**

  On 24 July 2014, the IASB issued IFRS 9 which in the 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.

Management believes that the future application of IFRS 9 may have an impact on measurement of financial assets and liabilities that are currently reported, in particular with respect to the estimate of provisions for insolvencies. At the end of 2014 the Group commenced the preparatory work for the implementation of this standard and that work continued in 2015, especially that necessary to develop a method for calculating expected losses and this will require extensive changes to the Group's systems and processes as well as in the governance of financial information. The different working plan supporting the implementation of IFRS 9 had not been completed at the date these consolidated annual accounts were prepared. The Group therefore cannot currently quantify the possible impact of the new expected loss calculation model.

- **IFRS 10 and IAS 28 (Revised) "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.

- **IFRS 16, "Leases"**

  In January 2016 the IAS be published a new standard regarding leases that repeals IAS 17 "Leases" as a result of the joint project with the FASB. The IASB and the FASB have reached the same conclusions in many areas related to the recognition of lease agreements, including the definition of a lease, the general requirement to reflect leases on the balance sheet and the valuation of lease liabilities. The IASB and the FASB also agreed to not include substantial changes in the accounting that must be applied by the lessor, and similar requirements established by the previous rules were maintained. There continue to be differences between the IASB and the FASB with respect to the recognition and presentation of lease expenses in the income statement and the cash flow statement.

  Under IFRS-IASB, IFRS 16 is mandatory starting on 1 January 2019, although it may be applied early but only simultaneously with the application of IFRS 15 "Revenue from Contracts with Customers".

- **IAS 12 (Revised) "Recognition of deferred tax assets for unrealized losses"**

  This amendment clarifies how to recognize deferred tax assets relating to investments in debt securities measured at fair value. The decreases in the carrying amount below the cost of a fixed rate debt instrument measured at fair value, where the tax base remains at cost, give rise to deductible timing differences. The estimate of probable future taxable profits may include the recovery of some assets above their carrying amount if there is sufficient relevant evidence. This may be the case, for example, when an entity expects to maintain a fixed-rate debt instrument in its portfolio and obtain the contractual cash flows.

  The amendment is effective for years commencing on or after 1 January 2017, although it may be adopted early. As a general rule it will be applied retrospectively. However, at the initial application date of the amendment, there is an option to recognize the change in equity in the comparative period against the beginning balance of the reserve for accumulated gains.

The Group is analysing the impact that these standards and amendments may have on the consolidated financial statements and this will depend on the content of the standard that is finally approved by the European Union and the composition of the Group and its businesses at the time of application.

1.12.2 Changes in accounting estimates

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

2. Accounting principles and policies and measurement bases

In drawing up the consolidated financial statements for 2015 the Group applied the following accounting principles and policies and measurement bases:

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.

Appendices I and II provide relevant information on these entities.

Subsidiaries' financial statements are consolidated using the full consolidation method, as defined under current legislation. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, 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 companies are considered to be those that are not subsidiaries but are covered by joint control agreements under which the decisions regarding relevant activities are taken unanimously by the entities that share control and are entitled to their net assets.

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

Appendices 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. In general, although not always, significant influence accompanies a direct or indirect shareholding of 20% or more of the voting rights.

In the consolidated annual accounts, associates are measured using the equity method, as defined by 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.

Appendices I and II provide relevant information on these entities.

2.1.4 Structured entities

A structured entity is one that has been designed such that voting and/or similar rights are not a decisive factor when deciding exercises control.

In those cases, in which the Group holds an interest in or creates entities to transfer risks, or has the objective of allowing access to certain investments, the existence of control is determined and, therefore, whether the created entities must be consolidated by taking into consideration the following factors:

- Analysis of the Group's influence on the entity's activities that are relevant to determine its returns.
- Implicit or explicit commitments to provide financial support to the entity.
- Significant exposure of the Group to the variable returns from the entity's assets.

The so-called “asset securitization funds” are among these entities that the Group consolidates as there are contractual financial support agreements (commonly used in the securitization market). In practically all of the securitizations carried out by the Group the transferred risks cannot be eliminated from the asset side of the balance sheet and the issues of the securitization funds are recognized as liabilities on the Group's balance sheet.

The companies and the investment and pension funds managed by the Group do not meet the regulatory requirements to be considered structured entities and therefore they are not consolidated.

Note 27.5 provides details of the Group's structured entities.

2.1.5 Business combinations

A business combination is the 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.
- Remaining differences which may not be allocated are recorded as goodwill which is assigned to one or more specific cash generating units.

Negative differences, once they have been quantified, are recognised 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 recognised in the consolidated balance sheet when the Group becomes party to the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and cash deposits are recognised as from the date on which the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, derivative financial instruments are recognised on the date they are contracted.

Purchases and sales of financial assets under conventional contracts are recognised as from the date on which the owner's profits, risks, rights and obligations are transferred to the acquiring party which, depending on the type of financial asset purchased or sold, could be the contract date or the settlement or delivery date. Specifically, transactions effected in the spot market are recognised at the settlement date, transactions effected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions effected using debt instruments traded in Spanish securities markets are recognised at the settlement date.

2.2.2 Disposal of financial instruments

A financial asset is written off the consolidated balance sheet in any of the following circumstances:

- 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).

A financial liability is written off the balance sheet on expiration of related obligations or when it is repurchased by the Group.

2.2.3 Fair value and amortised cost of financial instruments

The fair value of a financial instrument on a specific date is the amount for which it could be delivered or settled on that date in a transaction carried out between knowledgeable, willing parties on an arm's-length basis. The most objective and common reference value for a financial instrument's fair value is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

Specifically, the fair value of financial derivatives traded in organised, transparent and deep markets and included in financial assets and liabilities held for trading is their daily quoted price and if, due to exceptional reasons, their quoted price cannot be determined at a given date, they are measured using methods similar to those used to measure derivatives not traded in organised markets.

The fair value of derivatives not traded in organised markets, or traded in organised markets that are not deep or transparent, is equal to the sum of the future cash flows generated by the instrument, discounted at the measurement date ("present value" or "theoretical close"), employing valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, 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. In the case of financial assets, amortised cost includes any impairment losses recognised.

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. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for fees and transaction costs that must be included in the calculation of the effective interest rate, under applicable regulations. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

2.2.4 Classification and measurement of financial assets and liabilities

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

- **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 classified at fair value through profit or loss are initially measured at their 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 accrued returns on debt securities included in this category are calculated using the effective interest method. A balancing entry is made in "Gain/(loss) on financial operations" in the income statements with respect to other changes in that fair value.

  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 the 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. Financial assets with no fixed maturity, however, are recognised on the income statement on derecognition from the balance sheet.

  Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective manner are carried at cost in these annual accounts, net of impairment calculated as 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 and “Return on equity instruments” in the consolidated income statement, respectively.

  The remaining changes in fair value are recorded, net of the tax effect, with a balancing entry in Group equity under the caption Equity – Valuation 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. Subsequently, they are carried at amortised cost, calculated by means of the effective interest method.

The interest accrued on these securities, calculated using the effective interest method, is recognised in the caption “Interest and similar charges” 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 annual accounts based on the criteria explained in Note 2.18.

2.3 Impairment of financial assets

A financial asset is deemed to be impaired and its carrying amount is therefore adjusted on the basis of objective evidence of the following events:

- 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 unpaid 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 “subprime” 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 balance sheet, although the necessary action may be taken to achieve collection until their rights are definitively extinguished due to lapsing, debt remission or any other reason.

The methods applied by the Group to identify possible impairment losses for each category of financial instruments and to calculate accounting provisions for impairment are described below:

2.3.1 Debt instruments measured at amortised cost

Impairment losses are equal to the positive difference between their respective carrying amounts and the present value of their estimated future cash flows. The market value of quoted debt instruments is considered to be a reasonable estimate of the present value of their future cash flows.

The cash flows are discounted to the instrument's effective interest rate (where a fixed rate was contracted) or at the effective contractual interest rate at the discount date (where a variable rate was contracted). When estimating future cash flows on debt instruments, the following is taken into account:

- All amounts that are expected to be obtained over the remaining life of the instrument, even, if appropriate, those that may result from the guarantees arranged (following the deduction of the necessary costs involved in foreclosure and subsequent sale).
- The various types of risk to which each instrument is subject.

As regards impairment losses caused by the insolvency of a party liable for payment (credit risk), a debt instrument is impaired:

- When there is evidence of the impairment of the capacity of a debtor to make payment, either revealed through non-payment when amounts have been outstanding for more than 90 days or other reasons or when there are reasonable doubts as to repayment under the agreed contractual terms, although there are no reasons to classify the amount as non-performing due to non-payment, 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.

Impairment losses on these assets are assessed as follows:

- 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, establishes the impairment losses ("identified losses") that must be recognised in the consolidated entities' financial statements.

<u>Analysis of the provisions for credit risk</u>

Within the framework of IFRS-EU, International Accounting Standard 39 "Financial instruments: Recognition and Measurement", that regulates the measurement criteria and the impairment of financial assets at amortized cost, the association between the Credit Risk monitoring policies and the recognition of provisions under IFRS is considered to be important.

Credit Risk management is a priority for the Entity in order to facilitate sustainable and balanced growth, guarantee financial and equity stability at all times and to optimize the risk-profitability ratio. These principles are set out in the Credit Risk Management Accounting Policies Manual.

The analysis process to classify and impair a financial asset is based on the following considerations:

- Determination of evidence and objective indications of impairment

In order to identify financial assets that may be impaired a group of indicators has been established to detect impairment events and indications based on the Group's experience with Credit Risk management and with the intention of proactively anticipating the existence of impairment events.

A financial asset or a group of financial assets is considered to be impaired if there are events that have an impact on future estimated cash flows and they fall into any of the following groups:

- Significant financial difficulties for the issuer or borrower.
- Breaches of contract, defaults or delays in the payment of interest.
- Granting of concessions or advantages deriving from its financial difficulties.
- Likelihood that the borrower will enter bankruptcy or restructure.

▪ Segmentation of the portfolio

In order to analyse the impairment of financial assets the grouping of the loan portfolio by segment is taking into account in accordance with the similarity of the credit risk characteristics and the borrower's capacity to make payment, adapting to CRR 575/2013.

▪ Calculation of the materiality threshold

After determining the objective evidence of impairment and the portfolio segmentation, the materiality threshold that gives rise to the borrower's classification is individually significant is established.

Given that IAS 39 does not establish any specific threshold stipulated in the amount at which an asset is considered to be “individually significant” the centralized level monitoring criteria have been applied.

- Individually significant borrowers:

  Individually significant borrowers are considered to be those that have exceeded the previously established materiality threshold in accordance with the segment to which they pertain, and they are classified as normal or doubtful depending on the existence of objective impairment evidence.

  The analysis of provisions for borrowers classified as normal is performed on a group basis. Any borrowers classified as doubtful results in the calculation of the relevant provision based on an individual analysis, taking into account two methods to determine the recoverable value:

a) Generation of cash flows by the business (going concern): this will be applied to those borrowers that are believed to have the capacity to generate future cash flows from the business that allows part or all of the debt to be repaid. It is also possible that those flows may be supplemented by the potential sale of non-essential assets to generate those cash flows.

b) Execution of collateral (Gone Concern): This step will be taken for those borrowers that do not have the capacity to generate cash flows from their business and the only manner to recover the investment is the execution and subsequent liquidation of its assets.

   The amount of the loss is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the current effective interest rate for the financial asset.

- Insignificant borrowers:

  Insignificant borrowers are considered to be those that have not exceeded the previously established materiality threshold in accordance with the segment to which they pertain, and they are classified as normal or doubtful depending on the existence of objective impairment evidence.

Individually significant borrowers classified as normal and insignificant borrowers, regardless of their classification, are analysed as a group in order to calculate the provisions based on the following credit risk parameters.

a) Exposure at the time of non-compliance to the counterparty after having entered into a non-performing situation.

b) Likelihood of non-compliance based on the historic series of the entity's observed failures to comply.

c) Severity (LGD): measures the loss that would arise in the event of non-compliance, expressed as a percentage of total exposure at the time of default.

At 31 December 2015 the Entity compared the calculations made under Circular 4/2004 against the calculation of the incurred loss at the credit risk portfolio level, at the individual level and at the group level, verifying that the recognized amount is in line with the requirements of IAS 39.

2.3.2 Available-for-sale debt instruments

Impairment losses, if applicable, are equal to the positive difference between the acquisition cost (net of principal repayments) and fair value, after deducting any impairment loss previously recognised in the income statement.

In the case of impairment losses arising from the insolvency of the issuer of available-for-sale debt securities, the Group calculates the losses using the same procedure explained above in Note 2.3.1 for debt instruments carried at amortised cost.

Where there is objective evidence that the negative differences measured in these assets are caused by impairment, the relevant amounts are removed from the caption “Equity – Valuation adjustments – Available-for-sale financial assets” and the entire amount accumulated to that date is recognised 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

Impairment losses, if applicable, are equal to the positive difference between the acquisition cost and fair value, after deducting any impairment loss previously recognised in the 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, if applicable, are equal to the difference between the carrying amount and the present value of forecast future cash flows, discounted at the market rate for returns from other similar securities.

Impairment losses are recognised in the consolidated income statement for the period in which they arise, directly reducing the cost of the equity instrument. Such losses may only be recovered when the assets are sold.

2.4 Accounting hedges

The Group employs derivative financial instruments as part of its strategy to reduce exposure to interest rate and foreign exchange risks, where the transactions in question fulfil applicable legal requirements.

The Group designates a transaction as a hedge from inception. The hedge documentation identifies the hedged items and the hedging instruments, as well as the nature of the risk hedged and the criteria or methods used by the Group to assess effectiveness throughout the term of the hedge.

Only transactions that are highly effective throughout the hedge term are treated as hedge transactions. A hedge is highly effective if practically all the changes in the fair value attributed to the hedged risk are offset by changes in the fair value of the hedging instruments.

In order to measure the effectiveness of hedge transactions, the Group assesses whether, from inception to the finalisation of the defined term, the changes in the fair value of the hedged item attributable to the risk covered may prospectively be expected to be offset almost entirely by changes in the fair value of the hedging instruments and, retrospectively, whether the results of the hedge fluctuate within a range of between 80% and 125% of the results of 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 and presentation currency is the euro. Consequently, all non-euro balances and transactions are considered to be denominated in foreign currency.

Set out below is a breakdown of the equivalent value of the main consolidated asset and liability balances denominated in foreign currencies, showing the nature of the items and the most significant currencies:

	Equivalent value in thousand euro			
	2015		2014	
	Assets	Liabilities/ Equity	Assets	Liabilities/ Equity
Breakdown by portfolio type				
Financial assets/liabilities at fair value through profit or loss	25,588	(301)	28,034	(270)
Loans and receivables/Liabilities at amortised cost	78,144	55,393	52,580	42,570
Remainder	-	5,387	78	110
	103,732	**60,479**	**80,692**	**42,410**
Breakdown by currency type				
US Dollars	69,158	52,459	48,131	39,495
Pounds sterling	18,948	1,199	16,941	1,172
Swiss Francs	2,414	686	7,979	1,136
Japanese yen	1,694	38	2,354	28
Canadian dollars	7,798	5,561	324	232
Other	3,720	536	4,963	347
	103,732	**60,479**	**80,692**	**42,410**

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. Monetary balances denominated in foreign currencies are subsequently converted into the functional currency using the exchange rates in force at the financial information issue date.

In addition:

- Non-monetary items carried at historical cost are translated into the functional currency using the exchange rate prevailing at their acquisition date.
- Non-monetary items carried at fair value are translated into the functional currency using the exchange rate in force at the date on which the fair value was measured.

2.5.3 Accounting for exchange differences:

Exchange differences that arise when converting 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 2015 and 2014 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 expense on interest, dividends and similar items

In general, interest income and expense and similar items are recognised on an accrual basis using 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 items

Income and expense relating to commissions and similar fees, which are not included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognised in the income statement using different methods depending on their nature. The most significant are as follows:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through changes in profit or loss are recognised in the income statement at the payment date.
- 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.
- Amounts relating to a one-off event are recorded in the income statement when that event takes place.

2.6.3 Non-financial income and expense

These amounts are accounted for on an accruals basis.

2.6.4 Deferred collections and payments

They are recognized for accounting purposes at the amount resulting from discounting expected cash flows at market rates.

2.7 Offsetting of financial instruments

Only debtor and creditor balances arising on transactions which, under contract or legislation, provide for possible offset and are to be settled at their net amount, or simultaneously realised and paid, are offset and therefore presented in the consolidated balance sheet at their net amount.

2.8 Transfers of financial assets

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

- If the risks and returns relating to the transferred assets are substantially transferred to third parties, the asset is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is simultaneously recognised.

- If the risks and returns relating to the transferred financial asset are substantially retained, as in the case of securitised financial assets in respect of which the Group retains subordinated financing or other credit enhancement arrangements that substantially absorb the credit losses expected from the securitised assets, the transferred financial asset is not written off the consolidated balance sheet and continues to be measured using the same methods applied prior to 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.

  - Both income from the financial asset transferred but not written off and expense from the new financial liability.

Accordingly, financial assets are only written off the 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 related provisions

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.

Provisions for financial guarantees are recorded in the caption “Provisions – Provisions for contingent risks and commitments” under liabilities in the consolidated balance sheet. A balancing entry is made in the caption “Transfer to provisions (net)” in the consolidated income statement in respect of provisions recognised and reversed.

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 lease transactions

2.10.1 Finance leases

Finance leases are those in which substantially all the risks and rewards carried by the leased asset are transferred 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.

Note 27.7.1 sets out information on these leases.

2.10.2 Operating leases

In operating leases, ownership of the leased asset and substantially all risks and rewards of ownership are retained by the lessor.

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 lease", 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 revenue from lease contracts is recognised in the consolidated income statement on a straight-line basis in the caption "Other operating revenue".

Where the consolidated entities act as the lessees in operating lease agreements, the lease costs, including any incentives granted by the lessor, are charged on a straight-line basis to the consolidated income statement caption "Other general administration 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.

Note 27.4 provides information regarding the assets of investment and pension funds managed by the Group at the year-end.

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 until April 2015. The same agreement was reached in March 2013 in Banco Grupo Cajatres for all contributions to the pension plan.

<u>Defined contribution plans</u>

The Group makes contributions in accordance with the agreements reached within the context of the collective bargaining agreements applicable to each originating entity. 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 for 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 €15,290 thousand in 2015 and €1,978 thousand in 2014.

<u>Defined benefit plans</u>

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

- Recognition of past service costs arising due to changes made to existing commitments or the introduction of new benefits, which must be recorded immediately in the consolidated actuarial gain/loss account 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.

<u>Pension supplements for serving or retired personnel</u>

Post-employment commitments acquired by the Group with serving and retired personnel derive from the various Collective Agreements and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability. 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 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. The employees that transferred from the Savings Bank to the Bank temporarily remain as participants in pension plan of their originating savings bank with the same rights and conditions as if they were still employed by the entity.

On 23 December 2015 a “Labour agreement for the integration and unification of pension and retirement commitments existing at Ibercaja Banco and the entities that pertained to Banco Grupo Cajatres” was concluded and it entered into force on 1 January 2016.

2.13.3 Severance payments

Severance payments are recognised as a personnel expense when the Group undertakes to terminate the employment relationship before the normal retirement date, or to pay severance indemnities as a result of an offer made to encourage voluntary termination of employment by employees.

2.13.4 Other employee benefits

The Group has committed to providing employees with certain goods and services at partially or totally subsidised prices, in accordance with the collective bargaining agreement and the Corporate or Company Agreements. The most relevant employee benefits are credit facilities.

Employees of Ibercaja Banco, S.A. with indefinite contracts are generally entitled to request loans or credit facilities, subject to a maximum limit based on their annual salary, once their trial period has ended.

- First home loans: the maximum amount to be granted will be the value of the home increased by the inherent acquisition expenses, which must be duly justified and cannot exceed in any case five annual payments, set out in Article 40 of the Collective Agreement, plus family assistance. If the second limit is applicable, the resulting amount may not be less than €200,000 in accordance with the Resolution Part of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 1.25% and a maximum of 5.25%.

- Sundry loans: the maximum amount to be financed will be 25% of the annual compensation received by employee as stipulated by Article 40 of the Collective Agreement, plus family assistance. However, any employee may obtain up to €30,000. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October of the year in progress.

- Advances: to attend to fully justified urgent needs. The amount may not exceed six gross salary payments including all fixed items making up payroll slip at the end of the month and it will be repaid monthly through payments of 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 Fundación Bancaria Ibercaja, in accordance with Title VII, Chapter VI of the Corporate Income Tax Act.

A timing difference is a difference between the carrying amount and the taxable amount of an asset or liability. A taxable amount is one which will generate a future obligation to make a payment to the tax authorities and a deductible amount is one that will generate the right to a refund or a reduction in a payment to the tax authorities in the future.

Temporary differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. 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 and allowances and tax credits for tax-loss carryforwards are amounts that, though generated on completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided the Group considers that application in future years is probable. 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 the time of each accounting closing, deferred tax assets and liabilities are reviewed in order to verify that they remain in force and any relevant adjustments are made in accordance with the results of the analysis performed.

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.

To this end, the acquisition cost of assets received and included in the Group's property, plant and equipment for own use is equal to the carrying amount of the financial assets settled.

Depreciation is calculated by applying the straight-line method to the acquisition cost of the assets less their residual value. The land on which Group buildings and other constructions are located is deemed to have an indefinite life and is therefore not depreciated.

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 life
Buildings for own use	25 to 100
Furnishings	8 to 16.6
Plant	5 to 16.6
Computer equipment and installations	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 – property, plant and equipment 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 – 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 macroeconomic 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 a defined life are amortised accordingly using criteria that are similar to those applied for the depreciation of 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. Criteria for recognising impairment losses on these assets and any recovery of impairment losses recognised in past years are similar to those used for property, plant and equipment for own use (Note 2.15).

2.17 Inventories

This item in the consolidated balance sheet includes the consolidated institutions' non-financial assets:

- Hold for sale in the ordinary course of business;
- are in the process of making, building or developing for such purposes; or
- plan to consume in the production process or in the provision of services.

Inventories are valued at the lower of cost, including all costs of acquisition, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and their net realisable value. Net realisable value is defined as the estimated selling price of inventories less the estimated production costs and costs to sell.

The cost of inventories that are not ordinarily interchangeable is determined individually and the cost of the rest of the inventories is determined using the weighted average 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' 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 the accounting practices generally applied in the insurance industry, the consolidated insurance companies recognise premiums in the income statement when the policy is issued and recognise claim costs in the income statement when payment is made. 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

At the date of preparation of the annual financial statements of the consolidated entities, their respective directors distinguished 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 as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the consolidated entities.

The Group’s consolidated annual accounts include all significant provisions for obligations classed as probable. Contingent liabilities are not recognised in the consolidated annual accounts, although information is provided in accordance with applicable regulations (Note 27.1). As is stipulated by IAS 37, paragraph 92, the Bank considers that disclosing detailed information regarding certain provisions and contingent liabilities could harm the Group's position in disputes with third parties relating to the situations covered by the provisions and contingent liabilities (such as, for example, those associated with certain litigation or arbitration matters), and therefore the Bank chooses not to reveal that information in detail.

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 deemed necessary as stated above are charged or credited to the consolidated income statement caption “Transfers to provisions (net)”.

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 annual accounts 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): represents the total income, net of expenses for the year, directly recognised 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 the income statement: represents the balance of valuation gains or losses previously recognised in equity, albeit for the same year, that are recognised in the income statement.

c) Other reclassifications: represents the balance of all reclassifications for the year in terms of valuation adjustments in accordance with prevailing 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 due to changes in accounting policies and the correction of errors: including any changes in consolidated equity as a result of the retroactive restatement of financial statement balances due to changes in accounting policies or the correction of errors.

b) Income and expense recognised during the year: represents the aggregate of all items of recognised income and expense, as outlined 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 terms are used in the consolidated statement of cash flows with the meanings specified:

- 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: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that alter the amount and structure of equity and liabilities that are not operating activities.

When preparing the consolidated cash flow statement, “cash and cash equivalents” consist of highly liquid current investments in respect of which the risk of value fluctuations is low. Accordingly, the Group 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 amortised 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 “Credits, loans and discounts – Deposits at 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. <u>Risk management</u>

The Group's risk management is organized through the “Risk Appetite Framework” (RAF). Ibercaja's RAF as the fundamental objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterized by:

- Alignment with the strategic plan and capital planning.

- Integration into the entity's risk culture, with the involvement of all levels of responsibility.
- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.
- Associated with the information management systems.

The RAF takes an overall view of the Consolidated Group and takes into consideration all risks, whether financial or not, that affect the performance of the Group's business and attaining its business objectives. The following risks are taken into consideration: business, profitability, credit, concentration, operational, interest rate, market, liquidity, reputational and compliance, as well as that associated with the perception of the various groups of stakeholders.

Ibercaja Group's Risk Appetite Framework is based on strategic principles, corporate governance and risk management that, together, constitute the Group's Risk Appetite Statement.

Ibercaja Group has risk management policy and procedures manuals that are reviewed and approved by the Board of Directors on an annual basis. The update of the manuals for credit, liquidity, interest rate and operational risks, as well as capital market policies and risks took place in March 2015 and the Risk Appetite Framework was updated in April 2015.

The RAF is consistent with the capital and liquidity planning in Basel Pillar II, which is intended to ensure an adequate relationship between the Company's risk profile and the equity it effectively has on hand. The Entity self-assesses capital and liquidity on a recurring basis using a process that applies a series of procedures to identify, measure and aggregate risks, determine the capital required to cover them, plan capital in the medium-term and established the target capital and reserves that allows it to maintain an adequate cushion above the minimum legal requirements.

The entry into force of the new Single Supervisory Mechanism (SSM) in November 2014 obligates the European financial sector to adapt risk policies and procedures as well as the control environment. The "Supervisory Review and Evaluation Process" (SREP) is how the SSM performs continuous evaluations of entities. The internal evaluation process for capital and liquidity adequacy under Pillar II (also called ICAAP & ILAAP) is a key part of the SREP process.

In accordance with the European Banking Association (EBA) guidelines and recommendations relating to the content of recovery plans, as well as Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment service companies, the Entity has defined a recovery plan to forecast and guarantee its capacity to react in hypothetical situations in which its solvency for its financing capacity becomes impaired. The recovery plan forms part of the existing risk management process and it is updated at least on an annual basis. The Board of Directors of Ibercaja Banco approved the recovery plan in November 2015.

3.1 Credit risk exposure

Credit Risk arises out of 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 approves the strategies, policies and limits on the management of this risk, after receiving a report from the Large Risk and Solvency Committee, documented in the “Loan policy and procedures manual”. This manual includes policies for operating in the main areas of the business, the maximum line of risk with the main creditors, 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 credit investment portfolio is segmented into groups of customers with uniform risk profiles and susceptible to different treatment through the application of specific evaluation models.

a) In relation to the granting of credit risk, the following policies have been established:

- 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 within risk decision-making systems for the different areas of retail business.
- Requirements for ensuring legal security in each operation.
- Risk mitigation techniques.
- Price policies in accordance with the credit quality of customers.

The credit risk management policy is structured through a decentralised lending arrangement based on a formally established delegation of powers and set out in risk manuals.

The Bank has in place 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 Policy and Procedures Manual, specifically in point 2 entitled Basic principles in credit risk management.

With respect to granting loans, the Manual considers essential criteria to be the reasonableness of the proposal, the analysis of the borrower's payment capacity and the prudent valuation of guarantees. Real-estate collateral is always appraised by independent valuation companies (appraisers authorised by the Bank of Spain).

The Entity takes the following steps concerning transparency and customer protection in banking services:

- 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 by the Group to products can be consulted on its web-site (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.
- On an annual basis, customers receive personal reports giving details of interest, fees and expenses applied during the preceding year in the products they have contracted.

Among the control actions performed at the branch offices, Internal Audit 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 for the proactive management of the measures necessary to reduce or restructure exposure to existing risk.

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. This alarm system is subject to calibration and on-going improvement processes.

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

c) Integral risk management is completed by recovery policies which are intended to avoid or minimize possible losses for the Entity through specific recovery circuits established based on the amount and type of the transaction concerned and involving the intervention of various internal and external managers to take the action necessary for each situation.

3.1.3 Country risk

Country risk 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 deriving from international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2004, their rating, 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 addition, the Entity establishes certain maximum limits relating to sovereign risk in terms of the government debt issued by Members of the European Union and other States based on their rating.

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	
	2015	**2014**
With no appreciable risk	17,911,361	19,571,660
Low risk	22,273,277	22,497,093
Medium-low risk	3,149,920	2,133,738
Medium risk	6,130,452	6,432,948
Medium-high risk	1,100,366	1,063,115
High risk	190,178	189,476
	50,755,554	**51,888,030**

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	
	2015	**2014**
Public Sector	652,886	866,810
Credit institutions	1,005,658	1,183,737
Real estate development and construction	2,280,223	3,159,128
Other interest generating operations	9,038,049	6,887,336
Housing acquisition and refurbishment	22,586,671	23,784,564
Consumer and other household lending	1,265,497	1,313,591
Other sectors not classified	567,763	673,397
	37,396,747	**37,868,563**

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	
	2015	**2014**
Mortgage collateral	27,600,854	29,385,233
Pledges – financial assets	22,304	35,921
Off-balance sheet guarantees – Public Sector and credit institutions	105,824	120,663
Guarantee – Government debt securities	539,965	-
	28,268,947	**29,541,817**

At December 2015 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 55.81% (57.73% at December 2014).

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	
	2015	**2014**
Customer default	2,356,568	2,990,147
Other factors	728,337	924,958
	3,084,905	**3,915,105**

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 2015 and 2014:

	Thousand euro							
	31 December 2015							
				Secured loans Loan to value				
	Total	Of which: mortgage guarantee	Of which: other real guarantee	Less than or equal to 40%	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 Administrations	**589,142**	**105,996**	**1,554**	**18,738**	**41,655**	**45,545**	**868**	**744**
Other financial institutions	**695,271**	**978**	**-**	**283**	**195**	**214**	**-**	**286**
Non-financial companies and individual entrepreneurs	**7,371,284**	**3,957,648**	**37,366**	**1,099,187**	**1,062,308**	**1,164,651**	**315,890**	**352,978**
Real estate development and construction	1,504,456	1,455,474	5,636	166,297	280,702	662,653	196,659	154,799
Civil engineering construction	35,596	1,113	-	1,050	-	63	-	-
Other purposes	5,831,232	2,501,061	31,730	931,840	781,606	501,935	119,231	198,179
Large companies	*645,980*	*67,111*	*7,505*	*7,248*	*3,007*	*5,390*	*-*	*58,971*
SME's and individual entrepreneurs	*5,185,252*	*2,433,950*	*24,225*	*924,592*	*778,599*	*496,545*	*119,231*	*139,208*
Other residential property and non-profit institutions serving households	**24,135,614**	**22,656,967**	**13,537**	**5,147,143**	**7,851,624**	**8,199,918**	**1,274,807**	**197,012**
Homes	22,091,197	21,790,370	6,264	4,755,451	7,589,985	8,033,684	1,241,127	176,387
Consumer	636,884	217,309	4,314	127,990	57,431	29,643	4,931	1,628
Other purposes	1,407,533	649,288	2,959	263,702	204,208	136,591	28,749	18,997
Subtotal	**32,791,311**	**26,721,589**	**52,457**	**6,265,351**	**8,955,782**	**9,410,328**	**1,591,565**	**551,020**
Less: value adjustments for asset impairment not allocated to operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**32,791,311**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Memorandum accounts: refinancing, refinanced and restructured operations	**3,102,788**	**2,589,490**	**23,518**	**434,804**	**618,709**	**969,955**	**368,406**	**221,134**

	Thousand euro							
	31 December 2014							
				Secured loans Loan to value				
	Total	Of which: mortgage guarantee	Of which: other real guarantee	Less than or equal to 40%	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 Administrations	**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 development and construction	2,139,846	1,955,302	1,129	190,477	384,086	756,442	345,558	279,868
Execution of civil works	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*
SME's 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**
Homes	23,289,376	22,951,568	7,384	4,570,833	7,516,786	9,068,723	1,596,375	206,235
Consumer	541,493	184,582	4,503	106,881	46,939	28,851	4,570	1,844
Other purposes	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**

The carrying amount of the risks classified by business and geographic area are set out below, including deposits at credit institutions, customer loans, debt securities, equity instruments, traded derivatives, hedge derivatives, shares and contingent risks.

- Total activity:

	Thousand euro				
	31 December 2015				
	Spain	Rest of EU	America	Rest of world	Total
Credit institutions	**1,991,287**	**515,951**	**54,730**	**1,732**	**2,563,700**
Public administrations	**15,215,491**	**427,680**	**7**	**-**	**15,643,178**
State Administration	13,403,365	427,680	7	-	13,831,052
Other	1,812,126	-	-	-	1,812,126
Other financial institutions	**3,437,978**	**158,923**	**-**	**21,387**	**3,618,288**
Non-financial companies and individual entrepreneurs	**8,913,716**	**205,565**	**33,232**	**3,581**	**9,156,094**
Real estate development and construction	1,659,049	1,231	-	-	1,660,280
Civil engineering construction	32,675	457	-	2,464	35,596
Other purposes	7,221,992	203,877	33,232	1,117	7,460,218
Large companies	*838,013*	*2,336*	-	-	*840,349*
SME's and individual entrepreneurs	*6,383,979*	*201,541*	*33,232*	*1,117*	*6,619,869*
Other residential property and non-profit institutions serving households	**24,108,502**	**65,453**	**10,657**	**29,549**	**24,214,161**
Homes	21,989,025	63,282	10,176	28,714	22,091,197
Consumer	635,946	446	333	158	636,883
Other purposes	1,483,531	1,725	148	677	1,486,081
Subtotal	**53,666,974**	**1,373,572**	**98,626**	**56,249**	**55,195,421**
Less: Value adjustments for asset impairment not allocated to operations					**-**
Total					**55,195,421**

	Thousand euro				
	31 December 2014				
	Spain	Rest of EU	America	Rest of world	Total
Credit institutions	**1,982,466**	**876,156**	**40,485**	**2,642**	**2,901,749**
Public administrations	**16,288,643**	**771,245**	**39**	**-**	**17,059,927**
State Administration	13,777,971	771,245	39	-	14,549,255
Other	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 development and construction	2,258,707	-	-	-	2,258,707
Civil engineering construction	40,827	-	-	2,493	43,320
Other purposes	7,088,749	110,953	29,139	7,580	7,236,421
Large companies	*1,668,696*	-	-	-	*1,668,696*
SME's 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**
Homes	23,191,070	94,256	7,293	22,449	23,315,068
Consumer	540,827	175	373	120	541,495
Other purposes	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**

- Activities in Spain

	Thousand euro								
	31 December 2015								
	Aragón	Madrid	Catalonia	Valencia Region	Andalusia	Castilla León	Castilla La Mancha	Rest	Total
Credit institutions	**1,320,724**	**389,607**	**67,994**	**0**	**81,505**	**104**	**0**	**131,353**	**1,991,287**
Public administrations	**220,591**	**573,446**	**95,039**	**141,081**	**181,823**	**68,814**	**24,610**	**506,722**	**15,215,491**
State Administration: (*)	-	-	-	-	-	-	-	-	13,403,365
Other	220,591	573,446	95,039	141,081	181,823	68,814	24,610	506,722	1,812,126
Other financial institutions	**57,785**	**3,281,029**	**44,043**	**10,076**	**236**	**282**	**17**	**44,510**	**3,437,978**
Non-financial companies and individual entrepreneurs	**3,406,763**	**1,881,042**	**765,990**	**478,275**	**435,037**	**602,756**	**320,814**	**1,023,039**	**8,913,716**
Real estate development and construction	352,306	549,661	108,742	72,826	152,644	106,060	125,050	191,760	1,659,049
Civil engineering construction	515	32,146	0	0	0	0	0	14	32,675
Other purposes	3,053,942	1,299,235	657,248	405,449	282,393	496,696	195,764	831,265	7,221,992
Large companies	*150,454*	*367,356*	*119,230*	*39,294*	*30,853*	*56,900*	*13,408*	*60,518*	*838,013*
SME's and individual entrepreneurs	*2,903,488*	*931,879*	*538,018*	*366,155*	*251,540*	*439,796*	*182,356*	*770,747*	*6,383,979*
Other residential property and non-profit institutions serving households	**6,863,828**	**5,691,613**	**2,158,337**	**2,078,029**	**1,532,859**	**1,190,130**	**1,556,506**	**3,037,200**	**24,108,502**
Homes	5,724,937	5,400,685	2,027,894	1,985,291	1,469,381	1,085,739	1,474,506	2,820,592	21,989,025
Consumer	254,913	95,185	43,770	29,186	21,952	45,158	31,040	114,742	635,946
Other purposes	883,978	195,743	86,673	63,552	41,526	59,233	50,960	101,866	1,483,531
Subtotal	**11,869,691**	**11,816,737**	**3,131,403**	**2,707,461**	**2,231,460**	**1,862,086**	**1,901,947**	**4,742,824**	**53,666,974**
Less: Value adjustments for asset impairment not allocated to operations									**-**
Total									**53,666,974**

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

	Thousand euro								
	31 December 2014								
	Aragón	Madrid	Catalonia	Valencia Region	Andalusia	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 administrations	**884,897**	**471,113**	**118,673**	**187,366**	**142,265**	**128,695**	**12,893**	**564,770**	**16,288,643**
State Administration: (*)	-	-	-	-	-	-	-	-	13,777,971
Other	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 development and construction	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 purposes	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*
SME's 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**
Homes	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
Consumer	221,258	81,982	35,802	24,328	17,714	40,997	25,736	93,010	540,827
Other purposes	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.

3.1.5.2 Information regarding refinanced and restructured 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. Effective guarantees is considered to be following for these purposes:
  - Pledged guarantees consisting of monetary deposits, listed equities and debt securities.
  - Mortgage guarantee based on homes, offices, commercial premises and rural properties.
  - Personal guarantees (guarantees, security deposit, new owners, etc.) that fully cover 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, subprime 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 surety 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 2015:

	Thousand euro					
	Standard					
	Full secured by mortgage		Other real-state guarantees		Unsecured	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public administrations	**14**	**52,630**	**-**	**-**	**45**	**111,255**
Other corporate borrowers and individual entrepreneurs	**2,311**	**517,184**	**69**	**47,238**	**2,899**	**255,722**
Of which: financing of construction and real estate development activities.	263	183,768	18	31,052	34	2,780
Other individual borrowers	**5,259**	**446,723**	**155**	**13,955**	**4,884**	**37,563**
Total	**7,584**	**1,016,537**	**224**	**61,193**	**7,828**	**404,540**

	Thousand euro						
	Substandard						
	Full secured by mortgage		Other real-state guarantees		Unsecured		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
Public administrations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other corporate borrowers and individual entrepreneurs	**515**	**339,634**	**34**	**85,801**	**344**	**55,234**	**83,822**
Of which: financing of construction and real estate development activities.	102	192,337	22	84,700	2	8,198	61,666
Other individual borrowers	**1,756**	**227,591**	**83**	**10,223**	**559**	**4,503**	**11,961**
Total	**2,271**	**567,225**	**117**	**96,024**	**903**	**59,737**	**95,783**

	Thousand euro						
	Doubtful						
	Full secured by mortgage		Other real-state guarantees		Unsecured		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
Public administrations	**-**	**-**	**-**	**-**	**5**	**8,158**	**5**
Other corporate borrowers and individual entrepreneurs	**1,756**	**743,884**	**315**	**228,090**	**1,694**	**358,659**	**731,202**
Of which: financing of construction and real estate development activities.	348	453,334	138	186,565	473	163,783	490,758
Other individual borrowers	**4,415**	**463,160**	**721**	**42,173**	**3,549**	**33,941**	**153,543**
Total	**6,171**	**1,207,044**	**1,036**	**270,263**	**5,248**	**400,758**	**884,750**

Set out below is a summary of the information included in the three above tables at 31 December 2015:

	Thousand euro		
	Total		
	Number of operations	Gross amount	Specific coverage
Public administrations	**64**	**172,043**	**5**
Other corporate borrowers and individual entrepreneurs	**9,937**	**2,631,446**	**815,024**
Of which: financing of construction and real estate development activities.	1,400	1,306,517	552,424
Other individual borrowers	**21,381**	**1,279,832**	**165,504**
Total	**31,382**	**4,083,321**	**980,533**

A reconciliation between opening and closing balances for refinanced and restructured assets, as well as related impairment losses in 2015, is set out below:

	Thousand euro						
	Standard	Substandard		Doubtful		Total	
	Risk	Risk	Provisions	Risk	Provisions	Risk	Provisions
Situation at 31/12/2014	**1,473,758**	**959,362**	**137,027**	**2,426,548**	**1,165,493**	**4,859,668**	**1,302,520**
New operations	617,418	75,185	13,435	204,161	123,336	896,763	136,771
Discontinued operations	(574,104)	(242,250)	(43,619)	(856,757)	(434,203)	(1,673,111)	(477,822)
Reclassifications	(34,802)	(69,311)	(11,061)	104,113	30,124	-	19,063
Situation at 31/12/2015	**1,482,270**	**722,986**	**95,783**	**1,878,065**	**884,750**	**4,083,321**	**980,533**

Impairment losses associated with these operations recorded in the income statement during 2015 amount to €17.24 million.

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

	Thousand euro					
	Standard					
	Full secured by mortgage		Other real-state guarantees		Unsecured	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public administrations	**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						
	Full secured by mortgage		Other real-state guarantees		Unsecured		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
Public administrations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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						
	Full secured by mortgage		Other real-state guarantees		Unsecured		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
Public administrations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 above tables at 31 December 2014:

	Thousand euro		
	Total		
	Number of operations	Gross amount	Specific coverage
Public administrations	**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 in 2014, is set out below:

	Thousand euro						
	Standard	Substandard		Doubtful		Total	
	Risk	Risk	Provisions	Risk	Provisions	Risk	Provisions
Situation at 31/12/2013	**1,473,758**	**959,362**	**137,027**	**2,426,548**	**1,165,493**	**4,859,668**	**1,302,520**
New operations	617,418	75,185	13,435	204,161	123,336	896,764	136,771
Discontinued operations	(574,104)	(242,250)	(43,618)	(856,757)	(434,203)	(1,673,111)	(477,821)
Reclassifications	(34,802)	(69,311)	(11,061)	104,113	30,124	-	19,063
Situation at 31/12/2014	**1,482,270**	**722,986**	**95,783**	**1,878,065**	**884,750**	**4,083,321**	**980,533**

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

A breakdown of operations refinanced or restructured which, following the relevant restructuring or refinancing, have been classified as doubtful during 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Public administrations	**-**	**-**
Other corporate borrowers and individual entrepreneurs	**71,422**	**122,542**
Of which: financing of construction and real estate development activities.	40,913	38,050
Other individual borrowers	**54,793**	**35,913**
Total	**126,215**	**158,455**

At 31 December 2015, 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 €722,986 thousand (€959,362 thousand at 31 December 2014) which agrees with refinancing operations classified as subprime 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 webpage 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 for real estate development and construction and coverage

	Thousand euro					
	Gross amount		**Excess over guarantee value (*)**		**Impairment adjustment. Specific coverage**	
Financing of construction and real estate development activities recorded by	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
group credit institutions (businesses in Spain)	**2,280,223**	**3,159,128**	**672,880**	**1,002,360**	**686,725**	**1,070,885**
Of which: doubtful	1,040,505	1,629,942	455,017	701,351	599,154	914,460
Of which: substandard	407,702	643,912	118,688	164,613	87,571	156,425
Memorandum items: written-off assets	**136,917**	**173,493**	**-**	**-**	**-**	**-**

(*) 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.

	Thousand euro	
	Carrying value	
Memorandum item: Figures public consolidated balance sheet	**2015**	**2014**
Total customer loans, excluding Public Administrations (businesses in Spain)	32,138,425	32,963,301
- Total consolidated assets (total businesses)	58,921,692	62,322,492
Value adjustments and provisions for credit risk Total general coverage (total business)	-	-

- Financing of construction and real estate development activities.

	Thousand euro	
	Financing of construction and real estate development activities: Gross amount	
	2015	**2014**
Unsecured	**243,536**	**355,163**
With mortgage guarantee	**2,036,687**	**2,803,965**
Finished buildings	584,988	1,067,046
Housing	424,660	864,038
Other	160,328	203,008
Buildings under construction	505,670	508,392
Housing	454,595	452,932
Other	51,075	55,460
Land	946,029	1,228,527
Developed land	918,075	1,179,115
Other land	27,954	49,412
Total	**2,280,223**	**3,159,128**

▪ Home loans

	Thousand euro			
	Gross amount		Of which: doubtful	
	2015	2014	2015	2014
Home loans	**22,176,732**	**23,346,151**	**858,616**	**894,878**
Unsecured	173,325	203,147	55,088	57,481
With mortgage guarantee	22,003,407	23,143,004	803,528	837,397

▪ Home loan mortgages according to the percentage that the total risk represents with respect to the amount of the latest appraisal available (LTV):

At 31 December 2015 and 2014, the breakdown is as follows:

	Thousand euro					
	2015					
	Risk with respect to latest available valuation (LTV)					
	Less than 40%	Exceeding 40% and less than or equal to 60%	Exceeding 60% and less than or equal to 80%	Exceeding 80% and less than or equal to 100%	Exceeding 100%	Total
Gross amount	4,803,406	7,602,326	8,099,982	1,301,978	195,715	**22,003,407**
Of which: doubtful	54,153	148,976	371,397	187,161	41,841	**803,528**

	Thousand euro					
	2014					
	Risk with respect to latest available valuation (LTV)					
	Less than 40%	Exceeding 40% and less than or equal to 60%	Exceeding 60% and less than or equal to 80%	Exceeding 80% and less than or equal to 100%	Exceeding 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**

At 31 December 2015 93% of home loan mortgages have a LTV of less than 80% (92% at 31 December 2014).

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 2015 and 2014:

	Thousand euro			Thousand euro		
	2015			2014		
	Net carrying value of coverage	Of which: Impairment adjustment (1)	Of which: Total impairment cover (2)	Net carrying value of coverage	Of which: Impairment adjustment (1)	Of which: Total impairment coverage (2)
Real estate assets deriving from financing of construction and real estate development	**597,995**	**380,451**	**717,785**	**629,959**	**396,392**	**721,543**
Finished buildings	199,233	55,489	154,206	260,162	62,005	181,405
Housing	135,358	36,905	106,686	195,511	45,069	137,930
Rest	63,875	18,584	47,520	64,651	16,936	43,475
Buildings under construction	30,110	9,676	32,947	18,461	2,669	19,705
Housing	29,236	9,547	32,242	18,236	2,669	19,570
Rest	874	129	705	225	-	135
Land	368,652	315,286	530,632	351,336	331,718	520,433
Developed land	220,255	167,713	308,541	209,035	185,371	311,460
Other land	148,397	147,573	222,091	142,301	146,347	208,973
Real estate assets deriving from home loan mortgages	**251,831**	**47,649**	**186,251**	**241,395**	**37,252**	**160,012**
Other real estate assets acquired in payment of debts	**39,660**	**8,205**	**41,682**	**39,310**	**6,509**	**38,357**
Equity instruments, interests and financing non-consolidated companies holding such as assets	**5,061**	**-**	**1,687**	**5,061**	**-**	**1,687**
Total	**894,547**	**436,305**	**947,405**	**915,725**	**440,153**	**921,599**

(1) Value adjustments after the acquisition date.
(2) Total coverage at acquisition and subsequent dates.

3.2 Operating risk

This is defined as the risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.

3.2.1 Operational risk management strategies and policies

The Board of Directors approves the strategies, policies and limits on the management of this risk, after receiving a report from the Large Risk and Solvency Committee, documented in the “Operating risk management framework”.

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

- General aspects: definition of Operating Risk, categorization and measurement of risk.
- Methods applied to identity, evaluate and measure operating risks.
- Scope of application of the methods and the personnel that participates in the management of this risk (organisational structure).
- Management support models (management, control and mitigation of Operating Risk): information from the preceding methods and implementation of measures to mitigate this risk.

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

Their application and effective use in each of the units and subsidiaries takes place in a decentralised manner. The Internal Control and Validation Unit measures, monitors, analyses and reports 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 590 possible operational risks inherent in the Group's activities have been identified and assessed in 2015. As a result of the on-going self-assessment processes, the estimated exposure to the overall potential impact of these risks is medium-low and growing.
- 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 database over the past 36 months reflects that the net annual losses (taking into account direct recoveries and those due to insurance) of losses due to operational risk events is €2,790 thousand, corresponding to an average of 3,004 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.

Advances in operating risk management and control as a result of the established policies allow the Entity to calculate operating risk capital consumption using the standard method since December 2010, in accordance with Regulation (EU) 575/2013.

3.3 Interest rate risk

This is defined as the possibility that the Group's financial margin or value will be affected by adverse changes in interest rates that, in turn, would affect cash flows on financial instruments.

The sources of interest rate risk are:

- Repricing risk: arises on temporary mismatches that exist at maturity or revision of the Group's assets, liabilities and off-balance sheet transactions.
- Yield curve risk: balances that mature and are repriced are also exposed to changes that may arise in the interest rate curve.
- Embedded option risk: deriving from the embedded options that exist in certain financial products, the exercising of which gives rise to the alteration of forecast flows (early repayment of mortgages, withdrawal of on-demand savings, etc.
- Basis risk: arises when interest rates for the Group's various products change by different magnitudes compared with the market interest rate, such that changes in the latter are not automatically transferred in the same amount.

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.

After receiving a report from the Large Risk and Solvency Committee, the Board of Directors establishes the strategies, policies and limits on the management of this risk that are documented in the "Interest rate risk management policy and procedures manual".

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 to be estimated such that its results are taken into account when establishing and reviewing policies and planning process.

As regards Optionality Risk, essential assumptions are established with respect to the sensitivity and term of the on-demand savings operations as the maturity date is not established in the contract, as well as the assumptions regarding the early maturity of loans, based on historic experience with different scenarios.

The effect that changes in interest rates has on the financial margin and the Bank's value is controlled by the establishment of exposure limits. The limits allow the exposure to interest rate risk to be maintained within the levels compatible with approved policies.

The sensitivity profile of the Group's reserved balance sheet to interest rate risk at 31 December 2015 and 2014 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.

At 31 December 2015

	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	**8,535**	**10,246**	**18,587**	**37,368**	**16,496**	**5,281**	**11,215**
Financial assets with fixed interest rate and other assets without set maturity date	1,568	(131)	1,373	2,810	12,802	2,395	10,407
Fixed-rate financial assets hedged by derivatives	450	296	1,582	2,328	3,523	2,742	781
Financial assets at variable rates of interest	6,517	10,081	15,632	32,230	171	144	27
Liabilities	**9,053**	**6,592**	**21,444**	**37,089**	**16,775**	**10,437**	**6,338**
Financial liabilities with a fixed interest rate and other liabilities without set maturity date	7,798	4,545	16,336	28,679	16,684	10,640	6,044
Fixed-rate financial liabilities hedged by derivatives	552	1,174	3,009	4,735	118	(203)	321
Financial liabilities at variable rates of interest	703	873	2,099	3,675	(27)	-	(27)
Difference or gap for the period	**(518)**	**3,654**	**(2,857)**	**279**	**(279)**	**(5,156)**	**4,877**
Accumulated difference or gap	**(518)**	**3,136**	**279**	**279**	**(279)**	**(4,877)**	**-**
Average gap	(518)	2,222	880	2,189			
% of total assets	(0.96)	4.13	1.63	4.06			

At 31 December 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 a 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 rates of interest	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 a 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 rates of interest	4,666	938	628	6,232	882	917	(35)
Difference or gap for the period	**(4,689)**	**5,870**	**(156)**	**1,025**	**(1,025)**	**(4,977)**	**3,952**
Accumulated difference or gap	**(4,689)**	**1,181**	**1,025**	**1,025**	**(1,025)**	**(3,952)**	**-**
Average gap	(4,689)	(285)	2,290	537			
% of total assets	(8.17)	(0.50)	3.99	0.94			

Balances with maturity or revaluation taking place within the next twelve months are regarded as sensitive. 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 that appears in the table represents the difference between the sensitive assets and liabilities in each period, i.e. the net balance exposed to price changes. The average Gap for the period is €2,189 million, 4.06% of assets (€537 million, 0.94% of assets at 31 December 2014).

Using data at 31 December 2015 the impact on the Group's net interest income in the event of a 200 basis point rise in interest rates is €29 million, representing 4.85% of net interest income for the next 12 months; in the event of a decrease of 200 basis points it is €-21 million, representing -3.45% of net interest income for the coming 12 months (in December 2014, €12.3 million and 2.03% in the event of an increase and €-47.1 million and -7.81% in the event of a decrease), assuming that the size and structure of the balance sheet remain unchanged in the event of parallel and instantaneous interest rate shifts and the application of a 0% floor to the risk-free interest rate curve.

The impact on the Group's economic value in the event of a 200 basis point rise in interest rates amounts to €47 million, 0.92% with respect to its equity value, and in the event of a 200 base point fall, €314 million, 6.20% with respect to its equity value (in December 2014, €-49 million and -0.85% in the event of an increase and €-71 million and -1.23% in the event of a decrease), assuming that the size of the balance sheet remains unchanged.

3.4 Liquidity risk

Liquidity risk is defined as the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

3.4.1 Liquidity risk management strategies and policies

The adequate management and control of liquidity risk is governed by principles of financial autonomy and balance sheet equilibrium to guarantee the continuity of the business and ensuring that there is liquidity available at all times to meet payment commitments (i.e. the settlement of liabilities on their respective maturity dates) without undermining, as a result, the capacity to respond speedily to strategic market opportunities.

After receiving a report from the Large Risk and Solvency Committee, the Board of Directors establishes the strategies, policies and limits on the management of this risk that are documented in the “Liquidity risk management policy and procedures manual”.

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

The measurement of liquidity risk takes into consideration the estimated cash flows from assets and liabilities, and on guarantees or additional instruments available to it to secure such alternative sources of liquidity as may be required.

The outlook for the business and expectations relating to interest rates are also taken into consideration, as well as the proposals for management and hedging, simulating various performance scenarios. These analysis procedures and techniques are reviewed as often as may be necessary to ensure their proper operation.

Provisions in the short, medium and long-term outlooks are developed to obtain information regarding financing needs and compliance with limits, which take into consideration the most recent macro-economic trends, due to their influence on the development of the various assets and liabilities in the balance sheet and on contingent liabilities and derivative products. Liquidity risk is controlled through the establishment of limits to exposure within levels that are compatible with the approved policies.

In addition, the Entity is prepared to face possible internal and market crises using procedures and “contingency plans” that guarantees sufficient liquidity at the least cost possible in adverse scenarios, estimating the behaviour of the most significant variables, establishing a series of alerts for anomalous market situations and planning the capture of funds during the crisis.

At 31 December 2015 the Group's available liquidity amounts to €11,272 million while issuance capacity stands at €7,127 million. Total available liquidity is therefore €18,398 million, which is €954 million more than at the previous year end. During the year wholesale maturities of a nominal amount of €1,718 million, mortgage and territorial bonds (€1,450 million) and securitisation bonds owned by third parties (€106 million) were all fulfilled. In addition, buybacks of treasury shares have taken place in the amount of €144 million, arranged through securitisation bonds. Buybacks of subordinated debt totalling €17 million took place in 2015. In July 2015 subordinated debt totalling €500 million and maturing in 2025 was issued and placed in the wholesale market.

Ibercaja Banco has a credit facility with the European Central Bank which includes pledged assets with a discountable value of €8,619 million at 31 December 2015, of which €2,051 has been drawn down. Therefore, the available balance amounts to €6,567 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 €29,704 million, of which 81% relate to stable balances. In addition, we can mention financing with securities collateral amounts to €8,386 million, of which €3,708 million has been arranged with central counterparty entities, wholesale issues of €6,113 million characterised by the diversification of maturity dates, deposits at Group financial institutions totalling €2,151 million and other customer deposits amounting to €1,522 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 Ibercaja Bank's credit rating, such that €333 million would be affected by a one-step rating downgrade.
- Liability derivatives of €153 million, which have required the provision of additional guarantees of €165 million and asset derivatives of €201 million for which additional guarantees of €196 million have been received.
- Financing with securities collateral of €5,642 million, which has required the contribution of additional guarantees of €238 million in cash.
- European Investment Bank financing totalling €50 million, which requires the contribution of €55 million in government debt surety.

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	
	2015	**2014**
Cash and central bank accounts	532,609	435,066
Available under policy	6,567,438	4,732,432
Eligible assets outside policy	4,009,656	7,195,103
Other marketable assets not eligible for Central Bank	162,154	422,472
Accumulated available balance	**11,271,857**	**12,785,073**

At 31 December 2015 the mortgage bond issue capacity amounts to €7,126,585 thousand (€6,567,346 thousand at 31 December 2014).

Set out below is a breakdown by period of the contractual maturities of assets and liabilities (liquidity gap) at 31 December 2015 and 2014:

	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	74,356	21,317	45,238	4,136	11,658	177,141	**333,846**
Loans to other financial institutions	-	16,929	53	215	551	-	**17,748**
Temporary acquisitions of securities and security loans	-	238,356	303,173	2,086	-	-	**543,615**
Loans (including overdue, doubtful, non-performing and foreclosed)	-	(44,142)	781,359	2,296,880	7,417,548	24,651,938	**35,103,583**
Liquidation of securities portfolio	-	1,416,945	198,167	1,447,882	4,405,941	5,458,493	**12,927,428**
Hedge derivatives	-	921	21,612	73,807	196,673	29,908	**322,921**
Trading derivatives	-	1,967	3,204	12,953	7,320	7	**25,451**
Net interest income	-	147,751	49,411	352,500	-	-	**549,662**
Total at 31 December 2015	**74,356**	**1,800,044**	**1,402,217**	**4,190,459**	**12,039,691**	**30,317,487**	**49,824,254**
Total at 31 December 2014	**69,131**	**475,293**	**1,263,498**	**5,026,444**	**13,579,863**	**33,222,979**	**53,637,208**
LIABILITIES							
Wholesale issues	-	21,280	287,068	620,819	3,050,092	2,133,419	**6,112,678**
Deposits from credit institutions	2,885	49,292	58,689	108,733	4,068	-	**223,667**
Deposits from other financial institutions and bodies	626,032	59,815	284,124	1,074,104	216,025	44,960	**2,305,060**
Deposits from large non-financial companies	-	-	-	-	-	-	**-**
Financing other customers	17,566,315	1,551,951	2,134,046	7,373,976	2,539,043	763	**31,166,094**
Funds for intermediary lending	43	-	-	-	501,579	-	**501,622**
Financing with securities collateral	-	4,275,824	1,860,811	2,249,629	-	-	**8,386,264**
Other net outflows	851	30,788	68,041	295,260	22,618	45,635	**463,193**
Hedge derivatives	-	9,047	6,056	34,253	207,783	19,766	**276,905**
Loans arranged pending disbursement	-	274,576	-	-	-	-	**274,576**
Commitments available with third parties	2,451,691	-	-	-	-	-	**2,451,691**
Financial guarantees issued	-	3,490	3,560	10	4,427	12,747	**24,234**
Total at 31 December 2015	20,647,817	6,276,063	4,702,395	11,756,784	6,545,635	2,257,290	**52,185,984**
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**
Gap 2015	**(20,573,461)**	**(4,476,019)**	**(3,300,178)**	**(7,566,325)**	**5,494,056**	**28,060,197**	
Gap 2014	**(17,144,242)**	**(4,614,363)**	**(4,685,956)**	**(7,628,582)**	**2,814,569**	**30,231,983**	
Accumulated gap (excluding demand savings) 2015	**-**	**(4,476,019)**	**(7,776,197)**	**(15,342,522)**	**(9,848,466)**	**18,211,731**	
Accumulated gap (excluding demand savings) 2014	**-**	**(4,614,363)**	**(9,300,319)**	**(16,928,901)**	**(14,114,332)**	**16,117,651**	

Includes maturities of the principal and interest with no new business assumptions.

The maturity of demand deposits is not established in a contract. It has been included in the first time band (demand) although these deposits are largely stable.

Financing for other customers includes the implicit derivative in structured deposits.

Loan commitments amount to €2,451,691 thousand (€2,087,661 thousand at 31 December 2014). Although these commitments are immediately available to customers and therefore are treated as “sight” 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.

The Group only expects cash outflow in relation to financial guarantee contracts classified as doubtful. The amount which is expected to be paid under such contracts is reflected under Provisions for contingent risks and commitments (Note 21) in the amount of €26,234 thousand (€22,089 thousand at 31 December 2014).

The following tables set out the maturities of long-term wholesale financing.

At 31 December 2015

	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	-	-	20,000	5,000	963,726	-	**988,726**
Mortgage and territorial bonds and covered bonds	-	-	257,778	560,000	1,837,914	1,625,470	**4,281,162**
Securitisation	-	21,280	9,290	44,071	248,452	507,949	**831,042**
Promissory notes and deposit certificates	-	-	-	-	-	-	**-**
Wholesale issues	**-**	**21,280**	**287,068**	**620,819**	**3,050,092**	**2,133,419**	**6,112,678**
Non-current financing with securities collateral	**-**	**-**	**-**	**2,051,250**	**-**	**-**	**2,051,250**
Period maturities	**-**	**21,280**	**287,068**	**2,672,069**	**3,050,092**	**2,133,419**	**8,163,928**
Accumulated maturities	**-**	**21,280**	**308,348**	**2,980,417**	**6,030,509**	**8,163,928**	

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 2014

	Thousand euro						
	On demand	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 2 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**
Non-current 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.

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 (€11,272 million), the Company could cover all non-current wholesale financing maturities (€6,113 million). In addition, it has an issue capacity of €7,127 million (total available liquidity of €18,398 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 due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Company manages market risk by attempting to obtain adequate financial yields with respect to the level of risk assumed, bearing in mind certain overall exposure levels by types of segmentation (portfolios, instruments, sectors, subjects, ratings), portfolio structure and yield/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 approves the strategies, policies and limits on the management of this risk, which are documented in the “Capital market management policy manual” and “Capital market risk manual”, at the suggestion of the Large Risk and Solvency Committee.

To manage Market Risk, the Entity has policies to identify, measure, monitor, control and mitigate as well as operational policies relating to trading, re-evaluating positions, classifications and measurements of portfolios, cancellation of transactions, approval of new products, relations with intermediaries and delegation of duties.

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 approves the strategies, policies and limits on the management of this risk, which are documented in the “Capital market management policy manual” and “Capital market risk manual”, at the suggestion of the Large Risk and Solvency Committee.

To manage counterparty risk, the Company has policies for identification, measurement, monitoring, control and mitigation. In addition, the “Capital market risk manual” establishes the policies, methods and procedures for granting lines of risk, proposing limits, the process of formalizing and documenting transactions and the procedures for monitoring and controlling risk for financial institutions, public administrations with a rating and listed and/or rated companies, except for real estate development companies.

The lines of risk are basically established based on the ratings assigned by credit rating agencies and the reports issued by those agencies and the expert analysis of their financial statements.

To complete operations relating to counterparty risk (financial institutions, public administrations with a rating and listed companies and/or those rated by a rating agency), Capital Markets and Governing Bodies will be responsible for managing the risk, based on the limits established for lines of credit.

In order to manage, control and measure the counterparty risk, the Company 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 liquidity and the absence of material trading activities, which means that the market risk assumed is of little significance taken as a whole.

Since 2009 the Company monitors 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 certain 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.
- In any event, the impact in absolute terms of the VaR is relativized with respect to equity.

At 31 December 2015 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	(33,607)	0.99%	(87,618)	2.59%	(30,758)	0.91%	(37,867)	1.12%
Timeframe: 10 days.	(106,276)	3.14%	(277,074)	8.19%				

The VaR calculation at 31 December 2014 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	(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%				

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.

b) Counterparty risk

The limits authorised by the Board of Directors are established in accordance with the weighted investment volume based on the borrower's credit rating, the investment term and the instrument rate.

In addition, legal limits on concentration and major exposures are complied with under EU Regulation 575/2013.

The monitoring systems ensure that the risks assumed always fall within established limits. They include controls on the changes in ratings, financial statement analyses and the review of news affecting companies with an assigned line.

Mitigation techniques for counterparty risk include the netting framework contracts, guarantee contracts, the reduction of portfolios in the event of adverse credit events, the reduction of lines of risk in the event of rating reductions or negative news for a company and the regular monitoring of financial information regarding companies.

With respect to those companies with which risk offset agreements have been reached together with the provision of guarantees, the risk may be calculated at the resulting net position, in accordance with Bank of Spain requirements.

3.5.2 Exchange rate risk management

This item is defined as the possibility of incurring losses deriving from adverse changes in exchange rates for currencies in which the Entity's off-balance sheet assets, liabilities and operations are denominated.

The Company does not hold foreign currency positions on a speculative basis. The Bank does not have any significant non-speculative open positions in foreign currency.

The Entity's policy is to limit this type of risk, mitigating it at the time it arises by obtaining symmetrical asset and liability positions or through financial hedge derivatives.

3.5.3 Sovereign debt exposure

Set out below is information concerning sovereign debt exposure, including all positions with public institutions, at 31 December 2015 and 2014:

- Breakdown of the carrying amount of the exposure by country:

	Thousand euro	
	2015	2014
Spain	14,954,474	16,162,220
Italy	517,952	860,665
Portugal	25,005	108,882
France	108,646	30,950
Rest	12,771	28,923
	15,618,848	**17,191,640**
of which: the insurance company	4,087,053	4,110,657

- Breakdown of the carrying amount of the exposure by portfolio in which the assets are recognised:

	Thousand euro	
	2015	2014
Financial liabilities held for trading	575	436
Other financial assets at fair value through profit or loss	2,940	-
Available-for-sale financial assets	12,879,507	12,437,345
Loans and receivables	652,886	866,810
Held-to-maturity investments	2,082,940	3,887,049
	15,618,848	**17,191,640**
of which: the insurance company	4,087,053	4,110,657

The carrying value recorded above reflects the maximum credit risk exposure in relation the financial instruments included.

- Breakdown of the residual term of the exposure by portfolio in which the assets are recognised:

	Thousand euro					
	2015					
	Up to 3 months	**From 3 months to 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**	**Total**
Financial liabilities held for trading	34	84	75	93	289	**575**
Other financial assets at fair value through profit or loss	2,940	-	-	-	-	**2,940**
Available-for-sale financial assets	1,082,694	1,922,863	3,164,473	300,736	6,408,741	**12,879,507**
Loans and receivables	34,006	104,157	88,769	75,079	350,875	**652,886**
Held-to-maturity investments	477,605	470,423	43,014	1,071,111	20,787	**2,082,940**
Total	**1,597,279**	**2,497,527**	**3,296,331**	**1,447,019**	**6,780,692**	**15,618,848**
of which: the insurance company	59,517	666,510	994,306	266,154	2,100,566	4,087,053

	Thousand euro					
	2014					
	Up to 3 months	**From 3 months to 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**More than 5 years**	**Total**
Financial liabilities 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

- Other information

  - Fair value The fair value of the instruments included in the trading portfolio and in the available-for-sale financial assets coincides with the aforementioned carrying amount. The fair value of the held-to-maturity investment portfolio is set out 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 the loan portfolio, the rest of the fair value associated with sovereign risk is obtained through tier 1 measurement techniques (their description is set out in Note 26.3)

  - A 100 basis point variation in the interest rate would have an effect of 3.62% on fair value (2.43% in 2014).

  - Non-performing assets with public institutions total €9,070 thousand (€9,459 thousand at 31 December 2014), 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

Reputational risk is defined as the unfavourable impact that an event may have on the Group's corporate reputation. It is associated with a negative perception of the Group by stakeholders (customers, employees, society in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that affects the Group's capacity to maintain existing, or establish new, commercial relationships.

The following types of reputational risk have been identified:

- Deriving from operational risk: stakeholders perceive a service level is lower than expectations, which translates into a distancing from the Group and/or negative comments in their environment.
- Purely intrinsic: This type of risk is correlative with the financial business due to the fact that it is highly regulated and subject to continuous supervision by the authorities. It gives rise to legal or regulatory penalties and significant financial losses as a result of failing to comply with laws, regulations and codes of conduct in force.
- Purely extrinsic: This risk is generated outside the Group but may have an impact on its reputation. The perception of the financial sector or changes in the expectations of stakeholders or opinions regarding the Group, are some examples.

The Group places maximum importance on the management of its corporate reputation as a means of anticipating, avoiding and/or managing possible reputational risk and also due to its positive impact on the generation of value. The Strategic Plan 2015-2017 includes Corporate and Brand Reputation among its priority issues. A reputational risk management framework has been developed that includes the organizational structure involved with its management (providing details of duties and responsibilities), methods used to identify, measure, value and control the risks, management tools and reporting procedures.

The Group also 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 Governance Framework

The Company has a robust organizational structure that allows it to ensure effective risk management and control. The Governing Bodies are structured as follows:

- The Board of Directors is responsible for establishing and supervising the risk reporting and control systems, approving the Risk Appetite Framework as well as for the policies, manuals and procedures relating to risk management.
- Among other responsibilities, the Large Risk and Solvency Committee proposes the establishment of limits by type of risk and business, reporting the Group's Risk Appetite Framework in a manner consistent with the Entity's other strategic policies and frameworks, evaluating the Group's risk management, reviewing the risk control systems and proposing measures to mitigate the impact of identified risks.
- the Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation.
- The Audit and Compliance Committee, which supervises the effectiveness of internal control, internal audit and risk management systems, regularly reviews the matters so that primary risks are identified, managed and adequately reported.

The following Executive Committees are in place:

- The Overall Risk Committee is responsible for defining and monitoring the Group's risk strategies and policies, establishing objectives and strategies to develop the structure and composition of balance sheet items, analysing the sensitivity of results and the Company's equity in various scenarios, analysing compliance with the tolerance levels that have been established, as well as planning the Group's medium-term capital.
- The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organizational outline provides the Entity with an overall risk governance and management structure, aligned with market trends and with the Ibercaja Group's current business complexity, using three lines of defence (management, control and audit). This structure guarantees the standardisation of policies and risk control at Ibercaja and all the companies forming part of the Group.

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 2014 are detailed below:

	Thousand euro	
	2015	**2014**
Distribution		
To dividends:	20,000	-
To reserves		
Legal reserve	*4,687*	*7,122*
Reserve for goodwill	*6,403*	*6,403*
Voluntary reserve	*15,779*	*-*
Prior year losses	*-*	*57,691*
Profit for the year	**46,869**	**71,216**

5. Information regarding 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 for the Board of Directors

The remuneration and other benefits that accrued in 2015 to the members of the Company's Board of Directors are listed below, by individual item:

		Thousand euro						
Members of the Board of Directors	**Position**	**Remuneration**		**Per Diems**	**Life insurance premiums**	**Remuneration for membership of Board Committees**	**Other items**	**Total**
		Fixed	**Variable**					
Amado Franco Lahoz	Chairman	379.6	-	28	6.6	-	7.4	421.6
José Luis Aguirre Loaso	1st Deputy Chairman	31	101	33.6	8.3	34.2	6.3	214.4
José Ignacio Mijangos Linaza (2)	2nd Deputy Chairman	-	-	1.4	-	-	1.1	2.5
Victor Iglesias Ruiz (3)	CEO	343	-	25.2	1	-	5.2	374.4
Jesús Barreiro Sanz	Secretary and Board Member	-	-	47.6	3.6	-	6.3	57.5
Jesús Bueno Arrese	Board Member	-	-	35.7	18.3	-	4	58
Gabriela González-Bueno Lillo	Board Member	-	-	38.5	3.6	45.6	1.7	89.4
Jesús Solchaga Loitegui	Board Member	-	-	16.1	11.1	15.2	6.3	48.7
Juan María Pemán Gavín	Board Member	-	-	31.5	2.3	-	7.4	41.2
Francisco Manuel García Peña	Board Member	111	-	17.5	2.7	-	6.3	137.5
Vicente Cóndor López	Board Member	-	-	23.8	3.2	45.6	2.9	75.5
Manuel Pizarro Moreno (4)	Board Member	-	-	-	2.7	-	4.6	7.3
Vicente Eduardo Ruiz de Mencía (5)	Board Member	-	-	-	9	-	2.8	11.8

(1) CEO up to 28 January 2015.
(2) Director appointed on 29 October 2015, although subject to the approval of the competent authorities.
(3) Director appointed on 28 January 2015.
(4) Director that resigned from the Board on 14 June 2015.
(5) Director that resigned from the Board on 29 October 2015.

The remuneration and other benefits that accrued in 2014 to the members of the Company's Board of Directors are listed below, by individual item:

		Thousand euro						
Members of the Board of Directors	Position	Remuneration		Per Diems	Life insurance premiums	Remuneration for membership of Board Committees	Other items	Total
		Fixed	Variable					
Amado Franco Lahoz	Chairman	379.6	-	24.5	6.6	-	18.9	429.7
José Luis Aguirre Loaso	1st Deputy-Chairman – CEO	373.3	68.3	24.5	8.3	-	14	488.4
Francisco Manuel García Peña	2nd Deputy-Chairman	90	10	11.2	2.7	-	13.5	127.4
Jesús Barreiro Sanz (2)	Secretary and Board Member	-	-	5.6	3.3	-	6	14.9
Jesús Bueno Arrese	Board Member	-	-	32.9	18.3	34.2	16.1	101.5
Gabriela González-Bueno Lillo	Board Member	-	-	28	3.6	45.6	8.7	85.9
Jesús Solchaga Loitegui	Board Member	-	-	15.4	11.1	-	6	32.5
Juan María Pemán Gavín	Board Member	-	-	27.3	2.3	-	7.1	36.7
Vicente Cóndor López	Board Member	-	-	19.6	3	-	2.6	25.2
Eugenio Nadal Reimat (3)	Board Member	-	-	21	4.4	-	15.2	40.6
Manuel Pizarro Moreno	Board Member	-	-	-	3.8	-	4.9	8.7
Vicente Eduardo Ruiz de Mencía	Board Member	-	-	-	9	-	3.9	13

(1) CEO up to 28 January 2015.
(2) Company director appointed on 11 November 2014.
(3) Company director who resigned from the Board on 1 October 2014.

The per diems for the Directors Mr. José Ignacio Mijangos Linaza, Mr. Juan María Pemán Gavín and Mr. Francisco Manuel García Peña are paid by the Company directly to the shareholder foundations they represent (Cajacírculo Fundación Bancaria, Fundación Caja de Ahorros de la Inmaculada de Aragón and Fundación Ordinaria Caja Badajoz, respectively) at the request of those Directors and, in the case of Fundación Caja de Ahorros de la Inmaculada de Aragón and Fundación Ordinaria Caja Badajoz, at the request of the shareholder foundations.

"Other items" includes insurance premiums other than life insurance (health and accident). In 2014 the remuneration for other Group company boards is included.

The Company 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 Remuneration

For the purposes of preparing these annual accounts, Senior Management has been considered to consist of the persons holding the position of CEO and the employees 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.

In 2015, 22 employees formed part of the group identified as Senior Management, including two that held the position of CEO during the year. This section includes remuneration received by Senior Executives even if they have performed their services during the full year. Severance payments are not included for those in management that joined the voluntary redundancy plan in the amount of €1.7 million.

The following table shows the remuneration accrued by the Group to senior management, as defined above, in 2015 and 2014:

Thousand euro	Short-term remuneration		Post-employment benefits		Total	
	2015	2014	2015	2014	2015	2014
Senior management	3,539	3,167	308	354	**3,847**	**3,521**

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 2015, 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.

6. Cash and deposits with central banks

This heading on the consolidated balance sheets at 31 December 2015 and 2014 breaks down as follows:

	Thousand euro	
	2015	**2014**
Cash	194,611	191,816
Deposits at Bank of Spain	337,197	242,453
Deposits at other central banks	809	811
Valuation adjustments	9	9
	532,626	**435,089**

The average effective interest rate on debt instruments classified in this portfolio during 2015 has been 0.03% (0.11% in 2014).

7. Asset and liability held for trading

7.1 Breakdown of the balance and maximum credit risk – receivables

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by geographic area, class of counterparty and instrument type:

	Thousand euro	
	2015	**2014**
By geographic area		
Spain	26,986	35,163
Other European Union countries	6,601	9,709
Rest of world	7,740	10,960
	41,327	**55,832**
By counterparty class		
Credit institutions	38,424	51,245
Resident Public Administrations	575	436
Other resident sectors	2,328	3,627
Other non-resident sectors	-	524
	41,327	**55,832**
By instrument type		
Debt securities	690	959
Derivatives not traded on organised markets	40,637	54,873
	41,327	**55,832**

The carrying value recorded above reflects the maximum credit risk exposure in relation the financial instruments included.

The average effective interest rate on debt instruments classified in this portfolio during 2015 has been 3.13% (3.60% in 2014).

7.2 Breakdown of the balance - creditor balances

The following table contains a breakdown of the financial liabilities included under this category at 31 December 2015 and 2014, classified by geographic area, counterparty category and instrument types:

	Thousand euro	
	2015	**2014**
By geographic area		
Spain	31,692	43,061
Other European Union countries	4,278	5,137
Rest of world	-	264
	35,970	**48,462**
By counterparty class		
Credit institutions	10,703	14,646
Other resident sectors	25,146	33,625
Other non-resident sectors	121	191
	35,970	**48,462**
By instrument type		
Derivatives not traded on organised markets	35,970	48,462
Of which: embedded derivatives segregated from hybrid financial instruments	*25,267*	*33,816*
	35,970	**48,462**

7.3 Financial derivatives held for trading

Traded financial derivatives break down as follows at 31 December 2015 and 2014 by product type, fair value and notional value:

	Thousand euro			
	Fair value			
	Balances receivable		Balances payable	
	2015	**2014**	**2015**	**2014**
Unexpired foreign exchange forward purchases/sales	**-**	**-**	**81**	**506**
Index/securities options	**23,646**	**33,614**	**23,463**	**33,288**
Interest-rate options	**1,966**	**1,125**	**3,020**	**1,760**
Other interest rate transactions	**15,025**	**20,134**	**9,406**	**12,908**
Interest rate swaps (IRS)	15,025	20,134	9,406	12,908
	40,637	**54,873**	**35,970**	**48,462**

	Thousand euro	
	Notional amount	
	2015	**2014**
Unexpired foreign exchange forward purchases/sales	**49,691**	**48,981**
Index/securities options	**1,688,020**	**1,394,700**
Interest-rate options	**112,500**	**100,711**
Embedded derivatives on securities /indexes	**1,672,376**	**1,357,785**
Other interest rate transactions	**585,097**	**657,654**
Embedded interest rate derivatives	112,464	95,538
Derivatives, wholesale market	375,189	483,238
Distribution of derivatives	97,444	78,878
	4,107,684	**3,559,831**

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 2015 totals €1,586,707 thousand (€1,694,631 thousand at 31 December 2014).

8. Other financial assets at fair value through profit or loss

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by geographic area, class of counterparty and instrument type:

	Thousand euro	
	2015	**2014**
By geographic area		
Spain	50,289	57,127
Other European Union countries	1,920	2,063
Rest of world	404	2,357
	52,613	**61,547**
By counterparty class		
Credit institutions	2,324	4,744
Resident Public Administrations	2,940	3,360
Other resident sectors	47,349	53,443
	52,613	**61,547**
By instrument type		
Loans and advances to credit institutions	-	324
Loans and advances to customers	-	43
Debt securities	5,264	7,780
Investments in investment funds	47,349	53,400
	52,613	**61,547**

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 recorded above reflects the maximum credit risk exposure in relation the financial instruments included.

9. Available-for-sale financial assets

9.1 Breakdown of the balance and maximum credit risk-

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by geographic area, class of counterparty and instrument type:

	Thousand euro	
	2015	**2014**
By geographic area		
Spain	13,575,494	12,982,359
Other European Union countries	1,161,038	1,218,592
Rest of Europe	60,821	5,217
Rest of world	803,050	593,535
Total gross amount	**15,600,403**	**14,799,703**
(Impairment losses)	(1,187)	(21,423)
Total net amount	**15,599,216**	**14,778,280**
By counterparty class		
Credit institutions	1,157,215	1,141,810
Resident Public Administrations	12,212,871	11,411,005
Non-resident public institutions	666,636	1,026,340
Other resident sectors	937,334	852,102
Other non-resident sectors	626,347	368,446
Total gross amount	**15,600,403**	**14,799,703**
By instrument type		
Debt securities:	15,158,499	14,275,396
Government debt securities	*12,212,871*	*11,411,232*
Foreign public debt	*666,636*	*1,026,326*
Issued by financial institutions	*1,119,575*	*1,091,946*
Other fixed-income securities	*1,159,417*	*745,892*
Other equity instruments:	441,904	524,307
Shares in listed Spanish companies	*78,385*	*142,229*
Shares in unlisted Spanish companies	*247,047*	*259,385*
Shares in listed foreign companies	*59,194*	*101,268*
Shares in unlisted foreign companies	*267*	*265*
Investments in investment funds	*19,287*	*21,160*
Investments in venture capital funds	*37,724*	-
Total gross amount	**15,600,403**	**14,799,703**

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 €53,190 thousand at 31 December 2015 (€64,108 thousand at 31 December 2014). These losses are reflected by reducing the gross amount disclosed above and are irreversible.

The carrying value recorded above reflects the maximum credit risk exposure in relation the financial instruments included.

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 2.3.4. The carrying value of these capital instruments at 31 December 2015 amounts to €88,012 thousand (€94,453 thousand at 31 December 2014). 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:

- Instruments included in this portfolio may be sold based on market opportunities.

- During 2015 instruments of this kind with a carrying value of €16,119 thousand were sold (€40,868 thousand at 31 December 2014), generating a loss of €517 thousand (loss of €5,849 thousand at 31 December 2014).

The average effective interest rate of the debt instruments classified in this portfolio during 2015 was 2.49% (2.85% in 2014), which includes the effect of adjustments to revenues on interest rate risk hedging operations.

9.2 Impaired debt securities

At 31 December 2015 there are impaired debt securities amounting to €222 thousand (€20,646 thousand at 31 December 2014), of which none of them has fallen due (€15,000 thousand at 31 December 2014).

9.3 Hedging of credit risk and other risks

Movements in impairment losses recorded on credit risk hedges for Debt Securities during 2015 and 2014 are as follows:

	Thousand euro	
	2015	2014
Balance at beginning of the year	**21,423**	**22,526**
Transfer charged to profit and loss for the year	341	784
Reversal of provisions taken to income	(813)	(669)
Applications	(19,923)	-
Exchange differences and other movements	159	(1,218)
Balance at the end of the year	**1,187**	**21,423**
Of which:		
- Specifically calculated	222	20,646
- Calculated based on country risk	965	777

The Company 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 €99 thousand to the income statement in 2015 (€20,734 thousand in 2014).

Additionally, in 2015 impairment losses have been recognised on Other equity instruments measured at cost amounting to €4,425 thousand (€15,473 thousand in 2014).

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 2015 and 2014 are as follows:

	Thousand euro	
	2015	2014
Loans and advances to credit institutions (Note 10.2)	806,270	1,160,611
Loans and advances to customers (Note 10.3)	32,791,311	33,830,111
Debt securities (Note 10.4)	2,141,045	642,156
	35,738,626	**35,632,878**

10.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by geographic area, class of counterparty and instrument type:

	Thousand euro	
	2015	**2014**
By geographic area		
Spain	36,762,822	36,888,373
Rest of world	633,925	980,190
Total gross amount	**37,396,747**	**37,868,563**
(Impairment losses)	(1,658,121)	(2,235,685)
Total net amount	**35,738,626**	**35,632,878**
By counterparty class		
Credit institutions	1,005,658	1,183,737
Resident Public Administrations	652,886	866,810
Other resident sectors	35,558,721	35,615,586
Other non-resident sectors	179,482	202,430
Total gross amount	**37,396,747**	**37,868,563**
By instrument type		
Debt securities	2,141,045	647,351
Credits and loans	33,498,016	35,720,837
Assets acquired under repurchase agreements	543,560	-
Term deposits at credit institutions	458,980	772,188
Other	755,146	728,187
Total gross amount	**37,396,747**	**37,868,563**

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 €1,553 thousand at 31 December 2015 (€1,509 thousand at 31 December 2014). 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 2015 total €4,140,537 thousand (€4,519,819 thousand at 31 December 2014) 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 €3,430,586 thousand at 31 December 2015 (€3,572,225 thousand at 31 December 2014). Bonds issued by securitisation funds subscribed by non-Group third parties amount to €784,133 thousand at 31 December 2015 (€1,023,621 thousand at 31 December 2014) 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 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Demand deposits:	**303,122**	**274,324**
Other accounts	303,122	274,324
Time or pre-notification deposits:	**463,174**	**776,028**
Fixed-term deposits	458,980	772,188
Other accounts	4,194	3,840
Other financial assets:	**39,204**	**108,028**
Cheques due from financial institutions	737	1,048
Cash guarantees provided	2,080	9,503
Clearinghouses	35,998	29,717
Other items	389	67,760
Impaired assets	**-**	**-**
Valuation adjustments	**770**	**2,231**
Total gross amount	**806,270**	**1,160,611**
(Impairment losses)	-	-
Total net amount	**806,270**	**1,160,611**

The average effective interest rate on debt instruments classified in this portfolio during 2015 has been 0.42% (2.74% in 2014).

10.3 Loans and advances to customers

The analysis of financial assets included under this heading at 31 December 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Credits and loans	**33,498,016**	**35,720,837**
Trade credit	370,405	436,924
Secured loans	24,708,465	26,315,807
Other term receivables	4,418,024	4,375,756
Finance leases	236,736	178,168
Demand loans and other	560,501	537,600
Impaired assets	3,084,683	3,888,783
Valuation adjustments	119,202	(12,201)
Asset repos	**543,560**	**-**
Other financial assets	**407,856**	**339,764**
Financial transactions yet to be settled	12,490	14,581
Cash guarantees provided	3,949	5,535
Fees on financial guarantees	1,553	1,509
Other items	389,864	318,139
Total gross amount	**34,449,432**	**36,060,601**
(Impairment losses)	(1,658,121)	(2,230,490)
Total net amount	**32,791,311**	**33,830,111**

in December 2015 a portfolio of 428 real estate developer loans and credit facilities, mainly non-performing, with a nominal amount of €698 million, including balances totalling €49 million that had been written off the balance sheet, was sold to the company Goya Debtco DAC. The result obtained on the transaction was recognized in the heading “Profit/(loss) on financial transactions” in the Group's income statement (Note 33).

The heading “Valuation adjustments” at 31 December 2015 includes €136.2 million relating to the adjustment to the amortized cost of the covered assets pending apportionment after the interruption of the macro-hedge described in Note 12.2.

The average effective interest rate on debt instruments classified in this portfolio during 2015 was 1.65% (2.07% in 2014).

10.4 Debt securities

The analysis of financial assets included under the category Debt securities at 31 December 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Debt securities	**2,141,045**	**641,675**
Impaired assets	-	5,676
Total gross amount	**2,141,045**	**647,351**
(Impairment losses)	-	(5,195)
Total net amount	**2,141,045**	**642,156**

The average effective interest rate on debt instruments classified in this portfolio during 2015 was 0.41% (1.06% in 2014).

10.5 Impaired and substandard assets

The following table shows an analysis of financial assets classified as credits, loans and discounts that are considered to be impaired due to their credit risk at 31 December 2015 and 2014, set out based on the period elapsed since the oldest amount relating to each transaction went unpaid:

	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 2015	728,317	221,459	111,150	121,268	1,902,489	**3,084,683**
Balances at 31 December 2014	924,746	323,167	177,605	175,051	2,293,890	**3,894,459**

Impaired assets by counterparty categories break down as follows:

	Thousand euro	
	2015	**2014**
Resident Public Administrations	9,070	9,459
Other resident sectors	3,041,778	3,834,818
Other non-resident sectors	33,835	50,182
	3,084,683	**3,894,459**

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	
	2015	**2014**
Credit institutions	4	-
Resident Public Administrations	200	4,556
Other resident sectors	109,903	168,422
Other non-resident sectors	511	1,256
	110,618	**174,234**

Financial assets classified as loans and receivables and regarded as substandard amount to €956,418 thousand at 31 December 2015 (€1,303,346 thousand at 31 December 2014).

10.6 Credit risk coverage

Movements in 2015 and 2014 in valuation 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 2015:

		Movements reflected in the income statement				
	Balance at 01.01.15	Transfers	Recoveries	Applications	Other	Balance at 31.12.15
Specifically calculated	2,235,320	716,131	(509,082)	(705,991)	(78,563)	1,657,815
Country Risk	365	233	(298)	-	6	306
Total impairment losses	**2,235,685**	**716,364**	**(509,380)**	**(705,991)**	**(78,557)**	**1,658,121**

Movements in 2014:

		Movements reflected in the income statement				
	Balance at 01.01.14	Transfers	Recoveries	Applications	Other	Balance at 31.12.14
Specifically calculated	2,276,211	1,214,641	(901,970)	(255,644)	(97,918)	2,235,320
Country Risk	293	493	(421)	-	-	365
Total impairment losses	**2,276,504**	**1,215,134**	**(902,391)**	**(255,644)**	**(97,918)**	**2,235,685**

The balance under applications in 2015 mainly includes the provisions that were eliminated from the balance sheet for the portfolio of non-performing loans sold to Goya Debtco DAC (Note 10.3) for €331,789 thousand in those relating to the transactions written off the consolidated balance sheet in the amount of €355,895 thousand (€255,644 thousand in 2014).

Other includes transfers of the provisions for bad debts on credit transactions settled through foreclosure or dation as payment for assets fot fully or partially settle the debt. As indicated in Notes 2.15 and 2.18 to the consolidated annual accounts 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, €181,428 thousand relates to adjustments for substandard risks at 31 December 2015 (€306,003 thousand at 31 December 2014).

The impairment adjustments estimated on an individual basis total an accumulated amount of €303,051 thousand at 31 December 2015 (€376,118 thousand at 31 December 2014).

Value adjustments due to impairment and other provisions created by the Group are sufficient to cover any losses on the assets, as well as the outcome of any possible contingencies affecting the Group.

Impairment losses by counterparty categories break down as follows:

	Thousand euro	
	2015	2014
Resident Public Administrations	128	135
Other resident sectors	1,632,642	2,193,263
Other non-resident sectors	25,351	42,287
	1,658,121	**2,235,685**

Set out below are the different items recorded in 2015 and 2014 under “Asset impairment losses (net)- Loans and discounts” in the consolidated income statement for those years:

	Thousand euro	
	2015	2014
Impairment losses credited to asset value adjustments	206,984	312,743
Impairment losses credited to assets	-	13,718
Doubtful loans recovered	(3,928)	(4,907)
	203,056	**321,554**

The movement in Loans and discounts written off in 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Balances at the beginning of the year	**640,549**	**419,366**
Additions of assets unlikely to be recovered	355,895	255,644
Additions accrued interest receivable	23,626	20,536
Additions of assets by charge to the income statement	-	13,718
Doubtful loans recovered	(3,928)	(4,907)
Write-offs accrued interest receivable	(296)	(189)
Other items	(386,517)	(63,619)
Balances at the end of the year	**629,329**	**640,549**

The heading “Other item” includes the sale of a portfolio of non-performing loans with personal guarantees and bad loans for which full provision has been made totalling €210 million.

Accrued interest pending receipt recorded in memorandum accounts and associated with impaired financial assets totalled €116,555 thousand at 31 December 2015 (€148,111 thousand at 31 December 2014).

11. Held-to-maturity investments

11.1 Breakdown of the balance and maximum credit risk

The following table contains a breakdown of the financial assets included in this category at 31 December 2015 and 2014, classified by geographic area, class of counterparty and instrument type:

	Thousand euro	
	2015	2014
By geographic area		
Spain	2,660,534	6,272,410
Other European Union countries	1,038	408,273
Rest of world	999	1,000
Total gross amount	**2,662,571**	**6,681,683**
(Impairment losses)	-	-
Total net amount	**2,662,571**	**6,681,683**
By counterparty class		
Resident credit institutions	35,277	201,841
Non-resident credit institutions	-	1,000
Resident Public Administrations	2,082,940	3,887,049
Other resident sectors	543,316	2,183,520
Other non-resident sectors	1,038	408,273
Total gross amount	**2,662,571**	**6,681,683**
By instrument type		
Government securities	2,082,940	3,887,049
Debt issued by European Stability Mechanism (Notes 1.10.1.4 and 19.5)	-	407,239
SAREB bonds (Note 1.10.1.3)	485,715	2,173,358
Other fixed-income securities	93,916	214,037
Total gross amount	**2,662,571**	**6,681,683**

In 2015 two bonds issued by SAREB were amortised (Note 1.10.1.3) through the issue of new bonds with the same nominal amount (€1,627 million) that were recognised under the heading “Loans and receivables” on the asset side of the balance sheet.

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 2015 was 2.79% (1.38% in 2014).

11.2 Overdue and impaired assets

There are no overdue or impaired assets due in this portfolio at 31 December 2015 and 2014.

12. Hedging derivatives (receivable/payable) and adjustments of financial assets and liabilities due to macro-hedges

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 2015 and 2014:

	Thousand euro			
	Fair value			
	Balances receivable		Balances payable	
	2015	2014	2015	2014
Options	**-**	**-**	**-**	**253,436**
Stock options	-	-	-	-
Share swaps	-	-	-	-
Interest-rate options	-	-	-	253,436
Other interest rate operations	**357,452**	**496,506**	**330,474**	**351,476**
Interest rate swaps (IRS)	357,452	496,506	330,474	351,476
	357,452	**496,506**	**330,474**	**604,912**

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. Details of the carrying value of the financial instruments covered by these agreements and the deposits payable and receivable that are generated with counterparties (both for hedging derivatives and the derivatives held for trading identified in Note 7.3), are as follows:

	Thousand euro	
	Financial instruments subject to offset agreements	
	2015	2014
Assets resulting from derivatives	358,877	499,122
Derivative liabilities	310,451	586,992

	Thousand euro	
	Deposits subject to derivative offset agreements	
	2015	2014
Deposits recognised under assets	155,695	495,730
Deposits recognised under liabilities	194,101	358,181

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	
	2015	2014
Hedging item		
Interest-rate options	-	2,672,423
Interest rate swaps (IRS)	9,810,857	11,050,790
	9,810,857	**13,723,213**
Hedged item		
Customer transactions	2,172,088	5,153,540
Debenture loans	2,533,896	3,317,229
Fixed income securities	5,104,873	5,252,444
	9,810,857	**13,723,213**

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.

Adjustments to financial assets and liabilities due to macro-hedges at 31 December 2015 and 2014 are set out below:

	Thousand euro			
	Fair value			
	Balances receivable		Balances payable	
	2015	2014	2015	2014
Mortgage loans	-	128,991	-	-
Financial liabilities	-	-	6,930	6,668
	-	**128,991**	**6,930**	**6,668**

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 was €2,672 million and covered any change in value of the implicit floor rate in the mortgage loans against interest rate fluctuations. During 2015 the Group decided to interrupt the macro-hedge. The adjustment to the amortized cost of the covered assets at the date the hedge was interrupted will be apportioned over the initially designated term of the hedge. At 31 December 2015 the adjustment that has yet to be apportioned totals €136.2 million and it was recognized starting at the time of the hedge interruption in the heading “Loan investments” on the asset side of the balance sheet (Note 10.3). The derivative with the counterparty was cancelled on the same date and a loss of €6.4 million was generated.

The nominal value of the hedged financial liabilities amounted to €102,564 thousand at 31 December 2015 (€117,564 thousand at 31 December 2014).

13. Non-current assets held for sale

At 31 December 2015 and 2014 the balances in this caption on the consolidated balance sheets were as follows:

	Thousand euro	
	2015	**2014**
Foreclosure assets	936,417	1,001,226
Other assets	70,783	80,486
Total gross amount	**1,007,200**	**1,081,712**
(Impairment losses)	(292,983)	(349,087)
Total net amount	**714,217**	**732,625**

The heading "Other assets" at 31 December 2014 included the holding in EBN Banco de Negocios, S.A. Together with the rest of the shareholders, on 29 September 2015 Ibercaja Banco, S.A. finalized the sale of their respective interests in EBN Banco de Negocios, S.A. after the necessary administrative authorisation had been obtained. The transaction involved the sale by Ibercaja Banco, S.A. of 1,764,761 shares representing 21.09% of share capital for €11,875 thousand and it did not have a significant impact on the Group's income statement.

Movements in this consolidated balance sheet heading in 2015 and 2013 are as follows:

	Thousand euro		
	Foreclosure assets	**Other assets**	**Total**
Cost			
Balances at January 1, 2014	**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**
Additions	169,082	-	169,082
Disposals due to sales or through other means	(197,527)	(15,056)	(212,583)
Other transfers and other movements	(36,364)	5,353	(31,011)
Balances at 31 December 2015	**936,417**	**70,783**	**1,007,200**
Impairment losses			
Balances at January 1, 2014	**(352,730)**	**(232)**	**(352,962)**
Transfer charged to profit and loss 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)**
Transfer charged to profit and loss for the year	(78,934)	-	(78,934)
Recovered amount credited to profit	36,694	-	36,694
Applications and other movements	97,933	411	98,344
Balances at 31 December 2015	**(291,504)**	**(1,479)**	**(292,983)**
Net non-current assets held for sale			
Balances at 31 December 2014	**654,029**	**78,596**	**732,625**
Balances at 31 December 2015	**644,913**	**69,304**	**714,217**

The Group has a Realisation Plan for non-current assets held for sale, which includes the Sales financing policy. The Plan entails the collaboration of the real estate agent network, the disclosure of specific information on the Company's web page and the existence of a unit dedicated to the disposal of assets foreclosed as payment for debts.

According to the Group's historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since most non-current assets held for sale relate to the 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 €59,597 thousand (€51,344 thousand at 31 December 2014) and the accumulated amount of loans granted is €308,004 thousand (€248,407 thousand at 31 December 2014).

At 31 December 2015 the average sales percentage financed for the purchaser amounts to 74.48% (67.77% at 31 December 2014).

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 appraiser is indicated.

	Thousand euro			
	Carrying value		Of which: valued by an independent appraiser	
	2015	2014	2015	2014
Non-current assets held for sale	**1,007,200**	**1,081,712**	**957,690**	**1,013,625**
Residential	859,637	970,105	859,635	943,447
Industrial	61,868	80,625	61,868	54,262
Agricultural	15,193	15,916	15,193	15,916
Other	70,502	15,066	20,994	-

The fair value of the assets calculated by independent appraisers amounts to €1,134,817 thousand at 31 December 2015 (€1,244,072 thousand at 31 December 2014).

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 appraisals. Most appraisals 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 method involves the compilation of comparable homogeneous products, taking into account sales transactions in the area, the supply of similar properties and the opinions of other operators in the property market. 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 2015 and 2014:

	Thousand euro	
	2015	2014
Equity instruments	104,728	118,891
(Impairment losses)	(511)	(1,411)
Total net amount	**104,217**	**117,480**

The balance of “Interests - associates” in the consolidated balance sheets at 31 December 2015 and 2014 includes the goodwill associated with these ownership interests. This goodwill is analysed below, indicating the entity from which it has originated:

	Thousand euro	
Company	**2015**	**2014**
Heraldo de Aragón, S.A.	11,149	11,149
CAI Seguros Generales, Seguros y Reaseguros, S.A.	6,699	6,699
	17,848	**17,848**

Set out below are movements in impairment losses in associates in 2015 and 2014:

	Thousand euro	
	2015	2014
Balance at beginning of the year	**1,411**	**1,411**
Net transfers (Note 39)	**-**	**3,657**
Transfer charged to profit and loss for the year	-	5,942
Recovered amount credited to profit for the year	-	(2,285)
Recovered amount credited to prior-year profits	**-**	**(1,345)**
Applications	**(1,000)**	**-**
Other changes	**100**	**(2,312)**
Balance at the end of the year	**511**	**1,411**

14.2 Investments in jointly-controlled entities

Appendices I and II shows a breakdown of the investments treated as jointly-controlled entities at 31 December 2015 and 2014, together with relevant information regarding these companies.

There are no impairment losses or goodwill associated with these shareholdings.

14.3 Notification 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 2015 and 2014, 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 2014 and 2015 is as follows:

	Thousand euro
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**
Net transfers	(604)
Balances at 31 December 2015	**960**

(*) 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 2015 and 2013 are as follows:

	Thousand euro			
	For own use	Investment properties	Assigned under operating leases	Total
Cost				
Balances at January 1, 2014	**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**
Additions	16,300	7,766	12,574	36,640
Disposals due to sales or through other means	(26,093)	(21,101)	(14,492)	(61,686)
Other transfers and other movements	(6,723)	8,850	-	2,127
Balances at 31 December 2015	**1,419,883**	**701,841**	**22,449**	**2,144,173**
Accumulated depreciation				
Balances at 1 January 2014	**(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)**
Disposals due to sales or through other means	18,951	2,664	3,872	25,487
Transfers against the income statement	(28,743)	(10,411)	(3,212)	(42,366)
Other transfers and other movements	(6,311)	(2,978)	-	(9,289)
Balances at 31 December 2015	**(724,476)**	**(128,532)**	**(7,750)**	**(860,758)**
Impairment losses				
Balances at 1 January 2014	**(2,390)**	**(83,156)**	**(150)**	**(85,696)**
Transfer charged to profit and loss 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)**
Transfer charged to profit and loss for the year	(714)	(4,061)	-	(4,775)
Recovered amount credited to profit	-	363	-	363
Applications and other movements	2,390	3,276	-	5,666
Balances at 31 December 2015	**(1,467)**	**(118,214)**	**-**	**(119,681)**
Net tangible assets				
Balances at 31 December 2014	**724,883**	**470,727**	**15,957**	**1,211,567**
Balances at 31 December 2015	**693,940**	**455,095**	**14,699**	**1,163,734**

At 31 December 2015 fully depreciated tangible assets still in use totalled €375,933 thousand (€224,028 thousand at 31 December 2014).

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 the value of 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. Since the restatement of assets as a result of tax legislation is not allowed by IFRS-EU, the carrying value of the assets did not change in consolidated terms.

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.

The 2015 individual annual accounts for Ibercaja Banco, S.A. provides the information required by Article 9.12 of Law 16/2012 on restated items recognized in the Entity's equity.

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 2015 and 2014, not taking into account impairment losses, is as follows:

	Thousand euro			
	Cost	**Accumulated depreciation**	**Impairment losses**	**Net balance**
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**
Computer equipment and installations	238,516	(207,231)	-	31,285
Furniture, vehicles and other installations	428,755	(369,548)	-	59,207
Buildings	745,554	(147,697)	(1,467)	596,390
Buildings in course of construction	7,058	-	-	7,058
Balances at 31 December 2015	**1,419,883**	**(724,476)**	**(1,467)**	**693,940**

In 2015 no indemnities from third parties were received for asset impairment and no indemnities were receivable at 31 December 2014.

There are no major commitments to purchase property, plant and equipment for own use or restrictions on their ownership at 31 December 2015 and 2014.

16.2 Investment properties

In 2015 rental income from the Group's investment property amounted to €12,247 thousand (€12,240 thousand in 2014), other related expenses amounted to €2,572 thousand (€791 thousand in 2014) and operating expenses were incurred in respect of depreciation in 2015 amounting to €10,411 thousand (€9,237 thousand in 2014).

In 2015 78.13% (75.12% in 2014) 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 being appraised. These properties have mainly been appraised 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 appraiser is indicated.

	Thousand euro			
	Carrying value		Of which: valued by an independent appraiser	
	2015	2014	2015	2014
Investment properties	**573,309**	**588,519**	**447,918**	**442,087**
Residential	112,301	185,169	96,102	104,152
Commercial and industrial	457,785	400,125	351,816	337,881
Agricultural	3,223	3,225	-	54

The aforementioned appraisals were mostly carried out in 2015 and 2014.

The fair value of the assets calculated by independent appraisers amounts to €466,306 thousand at 31 December 2015 (€458,842 thousand at 31 December 2014).

The appraisals 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 leases

The Group includes in this caption mainly the assets subject to operating lease agreements, which amount to €14,699 thousand at 31 December 2015 (€15,957 thousand at 31 December 2014). In 2015 rental income from these assets amounted to €5,852 thousand (€6,400 thousand in 2014), while operating expenses in respect of depreciation and other related expenses amounted to €3,212 thousand and €961 thousand, respectively (€3,934 thousand and €1,230 thousand in 2014).

16.4 Impairment losses

During 2015 impairment losses amounting to €714 thousand were recognised on property, plant and equipment for own use and €3,698 thousand on investment properties (€1,916 thousand and €30,279 thousand in 2014) (Note 39).

17. <u>Intangible assets</u>

17.1 Goodwill

A breakdown of the items making up this consolidated balance sheet heading at 31 December 2015 and 2014 is as follows:

	Thousand euro	
Company	**2015**	**2014**
Banco Grupo Cajatres, S.A.U. (Note 1.10.2)	128,065	128,065
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	16,869
	144,934	**144,934**

The goodwill associated with Caja Badajoz Vida y Pensiones, S.A de Seguros arose from the acquisition on 3 September 2014 of the 50% of that entity that the Group did not own 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). In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (Target company) merged into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Acquiring company).

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 2020, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of €385 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 9.6%.

A sensitivity analysis was performed of the valuation given the 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.

The main assumptions used in the value-in-use calculation are summarized below:

- Estimated cash flows base on the Company's business plan.

  - Recovery of the 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 1.7% currently), a beta of 1.4 (versus 1.2 at present for median banks over the past five years) and a market risk premium of 4%.

- Growth rate to perpetuity of cash flows as from 2019

  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
Software	90,734	(71,399)	(271)	19,064
Trademark	7,500	(2,250)	-	5,250
Relations with Banco Grupo Cajatres, S.A.U. customers (core deposits)	45,031	(8,139)	-	36,892
Other	4,345	(1,637)	(1,400)	1,308
Balances at 31 December 2014	**147,610**	**(83,425)**	**(1,671)**	**62,514**
Computer software	101,886	(79,623)	-	22,263
Trademark	7,500	(3,750)	-	3,750
Relations with Banco Grupo Cajatres, S.A.U. customers (core deposits)	45,031	(13,561)	-	31,470
Rest	1,616	(462)	-	1,154
Balances at 31 December 2015	**156,033**	**(97,396)**	**-**	**58,637**

“Trademark” 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 “Relations with Banco Grupo Cajatres, S.A.U. customers” reflects the net present value of the cost savings represented by the sight and term deposits of this entity at the time of the acquisition with respect to other sources of alternative financing.

Movements in this consolidated balance sheet caption in 2015 and 2014 were as follows:

	Thousand euro				
	Software	**Trademark**	**Customer relations Banco Grupo Cajatres**	**Other**	**Total**
Cost					
Balances at 1 January 2014	**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**
Additions	8,374	-	-	-	8,374
Disposals due to sales or through other means	(603)	-	-	(2,729)	(3,332)
Other transfers and other movements	3,381	-	-	-	3,381
Balances at 31 December 2015	**101,886**	**7,500**	**45,031**	**1,616**	**156,033**
Accumulated amortisation					
Balances at 1 January 2014	**(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)**
Disposals due to sales or through other means	277	-	-	1,312	1,589
Transfers against the income statement	(5,111)	(1,500)	(5,422)	(137)	(12,170)
Other transfers and other movements	(3,390)	-	-	-	(3,390)
Balances at 31 December 2015	**(79,623)**	**(3,750)**	**(13,561)**	**(462)**	**(97,396)**
Impairment losses					
Balances at 1 January 2014	**(271)**	**-**	**-**	**(1,400)**	**(1,671)**
Transfer charged to profit and loss for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances at 31 December 2014	**(271)**	**-**	**-**	**(1,400)**	**(1,671)**
Transfer charged to profit and loss for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	271	-	-	1,400	1,671
Balances at 31 December 2015	**-**	**-**	**-**	**-**	**-**
Net other intangible asset					
Balances at 31 December 2014	**19,064**	**5,250**	**36,892**	**1,308**	**62,514**
Balances at 31 December 2015	**22,263**	**3,750**	**31,470**	**1,154**	**58,637**

At 31 December 2015 fully amortised intangible assets still in use amount to €62,321 thousand (€58,396 thousand at 31 December 2014).

18. Other assets

The balances under this heading on the consolidated balance sheets at 31 December 2015 and 2014 are analysed below:

	Thousand euro	
	2015	**2014**
Accruals and deferred income	22,360	20,144
Inventories	428,831	411,186
Transactions in transit	2,903	3,082
Other	44,039	22,285
Total gross amount	**498,133**	**456,697**
(Impairment losses)	(186,110)	(178,571)
Total net amount	**312,023**	**278,126**

Impairment analysed above relates in full to Inventories.

Movements in Inventories in 2015 and 2014 are as follows:

	Thousand euro		
	Foreclosure assets	**Other assets**	**Total**
Cost			
Balances at 1 January 2014	**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**
Additions	4,115	1,042	5,157
Disposals due to sales or through other means	(9,879)	-	(9,879)
Other transfers and other movements	15,715	6,562	22,277
Balances at 31 December 2015	**331,204**	**97,627**	**428,831**
Impairment losses			
Balances at 1 January 2014	**(167,796)**	**(62,622)**	**(230,418)**
Transfer charged to profit and loss for the year	(562)	(2,537)	(3,099)
Recovered amount credited to profits	1,842	-	1,842
Applications and other movements	236	52,868	53,104
Balances at 31 December 2014	**(166,280)**	**(12,291)**	**(178,571)**
Transfer charged to profit and loss for the year	(2,653)	(664)	(3,317)
Recovered amount credited to profits	157	-	157
Applications and other movements	(4,379)	-	(4,379)
Balances at 31 December 2015	**(173,155)**	**(12,955)**	**(186,110)**
Net inventories			
Balances at 31 December 2014	**154,883**	**77,732**	**232,615**
Balances at 31 December 2015	**158,049**	**84,672**	**242,721**

Within the inventory balance, €331,204 thousand pertains to residential real-estate assets (€321,163 thousand at 31 December 2014).

The appraisals of the above assets have been restated principally in the past three years. Appraisals have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets being appraised. Most appraisals 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 2015 and 2014 break down as follows:

	Thousand euro	
	2015	**2014**
Cost of sales of inventories disposed of during the year	5,413	5,160
Impairment losses on inventories (Note 39)	3,160	1,257
Impairment write-downs	3,508	1,374
Impairment write-down reversals	(348)	(117)
Total net amount	**8,573**	**6,417**

19. <u>Financial liabilities at amortized cost</u>

The items making up this consolidated balance sheet caption at 31 December 2015 and 2014 are as follows:

	Thousand euro	
	2015	**2014**
Deposits from central banks (Note 19.1)	2,053,035	4,848,302
Deposits from credit institutions (Note 19.2)	4,908,740	3,241,613
Customer deposits (Note 19.3)	39,029,448	39,868,562
Marketable debt securities (Note 19.4)	925,818	1,631,249
Subordinated liabilities (Note 19.5)	1,047,035	556,574
Other financial liabilities (Note 19.6)	617,241	677,860
	48,581,317	**50,824,160**

19.1 Deposits from central banks

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2015 and 2014, based on the nature of the transaction concerned, is indicated below:

	Thousand euro	
	2015	**2014**
European Central Bank	2,051,250	4,790,000
Valuation adjustments	1,785	58,302
	2,053,035	**4,848,302**

At 31 December 2015 and 2014 this heading includes the funding obtained from the European Central Bank's extraordinary liquidity auctions (TLTRO) maturing between 2015 and 2018.

The average effective interest rate on debt instruments classified in this caption during 2015 was 0.08% (0.17% at 31 December 2014).

19.2 Deposits from credit institutions

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2015 and 2014, based on the nature of the transaction concerned, is indicated below:

	Thousand euro	
	2015	**2014**
On demand	**10,764**	**10,687**
Other accounts	10,764	10,687
Term or pre-notification deposits	**4,893,416**	**3,222,764**
Fixed-term deposits	905,109	1,078,442
Asset ceded under repurchase agreements	3,968,229	2,131,152
Other accounts	20,078	13,170
Valuation adjustments	**4,560**	**8,162**
	4,908,740	**3,241,613**

The average effective interest rate on debt instruments classified in this caption during 2015 was 0.28% (0.67% in 2014).

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 Group has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7. are not fulfilled. The carrying value of financial instruments covered by these agreements and the deposits payable and receivable generated with the counterparties are as follows:

	Thousand euro	
	Financial instruments subject to offset agreements	
	2015	**2014**
Assets under repos	7,954	6,653
Liabilities under repos	6,867	4,467

	Thousand euro	
	Deposits subject to repo offset agreements	
	2015	**2014**
Deposits recognised under assets	7,181	4,100
Deposits recognised under liabilities	6,242	1,367

19.3 Customer deposits

The composition of the balance under this caption in the consolidated balance sheets at 31 December 2015 and 2014, based on the geographic location, nature and counterparties of the transaction concerned, is indicated below:

	Thousand euro	
	2015	**2014**
By geographical location		
Spain	38,890,989	39,727,859
Rest of world	138,459	140,703
	39,029,448	**39,868,562**
By nature		
Demand deposits	17,950,718	14,991,042
Current accounts	*13,278,720*	*11,431,082*
Savings accounts	*4,648,355*	*3,551,910*
Other deposits	*23,643*	*8,050*
Term deposits	18,203,629	22,596,416
Fixed term deposits	*12,016,345*	*15,580,368*
Non-marketable bonds and mortgage backed bonds	*4,151,162*	*5,104,469*
Hybrid deposits	*1,961,857*	*1,846,356*
Rest of term deposits	*74,265*	*65,223*
Temporary assignment of assets	2,336,755	1,605,539
Valuation adjustments	538,346	675,565
	39,029,448	**39,868,562**
By counterparty		
Resident Public Administrations	752,976	781,634
Other resident sectors	38,138,013	38,946,225
Non-resident Public Administrations	17	10
Other non-resident sectors	138,442	140,693
	39,029,448	**39,868,562**

The average effective interest rate on debt instruments classified in this caption during 2015 was 0.77% (1.15% in 2014).

The heading mortgage backed bonds (in the breakdown by nature) includes unique mortgage backed bonds issued under Law 2/1981 (25 March) governing the Mortgage Market for amounts of €4,151,162 thousand (€5,104,469 thousand at 31 December 2014). The mortgage bonds have been issued at variable 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 2015 and 2014 are analysed below:

	Thousand euro	
	2015	2014
Promissory notes and bills	-	13,752
Nominal mortgage backed bonds (Note 43.1)	3,430,000	3,930,000
Nominal value of other securities linked to transferred financial assets	784,133	1,023,621
Nominal ordinary bonds	11,747	11,747
Treasury shares	(3,318,201)	(3,384,878)
Valuation adjustments	18,139	37,007
	925,818	**1,631,249**

A breakdown of the securities issues associated with financial assets transferred is as follows:

					Thousand euro	
					Amount subscribed	
Rate	**Nominal interest**	**Issue date**	**Maturity date**	**Nominal issue**	**2015**	**2014**
TDA2 securitisation bonds	Variable	13.10.2005	(*)	904,500	130,673	208,457
TDA3 securitisation bonds	Variable	12.05.2006	(*)	1,007,000	148,588	226,249
TDA4 securitisation bonds	Variable	18.10.2006	(*)	1,410,500	166,255	207,946
TDA5 securitisation bonds	Variable	11.05.2007	(*)	1,207,000	168,497	193,557
TDA6 securitisation bonds	Variable	25.06.2008	(*)	1,521,000	22,124	21,550
TDA ICO-FTVPO securitisation bonds	Variable	15.07.2009	(*)	447,200	147,996	165,862
					784,133	**1,023,621**

(*) These bonds are amortised as the mortgage loans that have been assigned to the relevant securitization fund are repaid.

Details of issues of other non-convertible securities are as follows:

					Thousand euro	
					Amount subscribed	
Rate	**Nominal interest**	**Issue date**	**Maturity date**	**Nominal issue**	**2015**	**2014**
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	**11,747**

The average effective interest rate on debt instruments classified in this caption during 2015 was 0.81% (1.75% in 2014).

19.5 Subordinated liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2015 and 2014 is analysed below:

	Thousand euro	
	2015	2014
Nominal preferred shares	5,000	5,233
Nominal subordinated bonds	625,227	142,246
Contingent convertible bonds (Note 1.10.1.4)	407,000	407,000
Valuation adjustments	9,808	2,095
	1,047,035	**556,574**

The figure for preferred shares relates to the outstanding balance of an issue in 2006 for a nominal value of €150,000 thousand with an indefinite duration and an interest rate of 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 early redemption right is not exercised, the nominal annual variable interest rate applicable to this issue will be increased as from that date by 100 basis points.

Details regarding each issue of subordinated bonds are as follows:

			Thousand euro	
			Nominal amount	
Issue	**Nominal interest**	**Maturity**	**2015**	**2014**
20 April 2006	Variable	20 April 2018 (*)	45,454	62,433
25 April 2007	Variable	25 April 2019 (*)	79,743	79,765
18 October 2001	Mixed	October 18, 2021	-	18
15 June 2007	Mixed	June 15, 2022	30	30
28 July 2015	Indefinite	28 July 2025 (**)	500,000	-
			625,227	**142,246**

(*) The Group reserves the right to redeem these issues after 7 years since the issue date have elapsed and after receiving authorisation from the competent authority.
(**) The Group reserves the right to redeem these issues 5 years after the issue date. There is also the possibility that the issuer will amortise the issue early before the end of the 5-year period for reasons relating to changes in the tax treatment of the product and/or its classification as an equity instrument. These amortisations must be approved by the competent authority in every case.

These issues are subordinated and come behind all common creditors with respect to debt seniority.

On 28 July 2015 disbursement was made for the issue of the subordinated bonds that Ibercaja Banco, S.A. made into the market on 21 July 2015 for the nominal amount of €500 million and with a projected maturity date of 28 July 2025. The bonds were listed for trading on the AIAF Fixed Income Market. The subordinated bonds had a face value issue price and they accrue a fixed annual coupon of 5% until 28 July 2020. Starting on 29 July 2020 they will accrue a fixed interest rate equal to the applicable 5-year swap rate (5-year mid-swap rate) plus a 4.551% spread. The Group processes the subordinated bonds as Tier 2 equity instruments in accordance with Regulation (EU) 575/2013 (26 June 2013) on prudential requirements for credit institutions and investment companies.

Issues of preferred 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 €49,386 thousand at 31 December 2015 (€36,981 thousand at 31 December 2014).

The average effective interest rate on debt instruments classified in this caption during 2015 was 6.73% (6.62% in 2014).

19.6 Other financial liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2015 and 2014 is analysed below:

	Thousand euro	
	2015	**2014**
Debentures payable	66,602	161,498
Guarantee deposits received	3,454	1,537
Collection accounts	352,312	319,212
Special accounts	51,664	37,700
Financial guarantees	1,828	1,414
Other items	141,381	156,499
	617,241	**677,860**

19.7 Information on the average payment period to suppliers. Additional Provision Three. "Disclosures" established by Law 15/2010 (5 July)

In accordance with the content of final provision two of Law 13/2014 (3 December), which amends additional provision three of Law 15/2010 (5 July) that modifies Law 3/2004 (29 December), which establishes measures to combat late payments in commercial transactions and, with respect to the information to be included in the notes to the annual accounts regarding the deferral of payments to suppliers in commercial transactions calculated based on the provisions of the Resolution issued on 29 January 2016 by the Accounting and Audit Institute, the information that must be reported in 2015 is as follows:

	2015
	Days
Average payment period to suppliers	21
Ratio of payments made	19
Ratio of payments outstanding	65
	Thousand euro
Total payments made	320,424
Total payments outstanding	12,843

As is stipulated by the Single Additional Provision of the Resolution dated 29 January 2016 issued by the Accounting and Audit Institute, on the information to be included in the notes to the annual accounts relating to the average supplier payment period for commercial transactions, no comparative information is included in the annual accounts since this is the first year the Resolution is applicable and these annual accounts are considered to be initial accounts for the exclusive purposes of the principle of uniformity and the comparability requirement.

20. <u>Liabilities under insurance contracts</u>

At 31 December 2015 and 2014 the balances in this caption on the consolidated balance sheets are as follows:

	Thousand euro	
	2015	**2014**
Technical reserves for:		
Unearned premium reserve (non-life)	6	-
Life insurance:	6,211,485	6,814,418
Unearned premium reserve	*17,380*	*16,259*
Mathematical reserve	*6,194,105*	*6,798,159*
Benefits pending payment	51,215	45,172
Profit sharing and returned premiums	8,645	18,440
Life insurance in which the investment risk is borne by the policyholders	110,871	225,487
	6,382,222	**7,103,517**

There is no accepted reinsurance at 31 December 2015 and 2014.

The reconciliation between the beginning and ending balances under this heading in 2014 and 2015 is as follows:

	Thousand euro
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**
Net transfers	(622,015)
Other movements	(99,280)
Balances at 31 December 2015	**6,382,222**

(*) Derived from the merger of Caja Badajoz Vida y Pensiones, S.A. de Seguros, described in Note 17.1.1.

On 30 November 2015 almost all of the policies contracted by the Control Committee for Ibercaja Empleados, F.P. and CAI Empleo, F.P. ceased to be insured. The mathematical reserves for the policies totalled €623,859 thousand, including their profit sharing amounting to €46,679 thousand.

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.

Ibercaja Vida has policy manuals that describe the management and control strategies for each of the aforementioned risks. Those policies comply with the requirements of the Solvency II Regulations that will enter into force on 1 January 2016 and have been approved by the Board of Directors.

The Company has also implemented the Three Lines of Defence Model to guarantee effective risk management and supervision.

Market, liquidity, counterparty and operational risks on this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 Risk Management. The insurance business risk lies with life policies, which consists of the risk of incurring losses deriving from an increase in the value of liabilities as a result of a failure to meet the assumptions (mortality, longevity, decline in the portfolio, expenses, etc.) under which the policies were written. This risk includes a series of sub-risks, the most significant of which are set out below:

- Longevity risk: the risk of incurring losses due to an increase in the survival rate of insureds above projections. Its impact derives from the arrangement of life annuities and liability policies managed by the insurance company. To manage longevity risk, the insurance company follows up on the technical result obtained by the affected portfolios on a monthly basis.

- Portfolio decline risk: risk of incurring losses deriving from a change in the surrender rates above projections. The impact derives from the volatility of the savings and life-risk business. To manage portfolio decline risk, the insurance company follows-up on the historic evolution of surrender rates, taking into account prior year experience. The conclusions 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. It is thus verified that the flows expected from the assets are sufficient in time and quantity to meet expected future commitments.

  A mass surrender stress test is performed monthly on those products that have a guaranteed interest rate exceeding one year that analyses the behaviour of assets and liabilities and, therefore, the impact that there would be on profits in the event that a mass surrender leads to the forced sale of assets.

- Mortality risk: the risk of incurring losses due to a higher than projected mortality rate. The impact mainly originates from life-risk insurance. A rating system exists for the management of mortality risk and it takes into consideration the personal characteristics of each insured to determine the premium to be collected.

  To evaluate the risk arising on the insurance policy the customer must provide information regarding his/her personal situation. The circumstance of the insureds that make aggravate the assumed risks are therefore analysed by the Company before writing the policy so that the premium can be brought into line with the level of risk.

  The rating system is regularly reviewed by the risk control department and accepted by the reinsurance companies to which Ibercaja Vida cedes part of the risks.

The Company monitors the claims ratio associated with each marketed product on a monthly basis, analysing the sufficiency of the mortality tables, the claims frequency rate and their average cost, as well as the sufficiency of the Company's management costs. The effect of the mortality risk on the income statement for each product is analysed and any deviation from the projected claims ratio is examined.

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 - savings		Life annuities		Unit-linked insurance		Individual life (risk) insurance		Total life insurance	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Portfolio at 31 December (No. contracts)	418,652	420,878	51,776	50,384	9,818	22,077	358,776	341,277	839,022	834,616
No. expected claims	1,793	1,788	2,193	2,105	95	312	509	495	4,590	4,700
No. actual claims	941	971	1,849	1,863	90	337	403	365	3,283	3,536
Percentage (actual/expected)	52.48%	54.32%	84.31%	88.38%	94.74%	108.18%	79.17%	73.75%	71.53%	75.51%

The insurance company has 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 adequacy of this reinsurance policy to the business volume was validated in 2008 by the actuarial analysis department at a reinsurance company. In 2014 and 2015 Ibercaja Vida's technical department performed a broad review of the reinsurance policy at the time of the merger of the life insurance businesses of CAI Vida y Pensiones and de Caja Badajoz Vida y Pensiones.

20.2 Classification of the insurance risk

The Group applies an insurance risk diversification policy and has mechanisms that allow it to detect any type of risk concentration. The use of reinsurance policies as a manner of mitigating the risk deriving from concentrations or the accumulation of guarantees in excess of maximum acceptance levels is a habitual practice.

Set out below are the premiums issued, classified based on their characteristics:

	Thousand euro	
	2015	**2014**
Life insurance (risk) premiums	59,221	55,091
Savings insurance premiums	930,387	1,053,898
	989,608	**1,108,989**
Premiums for individual policies	977,330	1,101,059
Premiums for group policies	12,278	7,930
	989,608	**1,108,989**
Recurring premiums	348,334	426,207
Single premiums	641,274	682,782
	989,608	**1,108,989**
Premiums for policies with no profit-sharing	973,392	1,066,400
Premiums for policies with profit-sharing	14,259	40,206
Premiums for policies where the investment risk is assumed by the policyholder	1,957	2,383
	989,608	**1,108,989**

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 €992,563 thousand at 31 December 2015 (€1,112,826 thousand at 31 December 2014). This heading also reflects income from reinsurance amounting to €2,955 thousand at 31 December 2015 (€3,837 thousand at 31 December 2014).

According to the Directorate General for 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 2015 amounting to €992,975 thousand, (€1,113,735 thousand in 2014) relate to the underwriting reserves associated with such contracts.

20.3 Sensitivity to insurance risk

The Group carries out a sensitivity analysis regularly, stressing each of the risk components of its portfolio on a stand-alone basis, affecting both the asset and liability and following Solvency II methodology.

Asset and liability flows are discounted at the euroswap curve rate at 31 December 2015 while the impact resulting from a variation in the interest rate curve is as follows:

- A parallel increase of 50 basis points in the discount curve entails a reduction of 2.26% in the value of the asset and 1.77% in the value of the liability.
- A parallel fall of 50 basis points in the discount curve entails an increase of 2.41% in the value of the asset and 1.91% 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. Provisions

Movements in 2015 and 2014, and the purpose of the provisions recorded under these captions in the consolidated balance sheet at 31 December 2015 and 2014, 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 1 January 2014	**152,267**	**5,949**	**22,382**	**81,223**
Appropriations charged to income statement				
Interest and similar charges	196	-	-	-
Appropriations to provisions and other	574	6,070	10,653	18,603
Personnel expenses (Note 37)	-	-	-	77,390
Reversal of provisions by credit to income	-	-	-	(20,543)
Provisions utilised	(1,828)	-	(7,717)	(13,579)
Transfers (Note 37.2)	(11,867)	(909)	-	-
Other movements	33,413	(803)	709	-
Balances at 31 December 2014	**172,755**	**10,307**	**26,027**	**143,094**
Appropriations charged to income statement				
Interest and similar charges	96	-	-	-
Appropriations to provisions and other	1,675	-	2,856	37,632
Personnel expenses (Note 37)	-	-	-	-
Reversal of provisions by credit to income	(988)	-	(3,967)	(233)
Provisions utilised	(3,003)	(38)	(137)	(52,035)
Other movements	(23,346)	71	55	6,175
Balances at 31 December 2015	**147,189**	**10,340**	**24,834**	**134,633**

The breakdown of the caption “Provisions for pension and similar obligations” is set out in Note 37 - “Personnel expenses”.

The caption “Provisions - Provisions for contingent exposures and commitments” includes impairment losses related to the financial guarantees granted by the Company (Note 27.1).

A relevant portion of the balance under “Other provisions” corresponds to the labour cost relating to the redundancy proceedings in 2013, 2014 and 2015 pending payment (€51,480 thousand and €96,402 thousand at 31 December 2015 and 2014; Note 34). 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 2015 and 2014:

	Thousand euro	
	2015	**2014**
Liabilities		
Early retirement agreement	853	2,168
Externalised post-employment benefits	134,051	156,638
Non-externalised post-employment benefits	6,577	7,018
Fund for labour-related costs of the restructuring plan (Notes 1.10, 1.2 and 37.2)	5,708	6,931
	147,189	**172,755**

The balance in net liabilities figuring on the balance sheet for defined benefit plans breaks down as follows:

	Thousand euro	
	2015	**2014**
Commitments on the balance sheet relating to:		
Post-employment benefits (Note 37.2)	(15,388)	(37,841)
Other long-term compensation - early-retirement (Note 37.3)	(6,562)	(9,099)
Other long-term compensation - remainder	-	-
(Shortfall)/Surplus	**(21,950)**	**(46,940)**
Impact of limit on assets	(2,058)	(2,041)
Net liability figuring on balance sheet:	**(24,008)**	**(48,981)**
Assets linked to pensions (*)	116,885	119,569
Net pension assets (**)	6,296	4,205
Net pension (provision)	(147,189)	(172,755)

(*) 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	
	2015	**2014**
Defined benefit plans	(1,264)	(3,434)
Contributions to defined contribution plans	(15,290)	(1,978)
Interest and similar expenses	340	114
Transfers to provisions	(542)	1,254
Actuarial gains/(losses) on long-term employee benefits	(145)	-
	(16,901)	**(4,044)**

Amounts recognised on the statement of changes in equity:

	Thousand euro	
	2015	**2014**
Actuarial gains/(losses) on post-employment benefits	21,714	(38,932)
Limitation on assets	(18)	224
	21,696	**(38,708)**

The main financial and actuarial assumptions used in measuring the commitments are as follows:

	2015	2014
Technical interest rate	0.46% - 4.00%	0.32% - 4.00%
Expected yield on assets	0.46% - 4.00%	0.32% - 4.00%
Annual pension revision rate	1.00% - 2.00%	1.00% - 2.00%
Annual salary increase rate	2.00%	2.00%
Growth in Social Security contribution bases	1.00%	1.00%
Retirement age	63 – 67 years and agreed	60 – 67 years and agreed
Disability tables	75% Soc. Sec. Inv. rates	75% Soc. Sec. Inv. rates
Mortality tables	PER 2000P - PER 2000C	PER 2000P - PER 2000C
Life expectancy		
Employees retiring in 2015/2014		
Male	22.06	21.94
Female	26.55	26.43
Employees retiring in 2035/2034		
Male	24.40	24.29
Female	28.74	28.64

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 10.72 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 2015 and 2014 is analysed below:

	Thousand euro	
	2015	2014
Personnel expense apportionment	15,885	26,464
Transactions in transit	3,003	2,396
Contribution to the Deposit Guarantee Fund (1.8.2)	33,327	53,901
Other	64,798	64,937
	117,013	**147,698**

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 valuation adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26) is as follows:

	Thousand euro				
	2015				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Tier 1	Tier 2	Tier 3
Listed equity instruments	18,091	189,551	189,551	-	-
Unlisted equity instruments	39,773	164,341	-	-	164,341
Listed fixed interest securities	429,908	15,157,312	14,451,162	706,150	-
Total	**487,772**	**15,511,204**	**14,640,713**	**706,150**	**164,341**

	Thousand euro				
	2014				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Tier 1	Tier 2	Tier 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**

23.2 Other valuation adjustments

Almost all valuation adjustments relate to corrections of accounting mismatches (Note 2.19).

24. Shareholder's funds and non-controlling interests

24.1 Shareholder's funds

At 31 December 2015 and 2014, this heading breaks down as follows:

	Thousand euro	
	2015	2014
Share capital	2,144,276	2,611,730
Reserves	387,156	(244,024)
Legal reserve	*214,428*	*4,950*
Revaluation reserves	*3,304*	*3,308*
Reserve for goodwill	*6,403*	-
Reserves in companies measured using the equity method:	*(63,590)*	*(82,987)*
Other reserves	*226,611*	*(169,295)*
Profit attributed to the parent company	84,123	150,653
Total	**2,615,555**	**2,518,359**

24.1.1 Share capital

Share capital at 31 December 2015 consists of 2,144,275,998 shares (2,611,729,998 shares at 31 December 2014) with a par value of €1 each, all of the same class and series. The Bank's shares are represented by bearer certificates.

The shareholders of Ibercaja Banco, S.A. are as follows:

	Thousand euro	
	31/12/2015	31/12/2014
Fundación Bancaria Ibercaja	87.80%	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%	4.85%
Cajacírculo Fundación Bancaria	3.45%	3.45%
Fundación Ordinaria Caja Badajoz	3.90%	3.90%

During 2015 the Entity's equity structure was adapted through a share capital reduction totalling €467,454 thousand in order to offset prior year losses in the amount of €253,026 thousand and to create a legal reserve of €214,428 thousand, equivalent to 10% of share capital after the reduction.

24.1.2 Reserves

Appendix II includes a breakdown by companies generating the balance under “Reserves in entities carried under the equity method” and the rest of the accumulated reserves.

24.1.2.1 Legal reserve

In accordance with the Spanish Companies Act 2010, 10% of profits for the year must be transferred to the legal reserve each year until it represents at least 20% of share capital. Until the legal reserve exceeds the indicated amount, it may only be used to offset losses if no other reserves are available for this purpose.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

24.1.2.2 Revaluation reserves

The revaluation reserves are the result of the accounting restatement that was applied as a result of the first application of IFRS-EU and which cannot be directly or indirectly distributed unless the capital gain has been realized, which is understood to take place when:

a) The part of the restated assets corresponding to the reserve has been depreciated.

b) The restated assets have been transferred or removed from the books.

24.1.2.3 Reserve for goodwill

At 31 December 2015 the reserve for goodwill is recognized in accordance with the requirements established by Article 273.4 of the Spanish Companies Act 2010 and it is not available. Law 22/2015 (20 July) on Audits stipulates that in the years starting on or after 1 January 2016 the reserve for goodwill will be reclassified to the Company's voluntary reserves and it will be available starting on that date in the amount that exceeds the goodwill recognized on the asset side of the balance sheet.

24.2 Non-controlling interests

Movements in non-controlling interest in 2015 and 2014 are set out below for each of the subsidiaries concerned:

Movements in 2015:

	Thousand euro					
Company	**Balance at 01.01.15**	**Increases in shareholding**	**Decreases in shareholding**	**Attributed results**	**Other changes in equity**	**Balance at 31.12.15**
Agencia de Viajes de la Caja de Ahorros de Badajoz, S.A.	(5)	-	-	(20)	25	-
Dopar, S.L.	115	-	-	(11)	(6)	98
Enclama, S.L.	152	-	-	53	(7)	198
Grupo Alimentario Naturiber, S.A.	285	571	-	(43)	-	813
Viajes Caja Círculo, S.A	(20)	-	-	(23)	43	-
Total	**527**	**571**	**-**	**(44)**	**55**	**1,109**

Movements in 2014:

Company	Thousand euro					
	Balance at 01.01.14	Increases in shareholding	Decreases in shareholding	Attributed results	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**	**-**	**(81)**	**71**	**(1,477)**	**527**

Relevant financial information concerning the companies making up non-controlling shareholdings is set out below at 31 December 2015:

Company	Thousand euro			
	Assets	Liabilities	Profit/(loss) after taxes	Cash flow
Dopar, S.L.	365	136	(25)	136
Enclama, S.L.	601	135	124	237
Grupo Alimentario Naturiber, S.A.	53,716	49,017	237	159

Relevant financial information concerning the companies making up non-controlling shareholdings is set out below at 31 December 2014:

Company	Thousand euro			
	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.	378	123	10	52
Enclama, S.L.	552	210	119	237
Grupo Alimentario Naturiber, S.A.	65,307	60,331	117	1,353
Viajes Caja Círculo, S.A	126	13	187	33

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 la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporate Income Tax Consolidated Tax Group (No. 579/11). Since 2012 the rest of the Group companies have been added to this tax group when they qualify and therefore the settlement of corporate income tax is done on a consolidated basis.

As a result of the securities exchange in July 2013 under which Ibercaja Banco took control of Banco Grupo Cajatres the latter and its subsidiaries that met the requirements were included in the tax consolidation group starting on 1 January 2014.

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 subrogated to all the rights and relationships associated therewith, including those related to tax.

In this respect, the years 2011 and subsequent years are open to inspection by the tax authorities for corporate income tax for Fundación Bancaria Ibercaja, and 2011 and subsequent years for other Group entities. For other taxes, the periods after December 2011 are open to inspection.

In 2015 the inspection was completed of the former Caja de Ahorros y Monte de Piedad del Círculo Católico Obrero de Burgos concerning corporate income tax for 2008 through 2010 and other taxes in periods subsequent to June 2009. There was no adverse financial impact deriving from the inspection. Monte de Piedad y Caja General de Ahorros de Badajoz and Caja de Ahorros de la Inmaculada de Aragón are open to inspection of 2011 and subsequent years for corporate income tax and the rest of the taxes to which they are liable for periods subsequent to December 2011.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be reasonably 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 2015 and 2014 and the corporate income tax expense is as follows:

	Thousand euro	
	2015	**2014**
Consolidated profit before tax	**118,237**	**215,106**
Corporate income tax at the 30% tax rate	35,471	64,532
Effect of permanent differences	(447)	(1,587)
Other adjustments on consolidation	1,787	4,635
Tax deductions and tax credits	(2,088)	(3,495)
Corporate income tax expense for the year	**34,723**	**64,085**
Adjustments to prior year tax expense	(565)	297
Total corporate income tax expense	**34,158**	**64,382**

The corporate income tax expense in Portugal is €49 thousand (€291 thousand at 31 December 2014).

The corporate income tax expense increased in 2015 by €85,548 thousand due to the deferred taxes related to the origination and reversal of temporary differences (€16,356 thousand reduction in 2014).

In years prior to 2015 income was generated that gave rise to the then available deduction for the reinvestment of extraordinary profits and the reinvestment commitment arising from that deduction has been fulfilled. The following table shows the extraordinary gains that resulted in the 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	9,229	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 2015 and 2014 are as follows:

	Thousand euro	
	Deferred taxes assets	**Deferred taxes liabilities**
Balance at 1 January 2014	**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**
Prior year restatement and other	(12,697)	15,033
Generated during the year	83,543	410
Applied during the year	(115,170)	(2,212)
Change in deferred tax assets and liabilities applied to equity	(7,703)	(76,003)
Balance at 31 December 2015	**1,375,467**	**344,617**

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	
	2015	2014	2015	2014
Impairment of financial assets	694,244	774,868	5,393	5,518
Pension commitments and other provisions	58,593	63,556	-	-
Fixed assets	-	-	177,173	179,732
Foreclosed assets	32,982	28,439	-	-
Other adjustments	27,281	18,554	96,300	80,385
Total temporary differences with a balancing entry in the income statement	**813,100**	**885,417**	**278,866**	**265,635**
Total temporary differences with a balancing entry in equity	**14,694**	**22,397**	**65,751**	**141,754**
Credit in respect of available tax losses	527,018	519,369	-	-
Credit for available deductions	20,655	311	-	-
Total tax credits	**547,673**	**519,680**	-	-
	1,375,467	**1,427,494**	**344,617**	**407,389**

The breakdown of corporate income tax associated with each item included in the statement of recognised income and expenses is as follows:

	Thousand euro	
	2015	2014
Actuarial gains/(losses) on defined benefit pension plans	(6,509)	11,613
Items that will not be reclassified to income statement	**(6,509)**	**11,613**
Available-for-sale financial assets	86,436	(184,785)
Valuation gains/(losses)	47,275	(197,728)
Amounts transferred to the income statement	39,161	12,943
Reversal of deferred tax liabilities	17,319	-
Cash flow hedges	(42)	42
Entities measured under the equity method	-	-
Other recognised income and expenses	(28,904)	115,409
Items that may be reclassified to income statement	**74,809**	**(69,334)**
	68,300	**(57,721)**

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 (29 November) amended the Corporate Income Tax Act 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.

Subsequently, on 28 November 2014 Law 27/2014 on corporate income tax was published and is valid for the tax periods commencing on or after 1 January 2015, except for the Final Provisions Four through Seven which entered into force on 29 November 2014.

The main amendments to Law 27-2014 were as follows:

- Tax-loss carry forwards yet to be offset at 1 January 2015 may be offset in subsequent tax periods, without any time limit whatsoever.
- Modification of the general tax rate from 30% to 25%. However, the Law recognises that Financial entities and their tax consolidation groups will continue to be taxed at the 30% rate.
- A limitation is placed on the inclusion of deferred assets that may be monetized in the tax base and the offset of tax bases (25% in 2014 and 2015; 60% in 2016 and 70% in 2017 and subsequent years).

In 2015, the net amount of deferred tax assets and liabilities related to temporary differences amounted to €483,177 thousand (€500,425 thousand at 31 December 2014). 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 2015 these deferred tax assets amounted to €648 million (€667 million 31 December 2014), 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 2015 there are deferred tax assets for tax loss carryforwards pending offset and unused tax credits amounting to €547,673 thousand (€519,680 thousand at 31 December 2014). The vast majority of these tax assets result from prior year losses that were extraordinary and non-recurring in nature, 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 2015, 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 Company.

According to the estimates under the business plan discussed above, in 2015 the estimated term for recovering these deferred tax assets is 7 years.

26. Fair value of financial assets and liabilities

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2015 and 2014 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the appraisal system (tiers 1, 2 and 3):

	Thousand euro				
	2015				
	Total balance sheet	Fair value	Fair value hierarchy		
			Tier 1	Tier 2	Tier 3
Cash and deposits with central banks	532,626	532,707	-	532,707	-
Held for trading	41,327	41,327	566	15,149	25,612
Other financial assets at fair value through profit or loss	52,613	52,613	52,613	-	-
Available-for-sale financial assets	15,599,216	15,511,204	14,640,713	706,150	164,341
Loans and receivables	35,738,626	38,218,069	-	2,901,588	35,316,481
Held-to-maturity investments	2,662,571	2,715,639	2,102,747	612,892	-
Of which: Sovereign risk	*2,082,940*	*2,135,276*	*2,135,276*	-	-
Hedging derivatives	357,452	357,452	-	357,452	-
Total financial assets	**54,984,431**	**57,429,011**	**16,796,639**	**5,125,938**	**35,506,434**
Held for trading	35,970	35,970	-	9,487	26,483
Other financial liabilities at fair value through profit or loss	-	-	-	-	-
Financial liabilities at amortised cost	48,581,317	49,423,722	-	49,423,722	-
Hedging derivatives	330,474	330,474	-	330,474	-
Total financial liabilities	**48,947,761**	**49,790,166**	**-**	**49,763,683**	**26,483**

	Thousand euro				
	2014				
	Total balance sheet	Fair value	Fair value hierarchy		
			Tier 1	Tier 2	Tier 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**

The criteria used to determine fair value are as follows:

- Tier 1: using prices quoted on active markets for financial instruments.
- Tier 2: using prices quoted on active markets for similar instruments or other valuation techniques in which all significant inputs are based on market data that is observable either directly or indirectly.
- Tier 3: using valuation techniques in which some significant inputs are not based on observable market data.

In particular, the valuation techniques used in tiers 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 €88,012 thousand at 31 December 2015 (€94,453 thousand 31 December 2014). 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 redemption 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 0.92% 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 fair value and the carrying value of financial instruments are as follows:

- For fixed-income instruments, the fair value varies based on market interest rates. The variance is higher the longer the instrument's residual life.

- For variable-income instruments, fair value may differ from carrying value if the margins relating to the interest rate of reference have changed since the instrument was issued. If the margins remain constant the fair value coincides with the carrying value only on the repricing dates. At all other dates there is interest rate risk for 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 2015 there were no financial instruments no longer measured using tier 2 and 3 criteria and which have been measured with tier 1 criteria (€5,345 thousand in 2014).

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. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the fair value on which the financial instruments are located:

	Thousand euro	
	2015	**2014**
Tier 1	490	346
Tier 2	210	(14,655)
Tier 3	438	526
	1,138	**(13,783)**

Set out below in the fair value hierarchy of Tier 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 1 January 2014	**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 to or from tier 3 in or out of the above portfolios	-	(10,731)	-
Balance at 31 December 2014	**34,639**	**171,117**	**35,046**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense.	(4,202)	835	(3,777)
Acquisitions	4,801	198	4,706
Sales	-	(7,809)	-
Issues	-	-	-
Settlements and maturities	(9,626)	-	(9,492)
Transfers from or to tier 3 in or out of the above portfolios	-	-	-
Balance at 31 December 2015	**25,612**	**164,341**	**26,483**

Financial liabilities and assets held for trading with tier 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 2020, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of €105 million and a growth rate in that cash flow of 0%. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 11.6%.

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 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 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 2015 and 2014 in accordance with the maximum risk assumed by the Group:

	Thousand euro	
	2015	2014
Guarantees and other sureties	**580,348**	**598,774**
Financial guarantees	83,023	99,616
Other guarantees and sureties	497,325	499,158
Irrevocable letters of credits	**27,203**	**22,357**
Irrevocable documents issued	26,948	22,343
Irrevocable documents confirmed	255	14
Assets associated with third party obligations	**929**	**929**
	608,480	**622,060**

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.

Income from collateral instruments is recorded under “Fee and commission income” and “Interest and similar income” (for the amount corresponding to the discounted value of the fees) in the consolidated income statement and it is calculated at the rate specified in the contract on the nominal amount of the collateral.

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 exposures and commitments” in the balance sheet (Note 21).

At 31 December 2015 and 2014, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

	Thousand euro	
	2015	**2014**
Securitized assets (net of valuation adjustments)	4,113,238	4,495,474
Assets under repos	6,024,657	3,798,433
Assets associated with Bank of Spain policy (*)	3,778,105	4,499,100
Other	211,980	155,714
	14,127,980	**12,948,721**

(*) Additionally, €4,840,584 thousand (€4,929,570 thousand in 2014) 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 Eurosystem which at 31 December 2015 and 2014 was not available.

27.3 Contingent commitments

At 31 December 2015 and 2014, the limits on financing contracts granted and the undrawn balances were as follows:

	Thousand euro			
	2015		**2014**	
	Limit granted	**Undrawn balance**	**Limit granted**	**Undrawn balance**
Drawable by third parties	**5,536,622**	**2,450,489**	**5,351,003**	**2,080,672**
Available immediately	2,540,456	1,899,183	1,933,722	1,466,932
Available subject to conditions	2,996,166	551,306	3,417,281	613,740
Forward financial asset purchase commitments	**-**	**-**	**-**	**-**
Securities subscribed pending disbursement	**-**	**5,224**	**-**	**10,111**
Documents in clearing houses	**-**	**358,600**	**-**	**403,221**
Other items	**-**	**-**	**-**	**-**
	5,536,622	**2,814,313**	**5,351,003**	**2,494,004**

The amounts available relate to variable interest operations.

27.4 Third-party funds managed and marketed by the Group and security depository institution

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2015 and 2014 are indicated in the following table:

	Thousand euro	
	2015	**2014**
Collective Investment Undertakings	9,609,043	7,788,106
Pension funds	4,660,616	4,423,289
Insurance products	172,993	171,811
Discretionary portfolio management	1,216,366	1,007,352
	15,659,018	**13,390,558**
Of which: managed by the Group	15,033,799	12,280,500

Set out below is a breakdown of the securities deposited by the third parties in the Group at 31 December 2015 and 2014:

	Thousand euro	
	2015	**2014**
Fixed income	7,011,320	7,913,717
Equities	5,048,940	5,164,231
	12,060,260	**13,077,948**

27.5 Asset securitization

The Group carried out an asset securitisation operation before 1 January 2004 which was derecognised from the consolidated balance sheet (Note 2.8). Securitized assets outstanding at 31 December 2015 and 2014 are analysed below:

	Thousand euro	
	2015	2014
Assets transferred to TDA Ibercaja 1, FTA in 2003	107,254	125,444
	107,254	**125,444**

The Group has also securitized assets by assigning loans from its portfolio to a securitisation fund in which it continued to bear the related substantial risks and benefits on the 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	
	2015	2014
Assets transferred to TDA Ibercaja 2, FTA in 2005	284,120	318,987
Assets transferred to TDA Ibercaja 3, FTA in 2006	365,652	403,819
Assets transferred to TDA Ibercaja 4, FTA in 2006	551,308	607,031
Assets transferred to TDA Ibercaja 5, FTA in 2007	543,196	595,508
Assets transferred to TDA Ibercaja 6, FTA in 2008	802,970	873,567
Assets transferred to TDA Ibercaja ICO.-TVPO , FTH in 2009	219,885	249,586
Assets transferred to TDA Ibercaja 7, FTA in 2009	1,373,406	1,471,321
	4,140,537	**4,519,819**

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 2015 and 2014, which are backed by the transferred assets mentioned above, is as follows:

	Thousand euro	
	2015	2014
Liabilities issued by TDA Ibercaja 2, FTA in 2005	234,397	307,588
Liabilities issued by TDA Ibercaja 3, FTA in 2006	345,978	383,725
Liabilities issued by TDA Ibercaja 4, FTA in 2006	501,651	542,055
Liabilities issued by TDA Ibercaja 5, FTA in 2007	501,490	548,265
Liabilities issued by TDA Ibercaja 6, FTA in 2008	700,746	755,122
Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009	192,818	218,538
Liabilities issued by TDA Ibercaja 7, FTA in 2009	1,142,006	1,221,783
	3,619,086	**3,977,076**

27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2015 total €9,765 thousand (€9,450 thousand at 31 December 2014).

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 the purchase option, its value is recorded as a debt-claim together with the other minimum payments to be made by the lessee.

The information regarding finance lease agreements during the year is as follows:

- At 31 December 2015 the total gross investment amounts to €240,380 thousand (€182,517 at 31 December 2014).

- The present value at 31 December 2015 of the minimum future payments to be received during the mandatory period (considering that neither renewals nor purchase options will be exercised) totals €70,095 thousand in less than one year, €139,475 thousand between one and five years and €27,181 thousand in more than five years.

- Accrued financial income totals €19,619 thousand in 2015 (€19,048 thousand in 2014).

- The residual value of those agreements amounted to €7,536 thousand at 31 December 2015 (€6,309 thousand at 31 December 2014).

- The amount of valuation adjustments due to the impairment of finance lease agreements totals €12,251 thousand at 31 December 2015 (€11,280 thousand at 31 December 2014).

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 2015 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 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 €22,325 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 2015 totalled €24,054 thousand (€24,532 thousand in 2014).

Refurbishing expenses and capital investment relating to leased assets for which the Group is the lessee, net of depreciation, total €48,396 thousand at 31 December 2015 (€57,456 thousand at 31 December 2014).

27.8 Environment

The Group’s operations as a whole are subject to environmental protection legislation. The Group believes that it substantially complies with such legislation and it implements procedures to ensure and promote compliance.

The Group has adopted the appropriate measures to protect and improve the environment and to minimize possible environmental impact and complies with current environmental legislation. During 2015 and 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.

27.9 Segmentation

The highest instance for taking decisions to define the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments as the results of the activities carried out 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 Group'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 that were closed during the year and the type of customer is similar throughout its area of action. Therefore, the Group considers there is a single geographical segment for its operations.

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		**Gross income ex net gains/(losses) on financial assets and liabilities**	
	2015	**2014**	**2015**	**2014**
Banking	1,353,759	1,960,659	841,182	892,460
Insurance	1,181,841	1,319,209	112,742	85,465
Other	10,920	34,673	843	7,326
	2,546,520	**3,314,541**	**954,767**	**985,251**

28. Interest and similar income

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Deposits at the Bank of Spain and other central banks	143	495
Loans and advances to credit institutions	6,030	34,533
Money market transactions through counterparties	-	75
Loans and advances to customers	606,787	746,010
Debt securities	466,372	574,618
Doubtful assets	29,002	32,610
Rectification of products due to hedging operations	(43,130)	(20,972)
Income from insurance contracts linked to pensions (Note 37.2)	436	537
	1,065,640	**1,367,906**

Set out below is a breakdown of the amounts reflected under this caption, classified taking into account the relevant financial instrument portfolio:

	Thousand euro	
	2015	**2014**
Financial assets at fair value through profit or loss	34	29
Available-for-sale financial assets	355,672	328,167
Held-to-maturity investments	110,666	246,422
Loan and receivables	641,819	813,228
Rectification of income due to hedging operations	(43,130)	(20,972)
Other revenues	579	1,032
	1,065,640	**1,367,906**

29. Interest and similar charges

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Deposits at the Bank of Spain and other central banks	2,326	7,942
Deposits from credit institutions	13,024	25,348
Money market transactions through counterparties	-	2,620
Deposits from customers	385,119	561,027
Marketable debt securities	17,164	58,061
Subordinated liabilities	49,353	36,973
Rectification of expenses due to hedging operations	(106,483)	(141,621)
Interest expense pension funds (Note 37.2)	96	196
Interest extraordinary contribution Deposit Guarantee Fund (Note 1.8).	1,554	1,276
Financial cost of savings life insurance contracts	71,911	116,736
	434,064	**668,558**

Set out below is a breakdown of the amounts reflected under this caption, classified taking into account the originating portfolio:

	Thousand euro	
	2015	**2014**
Financial liabilities at amortized cost	466,986	691,971
Adjustment of costs from accounting hedges	(106,483)	(141,621)
Insurance contracts	71,911	116,736
Other expenses	1,650	1,472
	434,064	**668,558**

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 asset portfolio amounting to €10,252 thousand at 31 December 2015 (€11,802 thousand at 31 December 2014).

31. Fee and commission income

Fee and commission income accrued in 2015 and 2014, classified in accordance with the item generating the fees, is reflected in the following table:

	Thousand euro	
	2015	2014
Fees for contingent exposures	6,828	7,345
Fees for contingent commitments	3,392	3,368
Fees for foreign currency exchange	195	212
Fees for collection and payment services	113,728	126,566
Securities service fees	11,953	11,616
Non-bank financial product marketing fees	166,652	147,816
Other fees	40,409	35,338
	343,157	**332,261**

Under the terms of the Asset Administration and Management Agreement (Note 1.10.1.3), “Other fees” includes €4,765 thousand for the fees received by the Company in 2015 from the provision of services to SAREB and €3,941 thousand relating to the success fees received by the Company in 2015 for the lease management services or the transfer of the assets to a third party (€3,190 thousand and €1,951 thousand, respectively, in 2014).

32. Fee and commission expense

Expenses for fees accrued in 2015 and 2014, classified in accordance with the item generating the fees, are reflected in the following table:

	Thousand euro	
	2015	2014
Fees paid to other entities and correspondent banks	5,126	11,711
Fees paid on securities transactions	1,650	2,063
Other fees	3,298	3,132
	10,074	**16,906**

33. Net gains/(losses) of financial assets and liabilities

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014, based on the financial instrument portfolios from which they originate, is as follows:

	Thousand euro	
	2015	2014
Financial assets at fair value through profit or loss (trading portfolio)	**1,631**	**2,852**
Other financial instruments at fair value through profit or loss	**1,514**	**1,500**
Financial instruments not carried at fair value through profit or loss	**83,107**	**438,185**
Available-for-sale financial assets	130,535	43,143
Loans and receivables	(56,428)	(3,565)
Held-to-maturity investments	-	380,349
Liabilities at amortized cost	9,000	18,258
Other gains/(losses) from financial transactions	**(189)**	**(17,618)**
Adjustments to hedged instruments (fair value hedges)	41,700	242,944
Hedge derivatives (fair value hedges)	(42,194)	(259,579)
Other	305	(983)
	86,063	**424,919**

34. Exchange differences

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Translation into euro of monetary items denominated in foreign currency	(1,345)	738
Foreign currency trading	1,425	(467)
	80	**271**

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 this heading in the income statement for 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Income from investment property (Note 16.2)	12,247	12,240
Income from other operating leases	5,383	6,400
Sales and income from the rendering of services	18,137	35,332
Financial fees offsetting direct costs	8,080	6,476
Income from insurance and reinsurance contracts issued (Note 20.2)	992,563	1,112,826
Other items	4,918	4,108
	1,041,328	**1,177,382**

36. Other operating charges

The breakdown of this heading in the income statement for 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Expenses on rentals of investment property (Note 16.2)	2,572	791
Contribution to the National Resolution Fund (Note 1.8.1)	11,730	-
Contribution to the Deposit Guarantee Fund (Note 1.8.2).	40,361	60,935
Expenses on insurance and reinsurance contracts (Note 20.2)	992,975	1,113,735
Other items	11,735	35,448
Severance expenses	-	8,733
Rest	11,735	26,715
	1,059,373	**1,210,909**

37. Personnel expenses

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Wages and salaries	305,375	320,329
Social Security contributions	73,951	79,474
Contributions to pension funds and insurance policies	16,554	5,412
Severance payments	6,096	101,024
Other personnel expenses	1,998	7,298
	403,974	**513,537**

In May 2014, 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, 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 recognised in the 2014 income statement.

In December 2014, 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 350 employees are eligible who, due to their age or the closing of their workplace, decided to terminate their employment, in the same terms as those agreed in May 2014. In December 2014 the employees' representatives were informed of the decision. Under the provisions of Circular 4/2004, which is compatible with paragraph 165 of IAS 19 "Employee Benefits" and the conditions set out in IAS 37 "Provisions" for the recognition of restructuring costs are met, this plan resulted in the recognition of personnel expenses amounting to €59,504 thousand in the 2014 income statement.

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 2015 and 2014 is as follows:

	Workforce 31/12/2015		Workforce 31/12/2014	
	Men	**Women**	**Men**	**Women**
GR. 1 Senior management	9	3	14	1
GR. 1 Levels I to V	1,618	857	1,722	671
GR. 1 Levels VI to X	1,264	1,374	1,457	1,582
GR. 1 Levels XI to XIII	368	428	412	513
GR. 2 and cleaners	36	6	40	8
	3,295	**2,668**	**3,645**	**2,775**

At 31 December 2015 the entire workforce is in Spain (12 employees worked in Portugal at 31 December 2014; Note 27.9).

The average number of Group employees in 2015 and 2014 is as follows:

	2015	2014
GR. 1 Senior management	12	14
GR. 1 Levels I to V	2,292	2,497
GR. 1 Levels VI to X	3,048	3,085
GR. 1 Levels XI to XIII	876	1,057
GR. 2 and cleaners	46	50
	6,274	**6,703**

37.2 Personnel expenses - post-employment benefits

Net figures recognised on the balance sheet for defined benefit post-employment plans at 31 December 2015 and 2014 are as follows:

	Thousand euro	
	2015	**2014**
Present value of the obligations financed	(301,251)	(325,877)
Fair value of plan assets	285,863	288,036
(Shortfall)/Surplus	**(15,388)**	**(37,841)**
Impact of limit on assets	(2,058)	(2,041)
Net liability figuring on balance sheet:	**(17,446)**	**(39,882)**
Assets linked to pensions (*)	116,885	119,569
Net pension assets (**)	6,296	4,205
Net pension (provision)	(140,627)	(163,656)

(*) Financial assets in the subsidiary Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.
(**) Recorded under "Other assets" on the consolidated balance sheet.

The reconciliation of the opening and closing balances of the present value of post-employment defined benefit plan obligations during 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Initial present value of obligations	**(325,877)**	**(297,009)**
Cost of services for the current year	(1,021)	(362)
Interest costs	(2,214)	(3,358)
Past service cost	(567)	-
Profit and loss on plan reductions, settlements	220	6,264
Recalculation of valuations:		
Gains/(losses) on changes in demographic assumptions	(502)	(6,470)
Gains/(losses) on changes in financial assumptions	11,026	(49,605)
Gains/(losses) due to experience	(2,537)	3,488
Benefits paid	20,530	24,050
Transfers and other	(309)	(2,875)
Final present value of obligations	**(301,251)**	**(325,877)**

The reconciliation of the opening and closing balances of the present value of post-employment defined benefit plan assets during 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Initial fair value of the assets	**285,995**	**299,488**
Interest income	2,392	3,589
Profit and loss on plan reductions, settlements	(238)	(7,824)
Recalculation of valuations:		
Yield on plan assets excluding interest income/(expense)	25	44
Gains/(losses) on changes in financial assumptions	3,703	6,774
Gains/(losses) due to experience	9,992	7,090
Change in asset limit, excluding interest expense	(11)	(253)
Employer contributions	2,148	247
Member contributions	-	-
Benefits paid	(20,201)	(23,721)
Transfers and other	-	561
Final fair value of the assets	**283,805**	**285,995**

An analysis of the main types of asset that comprise the plan assets concerned at 31 December 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Shares	-	-
Debt instruments	82.00%	76.45%
Real estate	-	-
Insurance policies	4.22%	10.85%
Other assets	13.78%	12.70%
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:

	Thousand euro					
	2016	2017	2018	2019	2020	2021-2025
Probable post-employment benefits	20,416	19,886	19,383	18,845	18,293	81,961

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 basis points	Increase in assumptions	Decrease in assumptions
Discount rate	50 b.p	(6.61%)	7.44%
Salary growth rate	50 b.p	1.05%	(0.83%)
Pension increase rate	50 b.p	5.79%	(5.32%)

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 2015 and 2014 are as follows:

	Thousand euro	
	2015	2014
Present value of the obligations financed	(6,562)	(9,099)
Fair value of plan assets	-	-
Net liability figuring on balance sheet:	(6,562)	(9,099)
Insurance contracts linked to pensions	-	-
Net pension assets	-	-
Net pension (provision)	(6,562)	(9,099)

The reconciliation of the opening to the closing balances of the present value of long-term defined benefit plan obligations for early retirees during 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Initial present value of obligations	**(9,099)**	**(20,564)**
Cost of services for the current year	-	-
Interest costs	(49)	(117)
Past service cost	-	-
Profit and loss on plan reductions, settlements	-	-
Recalculation of appraisals:	-	-
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	(110)	(477)
Gains/(losses) due to experience	255	1,471
Benefits paid	2,430	10,588
Transfers	11	-
Final present value of obligations	**(6,562)**	**(9,099)**

38. Other general administrative expenses

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Buildings, installations and office equipment	50,176	53,605
Equipment maintenance, licences, work and computer programs	18,155	29,056
Communications	18,507	18,366
Advertising and publicity	9,558	11,238
Contributions and taxes	23,136	24,123
Other management and administration expenses	78,329	79,523
	197,861	**215,911**

- Other information

Fees payable to PricewaterhouseCoopers Auditores, S.L. for auditing the 2015 annual accounts for Ibercaja Banco and group companies (including securitisation funds) amounted to €569 thousand (€759 thousand in 2014). In addition, the audit firm received fees amounting to €360 thousand (€118 thousand in 2014) for other audit work and €147 thousand (€284 thousand in 2014) for other services.

The fees for other services provided by other companies operating under the PricewaterhouseCoopers name amounted to €48 thousand in 2014 (€49 thousand in 2014) of which none relates to tax advisory services (€24 thousand in 2014).

39. Other asset impairment losses

The breakdown of the balance under this consolidated income statement caption in 2015 and 2014 is as follows:

	Thousand euro	
	2015	**2014**
Goodwill and other intangible assets	-	-
Impairment losses on inventories (Note 18)	3,160	1,257
Impairment losses on property, plant and equipment for own use (Note 16.4)	714	1,916
Impairment losses on investment property (Note 16.4)	3,698	30,279
Impairment losses on shareholdings (Note 14.1)	-	2,312
	7,572	**35,764**

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 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Gains from disposals of assets not classified as non-current available-for-sale	18,953	22,955
Gains/(losses) on sale of shareholdings	4,155	1,246
Gains on other items	2,269	2,041
	25,377	**26,242**

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 2015 and 2014 is as follows:

	Thousand euro	
	2015	2014
Impairment losses on non-current assets for sale	(42,241)	(32,702)
Results on disposal of shareholdings considered strategic	1,094	(218)
Results on disposal of other non-current assets for sale	1,202	-
	(39,945)	**(32,920)**

42. Related parties

The balances recorded on the consolidated balance sheets and income statements at 31 December 2015 and 2014 are as follows:

	Thousand euro									
	2015					2014				
	Group comp.	Assoc.	Jointly-controlled entities	Other related parties (*)	Related individuals (**)	Group comp.	Assoc.	Jointly-controlled entities	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and credits	167	78,033	23,643	-	23,478	167	130,144	46,966	-	53,130
Counterparty insurance contracts	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Customer deposits	193,685	19,429	321	867,444	68,443	114,905	24,720	180	725,783	39,058
Liabilities from insurance contracts linked to pensions	-	-	-	-	-	-	-	-	730,907	-
Provisions	-	-	-	-	-	-	-	-	-	-
INCOME STATEMENT										
Expenses										
Interest and similar charges	253	190	-	7,292	286	186	121	7	8,282	206
Fees and other expenses	-	-	-	-	-	-	-	-	-	-
Income										
Interest and similar income	-	2,892	637	-	464	-	2,115	996	-	2,704
Fees and other income	-	16	-	-	7	268	10	-	-	-
Dividends	-	-	-	-	-	-	2,684	-	-	-
OTHER										
Contingent liabilities	-	9,110	-	-	422	-	745	-	-	359
Commitments	-	1,307	-	-	3,695	-	1,130	-	-	6,636

(*) 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 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 2015, the figure was 42.12% (47.76% at 31 December 2014).

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 overcollateralization or backing of mortgage bonds is 237.42% at 31 December 2015 (209.39% at 31 December 2014).

At 31 December 2015, 99.26% of transactions in the mortgage portfolio have been formalised through loans (99.22% at 31 December 2014). Of these, instalments are collected on a monthly basis for 95.29% (94.30% at 31 December 2014). The operations formalised at variable interest rates are 99.49% of the total (99.52% at 31 December 2014) and of these, 85.37% are tied to the Euribor (84.92% at 31 December 2014).

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	
	2015	2014
Total loans	**28,096,883**	**30,445,815**
Mortgage securities issued	**1,912,922**	**2,123,631**
Of which: loans on the balance sheet	1,840,303	2,037,579
Mortgage transfer certificates issued	**2,334,868**	**2,521,632**
Of which: loans on the balance sheet	2,300,234	2,482,239
Mortgage loans pledged as security for financing received	-	-
Loans backing the issue of secured bonds and mortgage bonds	**23,849,093**	**25,800,552**
Ineligible loans	5,803,141	6,838,125
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	4,699,569	5,540,215
Other	1,103,572	1,297,910
Eligible loans	18,045,952	18,962,427
Non-qualifying portions	46,644	44,975
Qualifying portions	17,999,308	18,917,452
Loans covering mortgage bond issues	-	-
Qualifying loans to cover mortgaged backed bond issues	17,999,308	18,917,452

Note 3.1.4 sets out the carrying amount of loans secured by mortgages and its reconciliation to mortgage market information.

- Information on eligible loans and mortgages:

	Thousand euro				
	2015				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
	Less than 40%	**Over 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					**18,045,952**
Housing	3,887,990	6,043,971	6,426,002	11,259	16,369,222
On other assets	819,917	725,607	131,206		1,676,730

	Thousand euro				
	2014				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
	Less than 40%	**Over 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 and mortgage bonds					**18,962,427**
Housing	3,729,785	5,971,684	7,466,537	13,069	17,181,075
On other assets	832,215	829,195	119,942		1,781,352

- Information concerning the issue of mortgage backed bonds. Loans and mortgages pending repayment:

	Thousand euro			
	2015		2014	
	Loans backing the issue of mortgage bonds and mortgage secured bonds	**Of which: Eligible loans**	**Loans backing the issue of secured and mortgage bonds**	**Of which: Eligible loans**
Total	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Origin of the operations	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Originated by the entity	23,287,923	17,504,965	25,186,467	18,370,088
Subrogated by other entities	561,170	540,987	614,085	592,339
Currency	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Euro	23,845,929	18,045,952	25,796,978	18,962,427
Other currencies	3,164	-	3,574	-
Payment status	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Payment normality	21,625,540	17,462,735	23,002,196	18,225,176
Other situations	2,223,553	583,217	2,798,356	737,251
Average residual period to maturity	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Up to 10 years	4,062,437	2,089,403	4,443,547	2,100,297
More than 10 years and up to 20 years	7,479,250	6,061,989	7,309,452	5,791,596
More than 20 years and up to 30 years	8,842,398	7,162,181	10,030,135	7,908,302
More than 30 years	3,465,008	2,732,379	4,017,418	3,162,232
Interest rate	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Fixed	273,044	58,974	248,485	46,598
Variable	22,668,051	17,411,269	24,715,427	18,473,990
Mixed	907,998	575,709	836,640	441,839
Holders	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Entities and individual entrepreneurs	5,226,687	2,325,266	6,348,984	2,695,897
Of which: real estate developments	*2,389,702*	*788,734*	*3,218,016*	*1,069,171*
Other individuals and non-profit institutions serving households	18,622,406	15,720,686	19,451,568	16,266,530
Type of guarantee	**23,849,093**	**18,045,952**	**25,800,552**	**18,962,427**
Assets /finished buildings	21,565,827	17,373,308	23,109,144	18,257,258
Residential	20,291,780	16,569,815	21,672,938	17,385,353
Of which: Official housing	*2,129,084*	*2,013,753*	*2,338,402*	*2,215,063*
Commercial	639,609	393,929	753,730	417,831
Other	634,438	409,564	682,476	454,074
Assets/ buildings under construction	798,038	331,026	845,892	344,289
Residential	323,041	50,313	355,270	49,500
Of which: Official housing	*5,315*	*2,959*	*19,422*	*2,345*
Commercial	7,589	60	1,627	97
Other	467,408	280,653	488,995	294,692
Land	1,485,228	341,618	1,845,516	360,880
Developed	993,156	18,365	1,286,856	27,989
Other	492,072	323,253	558,660	332,891

▪ Nominal value of backed bonds issued by the Company:

	Thousand euro	
	Nominal value	
	2015	2014
Mortgage backed bonds (Note 19.4)	**3,430,000**	**3,930,000**
Ibercaja April 2010	-	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 backed bonds (Nota 19.3)	**2,451,162**	**3,404,469**
AYT 5 unique covered bond (15 years)	101,613	101,613
AYT 8 unique covered bond (15 years)	104,634	104,634
AYT 9 unique covered bond (10 years)	-	383,333
AYT 9 unique covered bond (15 years)	216,667	216,667
AYT 10 unique covered bond (10 years)	-	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
AYT Financiación Inversiones II, F.T.A. (BEI II)	-	16,000
AYT Financiación Inversiones III, F.T.A. (BEI III)	-	15,000
AYT Cajas Global 2017 Series XVI covered bond	120,000	120,000
AYT Cajas Global 2015 Series XX covered bond	-	125,000
TDA mortgage backed 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			
	2015		2014	
	Amount	Average period to maturity (months)	Amount	Average period to maturity (months)
Active mortgage bonds issued	**-**	**-**	**-**	**-**
Mortgage covered bonds in issue	**7,581,162**	**-**	**9,034,469**	**-**
Of which: Not recorded under liabilities on the balance sheet	*3,300,000*	-	*3,300,000*	-
Debt securities Issued through public offerings	-	-	-	-
Debt securities Other issues	3,430,000	-	3,930,000	-
Time to maturity up to one year	780,000	-	500,000	-
Time to maturity from one to two years	-	-	780,000	-
Time to maturity from two to three years	1,000,000	-	-	-
Time to maturity from three to five years	1,650,000	-	2,550,000	-
Time to maturity from five to ten years	-	-	100,000	-
Time to maturity more than ten years	-	-	-	-
Deposits	4,151,162	-	5,104,469	-
Time to maturity up to one year	787,778	-	953,308	-
Time to maturity from one to two years	670,001	-	787,779	-
Time to maturity from two to three years	421,612	-	670,000	-
Time to maturity from three to five years	646,301	-	851,247	-
Time to maturity from five to ten years	1,460,470	-	836,110	-
Time to maturity more than ten years	165,000	-	1,006,025	-
Mortgage securities issued	**1,840,303**	**110**	**2,037,579**	**123**
Other issues	1,840,303	110	2,037,579	123
Mortgage transfer certificates issued	**2,300,234**	**125**	**2,482,239**	**138**
Other issues	2,300,234	125	2,482,239	138

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			
	2015		2014	
	Eligible loans	Ineligible loans	Eligible loans	Ineligible loans
Beginning balance	**18,962,427**	**6,838,125**	**20,096,149**	**7,113,205**
Disposals in the year	**1,638,791**	**1,203,932**	**1,890,875**	**768,216**
Cancellations held to maturity	12,868	15,344	20,990	11,210
Early cancellations	255,259	76,405	176,482	53,610
Subrogated by other entities	9,285	767	4,801	727
Maturities and other	1,361,379	1,111,416	1,688,602	702,669
Additions in the year	**722,316**	**168,948**	**757,153**	**493,136**
Originated by the entity	719,468	168,802	755,840	493,136
Subrogated by other entities	2,848	146	1,313	-
Ending balance	**18,045,952**	**5,803,141**	**18,962,427**	**6,838,125**

- Information on available balances in mortgage loans backing the issue of mortgage bonds and mortgage covered bonds:

	Thousand euro	
	2015	2014
Total	**143,908**	**171,904**
Potentially eligible	59,576	81,911
Ineligible	84,332	89,993

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 web site 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; and Ibercaja 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 24 February 2016 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) Complaints received

During 2015 the Customer Care Service (CCS) at Ibercaja Group managed a total of 9,615 cases, which may be classified into two groups:

- 7,392 Complaints, Claims and Suggestions (1,455 complaints, 5,886 claims and 51 suggestions).

- There were 2,223 cases relating to the Data Protection Law (142 relating to requests to eliminate data and 2,081 relating to other rights, such as opposing, correcting or accessing), which is a 32% increase compared with the requests managed last year.

The average period necessary to resolve complaints and claims is around 55 days, which is an increase compared with last year (35 days in 2014). There has been an increase in the complexity of the topics or reasons behind the complaints and claims, not only an increase in the number of cases (26% more than in 2014). Nonetheless, this figure is lower than the 2-month period granted by Order ECO/734/2004 (11 March) to resolve complaints and claims.

b) General criteria contained in the decisions

The decisions have been issued with strict observance of corporate governance and banking practice standards, transparency and protection of financial users, taking into account 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.

44. Balance sheets at 31 December 2015 and 2014, income statements, statements of recognised income and expense, total statements of changes in equity and cash-flow statements for Ibercaja Banco, S.A. for the years ended 31 December 2015 and 2014.

IBERCAJA BANCO, S.A.

BALANCE SHEET AT 31 DECEMBER 2013 AND 2014
(Thousand euro)

ASSETS	2015	2014 (*)	LIABILITIES AND EQUITY	2015	2014 (*)
Cash and deposits with central banks	**532,616**	**434,700**	**Financial liabilities held for trading**	**35,970**	**48,462**
			Derivatives held for trading	35,970	48,462
Financial assets held for trading	**39,872**	**53,999**			
Debt securities	690	959	**Financial liabilities at amortised cost**	**49,988,126**	**53,060,501**
Derivatives held for trading	39,182	53,040	Deposits from central banks	2,053,035	4,848,302
Memorandum Items: Loaned or pledged	-	-	Deposits from credit institutions	4,895,683	3,227,669
			Customer deposits	41,229,546	43,060,404
Available-for-sale financial assets	**10,179,266**	**9,471,223**	Marketable debt securities	159,555	691,732
Debt securities	9,771,049	8,981,953	Subordinated liabilities	1,051,041	560,582
Equity instruments	408,217	489,270	Other financial liabilities	599,266	671,812
Memorandum Items: Loaned or pledged	*6,163,518*	*3,618,820*			
			Adjustments to financial liabilities due to macro-hedges	**6,930**	**6,668**
Loans and receivables	**36,176,524**	**36,048,514**			
Loans and advances to credit institutions	486,747	834,981			
Loans and advances to customers	33,737,277	34,709,965	**Hedging derivatives**	**325,433**	**596,975**
Debt securities	1,952,500	503,568			
Memorandum Items: Loaned or pledged	*6,083,916*	*4,977,648*	**Provisions**	**305,034**	**328,517**
Held-to-maturity investments	**2,662,571**	**6,681,685**	Pension funds and similar obligations	129,208	143,696
Memorandum Items: Loaned or pledged	*1,919,326*	*4,399,885*	Provisions for taxes and other legal contingencies	10,150	10,150
Adjustment to financial assets due to macro-hedges	**-**	**128,992**	Provisions for liabilities and contingent commitments	24,834	26,089
			Other provisions	140,842	148,582
Hedging derivatives	**354,998**	**492,742**			
			Tax liabilities	**300,816**	**373,833**
Non-current assets held for sale	**149,166**	**189,233**	Current	322	251
			Deferred	300,494	373,582
Investments	**793,206**	**857,624**			
Associates	77,543	90,239	**Other liabilities**	**157,263**	**173,525**
Jointly-controlled entities	38,329	46,685			
Group companies	677,334	720,700	**TOTAL LIABILITIES**	**51,119,572**	**54,588,481**
Insurance contracts linked to pensions	**118,947**	**130,467**	**Shareholder's funds**	**2,418,105**	**2,367,434**
			Share capital	2,144,276	2,611,730
Tangible assets	**853,833**	**882,266**	Reserves	226,960	(315,512)
Property, plant and equipment	546,631	560,898	Profit/(loss) for the year	46,869	71,216
For own use	*546,631*	*560,898*			
Investment properties	307,202	321,368	**Valuation adjustments**	**115,966**	**216,407**
Memorandum Items: Acquired under finance leases	-	-	Available-for-sale financial assets	115,846	216,255
			Rest	120	152
Intangible assets	**185,638**	**189,373**	**TOTAL EQUITY**	**2,534,071**	**2,583,841**
Goodwill	128,065	128,065			
Other intangible assets	57,573	61,308			
Tax assets	**1,465,057**	**1,516,596**			
Current	5,671	8,106			
Deferred	1,459,386	1,508,490			
Other assets	**141,949**	**94,908**			
TOTAL ASSETS	**53,653,643**	**57,172,322**	**TOTAL LIABILITIES AND EQUITY**	**53,653,643**	**57,172,322**
Memorandum items					
Contingent exposures	**623,101**	**638,663**			
Contingent commitments	**3,230,731**	**3,273,191**			

(*) Presented for comparative purposes only.

IBERCAJA BANCO, S.A.

CONSOLIDATED INCOME STATEMENTS FOR
THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	2015	2014 (*)
Interest and similar income	**901,843**	**1,184,844**
Interest and similar charges	**399,788**	**602,560**
NET INTEREST INCOME	**502,055**	**582,284**
Return on equity instruments	**137,218**	**87,937**
Fee and commission income	**261,786**	**262,737**
Fee and commission expense	**8,702**	**15,167**
Net gains/(losses) on financial transactions	**81,228**	**414,908**
Held for trading	1,593	2,711
Other financial instruments not stated at fair value through profit or loss	79,823	429,805
Other	(188)	(17,608)
Exchange differences (net)	**80**	**270**
Other operating income	**22,555**	**18,279**
Other operating charges	**55,877**	**82,585**
GROSS INCOME	**940,343**	**1,268,663**
Administration expenses	**562,271**	**683,330**
Personnel expenses	383,114	489,945
Other general administrative expenses	179,157	193,385
Depreciation and amortisation	**44,654**	**48,232**
Provisions (net)	**36,711**	**(5,945)**
Financial asset impairment losses (net)	**203,450**	**345,920**
Loans and receivables	199,307	309,971
Other financial instruments not stated at fair value through profit or loss	4,143	35,949
INCOME FROM OPERATING ACTIVITIES	**93,257**	**197,126**
Other assets impairment losses (net)	**48,294**	**76,793**
Goodwill and other intangible assets	-	-
Other assets	48,294	76,793
Gains/(losses) from disposal of assets not classified as non-current available-for-sale	**19,542**	**6,638**
Negative difference on business combinations	**-**	**-**
Gains/(losses) from non-current assets available for sale not classified as discontinued operations	**(8,633)**	**(21,649)**
PROFIT/(LOSS) BEFORE INCOME TAX	**55,872**	**105,322**
Income tax	**9,003**	**34,106**
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS	**46,869**	**71,216**
Gains/(losses) from discontinued operations (net)	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**46,869**	**71,216**

(*) Presented for comparative purposes only.

IBERCAJA BANCO, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	2015	2014 (*)
A) PROFIT/(LOSS) FOR THE YEAR	**46,869**	**71,216**
B) OTHER RECOGNISED INCOME AND EXPENSE	**(96,639)**	**118,027**
B.1) Items that will not be reclassified to income statement	**3,802**	**(4,819)**
Actuarial gains/(losses) in defined benefit pension plans	**5,432**	**(6,884)**
Non-current assets held for sale	**-**	**-**
Income tax relating to items that will not be reclassified to income statement	**(1,630)**	**2,065**
B.2) Items that may be reclassified to income statement	**(100,441)**	**122,846**
Available-for-sale financial assets	**(168,187)**	**175,542**
Valuation gains/(losses)	(40,936)	211,283
Amounts transferred to the income statement	(127,251)	(35,741)
Other reclassifications	-	-
Cash flow hedges	**-**	**-**
Measurement gains/(losses)	-	-
Amounts transferred to the income statement	-	-
Amounts transferred to initial value of hedged items	-	-
Other reclassifications	-	-
Net investment hedges on foreign operations	**-**	**-**
Measurement gains/(losses)	-	-
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
Exchange differences	**-**	**-**
Measurement gains/(losses)	-	-
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
Non-current assets held for sale	**-**	**-**
Measurement gains/(losses)	-	-
Amounts transferred to the income statement	-	-
Other reclassifications	-	-
Other recognised income and expenses	**(42)**	**(43)**
Income tax relating to items that may be reclassified to income statement	**67,788**	**(52,653)**
C) TOTAL RECOGNISED INCOME AND EXPENSE	**(49,770)**	**189,243**

(*) Presented for comparative purposes only.

IBERCAJA BANCO, S.A.

TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015
(Thousand euro)

	Shareholder's funds							
	Share capital	Share premium	Reserves	Profit/(loss) for the year	Dividends	**Total shareholder's funds**	**Valuation adjustments**	**Total equity**
I. Ending balance at 31/12/2014	**2,611,730**	**-**	**(315,512)**	**71,216**	**-**	**2,367,434**	**216,407**	**2,583,841**
Adjustments due to changes in accounting policy	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-
II. Adjusted beginning balance	**2,611,730**	**-**	**(315,512)**	**71,216**	**-**	**2,367,434**	**216,407**	**2,583,841**
Total recognised income and expense	**-**	**-**	**3,802**	**46,869**	**-**	**50,671**	**(100,441)**	**(49,770)**
Other changes in equity	**(467,454)**	**-**	**538,670**	**(71,216)**	**-**	**-**	**-**	**-**
Share capital increases	-	-	-	-	-	-	-	-
Share capital reductions	(467,454)	-	467,454	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-
Increases 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 treasury shares (net)	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	71,216	(71,216)	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-
Equity settled payments	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	-	-
III. Ending balance at 31/12/2015	**2,144,276**	**-**	**226,960**	**46,869**	**-**	**2,418,105**	**115,966**	**2,534,071**

IBERCAJA BANCO, S.A.

TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014
(Thousand euro)

	Shareholder's funds							
	Share capital	Share premium	Reserves	Profit/(loss) for the year	Dividends	Total shareholder's funds	Valuation adjustments	Total equity
I. Ending 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 policy	-	-	(26,366)	-	-	(26,366)	29,254	2,888
Adjustments due to errors	-	-	-	-	-	-	-	-
II. Adjusted beginning balance	**2,611,730**	**-**	**(246,753)**	**(63,940)**	**-**	**2,301,037**	**93,561**	**2,394,598**
Total recognised income and expense	**-**	**-**	**(4,819)**	**71,216**	**-**	**66,397**	**122,846**	**189,243**
Other changes in equity	**-**	**-**	**(63,940)**	**63,940**	**-**	**-**	**-**	**-**
Share capital increases	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-
Increases 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 treasury shares (net)	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	(63,940)	63,940	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-
Equity settled payments	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	-	-
III: Ending balance at 31/12/2014 (*)	**2,611,730**	**-**	**(315,512)**	**71,216**	**-**	**2,367,434**	**216,407**	**2,583,841**

(*) Presented for comparative purposes only.

IBERCAJA BANCO, S.A.

CASH FLOW STATEMENTS FOR
THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	2015	2014 (*)
CASH FLOWS FROM OPERATING ACTIVITIES	**(2,770,276)**	**(4,428,704)**
Profit/(loss) for the year	**46,869**	**71,216**
Adjustments made to obtain cash flows from operating activities	**413,849**	**408,562**
Depreciation and amortisation	44,654	48,232
Other adjustments	369,195	360,330
Net increase/(decrease) in operating assets	**573,445**	**(3,405,647)**
Held for trading	14,130	(19,843)
Other financial assets at fair value through profit and loss	-	-
Available-for-sale financial assets	(1,079,631)	(6,589,995)
Loans and receivables	1,394,574	3,268,554
Other operating assets	244,372	(64,363)
Net increase/(decrease) in operating liabilities	**(3,688,591)**	**(1,515,055)**
Held for trading	(12,492)	20,916
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(3,359,692)	(1,786,340)
Other operating liabilities	(316,407)	250,369
Corporate income tax income/(expense)	**(115,848)**	**12,220**
CASH FLOWS FROM INVESTING ACTIVITIES	**2,415,641**	**4,486,727**
Payments made	**(22,151)**	**(413,142)**
Tangible assets	(13,610)	(64,972)
Intangible assets	(8,190)	(11,556)
Investments	-	(314,418)
Other business units	-	-
Non-current assets held for sale and associated liabilities	(351)	(22,196)
Held-to-maturity investments	-	-
Other payments related to investing activities	-	-
Payments received	**2,437,792**	**4,899,869**
Tangible assets	28,529	27,504
Intangible assets	360	-
Investments	25,214	8,077
Other business units	-	-
Non-current assets held for sale and associated liabilities	38,363	11,602
Held-to-maturity investments	2,345,326	4,852,686
Other collections related to investing activities	-	-

(*) Presented for comparative purposes only.

IBERCAJA BANCO, S.A.
CASH FLOW STATEMENTS FOR
THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Thousand euro)

	2015	2014 (*)
CASH FLOWS FROM FINANCING ACTIVITIES	**482,747**	**395,841**
Payments made	**(17,253)**	**(5,270)**
Dividends	-	-
Subordinated liabilities	(17,253)	(5,270)
Other payments related to financing activities	-	-
Payments received	**500,000**	**-**
Subordinated liabilities	500,000	-
Issue of treasury shares	-	-
Other collections related to financing activities	-	-
Acquisition of Cajatres	**-**	**401,111**
EFFECT OF EXCHANGE RATES FLUCTUATIONS	**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**128,112**	**453,864**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**462,355**	**8,491**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**590,467**	**462,355**
Memorandum Items:		
Components of cash and cash equivalents at end of year		
Cash	194,600	191,427
Cash equivalent balances at central banks	338,016	243,273
Net balances of on-demand deposits in credit institutions	57,851	27,655
Total cash and cash equivalents at end of year	**590,467**	**462,355**

(*) Presented for comparative purposes only.

APPENDIX I

INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies:

Company	Domicile	Country of residence	% interest			
			2015		2014	
			Direct	Indirect	Direct	Indirect
Agencia de Viajes de la Caja Badajoz, S.A.	Pº de San Francisco, 18, Badajoz	Spain	-	-	80.00%	-
AnexaCapital, S.A.U.	Pº Constitución 4, Zaragoza	Spain	100.00%	-	100.00%	-
Asociación Técnica de Cajas de Ahorro, A.I.E. (in liquidation)	Pº de Isabel la Católica, 6, 7ª planta, Zaragoza	Spain	100.00%	-	-	-
Badajoz Siglo XXI, S.A.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
CAI Inmuebles, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
CAI Mediación de Seguros, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	-	-	100.00%	-
CAI Viajes, S.A.	P°de Isabel la Católica, 6, 7°(Zaragoza)	Spain	-	-	100.00%	-
Caja 3 Gestión, S.A.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	-	-	100.00%	-
Caja de Badajoz Vida y Pensiones, S.A. de Seguros	Pº Fluvial, 15, Badajoz	Spain	-	-	100.00%	-
Caja Inmaculada Energía e Infraest., S.A.	Pº Constitución, 4, Zaragoza	Spain	100.00%	-	100.00%	-
Cajaragón, S.L.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	75.00%	25.00%	75.00%	25.00%
Cartera de Inversiones Lusitania, S.L.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
Cerro Goya, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	98.70%	1.30%	98.70%	1.30%
Cerro Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.77%	0.23%	99.77%	0.23%
Dopar Servicios, S.L.	C/ Juan de la Cierva, 23, Zaragoza	Spain	50.00%	7.50%	50.00%	7.50%
Enclama, S.L.	C/ Juan de la Cierva, 23, Zaragoza	Spain	50.00%	7.50%	50.00%	7.50%
Espacio Industrial Cronos, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Gedeco Zona Centro, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	100.00%	-	100.00%
Gestión de Inmuebles Salduvia (formerly Ibercaja Servicios Inmobiliarios, S.A.)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.00%	1.00%	99.00%	1.00%
Grupo Alimentario Naturiber, S.A.	C/ Virgen Pilar Parcela 4, Fuenterroble de Salvatierra (Salamanca)	Spain	74.40%	-	89.41%	-
Ibercaja Gestión de Inmuebles, S.A.	Pº Constitución, 10, entlo. izda., Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Gestión, S.G.I.I.C. S.A.	Pº Constitución, 4, 3ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Leasing y Financiación, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Paticipaciones Empresariales, S.A.	Pº Constitución, 4, 4ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Patrimonios, S.A.	Pº Constitución, 4, 3ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Pensión, E.G.F.P., S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Viajes, S.A.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Vida, S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja, S.A.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	100.00%	-	100.00%	-
Iberprofin, S.L.	Pº Constitución, 4, 4ª planta, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%
Inmobiliaria Impulso XXI, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	100.00%	-	100.00%
Mantenimiento de Promociones Urbanas, S.A.	Pº Sagasta, 4, Zaragoza	Spain	100.00%	-	100.00%	-
Radio Huesca, S.A.	C/ Alcalde Carderera, 1, Huesca	Spain	-	-	100.00%	-
Residencial Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Servicios a Distancia IBD, S.L.	C/ Bari, 49, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%
Telehuesca, S.L.	C/ Alcalde Carderera, 1, Huesca	Spain	-	-	-	100.00%
Tipo Línea, S.A.	C/ Isla Mallorca, s/n, Zaragoza	Spain	100.00%	-	100.00%	-
Viajes Caja Círculo, S.A.	Avda. Cid, 6 bis, traseras bajo, Burgos	Spain	-	-	75.00%	-

Jointly controlled entities

Company	Domicile	Country of residence	% interest			
			2015		2014	
			Direct	Indirect	Direct	Indirect
Aramón Montañas de Aragón, S.A.	Pza. Aragón,1, Zaragoza	Spain	50.00%	-	50.00%	-
Ciudad del Corredor, S.L.	C/ Gran Vía, 15, Of. 1 -3 MADRID	Spain	-	50.00%	-	50.00%
Corredor del Iregua, S.L.	Avda. Pío XXI, 1, Bajo, Logroño	Spain	-	50.00%	-	50.00%
Desarrollos Vivir Zaragoza, S.A.	C/ San Pablo, 61, Zaragoza	Spain	-	-	-	50.00%
Ibervalor Energía Aragonesa, S.A.	Pº Constitución, 4, Zaragoza	Spain	50.00%	-	50.00%	-
Montis Locare, S.L. (being liquidated)	Pza. Aragón, 11, Zaragoza	Spain	47.73%	-	47.73%	-
Promociones Palacete del Cerrillo, S.L.	Pº Castellana, 95, 18ª pta., Of. 18 -24 MADRID	Spain	-	33.33%	-	33.33%

Associates:

Company	Domicile	Country of residence	% interest 2015 Direct	2015 Indirect	2014 Direct	2014 Indirect
Aliancia Inversiones en Inmuebles Dos, S.L. (being liquidated)	C/Miguel Ángel, 11, Madrid	Spain	-	-	25.75%	-
Anglia Real Estate, S.L.	Rambla Catalunya, 135, 4ª planta 1ª, Barcelona	Spain	-	-	-	35.56%
Araven, S.L.	Pol. Ind. Malpica, C/ E, nº7, Zaragoza	Spain	-	50.00%	-	50.00%
Asociación Técnica de Cajas de Ahorro, A.I.E. (in liquidation)	Pº de Isabel la Católica, 6, 7ª planta, Zaragoza	Spain	-	-	31.00%	-
C y E Badajoz Servicios Sociosanitarios, S.A.	Avda. Juan Carlos I, 17, entpta., Badajoz	Spain	33.00%	-	33.00%	-
CAI Seguros Generales, Seguros y Reaseguros, S.A.	Pº Constitución, 4, 2ª planta, Zaragoza	Spain	50.00%	-	50.00%	-
Capital Innovación y Crecimiento, S.A., S.C.R.	Pº Independencia, 32, 5ºC, Zaragoza	Spain	45.77%	-	45.77%	-
Centro de Transportes Aduana de Burgos, S.A.	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	25.45%	-	25.45%	-
Cerro de Mahí, S.L.	Pza. Roma, F-1, 1ª planta, of. 5 Zaragoza	Spain	-	33.33%	-	33.33%
Chip Audiovisual, S.A.	Pº Independencia 29 Zaragoza	Spain	-	-	17.50%	-
Concessia Cartera y Gestión de Infraest., S.A.	C/ Severo Ochoa, 3, of 4B, Las Rozas Madrid	Spain	27.65%	-	23.73%	-
Districlima Zaragoza, S.L.	Avda. Ranillas, 107, Zaragoza	Spain	35.00%	-	35.00%	-
Europea Desarrollos Urbanos, S.L.	C/ Arturo Soria, 65, Madrid	Spain	-	20.00%	-	20.00%
Heraldo de Aragón, S.A.	Pº Independencia, 29, Zaragoza	Spain	39.94%	-	39.94%	-
Imaginarium, S.A. (a)	Plat. Log. Plaza, C/ Osca,4, Zaragoza	Spain	-	-	10.65%	16.38%
Inmourbe, F.I.I.F	Rua Ramalho Ortigao, 51, Lisboa	Portugal	-	32.78%	-	32.78%
Liderazgo Inmobiliario de Aragón, S.A.	C/ Josefa Amar y Borbón, 1, Zaragoza	Spain	-	50.00%	-	50.00%
Mobart Circulo Participaciones, S.L.	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	50.00%	-	50.00%	-
Negio Constructora, S.A.	Avda. Diagonal Plaza, s/n, Zaragoza	Spain	-	20.00%	-	20.00%
Nuevas Energías de Castilla S.A.	Avda. Cid Campeador, 4, 1ºC, Burgos	Spain	-	-	48.00%	-
Nuevos Materiales de Construcción, S.A.	C/ San Norberto, 26, Madrid	Spain	21.93%	-	21.93%	-
Ocho17 Eficiencia Energética, S.L.	Pº Isabel la Católica, 6, Zaragoza	Spain	17.94%	2.42%	17.94%	2.42%
Parque Tecnológico del Motor de Aragón, S.A.	Ctra. TE-V 7033 Km. 1, Alcañiz (Teruel)	Spain	-	-	12.46%	10.50%
Plataforma Logística de Zaragoza, PLAZA, S.A.	Pº María Agustín, 36, Zaragoza	Spain	30.58%	-	30.58%	-
Prames Audiovisual, S.A.	Camino Molinos, 32 Zaragoza	Spain	-	-	40.00%	-
Promopuerto 2006, S.L.	Pº Independencia, 4, 5ª pta., Zaragoza	Spain	-	45.70%	-	45.70%
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Camino Molinos, 32, Zaragoza	Spain	31.28%	-	31.28%	-
Publicaciones y Ediciones Alto Aragón, S.A.	Ronda de la Estación, 4, Huesca	Spain	-	-	46.78%	-
Residencia Jardín Nuestra Sra. María Auxiliadora, S.A.	C/ Obispo Tobar, s/n. Tardajos (Burgos)	Spain	40.00%	-	40.00%	-
Rioja Nueva Economía, S.A.	Gran Vía Rey Juan Carlos I, 9, Logroño	Spain	42.55%	-	42.55%	-
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Pol. Ind. Los Llanos, s/n, Teruel	Spain	23.41%	-	23.41%	-
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	C/ Los Enebros, 74, Teruel	Spain	22.16%	-	22.16%	-
Solavanti, S.L.	Avda. Academia Gral. Militar, 52, Zaragoza	Spain	-	20.00%	-	20.00%
Turolense del Viento, S.L.	C/ Los Enebros, 74, Ed. Galileo, 2ª planta, Teruel	Spain	-	20.00%	-	20.00%
Viacaias, S.L.	C/Alcalá 27 Madrid	Spain	19.30%	-	24.41%	-

(a) Quoted on the Alternative Stock Market. The fair value at 31 December 2014 was €2,208 thousand.

APPENDIX II

FINANCIAL INFORMATION ON INVESTMENTS IN SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Group companies:

Company	Date of financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Non-controlling interests	
		2015	2014	2015	2014	2015	2014
Agencia de Viajes de la Caja Badajoz, S.A.	-	98	6	(98)	(348)	-	(5)
AnexaCapital, S.A.U.	Dec -15	1,829	3,342	(1,272)	20	-	-
Araprom, S.A.	-	-	(6)	-	-	-	-
Arcai Inmuebles, S.A.	-	-	(854)	-	-	-	-
Asociación Técnica de Cajas de Ahorro, A.I.E. (in liquidation)	Dec -15	-		-			
Badajoz Siglo XXI	Dec -15	(11,488)	(1,479)	(1,002)	(10,009)	-	-
CAI Inmuebles, S.A.	Dec -15	(203,181)	1,982	(530)	(205,164)	-	-
CAI Mediación de Seguros, S.A.	-	-	1,089	-	3,514	-	-
Caja 3 Gestión, S.A.	-	138	(121)	(138)	1,495	-	-
CAI Viajes, S.A.	-	-	29	-	300	-	-
Caja Badajoz Vida y Pensiones, seguros y Reaseguros, S.A.	-	-	3,350	-	10,698	-	-
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec -15	55	31	(126)	24	-	-
Cajaragón, S.L.	Dec -15	(2)	-	-	(2)	-	-
Cartera de Inversiones Lusitania, S.L.	Dec -15	568	(76)	(745)	644	-	-
Cerro Goya, S.L.	Dec -15	(3,644)	(3,631)	(370)	(11)	-	-
Cerro Murillo, S.A.	Dec -15	(124)	(66,595)	(57,286)	(131)	-	-
Dopar Servicios, S.L.	Dec -15	234	10	(25)	224	98	115
Enclama, S.L.	Dec -15	322	119	124	204	198	152
Espacio Industrial Cronos, S.A.	Dec -15	(10,163)	(2,438)	823	(7,725)	-	-
Gedeco Zona Centro, S.L.	Dec -15	(18,988)	(177)	85	(18,812)	-	-
Gestión de Inmuebles Salduvia (formerly Ibercaja Servicios Inmobiliarios, S.A.)	Dec -15	378	59	705	319	-	-
Golf del Puerto, S.A.	-	-	(842)	-	-	-	-
Grupo Alimentario Naturiber, S.A.	Oct -15	(7,279)	117	(237)	(7,357)	813	285
Ibercaja, S.A.	Dec -15	(22,443)	686	273	(23,237)	-	-
Ibercaja Banco S.A.	Dec -15	226,960	71,216	46,869	(315,512)	-	-
Ibercaja Gestión, S.A.	Dec -15	45,483	24,441	32,181	45,042	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec -15	40	8	4	32	-	-
Ibercaja Leasing y Financiación, S.A.	Dec -15	15,219	823	1,527	14,395	-	-
Ibercaja Mediación de Seguros, S.A.	Dec -15	39,390	24,121	20,489	34,606	-	-
Ibercaja Paticipaciones Empresariales, S.A.	Dec -15	53	14	45	71	-	-
Ibercaja Patrimonios, S.A.	Dec -15	2,074	847	1,148	1,989	-	-
Ibercaja Pensión, S.A.	Dec -15	24,400	10,495	11,253	23,932	-	-
Ibercaja Viajes, S.A.	Dec -15	489	(116)	(9)	220	-	-
Ibercaja Vida, S.A.	Dec -15	352,705	80,422	89,979	258,401	-	-
Iberprofin, S.L.	Dec -15	25	36	56	25	-	-
Inmobiliaria Impulso XXI, S.A.	Dec -15	(27,512)	344	124	(27,855)	-	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec -15	25,513	210	539	24,828	-	-
Interchip, S.A.	-	-	66	-	-	-	-
Inversiones Turísticas y Deportivas, S.L.	-	-	(379)	-	-	-	-
Mantenimiento de Promociones Urbanas, S.A.	Dec -15	222	61	49	222	-	-
Método 21 S.L.	-	-	4,464	-	-	-	-
Nuevas Inversiones Aragonesas 2011, S.L.	-	-	(12)	-	-	-	-
Promociones Inmobiliarias Berben el Puerto, S.L.	-	-	(1)	-	-	-	-
Radio Huesca, S.A.	-	(1)	(352)	1	1,076	-	-
Residencial Murillo, S.A.	Dec -15	(39,037)	(54,350)	(60,687)	15,318	-	-
Servicios a Distancia IBD, S.L.	Dec -15	52	153	189	36	-	-
Telehuesca, S.L.	-	3	(50)	(3)	(208)	-	-
Tintas Arzubialde, S.L.	-	-	(176)	-	-	-	-
Tipo Línea, S.A.	Dec -15	1,253	(341)	(225)	1,594	-	-
Viajes Caja Círculo, S.A.	-	95	187	(95)	(794)	-	(20)
Viviendas Caja Círculo, S.A.	-	-	335	-	-	-	-

Company	Date financial statements	Financial information 2015 Share capital	Reserves & val. adj.	P/(L)	2014 Share capital	Reserves & val. adj.	P/(L)
Agencia de Viajes de la Caja Badajoz, S.A.	-	-	98	(98)	454	(348)	6
AnexaCapital, S.A.U.	Dec -15	18,293	1,823	(1,272)	18,293	20	3,342
Araprom, S.A.	-	-	-	-	60	49	(7)
Arcai Inmuebles, S.A.	-	-	-	-	2,060	(81,839)	(854)
Asociación Técnica de Cajas de Ahorro, A.I.E. (in liquidation)	Dec -15	100	-	-	-	-	-
Badajoz Siglo XXI	Dec -15	40,950	2,162	(1,002)	40,950	3,641	(1,479)
CAI Inmuebles, S.A.	Dec -15	64	(203,181)	(530)	64	(205,164)	1,982
CAI Mediación de Seguros, S.A.	-	-	-	-	60	3,514	1,089
CAI Viajes, S.A.	-	-	-	-	60	300	29
Caja 3 Gestión, S.A.	-	-	138	(138)	5,000	1,495	(121)
Caja Badajoz Vida y Pensiones, Seguros y Reaseguros, S.A.	-	-	-	-	11,720	38,487	3,350
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec -15	1,154	9,631	(126)	1,154	9,600	31
Cajaragón, S.L.	Dec -15	4	(2)	-	4	(2)	-
Cartera de Inversiones Lusitania, S.L.	Dec -15	16,814	(3,100)	(745)	16,814	(3,260)	(76)
Cerro Goya, S.L.	Dec -15	13,503	(3,644)	(370)	13,503	(11)	(3,631)
Cerro Murillo, S.A.	Dec -15	155,775	293	(57,286)	222,381	(131)	(66,595)
Dopar Servicios, S.L.	Dec -15	20	234	(25)	20	224	10
Enclama, S.L.	Dec -15	20	322	124	20	204	119
Espacio Industrial Cronos, S.A.	Dec -15	28	(10,163)	823	28	(7,725)	(2,438)
Gedeco Zona Centro, S.L.	Dec -15	7,185	(14,508)	85	7,185	(14,332)	(177)
Gestión de Inmuebles Salduvia (formerly Ibercaja Servicios Inmobiliarios, S.A.)	Dec -15	60	378	705	60	319	59
Golf del Puerto, S.A.	-	-	-	-	9,006	(40,745)	(842)
Grupo Alimentario Naturiber, S.A.	oct- '-15	12,217	(7,279)	(237)	12,217	(7,357)	117
Ibercaja, S.A.	Dec -15	73,715	(22,443)	273	73,715	(23,237)	686
Ibercaja Banco S.A.	Dec -15	2,144,276	342,926	46,869	2,611,730	(99,105)	71,216
Ibercaja Gestión, S.A.	Dec -15	2,705	51,404	32,181	2,705	51,275	24,441
Ibercaja Gestión de Inmuebles, S.A.	Dec -15	120	40	4	120	32	8
Ibercaja Leasing y Financiación, S.A.	Dec -15	3,006	15,219	1,527	3,006	14,395	823
Ibercaja Mediación de Seguros, S.A.	Dec -15	60	39,359	20,489	60	34,846	24,121
Ibercaja Paticipaciones Empresariales, S.A.	Dec -15	150	53	45	150	71	14
Ibercaja Patrimonios, S.A.	Dec -15	4,417	2,508	1,148	4,417	2,423	847
Ibercaja Pensión, S.A.	Dec -15	11,010	26,271	11,253	11,010	25,926	10,495
Ibercaja Viajes, S.A.	Dec -15	94	489	(9)	94	220	(116)
Ibercaja Vida, S.A.	Dec -15	105,065	384,195	89,979	105,065	330,725	80,422
Iberprofin, S.L.	Dec -15	50	25	56	50	25	36
Inmobiliaria Impulso XXI, S.A.	Dec -15	18,000	(27,512)	124	18,000	(27,855)	344
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec -15	40,051	25,513	539	40,051	24,828	210
Interchip, S.A.	-	-	-	-	90	11	66
Inversiones Turísticas y Deportivas, S.L.	-	-	-	-	8,892	(9,393)	(379)
Mantenimiento de Promociones Urbanas, S.A.	Dec -15	65	222	49	65	222	61
Método 21 S.L.	-	-	-	-	1,598	(1,596)	4,464
Nuevas Inversiones Aragonesas 2011, S.L.	-	-	-	-	3	13	(12)
Promociones Inmobiliarias Berben el Puerto, S.L.	-	-	-	-	121	(714)	(1)
Radio Huesca, S.A.	-	-	(1)	1	1,291	1,076	(352)
Residencial Murillo, S.A.	Dec -15	132,012	(39,037)	(60,687)	132,012	15,465	(54,350)
Servicios a Distancia IBD, S.L.	Dec -15	480	52	189	480	36	153
Telehuesca, S.L.	-	-	3	(3)	752	(208)	(50)
Tipo Línea, S.A.	Dec -15	120	1,253	(225)	120	1,596	(341)
Viajes Caja Círculo, S.A.	-	-	95	(95)	720	(794)	187
Viviendas Caja Círculo, S.A.	-	-	-	-	60	62	335

Jointly controlled entities

Company	Date of financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Value of shareholding	
		2015	2014	2015	2014	2015	2014
Aramón Montañas de Aragón, S.A. (*)	sept-15	(4,310)	(6,335)	(23,061)	(18,022)	29,787	33,772
Other companies		(233)	(1,758)	(18,836)	(20,886)	1,132	4,703

(*) The financial information for this company relates to the date indicated except in relation to the contribution to estimated consolidated results at 31 December 2015.

	Thousand euro			
	Financial information			
	2015		2014	
Company	Aramón, Montañas de Aragón, S.A.	Rest	Aramón, Montañas de Aragón, S.A.	Rest
Current assets	4,599	-	3,877	-
Non-current assets	151,369	-	159,931	-
Cash and cash equivalents	640	-	641	-
Current liabilities	68,937	-	71,847	-
Non-current liabilities	5,403	-	5,038	-
Current financial liabilities	62,841	-	66,381	-
Non-current financial liabilities	1,322	-	2,919	-
Ordinary income	33,252	-	34,305	-
Dividends paid	-	-	-	-
Total recognised income and expense	(9,285)	(700)	(11,187)	(658)
Profit/(loss) from ordinary activities	*(9,560)*	*(700)*	*(11,750)*	*(658)*
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other recognized income and expenses	*275*	-	*384*	-
Depreciation	(4,366)	-	2,587	-
Amortisation	12,388	-	12,622	-
Interest income	8	-	30	-
Interest expense	3,091	-	4,716	-
Corporate income tax expense/(income)	107	-	44	-

Associates:

Company	Date of financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Value of shareholding	
		2015	2014	2015	2014	2015	2014
Concessia Cartera y Gestión de Infraestructuras, S.A. (**)	oct-15 (*)	(525)	96	2,835	352	15,371	16,748
Heraldo de Aragón, S.A. (**)	Dec -15	(613)	(1,048)	5,709	4,566	36,826	38,183
Soc. Española de Banca de Negocios, S.A.	-	-	1,530	-	(10,417)	-	-
Other companies		(3,503)	(482)	(30,238)	(38,580)	52,021	62,549

(*) The financial information for this company relates to the date indicated except in relation to the contribution to estimated consolidated results at 31 December 2015.
(**) Latest available unaudited data.
(***) Entity classified at 31 December 2014 as a non-current asset held for sale (Note 13).

	Thousand euro					
	Financial information					
	2015			2014		
Company	Concessia Cartera y Gestión de Infraest. S.A.	Heraldo de Aragón, S.A.	Rest	Concessia Cartera y Gestión de Infraest. S.A.	Heraldo de Aragón, S.A.	Rest
Current assets	11,792	48,373	-	17,606	12,043	-
Non-current assets	67,999	68,551	-	75,850	83,567	-
Current liabilities	1,320	22,975		1,842	28,200	-
Non-current liabilities	23,342	21,846	-	20,589	12,434	-
Ordinary income	3,310	109,243	-	3,905	3,062	-
Dividends paid	-	-	-	-	-	-
Total recognised income and expense	2,242	(511)	3,945	1,314	(4,689)	(3,572)
Profit/(loss) from ordinary activities	*2,242*	*(511)*	*3,945*	*1,314*	*(4,689)*	*(3,572)*
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-
Other recognized income and expenses	-	-	-	-	-	-

ANNEX 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 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 headquarters) 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 2015:

	Thousand euro
	31/12/2015
Spain	1,039,637
Portugal	1,194
	1,040,831

c) Number of equivalent full time employees

Equivalent full time employees by country are as follows at the end of 2015:

	Thousand euro
	31/12/2015
Spain	5,927
Portugal	-
	5,927

d) Gross income before taxes

	Thousand euro
	31/12/2015
Spain	114,908
Portugal	3,329
	118,237

e) Corporate income tax

	Thousand euro
	31/12/2015
Spain	34,109
Portugal	49
	34,158

f) Grants or public aid received

No grants or public aid have been received by Ibercaja Banco, S.A. or any Group company during 2015.

Other information.

The return on the Group's assets during the year calculated as net income dividend by total assets is 0.14%.

Ibercaja Banco S.A.
and subsidiaries

Consolidated Directors' Report
for 2015

Ibercaja Banco, S.A. and subsidiaries

Consolidated Directors' Report 2015

SECTION I: DIRECTORS' REPORT

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10.3. Average payment period to suppliers

11. Business outlook and projections

12. Subsequent events

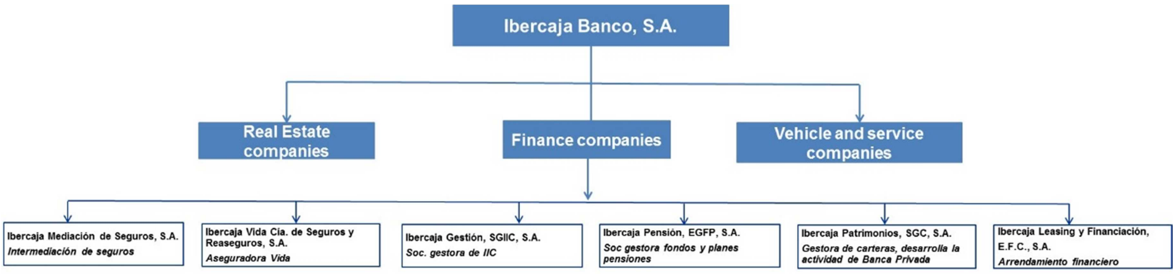
1. <u>Ibercaja Group: current situation</u>

1.1. Description and organisational structure

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.

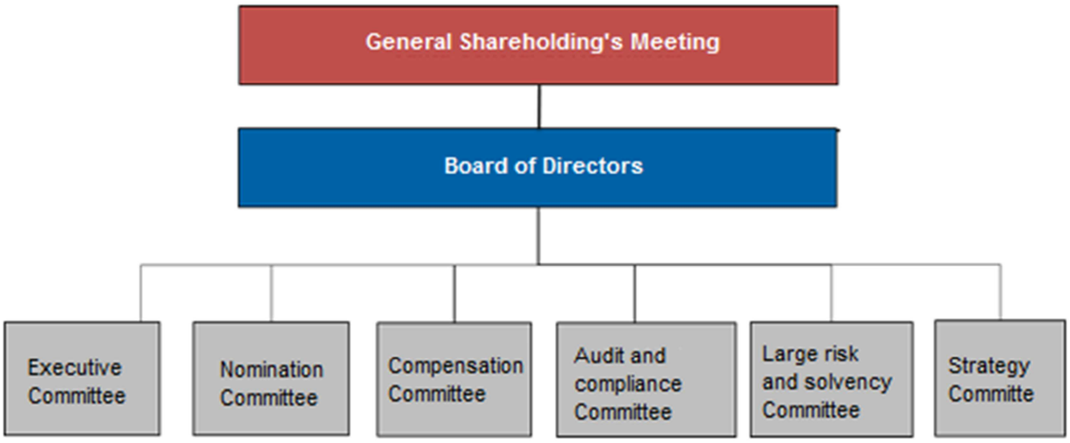
From an organisational standpoint, the Bank is the head of a group of subsidiaries, notably those of the Financial Group, which consists of companies specializing in investment funds, savings and bancassurance, wealth management and operating and finance leases, due to their importance from the standpoint of banking product diversification and profitability.

The most relevant companies within the scope of consolidation are as follows:



1.2. Corporate Governance

Ibercaja Banco's governance model consists of the General Shareholders' Meeting and the Board of Directors, which has six sub-committees.



Ibercaja Group's governing bodies, their composition and operating regulations are set out in the bylaws and Board regulations. The content of these items is in line with the provisions of Law 10/2014 (26 June) on the organisation, supervision and solvency of credit institutions, Royal Decree-Law 1/2010 (2 July), which approves the Spanish Companies Act 2010 (with the wording established by Law 31/2014) and the Unified Code of Good Governance.

The **General Shareholders' Meeting** is the maximum decision-making body at the Entity and its resolutions are mandatory for the Board of Directors. The General Meeting has the broadest of authorities to govern the Entity and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with the law and the bylaws.

The **Board of Directors** has the broadest of authorities to manage, administer and represent the company and, except with respect to those matters reserved for the authority of the General Meeting, it is the highest decision-making body at the Bank. The Board has six committees: Executive, Nominations, Compensation, Audit and Compliance, Large risk and Solvency, and Strategy.

Executive Committee

The permanent delegation of Board authority to the Executive Committee covers all such authorities, except for those that cannot be delegated in accordance with the law or the bylaws, or with the Board Regulations.

Nominations Committee

The Nominations Committee is responsible for proposing nominations to the Board of Directors. It is specifically responsible for: evaluating the suitability of directors, establishing a target for the gender less represented on the Board and make, together with shareholders at a general meeting, proposals for the nomination, re-election or removal of independent directors, inform regarding the proposals to nominate or remove senior executives and persons with key duties, the basic conditions of their contracts and to examine and organise the succession of the Board chairman and the CEO.

Compensation Committee

The Compensation Committee has the duty of reporting, advising and proposing matters regarding compensation for directors, executives and similar personnel, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

Audit and Compliance Committee

The Committee's duties are expressly stipulated in the Board of Directors Regulations. In particular: inform the general meeting regarding any matters raised by shareholders with respect to areas under its authority, supervise the effectiveness of the Entity's internal control, internal audit and risk management systems, including tax risks, supervise the process of preparing and presenting regulated financial information, propose the designation or re-election of the auditor, establish the appropriate relationships with the external auditor to receive information regarding its independence and receive annual information from the external auditor confirming its independence with respect to the entity or its group and issue the relevant report.

Large Risk and Solvency Committee

The Committee has the primary duty of advising the Board as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

Strategy Committee

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation. During 2015 this Committee regularly monitored the Strategic Plan approved by the Board of Directors, which is of great importance for the adequate management of the Entity in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

The composition and members of the various governing bodies and of the executive team are indicated in the Corporate Governance Report.

Control tasks

The Group has a procedures-based internal control system for financial and operating risks deriving from its business. The Risk Control Unit verifies compliance with the risk limits approved by the Board of Directors and the Regulatory Compliance Unit supervises observance of the laws and govern the Group's business. Ibercaja also has an Internal Audit Unit that reviews the proper operation of the risk control systems, verifying compliance with established policies, procedures and standards. The Audit and Compliance Committee supervises the effectiveness of internal audit and control as well as the risk management systems.

The Memorandum on Standards of Conduct and Operating Security is addressed to all employees and contains a summary of the standards, actions and policies that must be taken into account. The Audit and Compliance Committee is responsible for approving updates and improvements, as well as receiving information regarding any behaviour that violates the Company's standards, principles.

1.3. Business model and Strategic Plan 2015-2017

The Group has €58,922 million in assets and it is the eighth largest entity by asset volume in the Spanish banking system. It primarily engages in retail banking, focusing on the financing of families and SMEs, savings management and other financial services. At the national level the Group has a 2.6% market share in loans, 3.5% in retail customers and 3.2% in deposits.

The Entity has a relevant position in its traditional area of influence (Aragon, La Rioja, Guadalajara, Burgos and Badajoz) where 64% of its network is concentrated and it obtains 59% 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 six Spanish provinces. In December 2015 the network was comprised of 1,272 offices and 5,963 employees.

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 2,8 million customers: families, companies and public and private institutions. It has specific channels and differentiated products adapted to the various customer segments. As a supplement to the traditional banking services it offers, Ibercaja offers products from its financial group that specialises in investment funds, pension plans, insurance, finance and operating leases, and private banking services.

The Strategic Plan 2015-2017 was presented in February 2015 with the goal of supporting a profitable, competitive and value-creating business within an increasingly demanding market that is attractive for customers and investors with a view to the planned stock market listing. The selected targets are: maximise solvency and profitability, increase recurring income and reduce costs to obtain a group of diversified sources of profitability improvements, build a business project that is recognised for its good governance, reputation and transparency to instil maximum confidence in customers and society and to gain market share with respect to loans and deposits while growing strategic lines of business.

The low interest rate environment and the tightening of spreads make it necessary to develop a more diversified model over the coming quarters, addressing the rendering of financial services and reducing the dependency on interest rates. In this respect we note the strengthening of investment funds, pension plans, life insurance and wealth management, etc.

The Group's lines of business are:

Personal Banking

Personal banking is a fundamental pillar of the Group's business model. It manages 2.7 million customers that provide 85% of the business volume, including family, personal, and private banking segments.

Families provide stability and provide the highest percentage of resources under management and loan investments. The management of the office network concentrates on the objective of obtaining new customers and consolidated loyalty the existing by developing attractive proposals adapted to the needs of each query based on their family and situation.

Full-service branches co-exist alongside personal offices, private banking centres, specialised advisory offices and other quick-service offices.

One of the main objectives of the Strategic Plan 2015-2017 the driving of segments with the highest potential to generate volume and profits, among which is personal banking. This area attends to customers with a certain level of financial assets to whom Ibercaja offers 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 notable role in the design of products.

Ibercaja Patrimonios SGC, S.A. is the portfolio management company that carries out the Group's private banking business. It offers investment proposals to high-net worth customers and provides a specialized, customized and quality service. Customers have the advisory services of a personal manager and access to all types of financial assets. The commercial structure consists of 10 offices.

Business Banking

One of the priority targets of the Strategic Plan is the development of business banking, especially for SMEs. The objective is to attain a better position in this business segment by providing individual responses to companies that are customized for all of their needs.

Business Banking has a specific unit of more than 100 specialized managers that attend to the largest companies with the most complex operations. They are supported by Branch Managers that have a critical mass of SMEs as customers. In order to grow the relationship with companies the opening of the first two Business Centres in Zaragoza and Madrid is imminent.

In 2015 61% of loans and credit facilities granted were for financing non-real estate business activities and for which marketing agreements have been obtained for the lines of financing granted by public institutions. Those signed with the Official Credit Institute and the European Investment Bank are notable due to their importance.

Asset management

The Financial group was created in 1988 and is wholly owned by Ibercaja. It consists of companies specializing in investment funds, savings plans and pensions, bancassurance, asset management and finance and operating leases. A capacity for innovation and specialized offers place it in a notable position among Spanish financial institutions. Its products are intended for both individuals and companies and are marketed through the branch office network, supplementing the Entity's banking services.

Investment fund management

Ibercaja Gestión, SGIIC, S.A. is the Group's investment fund management company.

In December 2015, Ibercaja Gestión managed assets totalling €8,641 million, which is 30.52% higher than at the same time last year. This is a record for the Entity, which raises it to the eighth position in the national ranking. A good part of the increase in assets originates from the net contributions of over €2,000 million made during the period, nearly double those recorded in 2014 and which is, in terms of percentage, the highest increase among entities in the sector. The market share of investment funds managed or marketed by the Group totals 4.06%, which is an increase of 26 basis points during the year.

The management company has 65 investment funds that are adapted to any market situation and to any investor. Ibercaja also manages 16 investment trust companies (SICAV).

Pension fund management

Ibercaja Pensión, EGFP, S.A. is the Group company that manages the various types of pension plans.

At the end of 2015, the savings under management totalled €5,930 million, distributed into employment and individual plans. The 1.88% year-on-year growth places the Entity in the fifth position in the industry ranking with a market share of 5.67%.

The assets under management in individual plans totalling €1,978 million grew by 3.14% to a market share of 2.91%. The increase is the result of the commercial action taken out to promote savings supplementing public pensions at the time of retirement.

The assets in employment plans totalling €3,952 million grew by 1.26%. The 11.12% market share in this business segment places the Entity in the third position among Spanish management companies. Among the 20 plans with 70,436 participants are those of notable groups such as the employees of Endesa, the Bank of Spain, Public Employees of Aragon, in addition to important municipalities throughout Spain.

Insurance business

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

Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U. focuses its activities on the structuring of investment savings insurance and life insurance for distribution throughout the office network. It has a product catalogue that includes systematic savings insurance, investment savings, lifetime and temporary annuities, individual systematic savings plans, individual long-term savings insurance, insured retirement plans and others.

Underwriting reserves total €6,067 million. Ibercaja Vida is ranked fifth in the industry with a 3.62% market share. The €990 million in premiums collected means that Ibercaja Vida is ranked fifth with a market share of 3.88%.

Ibercaja Mediación de Seguros, S.A.U. is a general insurance brokerage. It markets risk insurance for individuals and companies that is distributed through the office network. The Company's portfolio generates premiums totalling €227 million, which is 2% higher than in December 2014.

Other lines of business

Activities in the capital market area focus on the management of fixed income and equity portfolios in order to diversify the sources of financial margins and supplement the income that originates from the retail business. It also plans issues and the repurchase of securities, and it obtains hedges for structured and other deposits.

The Group has business interests in several sectors: tourism, real estate, media, logistics, services and other. The historically limited investments in investee companies take place in order to support production, preferably by SMEs, in projects that contribute to create wealth and employment in the Entity's area of influence, as well as to contribute to the diversification of the Group's sources of income.

The Group constantly reviews its shareholdings to carry out an ordered disposal of its stakes in those companies that are not strategic for its business or do not generate adequate profits for the capital they consume, while simultaneously ensuring the continuity of the business in the hands of qualified managers.

2. Business evolution and results

2.1. Economic and financial environment

The global economy grew by nearly 3.1% at the end of 2015, slightly below the 2014 figure. The good performance of the most developed countries was overshadowed by the deceleration of growth in emerging economies.

Internal demand in the United States drove GDP up by a rate of nearly 2.5%. The good rate is supported by the vigour of household consumption, which has benefited from the strong employment increase by 2.65 million jobs over the course of the year, as well as investments in capital goods and residential housing. Given the favourable outlook, the Federal Reserve has started to normalize its monetary policy and did December raised its benchmark interest rate for the first time since 2004.

Moderate growth of 1.6% was achieved in the Eurozone according to the European Commission. The ECB's policy of quantitative easing, the drastic decline in crude oil prices, the depreciation of the euro and the dilution of risks, such as the threat of Greece exiting the euro, have all contributed to the recovery. The main economies in that area, led by Spain, have seen how economic activities have accelerated. Based on the latest information available, Germany could grow by 1.7% on a year-on-year basis, while France and Italy will achieve slightly lower levels.

The ECB maintained the benchmark interest rate at 0.05%, thereby ratifying its commitment to use all available instruments as long as necessary to support the recovery. At its December meeting it approved a new package of stimulus measures: reduction of the marginal deposit facility rate to -0.3% and an expansion of the liquidity supply system at least until the end of 2017 using fixed-rate and direct award options.

The main European stock markets have shown gains, despite the volatile moments that were experienced starting in the second quarter. The Eurostoxx 50 ended up 3.9% while the CAC 40 and the Dax Xetra advanced by 8.5% and 9.6%, respectively. The Spanish index was an exception in this panorama, with a loss of 7.2%.

The Spanish economy has continued the expansion that started in 2015 with a growth rate that puts it in the lead among the most developed countries. GDP growth was 3.2%, much higher than the 1.4% recorded in 2014, supported by both internal and external factors. Internal demand is leading the recovery. Private consumption grew by more than 3% on a year-on-year basis, favoured by the increase in disposable household income, while a more expansive fiscal policy has driven government expenditures upward. Investments in capital goods consolidate the good tone of 2014 and the residential component of construction is recovering energy given the reduction in the stock of available homes and the adjustment of prices. The export sector has decreased GDP growth by 0.4% This is due to the spike in imports since exports reached due to the gains in competitiveness and the depreciation of the euro.

The employment figures are encouraging, although the unemployment rate continues to be above 20% of the working population. Social Security membership grew by 3.18% on a year-on-year basis, such that over the past 12 months 533,186 individuals entered the job market and all sectors showed positive figures, even construction.

The annual inflation rate at the end of December is zero. This flat behaviour of prices is mainly due to the energy component since underlying inflation is 0.9%. The difference compared with the Eurozone continues to be positive, protecting the competitiveness of exports.

The public deficit has fallen due to the increase in tax receipts and the savings on debt interest payments. However, the 4.2% adjustment in GDP agreed with the European authorities for the year as a whole will be a difficult objective to meet. The variance will originate from the Autonomous Regions and Social Security more than the national government.

Government debt is very nearly 100% of GDP. The low interest rate environment minimizes the effect of the high volume attained but it could have a significant effect in the hypothetical case of a change in the direction of the ECB's monetary policy.

The Spanish banking sector has benefited from the improving macro-economic conditions and the reinforcement of its solvency after the restructuring and consolidation process that took place over the past few years.

The contraction of credit is moderating and credit granted to families and companies fell by 4.31%, compared to the 7.07% seen in 2014. This was essentially due to growth in new loans to SMEs and consumer loans, although there has been an increase in the granting of mortgage loans.

The environment of abnormally low interest rates and the increase in competition when granting loans has tightened spreads and placed pressure on profitability, while the decline in the cost of financing is touching bottom. Efficiency improvements through the reduction of operating costs as a result of new adjustments to networks and the payroll, as well as taking advantage of economies of scale deriving from the consolidation of the sector, allow the limited capacity to generate recurring income to be partially offset.

Non-performing assets have significantly declined due to lower rates of customers entering into difficulty in the more benign economic climate and the sale of portfolios, which has improved balance sheet quality. As a result, the delinquency ratio in the system declined by 241 basis points during the year to 10.20%.

New steps have been taken from a regulatory perspective towards Banking Union. On 1 January 2015 the Directive on the Resolution of Credit Institutions entered into force and transposed into Spanish Law through Law 11/2015 (June 18) on the recovery and resolution of credit institutions and investment service companies. The amendment of the Corporate Income Tax Act by the General State Budget Act for 2016 affected the solvency of Spanish banks by eliminating the uncertainty that existed with respect to the inclusion of guaranteed tax assets in the calculation of regulatory capital. Finally, at the end of 2015 the European Central Bank reported the definitive results of the Supervisory Review and Evaluation Process (SREP) that determines the individual capital needs of each bank in 2016 to cover the risks deriving from their business. All Spanish banks exceeded the required levels.

2.2. Most relevant aspects of the year for Ibercaja Group

At a time that is marked by historically low interest rates, the year has ended with satisfactory business levels and profits. The most relevant aspects of the year may be summarized as follows:

- Ibercaja has reinforced its solid solvency due to the organic generation of capital through profits, a more efficient risk weighting, a decline in non-performing assets and the issue of €500 million in subordinated debt placed among wholesale investors. The CET1 ratio, which measures the relationship between top-tier capital and risk weighted assets, is 11.95% at the end of year, 82 basis points more than last year. Fully loaded CET1 totals 9.74%.

- Risk indicators have shown positive development. Non-performing balances have accelerated their decline due to the lower levels of new delinquencies and to recovery efforts, to which the sale of a portfolio of non-performing real estate loans must be added. The default rate of 8.95% fell by more than 1.83% and remains at a wide margin above the average in the Spanish financial system. Real estate risk declined significantly by -20.38%, which was influenced by the situation in the sector, prudent policy applied to this business segment and the sale of portfolios. Ibercaja successfully completed several market transactions, including the placement of a real estate developer loan portfolio, consisting mainly of non-performing items, with wholesale investors and a package of bad loans for which full provision had been made. At the start of 2016, Ibercaja agreed to transfer the real estate servicing subsidiary to a top-tier specialized company.

- The dynamic performance of small business loans is notable within the objective of diversifying the loan portfolio and improving the market share of this key segment for the Group's strategy. Customer funds have increased due to the growth of off-balance sheet items. The increase of assets managed in investment funds easily exceeded that seen in the system, which is a reflection of the good impression that customers have of the Group management company as a point of reference within the Spanish market.

- The Group has a large buffer of liquid assets whose volume exceeds 19% of total assets. The LTD ratio is below 100%, which shows the balance that has been reached between loans and retail deposits.

- Presentation of the Strategic Plan 2015-2017 and the start of the development of the first-year projects and actions. The objective of the "Plan +" consists of implementing a competitive and profitable business model focused on customers and investments in a progressively more demanding market in order to successfully attain a market listing.

- Continuation of the efficiency plans to attain cost savings and the synergies from the merger with Cajatres: adaptation of the payroll, rationalisation of the network, divestment from investee companies, restructuring of the financial and real estate groups.

- The entry into force of the Single Supervisory Mechanism (SSM) has made it necessary to adapt to the ECB's new supervisory mechanisms and processes. The regulator has issued specific recommendations regarding capital requirements and governance. The "Supervisory Review and Evaluation Process" resulted in Ibercaja Banco having a minimum capital ratio of 9.25%, one of the lowest in the Spanish banking system. This shows the Group's prudence when assuming risks and the alignment of its management structures with the best corporate governance practices. The Entity has prepared the "Risk Appetite Framework" (RAF), which is intended to establish a group of principles, procedures, controls and systems that define, report and monitor its risk appetite, which is understood to be the level of risk that Ibercaja Group is willing to assume, and its tolerance. Finally, in November 2015 the Board of Directors approved the Recovery Plan in accordance with the European Banking Association (EBA) guidelines and recommendations and the provisions of Law 11/2015 (18 June), on the recovery and resolution of credit institutions and investment service companies.

2.3. Analysis of the main balance sheet figures

The total consolidated balance sheet assets fell by €3,401 million, or 5.46% in relative terms, to €58,922 million. The decline was mostly seen in the securities portfolio (€1,729 million) and customer loans net of provisions (€1,039 million).

Gross customer loans totalled €34,449 million, which is 4.47% lower than last year. This performance is due to several factors: the deleveraging of families and companies that continues to take place, although more softly than in preceding periods, the reduction of exposure to real estate developers and the decline in non-performing balances. Taking into consideration ex-developer credit in a normal situation, the contraction falls to 1.58%.

The improvement in the economic environment, the increased demand for loans and the Group's strategy of increasing the flow of financing to SMEs and consumers mean that there has been a notable increase in the number of loans granted. The new loans granted during the year totalling €4,125 million are 51% higher than the amount granted in 2014 and reach the objective set out in the Strategic Plan.

The financing of production activities other than real estate leads the reactivation of credit transactions. After accumulating 61% of the transactions concluded during the year the portfolio balance has slightly retreated. Real estate development loans declined significantly by 27.41% as a result of the evolution of the sector and the management efforts applied by the Entity. Ibercaja has had an active presence in the market and has concluded several large-volume transactions. In November it sold a real estate developer loan portfolio, most of which were classified as non-performing, for a nominal amount of nearly €700 million. Together with the disposal of a portfolio of non-performing and bad loans for which full provision had been made in the amount of €210 million, this transaction has allowed the balance sheet to be optimized due to the elimination of non-performing assets and a reduction of delinquencies.

Non-performing balances have accelerated their decline (-20.68%) due to the lower levels of new delinquencies, to recovery efforts, and the sale of portfolios of non-performing loans. The delinquency rate fell by 183 basis points to 8.95%, and there is a substantial positive gap compared with the Spanish financial system. The provisions for solvencies, including those associated with contingent risks and commitments, total €1,684 million. Coverage of non-performing risks is high at 53.70%.

Non-performing items and coverage:

	Million euro and %	
	2015	**2014**
Non-performing customer loans	3,085	3,889
Gross customer loans	34,449	36,061
Default rate (%)	**8.95**	**10.78**
Total non-performing risks	3,137	3,967
Coverage of total risks	1,684	2,283
Coverage rate (%)	**53.70**	**57.56**

The gross carrying amount of the Group's property portfolio, foreclosed or acquired in lieu of debts, totals €1,842 million. The coverage associated with real estate assets (including initial write-downs and the provisions recorded subsequent to the foreclosure of the property) is 51.43%.

The result of the property marketing activity has been very positive with sales exceeding 4,000 units, 25% more than in 2014. Sales were distributed uniformly throughout Spain and there were no negative impacts on the income statement given the high level of provisions.

Real estate developer, credit and real estate asset risk deriving from the financing of construction and real estate development fell by €969 million, or 20.38% in relative terms. The coverage for problematic assets (doubtful, subprime and foreclosed) associated with the real estate sector is 52.86%.

The Group manages its securities portfolio prudently, aiming to achieve an adequate financial rate of return in relation to the level of risk assumed. The portfolios exposed to market risk are characterized by their industry, geographic and investment term diversification, high level of liquidity and solid credit quality and no trading activities are carried out which means that market risk is low overall.

The fixed income and equities portfolios total €20,591 million, of which €5,640 million is associated with the Group's insurance business.

Fixed income securities valued at €19,967 million represents 97% of the total, which is a €1,620 million decline as a result of the maturities that took place during the year and the sales that were made. This portfolio consists of low risk bonds and has a high concentration of Spanish government debt with an average term of around 3.4 years. Its purpose is to manage balance sheet interest rate risk, generate recurring yields to reinforce the interest margin and to contribute to maintaining a comfortable liquidity level as the assets are highly liquid. The equities portfolio declined by €109 million to €624 million. It mainly consists of listed shares in domestic and foreign companies, in addition to shares in unlisted companies.

The balance in cash and deposits at credit institutions is €1,339 million. The reduction of €257 million is mainly due to the decline in term deposits. Borrowings from credit institutions and central banks fell by €1,128 million to €6,962 million. ECB financing fell by €2,795 million compared with December 2014 as a result of the LTRO auction due dates, such that these items total €2,053 million. This amount relates in full to the liquidity obtained through the TLTRO program in 2014 and 2015. In turn, deposits from credit institutions increased by €1,667 million due to the increase in asset repos taking place through central clearinghouses.

Tangible assets net of depreciation totals €1,164 million, and 60% relates to assets being used by the Entity. Intangible assets totalling €204 million mainly consist of the goodwill and other items generated on the acquisition of Cajatres, and computer software. Deferred tax assets amount to €1,375 million, of which €648 million can be monetised, i.e. their recovery does not depend on future taxable profits.

Customer funds under management total €62,871 million, which is a €320 million increase (+0.51%) compared to December 2014. The €49,510 million from the retail network increased by 2% year-on-year due to the strong increase in traded products. The decrease in interest rates on term deposits has led depositors to look for alternative investments that offer better yield expectations. The on-balance sheet retail funds totalling €31,264 million declined by 1.90%. Off-balance sheet retail funds managed by the Group total €18,246 million (+9.17%). The excellent trajectory of investment funds is very notable and the assets increased by more than 18% since the beginning of the year. This performance has been much more favourable than that of the system (+12.46%), and reveals the good impression that Customers have of the Group's specialisation in asset management.

Analysis of customer funds:

	Million euro			Change (%)
	31/12/2015	**31/12/2014 (*)**	**Change**	
On demand savings	17,439	14,636	2,803	19.16
Term deposits	13,808	17,222	(3,414)	(19.82)
Asset repos	17	11	6	55.64
On-balance sheet retail customer funds	**31,264**	**31,868**	**(605)**	**(1.90)**
Ceding of assets held to maturity	171	232	(61)	(26.26)
Investment funds	9,224	7,808	1,417	18.14
Pension plans	3,388	3,306	82	2.48
Insurance	5,463	5,368	95	1.77
Off-balance sheet retail customer funds	**18,246**	**16,713**	**1,533**	**9.17**
Total retail customer funds	**49,510**	**48,581**	**928**	**1.91**
Total funds managed by Group	**62,871**	**62,551**	**320**	**0.51**

(*) Information restated based on latest available

The investment fund market share reached a new record and ended the year at 4.06%, which is a 26 basis point increase. Despite the turbulent markets during the second quarter of 2015, the rate of net contributions was very high. The increase in portfolio management agreements should be mentioned as they easily doubled assets under management. The increase in the volume of pension plans and insurance was more moderate, showing growth of 2.48% and 1.77%, respectively.

Provisions for on-balance sheet liabilities totalling €317 million mainly consist of funds for pensions and similar obligations and personnel expenses yet to be paid. Equity amounts to €2,801 million, while capital and reserves represent €2,616 million and increased by €97 million due to the contribution of profits for the year.

2.4. Income Statement

The net profit of €84 million reflects the good performance of the recurring business. The pressure on margins due to the impact of extremely low interest rates is offset by the improvement in the cost of financing, the rise in small business and consumer loans, the increase in income from asset management and the successful cost savings policy. Simultaneously, the level of allocations decreases and therefore the cost of risk, while remaining high due to the impaired assets that were accumulated during the crisis, is trending downward.

The interest margin totalled €632 million, 9.69% less than in 2014. The adaptation of the liability costs to the evolution of interest rates has partly mitigated the decline in loan income, particularly mortgages indexed to the Euribor, and the lower returns from fixed income securities.

Net fees and differences on exchange grew by 5.56% to €333 million. Those originating from asset management increased by nearly 13%. The changes due to the increase in those received for the management and marketing of investment funds (+24.56%), which showed sustained growth in equity over the course of the year. Other fees declined slightly by 0.77% mainly as a result of those generated on the use of credit and debit cards, due to the limitation on exchange fees established by Royal Decree-Law 8/2014.

Financial transactions gave rise to €86 million in profit, basically arising on the sale of sovereign debt securities. This heading's contribution to the income statement is 79.75% less than last year, when significant capital gains materialized on the sale of fixed income portfolios. the ROF thus only represents 8% of the gross margin, substantially reducing dependence on non-recurring income.

The heading “Other operating profit/loss” includes a net expense of €18 million, €15 million less than in 2014. This heading records the contribution to the Deposit Guarantee Fund (€40 million) and the contribution to the National Resolution Fund (€12 million), which was made for the first time in 2015. The positive change is explained by the lower contribution to the Deposit Guarantee Fund and the absence of extraordinary costs arising on corporate transactions that were carried out in 2014, offsetting the higher expenses originating from real estate assets.

Returns on equity instruments contributed €10 million to the gross margin, 13.13% less than in December 2014 due to the divestment from some of the companies that made up the portfolio. Results from companies carried under the equity method total €-2 million. The losses seen one year ago have substantially decreased due to the policy of divesting from those companies that do not contribute adequate profits and to the improvement of the profits contributed by other companies as a result of the more benign economic climate.

The gross margin of €1,041 million is slightly lower than in 2014 (-3.09%), isolating the results from financial transactions. True banking income, interest margins and fees, have a high weight representing more than 90% of the total in the composition of this heading.

Operating expenses declined to €656 million which is a 16.8% contraction and 5.60% if the extraordinary expenses incurred in 2014 and 2015 are excluded. Personnel expenses totalling €404 million declined by 3.75% in comparable terms, while overhead and depreciation/amortization fell by 8.36% and 8.32%, respectively. This reflects the efforts made to rationalize the structure and operating processes during the past few years.

The operating margin increased by 2.63% to €308 million. This item does not take into account the results obtained on financial transactions less recurring operating expenses, in other words it only takes into account typical banking businesses.

The total volume of provisions and write-downs, which includes impairment losses affecting financial and non-financial assets, non-current assets for sale and allocations to provisions, totals €294 million or 32% less than in 2014 as a result of the progressive improvement in credit quality. The Group's cost of risk was 0.73% and significantly improved compared with the end of 2014. This item is measured as the ratio of the write downs of loans and properties to the loan portfolio.

The heading other profit and loss (€28 million) records the results obtained on the sale of property, plant and equipment, primarily property used by the Entity that is no longer needed after the conversion of the network, and the amounts originating from the sale of business interests within the framework of the plan to divest from non-strategic companies.

The capacity to generate recurring income, together with the decline in expenses and the trend towards the normalization of provision levels, have allowed Ibercaja to obtain a pre-tax profit of €118 million. The net profit attributed to the parent company totals €84 million after applying corporate income tax.

3. Financing and liquidity structure

Ibercaja has been traditionally characterized by a conservative liquidity policy based on the clear vocation of financing the growth of credit activities using retail resources, limiting the use of wholesale markets. This policy has the objectives of managing liquidity and diversifying sources of financing in a prudent and balanced manner, anticipate needs to comply with obligations on a timely basis to prevent investing activities from being affected and ensuring the continuity of the business.

The basic principles that govern its strategy are: active management through a regular control system based on limits and internal indicators documented in the Liquidity Manual, establishment of measures and actions in the event of a crisis scenario (contingency plan), taking advantage of the various alternatives offered by the market to diversify investments in both terms and highly-liquid instruments, while maintaining an important asset buffer to provide collateral to the ECB to cover any possible tension.

The measurement of liquidity risk takes into consideration the estimated cash flows from assets and liabilities, and on guarantees or additional instruments available to it to secure such alternative sources of liquidity as may be required. Provisions in the short, medium and long-term outlooks are developed to obtain information regarding financing needs and compliance with limits, which take into consideration the most recent macro-economic trends, due to their influence on the development of the various assets and liabilities in the balance sheet and on contingent liabilities and derivative products. Liquidity risk is controlled through the establishment of limits to exposure within levels that are compatible with the approved policies.
Note 3.4 to the annual accounts provides further details regarding the liquidity risk management strategy and policies, as well as measurement and control procedures.

Retail customer deposits are the primary source of outside financing. More than 80% of the total is classified as stable, in accordance with Bank of Spain regulations, which shows the association and confidence of the Entity's customer base.

The deleveraging of the balance sheet and the stabilization of retail sources of financing have contributed to the decrease in the commercial gap. The loan to deposits ratio was 91.33%, 58 basis points less than in December last year.

The Group has a comfortable liquidity position. The volume of liquid assets that are entirely eligible to be collateral for the ECB totals €11,272 million, or 19.13% of assets, at the end of the year. The capacity to issue mortgage and regional bonds totals €7,127 million, such that available liquid assets amount to €18,398 million.

The LCR, which measures the level of high-quality liquid assets free of encumbrances available to overcome a 30-day liquidity stress scenario is 242.35%, far higher than the requirements established by Basel III. The NSFR, which is required starting in 2018, is 117.42%. This indicator measures the proportion of stable financing at one year to stable liabilities and is intended to ensure an equilibrium in the balance sheet structure, limiting excessive dependence on short-term wholesale financing.

Liquidity indicators:

	Million euro	
	2015	2014
Volume of liquid assets	11,272	12,785
Additional capacity to issue mortgage backed and territorial bonds	7,127	6,567
Availability of liquid assets	**18,399**	**19,352**
Liquid assets/Total assets	19.13	20.51
Loan/retail financing ratio (LTD)	91.33	91.91

Over collateralization, measured as the qualifying portfolio in excess of active mortgage bonds, is 237.42% which easily exceeds the legal minimum of 125% and the average for all financial institutions.

The Entity has a comfortable repayment profile. The due dates for wholesale market issues are distributed out until 2027. In 2016 and 2017 they total €802 million and €937 million, respectively, and they may be comfortably covered with available liquidity.

The business outlook with respect to liquidity trends and expected fluctuations allows a forecast for progressive replacement of wholesale assets and liabilities by retail investments and resources. In the short and medium term, the Group will have adequate liquidity levels that will be in line with both the internal management and regulatory limits given the low importance of wholesale maturity dates, the stability of retail deposits and the situation of capital markets.

4. Capital management

The Group's capital management has the objective of ensuring compliance with regulatory requirements at all times and maintaining an adequate ratio between the risk profile and equity. It therefore self-assesses capital on a recurring basis through the application of procedures to identify, measure and group together risks in order to determine the level of capital that is necessary to cover them. In addition to the minimum equity levels that are required, the Entity establishes a capital target that provides an adequate cushion above its actual needs. It prepares projections of capital sources and consumption based on the business concerned and the expected medium-term results.

The expected development of capital and the solvency indexes for Ibercaja Banco show the Entity's capacity to handle stress situations. However, if due to an extremely adverse change in the macro-economic environment, in regulations or the banking business it is necessary to add alternative sources of capital to cover a possible shortfall, in accordance with the European Banking Association (EBA) guidelines and recommendations and the provisions of Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment service companies, the Group has defined a recovery plan to forecast and guarantee its capacity to react in situations in which its solvency or its capacity to obtain financing are impaired. The objective is to maintain capital and liquidity levels that allow it to cover unexpected losses in severe stress situations. Within the context of the plan, Ibercaja has defined quantitative and qualitative indicators to detect risk scenarios early. The indicators have been integrated into the current control, monitoring and governance structures at the Entity in order to guarantee their effectiveness, monitoring, review and appropriateness with respect to the decision-making process. Early alert and recovery thresholds have been established for each one. The Entity has operating contingency plans that would activate the implementation of ordinary management measures to mitigate the risk that the Bank could enter into a recovery situation.

The solvency legislation known as Basel III entered into force on 1 January as transcribed from European Regulation 575/2013 and Directive 2013.36/EU into Spanish Royal Decree Law 14/2013 and Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions. The new capital standards increase minimum requirements and restrict computation criteria for some instruments, particularly in the ordinary capital CET1 level, which is of the highest quality.

At the end of 2015 the European Central Bank reported the final results of the Supervisory Review and Evaluation Process (SREP) that determines the individual capital requirements for each bank in 2016 in order to cover the risks deriving from their activities. The evaluation takes into account for basic issues: business model, governance and internal control, capital and liquidity risk. The result for Ibercaja Banco is to maintain an ordinary Tier 1 capital ratio (CET1) phased-in of 9.25% on a consolidated basis, as defined by Regulation 575/2013 of the European Parliament and Council. The ratio is one of the lowest in the Spanish banking system. This shows the Group's prudence when assuming risks and the alignment of its management structures with the best corporate governance practices.

Total computable equity is €3,385 million and represents a solvency ratio of 14.40%, increasing during the year by 263 basis points. The strengthening of capital was mainly due to the good performance of profits obtained during the year and the issue of €500 million in subordinated debt that was placed among wholesale investors. The CET1 phased-in ratio, which measures the relationship between top-tier capital and risk weighted assets, is 11.95%, rising 82 basis points since December 2014. The excess amount over the regulatory minimum of 4.5% is €1,751 million and €634 million above the 9.25% requirement calculated by the ECB.

Applying the standards established for the end of the transition period prior to the full implementation of Basel III, the fully loaded CET1 ratio is 9.74%. The excess amount over the regulatory minimum of 7% is €639 million, including the 2.5% capital conservation buffer.

The Basel III leverage ratio, which is required starting in 2018, is defined as the ratio between tier 1 capital and on and off-balance sheet exposures. At 31 December 2015 this ratio is 5.2% above the required minimum of 3%.

Solvency Evolution and main indicators

	Million euro and %	
	2015	**2014**
Computable equity	3,385	2,905
CET1 phased in (%)	11.95	11.13
Solvency ratio phased in (%)	14.40	11.78
Leverage ratio phased in (%)	5.16	4.75
CET1 fully loaded	9.74	9.62

5. 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.

The Risk Appetite Framework is the risk management tool whose fundamental objective is to establish a group of principles, procedures, controls and systems through which the Group's risk appetite is defined, reported and monitored. The risk appetite is understood to be the risk level or profile that Ibercaja is willing to assume and maintain in terms of both the type and amount of risk, as well as the Entity's degree of tolerance.

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.

Note 3 of Ibercaja Bank Group's notes to the annual accounts for 2015 presents more detailed information regarding the management of various types of risk.

6. Human resources and office network

Ibercaja Group has 5,963 employees, of which 5,486 work for the parent company. During the year the payroll was reduced by 457 employees. As part of the reconversion process that is affecting the Spanish financial system and means that the personnel structure must be adapted to the current business needs, in April 2015 Ibercaja signed a labour agreement with union representatives under which a maximum of 350 employees could voluntarily take early retirement and redundancy incentives. In the end 300 employees voluntarily entered into this agreement.

The human resource policy has the objective of developing professional and personal capacities, as well as adapting profiles to each job post and there is an employee evaluation system that measures performance and competencies and identifies capacities and areas for improvement.

Another principle forming part of the foundation of the human resources policy is the active promotion of equal opportunities and non-discrimination of gender. The Equality Plan, which has been agreed with employee representatives, faces the challenge of attaining a balanced composition of men and women throughout all professional levels and to adopt measures to reconcile working and personal lives.

The Entity encourages talent development through training programs and internal promotion for the highest number of employees possible. In 2015 660 employees received professional promotions.
Training programs provide incentives for professional development and respond to the needs that arise in a very dynamic environment such as the banking business. Nearly 300,000 hours of classroom and on-line training were given during the year, 11% more than in 2014.

There were 1,272 branch offices at the end of 2015, 84 offices less than last year. The distribution by Autonomous Region is: 451 points of sale in Aragón, 190 in the Province of Madrid, 128 in Extremadura, 109 in La Rioja, 105 in Castilla y León, 95 in Catalonia, 67 in Castilla-La Mancha, 61 in the Province of Valencia, 32 in Andalusia and 34 in other regions.

7. Research, development and technology.

Ibercaja is implementing new technological and organizational projects or improving existing resources in order to increase the quality of customer service, make operations at offices more agile and respond to regulatory requirements. In 2015 activities were focused on completing the merger with Cajatres, adapting to new banking regulations and the Entity's Strategic Plan and the updating of systems and platforms.

The most relevant actions include:

- The completion of outstanding matters relating to the merger of Cajatres and the migration of administrative and management aspects of the transactions transferred by the SAREB to the new operator.
- The map of processes and tasks was updated during the operational transformation of central services, which will have a positive impact on efficiency.
- Review of the credit risk management model, especially with respect to the company segment in order to make credit evaluations of borrowers more agile and to decentralize decisions.
- Preparation of the Security Steering Plan, which is a multiyear project that develops initiatives to improve and adapt information security regulations.
- The technology transformation project that forms part of the Strategic Plan 2015-2017 and which defines the main action to be taken over the next few years in order to improve technological resources and to make the use of the most advanced technology a competitive advantage and an increase in value for our customers.

8. Information on the environment

The Group is aware of the need to reconcile business development with the preservation and care of the environment. It has defined an environmental 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 the actions taken by customers and suppliers.

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.

It believes that it substantially complies with environmental legislation and it maintains procedures to ensure and guarantee compliance. During 2015 no significant investments were made and no significant contingencies are deemed to exist with respect to the protection and improvement of the environment.

9. Information regarding treasury shares

There have been no transactions involving treasury shares in 2015.

10. Other information

10.1. Dividend policy

The proposal to distribute dividends by charging 2015 profits that the Board of Directors will present for the approval of Shareholders at a General Meeting totals €20 million.

Taking into consideration the current trend towards business and profit normalization after the intense regulatory requirements that were in place of the past few years, over the coming few years the Entity proposes continuing with the policy of compensating its shareholders. Based on its capital position, the Bank does not have any restriction or limitation whatsoever on the distribution of dividends. However, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining a capital cushion, even in the event that there is an impairment of the economic situation and financial conditions.

10.2. Rating agencies

The evolution of the macro-economic figures and the favourable outlook for the Spanish economy have led the main rating agencies to ratify the rating for the Kingdom of Spain, improving the perspectives of the framework in which financial institutions operate.

In April 2014 the European Parliament approved the Directive regarding the Single Banking Resolution Mechanism that entered into force on 1 January 2015. This legislation gives rise to the decrease in the support that Member States may provide entities in difficulty. The implementation of this Directive generally caused a downward move in the rating of European financial institutions such that the long-term rating is determined by their intrinsic financial strength.

Standard & Poor's and Fitch corroborated the Entity's credit ratings and maintained a positive outlook. By applying a new methodology as a result of the approval of the BRRD Directive mentioned above, Moody's has issued a B1 rating for Ibercaja Banco's term deposits, with a stable outlook.

Rating agency classifications:

	Long-term	**Short-term**	**Outlook**
Standard&Poors	BB	B	Positive
Moody's	B1	NP	Stable
Fitch Ratings	BB+	B	Positive

(*) Rating for deposits

10.3. Average payment period to suppliers

The average payment period to suppliers in 2015 was 21 days, well within the legal maximum of 60 days established by Law 15/2010 (5 July) that establishes measures to combat against late payments in commercial transactions.

11. Business outlook and projections

The macro-economic data at the end of the year means that the outlook for the Spanish economy in 2016 is favourable. The growth forecast for GDP is around 2.7% on a year-on-year basis, slightly lower than the 2015 forecast due to the lower influence of certain external factors that haven't had a positive contribution over the past 12 months. Household consumption will continue to be a protagonist, driven by job creation and the improving conditions for accessing credit. Simultaneously, the strengthening of demand will mean that companies will intensify their investments once excess capacity has been eliminated. After eight years of declines, housing construction projects have reversed the trend in some areas and therefore the sector will contribute to growth in 2016. The good outlook could change due to some latent geopolitical risks that cannot be predicted.

The macro-economic situation should have a moderate positive influence on the financial system, particularly with respect to the granting of credit after the growth in the number of transactions that were formally concluded in 2015. However, risk factors continue to exist. This is particularly the case with extremely low interest rates that place pressure on business margins and the intense competition among entities that partly derives from the abundant liquidity originating from the ECB's monetary policy. The rationalisation of costs, together with lower impairment losses will be key to preserving profitability.

Within this framework and as part of the Strategic Plan 2015-2017, Ibercaja accepts the challenge of accelerating the process of continuing to adopt measures and implement projects that improve its business profitability.

- Refine the customer relationship model based on the highest quality standards.
- Increase penetration into the personal, private and business banking segments.
- Continue to obtain cost savings through an efficient functional structure.
- Reduce delinquencies and obtain profits from irregular investments.
- Maintain Ibercaja's cultural identity and corporate reputation by achieving sustainable differentiation over time that contributes value and grows business.

The success of the Strategic Plan is key for Ibercaja to be an attractive entity in the market with respect to the planned stock listing.

12. Subsequent events

On 2 February 2016, the Group agreed to transfer 100% of Gestión de Inmuebles Salduvia, S.A. to Global Acamar S.L., an Aktua Group subsidiary, with which a service agreement was concluded so that the buyer will be exclusively responsible for the administration, management and marketing of the real estate assets covered by the agreement. The agreement allows Ibercaja to focus on its traditional financial business while simultaneously driving the sale of real estate assets in the retail channel, taking into account Aktua Group's specialization and experience with property marketing. This transaction will have a positive impact on the income statement in 2016.

SECTION II: ANNUAL CORPORATE GOVERNANCE REPORT

ANNUAL CORPORATE GOVERNANCE REPORT FOR ENTITIES OTHER THAN SAVINGS BANKS THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

IDENTIFICATION DETAILS OF THE ISSUER

YEAR-END DATE FOR THE YEAR OF REFERENCE **31/12/2015**

Tax Identification Number **A-99319030**

Name:

IBERCAJA BANCO, S.A.

Registered address:

Plaza Basilio Paraíso nº 2
50008 Zaragoza (Spain)

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 Caja Badajoz	3.90%
Cajacírculo 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 the management of the financial interest held by Fundación Bancaria Ibercaja in 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. Except in those cases in which the law or the bylaws establish a qualified majority, resolutions will be adopted by the ordinary majority of votes cast shareholders present or represented at the meeting, and a resolution will be understood to be accepted when it obtains more votes in favour than against.

Those attending the general meeting will have one 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.

On 28 January 2015 the Shareholders held an Extraordinary meeting and adopted a resolution to establish the number of the directors at twelve, to appoint Mr. Víctor Iglesias Ruiz as a Director, and to amend Articles 39 and 48 of the bylaws relating to the administration and supervision authority of the Board and the Executive Committee, respectively. The resolutions were adopted unanimously.

At the Universal Extraordinary Shareholders Meeting held on 10 March 2015, an issue of subordinated bonds in Ibercaja Banco was authorized with a nominal amount of up to €500,000,000, which could be increased to €700,000,000, thereby renewing the validity of the resolutions adopted by shareholders on 22 September 2011 and 19 April 2012 authorizing the Board of Directors to issue debentures up to a total amount of €1,000 million. The resolutions were adopted unanimously.

On 13 April 2015 an Ordinary and Extraordinary General Meeting was called through an announcement published on the corporate website (www.ibercaja.es), which all Shareholders attended and unanimously adopted resolutions to: (i) approve the 2014 individual and consolidated annual accounts for Ibercaja Banco, S.A. that were prepared by the Board of Directors at the meeting held on 10 March 2015, (ii) approve the management of the Board of Directors and (iii) the application of the profit for the year.

Shareholders also unanimously approved the Compensation Policy for Directors. The maximum amount of the annual compensation for all directors was established at €2 million in accordance with the provisions of Article 217 of the Spanish Companies Act and the Board of Directors was authorized to distribute the compensation among the various directors taking into consideration the duties and responsibilities attributed to each director. At that same meeting Shareholders unanimously voted in favour of the Annual Compensation Report for the Entity's Directors.

Shareholders also unanimously approved the amendment of Articles 3, 15, 20, 21, 32, 34, 36, 43, 44, 45, 47, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60 and 61 of the bylaws to adapt them to the new provisions of the Spanish Companies Act and to Law 10/2014 on the organization, supervision and solvency of credit institutions, in the terms proposed by the Board of Directors.

On 29 October 2015 a Universal and Extraordinary General Shareholders Meeting was held at which, after receiving a favourable report from the Nominations Committee and at the proposal of the Board of Directors, Mr. José Ignacio Mijangos Linaza was appointed as an outside proprietary director, replacing Mr. Vicente Eduardo Ruiz de Mencia at the request of CajaCirculo Fundación Bancaria.

At that same meeting Shareholders adopted a resolution to reduce the Entity's share capital by €467,454,000 in order to adapt the Entity's equity structure in order to: offset prior-year losses by two hundred fifty three million, twenty six thousand four hundred euro and twenty cents (€253,026,400.20) and create a legal reserve in the amount of two hundred and fourteen million four hundred twenty seven thousand five hundred ninety nine euro and eighty cents (€214,427,599.80), which is 10% of the new share capital level after the reduction. As a result of that resolution shares were renumbered and Article 5 of the bylaws was amended in order to reflect the change in the share capital figure as well as the resulting number of shares. These resolutions were unanimously adopted by shareholders.

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 http://www.ibercaja.es/informacioncorporativa/.

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 2015 no meeting was held with the various syndicates of the holders of securities issued by Ibercaja Banco or 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		22-09-2011
José Luis Aguirre Loaso		22-09-2011
Jose Ignacio Mijangos Linaza		29-10-2015
Víctor Manuel Iglesias Ruiz		28-01-2015
Jesús Máximo Bueno Arrese		22-09-2011
Gabriela González-Bueno Lillo		24-07-2013
Jesús Solchaga Loitegui		24-07-2013
Juan María Pemán Gavín		24-07-2013
Francisco Manuel García Peña		24-07-2013
Vicente Cóndor López		27-01-2014
Jesús Barreiro Sanz		11-11-2014

C.1.3 Name the Board members, if any, who are also directors or executives of other companies in the same group as the entity:

Name of the Director/Member of the governing body	Name of the Group company	Position
Amado Franco Lahoz	Fundación Bancaria Ibercaja	Chairman
Jesús Máximo Bueno Arrese	Fundación Bancaria Ibercaja	Patron
Jesús Solchaga Loitegui	Cerro Murillo, S.A.	Director
Jesús Solchaga Loitegui	Ibercaja Mediación de Seguros, S.A.U.	Director
Jesús Solchaga Loitegui	Residencial Murillo, S.A.	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							
	2015		2014		2013		2012	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	1	9%	1	11%	1	10%	-	-
Executive Committee	1	12.5%	1	14%	-	-	-	-
Audit and Compliance Committee	1	25%	1	33%	1	33%	-	-
Nominations Committee	-	-	-	-	-	-	-	-
Compensation Committee	-	-	-	-	-	-	-	-
Large Risk and Solvency Committee	-	-	-	-	-	-	-	-
Strategy Committee	1	33	-	-	-	-	-	-

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	865	-
Variable compensation	101	-
Per Diems	299	-
Other compensation	275	0
TOTAL:	1,540	0

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
Francisco José Serrano Gill de Albornoz	Assistant General Manager
Maria Pilar Segura Bas	Assistant General Manager
Mr. Luis Miguel Carrasco Miguel	Assistant General Manager
Enrique Arrufat Guerra	Assistant General Manager for the CEO
Francisco Javier Palomar Gómez	Deputy Assistant General Manager for the CEO
Luis Fernando Allué Escobar	Deputy Director General
José Palma Serrano	Sub-Director General
Antonio Martínez	Sub-Director
Maria Raquel Martínez Cabañero	Deputy Director
José Ignacio Oto Ribate	Sub-Director
Rodrigo Galán Gallardo	Sub-Director
Angel Carlos Serrano Villavieja	Sub-Director
Maria Teresa Fernández Fortún	Deputy Director
José Luis Lázaro Crespo	Deputy Director General
José Luis Rodrigo Molla	Deputy Director General
José Manuel Merino Aspiazu	Deputy Director General
Joaquín Rodríguez de Almeida Pérez-Surio	Deputy Director General
José Morales Paules	Deputy Director
José Javier Pomar Martín	Deputy Director
Javier Arto Fillola	Deputy Director

Total senior management compensation (thousand euro)	3,258

C.1.7 Indicate whether the bylaws or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

Yes ☑ No ☐

Maximum 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?

Yes ☑ 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 19 of the Board Regulations includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor's independence at risk.

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.

The Committee will issue, prior to the issue of the audit report, an annual report expressing its opinion as to the auditor's independence. In any event, this report must contain an evaluation of the rendering of the additional services referred to in the preceding section, taken individually or as a whole, other than the legal audit and with respect to the independence system or audit regulations.

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 Board of Directors or Governing Body Committees.

Name of the Committee	No. of members
Executive Committee	7
Audit and Compliance Committee	4
Nominations Committee	4
Compensation Committee	4
Large Risk and Solvency Committee	3
Strategy Committee	3

C.2.2. List all of the Board or governing body committees, their members and the proportion of executive, proprietary, independent and other outside directors holding positions (the entities that are not legal capital companies will not complete the category of director ion the relevant box and will provide an explanation of the category of each director in the text box in accordance with their legal form and the manner in which they comply with the conditions relating to the composition of the audit, nominations and compensation committees)

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Category
Mr. Amado Franco Lahoz	Chairman	Proprietary
Mr. José Luis Aguirre Loaso	Director	Proprietary
Mr. Víctor Iglesias Ruiz.	Director	Executive
Mr. Jesús Bueno Arrese	Director	Proprietary
Ms. Gabriela González-Bueno Lillo	Director	Independent
Francisco Manuel García Peña	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	Proprietary

% of Executive Directors	14.29%
% of Proprietary Directors	71.43%
% of Independent Directors	14.29%
% of Other External Directors	-
Number of meetings	24

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The permanent delegation of authority by the Board of Directors to the Executive Committee consists of all the Board's authorities, except for those that cannot be delegated. Its resolutions are 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 committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the course of its regular ordinary meetings the Executive Committee has received reports from the Chairman and CEO regarding, among other things, the main macro-economic figures and the evolution of information regarding the Entity: balance sheet and income statement, evolution of the Company's securities portfolio, customer funds and customer loans, market share, liquidity management, non-performing and coverage rates, business volumes and the results obtained by the Group's subsidiaries. It has also issued its opinions regarding the financing operations that have been submitted for its consideration when its authorization or ratification is required due to the amount concerned or the status of the applicants. It has ratified the transactions approved, denied or ratified by the Credit Risk Committee, it has adopted several resolutions to divest from investee companies and received disciplinary case files in the terms established by employment legislation and in the collective agreement.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Ms. Gabriela González-Bueno Lillo	Chairman	Independent
Mr. Jesús Máximo Bueno Arrese	Director	Proprietary
Mr. Vicente Condor López	Director	Independent
Mr. Juan María Pemán Gavin	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	No member

% of Executive Directors	-
% of Proprietary Directors	50%
% of Independent Directors	50%
% of Other External Directors	-
Number of meetings	12

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Committee's duties are expressly stipulated in the Board of Directors Regulations. In particular:

- Inform the Shareholders' Meeting about issues raised by shareholders regarding matters within its sphere of competence.
- Supervise the effectiveness of the Entity's internal control and risk management systems, including taxes.
- To supervise the process of preparing and presenting regulated financial information.
- Propose the designation or re-election of the auditor.
- Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor's independence.
- Receive annual written confirmation from the auditor regarding its independence respect to the Entity or the group, issue of the relevant report.

The 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. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may 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.

The Committee was informed during the year of all requests and notifications received from supervisory bodies within the scope of its competencies. It has received information regarding and reported on the transactions to be carried out with related parties and it has received regular reports regarding compliance with regulations and on internal audits, as well as the reports issued by the external auditor. It has received and supervised the process of preparing and presenting regulated financial information. It has reviewed the Entity's annual accounts and the financial information to be provided on a regular basis to the markets by the Board and supervisory bodies.

Identify the director pertaining to the audit committee that has been designated based on his/her knowledge and experience with accounting, audit or both, and report the number of years that the Chairman of this committee has been in that position.

Name of the director with experience	Ms. Gabriela González-Bueno Lillo
Number of years the chairman has been in that position	1 year

NOMINATIONS COMMITTEE

Name	Position	Category
Mr Jesús Solchaga Loitegui	Chairman	Independent
Mr. Vicente Condor López	Director	Independent
Mr. Jose Ignacio Mijangos Linaza	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	Proprietary

% of Executive Directors	-
% of Proprietary Directors	50%
% of Independent Directors	50%
% of Other External Directors	-
Number of meetings	6

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Nominations Committee is responsible for proposing nominations to the Board of Directors. In particular, it is responsible for:

- Evaluating the suitability of directors.
- Establishing a representation target for the gender less represented on the board.
- Make proposals for the nomination, re-election or removal of independent directors for Shareholders at a general meeting.
- Report proposed nominations and removal of senior executives and employees with key duties and the basic conditions of their contracts.
- Examine and organize the succession of the Chairman and the CEO.

The Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors. The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter.

A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the year the Committee reported the proposal to nominate the CEO, the nomination of directors as well as employees with key duties at the Entity (members of the Management Committee and the person responsible for regulatory compliance).

COMPENSATION COMMITTEE

Name	Position	Category
Mr Jesús Solchaga Loitegui	Chairman	Independent
Mr. Vicente Condor López	Director	Independent
Mr. Jose Ignacio Mijangos Linaza	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	Proprietary

% of Executive Directors	-
% of Proprietary Directors	50%
% of Independent Directors	50%
% of Other External Directors	-
Number of meetings	6

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Compensation Committee has the duty of reporting, advising and proposing matters regarding compensation for directors, executives and similar personnel, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

The Compensation Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors.

The meetings will be validly called to order with one-half plus one of the Directors that form part of the Committee present or represented. A minutes book will indicate the resolutions that have been adopted through a majority vote of the members of the committee and be made available to all members of Board of Directors.

During the year, the Compensation Committee informed, advised and presented to the Board of Directors proposals regarding compensation for directors, senior executives, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

LARGE RISK AND SOLVENCY COMMITTEE

Name	Position	Category
Mr. Vicente Condor López	Chairman	Independent
Mr. Jesús Máximo Bueno Arrese	Director	Proprietary
Mr. José Luis Aguirre Loaso	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	No member

% of Executive Directors	-
% of Proprietary Directors	66.66%
% of Independent Directors	33.33%
% of Other External Directors	-
Number of meetings	5

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Committee has the primary duty of advising the Board of Directors as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

It will consist of a minimum of three and a maximum of five Directors, who will not perform executive duties at the Entity and which possess the appropriate knowledge, capacity and experience to understand and control the risk strategy and the Entity's appetite for risk. At least one third of the members will be independent and the Chairman will be independent in any case. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chairman will have a casting vote.

During the year Committee informed the Board of Directors of the Entity's Risk Appetite Framework, the quarterly monitoring reports as well as the annual capital and liquidity self-assessment report for 2014. The Committee informed the Board of proposals to amend the Risk Management Procedures and Policies Manuals.

STRATEGY COMMITTEE

Name	Position	Category
Mr. José Luis Aguirre Loaso	Chairman	Proprietary
Ms. Gabriela González-Bueno Lillo	Director	Independent
Francisco Manuel García Peña	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	No member

% of Executive Directors	-
% of Proprietary Directors	66.66%
% of Independent Directors	33.33%
% of Other External Directors	-
Number of meetings	4

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation.

The Committee will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience of the Directors with respect to the Committee's duties. The Board of Directors will designate the 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. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During 2015 this Committee regularly monitored the Strategic Plan approved by the Board of Directors, which is of great importance for the adequate management of the Entity in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

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 €664,754.

D.2 List any significant transactions between the Company and/or Companies in its group, directors or members of the governing body and company executives:

Transfer to Fundación Bancaria Ibercaja of the Ibercaja Zentrum building owned by Ibercaja Banco, located at Calle Sanclemente 26 in Zaragoza, for €13 million.

All transactions to be concluded with the shareholder foundations are previously reported by the Audit and Compliance Committee and submitted for the approval Board of directors.

D.3 Provide details of intra-group transactions.

During the year no significant intra-group transactions were carried out.

D.4 Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the Governing Body, or executives.

The Directors have the obligation adopt the measures that are necessary to avoid situations in which there may be a conflict of interest with the business and their duties to the Entity, as is stipulated by Article 33 Board of Directors Regulations.

Directors must inform the Board of Directors of any direct or indirect conflict situation that they, or persons related to them, may have with respect to the interests of the Company or its group companies, as well as all positions that they hold and the duties that they perform at other companies or entities and, in general, any event or situation that may be relevant to their duties as a Company Director. Directors must abstain from participating in the deliberation and voting of resolutions or decisions in which the Director or a related person (as defined by Article 36 of the Regulations), has a direct or indirect conflict of interest.

Conflict of interest situations involving Directors must be reported in the annual accounts.

The Entity has internal procedures to avoid the granting of loans, guarantees or other surety without the prior authorization of the competent governing bodies.

E CONTROL AND RISK MANAGEMENT SYSTEMS

E.1 Explain the scope of the Risk Management System.

The Group's risk management is organized through the “Risk Appetite Framework” (RAF). Ibercaja's RAF as the fundamental objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

Ibercaja Group has risk management policy and procedures manuals that are reviewed and approved by the Board of Directors on an annual basis.

The Risk Appetite Framework is consistent with the capital and liquidity planning in Basel Pillar II, which is intended to ensure an adequate relationship between the Company's risk profile and the equity it effectively has on hand. The Entity self-assesses capital and liquidity on a recurring basis using a process that applies a series of procedures to identify, measure and aggregate risks, determine the capital required to cover them, plan capital in the medium-term and established the target capital and reserves that allows it to maintain an adequate cushion above the minimum legal requirements.

The entry into force of the new Single Supervisory Mechanism (SSM) in November 2014 obligates the European financial sector to adapt risk policies and procedures as well as the control environment. The “Supervisory Review and Evaluation Process” (SREP) is how the SSM performs continuous evaluations of entities. The internal evaluation process for capital and liquidity adequacy under Pillar II (also called ICAAP & ILAAP) is a key part of the SREP process.

In accordance with the European Banking Association (EBA) guidelines and recommendations relating to the content of recovery plans, as well as Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment service companies, the Entity has defined a recovery plan to forecast and guarantee its capacity to react in situations in which its solvency for its financing capacity becomes impaired. The recovery plan forms part of the existing risk management process and it is updated at least on an annual basis. The Board of Directors of Ibercaja Banco approved the recovery plan in November 2015.

The Risk Management System operates in an integral and continuous manner, consolidating that management by business area, geographic zone or subsidiary at the corporate level.

E.2 Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management System.

The Company has a robust organizational structure that allows it to ensure effective risk management and control. The Governing Bodies are structured as follows:

- The Board of Directors is responsible for establishing and supervising the risk reporting and control systems, approving the Risk Appetite Framework as well as for the policies, manuals and procedures relating to risk management.
- Among other responsibilities, the Large Risk and Solvency Committee proposes the establishment of limits by type of risk and business, reporting the Group's Risk Appetite Framework in a manner consistent with the Entity's other strategic policies and frameworks, evaluating the Group's risk management, reviewing the risk control systems and proposing measures to mitigate the impact of identified risks.
- The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation.

- The Audit and Compliance Committee, which supervises the effectiveness of internal control, internal audit and risk management systems, regularly reviews the matters so that primary risks are identified, managed and adequately reported.

  The following Executive Committees have been created with the involvement of the Entity's senior management.

- The Overall Risk Committee is responsible for defining and monitoring the Group's risk strategies and policies, establishing objectives and strategies to develop the structure and composition of balance sheet items, analysing the sensitivity of results and the Company's equity in various scenarios, analysing compliance with the tolerance levels that have been established, as well as planning the Group's medium-term capital.
- The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organizational outline provides the Entity with an overall risk governance and management structure, aligned with market trends and with the Ibercaja Group's current business complexity, using three lines of defence (management, control and audit). This structure guarantees the standardisation of policies and risk control at Ibercaja and all the companies forming part of the Group.

E.3 Indicate the primary risks that could affect the attainment of business objectives.

The material financial and non-financial risks affecting Ibercaja Group that are taken into account in the Risk Appetite Framework are as follows:

- Business and profitability risk: Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. A variant of business risk is strategic risk, which is defined as the likelihood of incurring losses as a result of the selection of a strategy that is finally determined to be inadequate to remain and compete in the market.
- Credit risk: Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.
- Concentration risk Possibility of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the 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.
- 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.
- 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.
- Reputational and compliance 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.

- Risk associated with the perception of the various stakeholders.

E.4 State whether the entity has a risk tolerance level.

The Group's risk management is organized through the “Risk Appetite Framework” (RAF). Ibercaja's RAF as the fundamental objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

The management of the various risks has the objective of attaining a risk profile that falls within the desired appetite level defined based on established limits and the most adequate management measures to do so are implemented.

The RAF contains the risk appetite statement, the risk limits and the duties and responsibilities of the various governing and management bodies that supervise implementation and monitoring.

The Risk Appetite Framework defined by Ibercaja Group is characterized by:

- Alignment with the strategic plan and capital planning.
- Integration into the entity's risk culture, with the involvement of all levels of responsibility.
- Flexibility, capable of adapting to changes in the businesses and market conditions and therefore it must be regularly reviewed at least on an annual basis.
- Associated with the information management systems.

The RAF takes an overall view of the Consolidated Group and takes into consideration all risks that affect the performance of the Group's business and attaining its business objectives described in section E.3.

Ibercaja Group's Risk Appetite Framework is based on strategic principles, corporate governance and risk management that, together, constitute the Group's Risk Appetite Statement.

E.5 State the risks that have 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 Explained the response and supervision plans for the entity's primary risks.

The thresholds that allow the risk profile to be placed into the following categories have been defined for each of the metrics taken into consideration in the Risk Appetite Framework:

- Compliance: the risk level that the Entity is willing to assume to in accordance with its strategic and business objectives. This is a normal risk situation at the target risk level.
- Alert: this is an intermediate level of monitoring the risk appetite with the objective of detecting whether or not the risk profile is significantly deviating from tolerance levels and, therefore, requires additional monitoring.
- Non-compliance: limit at which a non-compliance situation commences that activates specific action plans for measures.

The Overall Risk Committee is the management and control body that is responsible for establishing an action plan to attain the target risk level and must report on the monitoring of the situation at least on a quarterly basis to the Large Risk and Solvency Committee (or more frequently if considered necessary).

The action plans to be implemented will consist of one of the following:

- Proposal of measures to reduce the risk to compliance levels.
- Evaluation of the adequacy of the limits or thresholds as a result of unexpected events or changes in the strategic targets or the Entity's business.
- Temporary approval of exceeded limits.

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICSFR)

Describe the mechanisms that make up the control and risk management systems with respect to the financial reporting information control system (ICSFR) 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 ICSFR; (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 ICSFR.

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 ICSFR.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is “to be informed of and supervise the procedures that guarantee the quality and integrity of financial information, prepare the individual and consolidated annual accounts, approved the Annual Banking Record and Capital Self-Assessment Report, be informed of the content of the report that is of prudent relevance and approve and agree to the sending of the half-yearly financial report.

The Company has a Financial Information Disclosure Policy that has been approved by the Board of Directors and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2004, as well as within the conceptual framework of IFRS.

Senior Management has assumed the responsibility of designing and implementing the ICSFR through the Management Control Department, since it centralizes the large majority of the activities intended to attain an adequately functioning ICSFR.

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:

- With respect to the reporting and internal control systems, “ verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor.

- With respect to the financial information, “be informed of and supervise the process of preparing and presenting the Company's regulated financial information and, if appropriate, that relating to the Group, as well as its integrity by reviewing compliance with legislation, the adequate definition of the scope of consolidation and the proper application of accounting policies. In addition, the review of the company's accounts, supervise compliance with legal requirements and the proper application of accounting principles generally accepted in Spain and receive proposals from management to change accounting principles and policies, review the regular financial information that the Board must provide to the markets and supervisory bodies and, in particular, the information not covered by the audit of the annual accounts that is of prudent relevance. Be informed of and supervise the preparation of the regulated financial information that the Company must regularly make public and ensure that the interim accounts are prepared using the same accounting policies as the annual accounts and, in that respect, consider the appropriateness of a limited review by an external auditor”.

F.1.2. 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.**

In accordance with the provisions of the Board regulations the Nominations Committee assists the Board with nominations, elections and the removal of directors and senior executives.

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 Human Resources Department is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. 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 Control Department, which includes the General Accounting, Management Control, Management Information, Overall Risk Control, Innovation, Management Information System Control and Quality, Internal Control and Validation 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 Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity's culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin “RRHH Informa” reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity's Intranet.

The Group's Internal Audit Statutes include the ethics rules that are applicable to the Internal Audit area and they are known and accepted by all Internal Audit personnel.

- **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.**

All Ibercaja Banco employees may use the intranet to access a “Criminal Risk Prevention Reporting Channel” to send an e-mail to the Regulatory Compliance Unit of any possible risks or failures to comply with criminal legislation, including financial and accounting matters, that may arise within the organisation during the course of their activities.

The Regulatory Compliance Unit maintains a database of all reports received and processes them in accordance with the provisions of the criminal risk management and prevention model, and guarantees the confidentiality of the reporting party all times.

The Regulatory Compliance Unit regularly issues reports to the Audit and Compliance Committee that include information regarding any reports received and the results of the subsequent process. The Board of Directors is informed of the actions taken in this area at least once per year.

- **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.**

  The Entity has an annual training plan which is designed in accordance with the professional category and the department/unit to which the employee pertains. consolidated annual accounts", "Preventing Money-Laundering" "Analysis and Evaluation of Credit Institutions", etc.

  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 technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as CECA. It also receives alerts from different professional service firms with technical updates.

  The Company has the e-learning platform Ibercampus, which is a virtual space that offers diverse courses for all employees. In 2015 Ibercampus implemented the training itineraries defined for each profile and this has allowed more than 98% of employees to acquire knowledge in fundamental areas for their jobs: skills, products and services, financial legislation, banking business, financial platform, etc.

  The training regarding accounting, audit, internal control and risk management that has been provided throughout 2013 was particularly focused on internal training sessions at the Department level that covered 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 (CECA) and to cover specific training needs that may be identified, and they materialize in seminars or meetings with consultants or regulators.

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.

  The possible risks relating to the proper identification of the scope of consolidation are documented in the Accounting Close Procedure and the Preparation of the Consolidated Financial Statements, which is one of the three transversal processes at the Bank.

- **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 Board of Directors Regulations stipulate that one of the Board's duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

  The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.

Through this procedure in 2015 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3 Control activities.

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.

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market.

The generation, preparation and review of financial information is carried out by the Control Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorization procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. The technical measures and information systems see the reliability and integrity of the financial information through the established control mechanisms.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralized and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units.

c) An Internal Audit Unit

This “third line of defence” is responsible for performing an independent review of the first two “lines of defence”.
This area includes the participation of the governing bodies and senior management.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.

- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

<u>Transversal processes</u>

- The procedures for closing the fiscal year and preparing the consolidated annual accounts. 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.

<u>Business areas</u>

- 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 and equity instruments (listed and unlisted).
- 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 Entity has a general computer control procedure with the relevant risk and control matrix that provides details of the risks and controls relating to access security, change controls, operations, operating continuity and the segregation of duties.

The Technology and Systems Department and, specifically, the 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 annual accounts that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

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 ICSFR 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.

In 2015 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

- The actuarial calculation of commitments assumed with employees.
- The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.
- Certain tax and legal advisory services.

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:

Through the General Accounting Unit, the Control Management is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office (Legislation Compliance Unit) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

In 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, Control Management 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 and the notes to the accounts, as well as the information provided regarding the ICSFR.

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 annual accounts that are reported together with other financial information published in the market. The 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 Control Management.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonize and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5 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 ICSFR. A description of the scope of the evaluation of the ICSFR 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 Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Distribution Network Audit, Credit Risk Audit, Computer Process Audit and Financial Audit

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2015 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the ICSFR is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialized Unit during the year, at least on a quarterly basis, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management of the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is fundamental to the supervision of the ICSFR.

The Audit Operating Plan for 2015 specifically included several evaluation activities applied to the ICSFR and other issues that affect the process of preparing financial information have been reviewed. Among the actions that have been taken, the audit of the corporate issue procedure and the review of the general computer control procedures are notable. The reviews that are carried out may result in audit recommendations that are prioritized in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2. Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards (TAS)), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed. 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-yearly meetings.

F.6 Other relevant information

Nothing to be noted.

F.7 Report from the external auditor

Report from:

F.7.1. If the information regarding the FRICS 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.

The information on the “Financial Reporting Internal Control Systems” set out in section F of the 2015 CGR was examined by the external auditors. The scope of the auditor’s review was in keeping with the terms of Circular E 14/2013 of the Spanish Institute of Certified Public Accountants dated 25 January 2012.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

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.1.1. Mr. Víctor Manuel Iglesias Ruiz was appointed the Entity's CEO on 28 January 2015 to replace Mr. José Luis Aguirre Loaso, who remained as a director and First Deputy Chairman of the Board of Directors.

C.1.2 Mr. Manuel Pizarro Moreno was a member of the Board of Directors of Ibercaja Banco, S.A. until 24 June 2015, at which time he resigned for personal reasons. Mr. Vicente Eduardo Ruiz de Mencía was replaced by Mr. José Ignacio Mijangos Linaza, as the proprietary director representing the interests of Fundación Bancaria Cajacírculo at the Extraordinary Shareholder Meeting held on 29 October 2015 at the request of that Foundation.

The appointment of Mr. José Ignacio Mijangos Linaza as a member of the Board of Directors (and, as a result, of the Committees to which he forms part) is subject to the approval of the competent supervisory body.

C.1.4 The Large Risk and Solvency Committee was created in February 2014 and the Strategy Committee was created on 12 May 2015. The Nominations and Compensation Committee was split into two committees in 2015, the Nominations Committee and the Compensation Committee.

C.1.5 “Fixed compensation” includes the amounts received by Directors, including life insurance premiums. “Other items” indicates the compensation received by Directors for their membership on internal Board committees, other than the per diems received for attending meetings.

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.

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. As a result, the members of the Management Committee are considered to be “senior management” for the purposes of this report.

To calculate the “senior management compensation” the same compensation items indicated in section C.1.5 that are applicable are used. Contributions to pension funds are included. Severance payments are not included for those in management that joined the voluntary redundancy plan in the amount of €1.7 million.

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. The compensation received in 2015 includes that received by all persons that at any time during the year were considered to be senior management at the Entity, which includes the compensation received by six persons in addition to those taken into account last year.

The dates on which directors ceased to hold their positions during the year are indicated below:

Mr. Luis Enrique Arrufat Guerra: Up until 30 June 2015.
Mr. Francisco Javier Palomar Gómez. Up until 14 August 2015.
Mr. José Luis Lázaro Crespo. Up until 30 June 2015.
Mr. José Manuel Merino Aspiazu. Up until 24 July 2015.
Mr. Joaquín Rodríguez de Almeida Pérez Surio. Up until 30 September 2015.
Mr. José Morales Paules. Up until 27 February 2015.
Mr. José Luis Rodrigo Molla. Up until 15 June 2015.
Mr. José Javier Pomar Martín. Up until 31 December 2015.
Mr. Javier Arto Fillola: Up until 3 July 2015.

The compensation received by Mr. Víctor Iglesias Ruiz as a director up until his appointment as the CEO on 28 January 2015 is also included.

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. This section includes all the committees created by the Board of Directors.

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.

At a meeting held on 27 May 2015 the Board of Directors adopted a resolution to split the Nominations and Compensation Committee into two separate committees the Nominations Committee and the Compensation Committee. Up until its split into two separate committees the Nominations and Compensation Committee had held 5 meetings.

Mr. Jesús Barreiro Sanz is the non-voting Secretary to the Audit and Compliance Committee, the Strategy Committee and the Large Risk and Solvency Committee. Mr. Jesús Solchaga Loitegui was appointed Chairman of the Nominations Committee and Chairman of the Compensation Committee by the Board of Directors at the meeting held on 29 July 2015. Mr. Vicente Cóndor López was appointed Chairman of the Large Risk and Solvency Committee on 28 January 2015 to replace Mr. Jesús Bueno Arrese, who remained as a member of the Committee. At that same meeting, Mr. José Luis Aguirre Loaso was appointed Chairman of the Strategy Committee and Member of the Large Risk and Solvency Committee, replacing Mr. Juan María Pemán Gavín. At the meeting held on 28 January 2015, Ms. Gabriela González Bueno-Lillo and Mr. Francisco Manuel García Peña were appointed members of the Strategy Committee.

Ms. Gabriela González Bueno-Lillo was appointed Chairman of the Audit and Compliance Committee on 6 February 2014. Ms. Gabriela González Bueno Lillo, Mr. Vicente Cóndor López and Mr. Jesús Bueno Arrese were appointed taking into account their knowledge and experience with accounting, audit or both.

At the meeting held on 30 September 2015 the Board of Directors adopted a resolution to replace Mr. Juan María Pemán Gavín by Mr. Francisco Manuel García Peña as a member of the Executive Committee.

Mr. José Ignacio Mijangos Linaza was appointed Second Deputy Chairman to replace Mr. Francisco Manuel García Peña, and member of the Nominations Committee and the Compensation Committee at the meeting held by the Board of Directors on 22 December 2015. At the date to which this report refers the appointment of Mr. Mijangos Linaza was subject to the approval of the competent supervisory bodies.

Heading D. In accordance with the instructions received from the 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 annual accounts 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.

APPENDIX. - Report of the external auditor

pwc

This version of our report is a free translation from the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDITOR´S REPORT ON "INFORMATION REGARDING THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING (ICSFR)" OF IBERCAJA BANCO, S.A. FOR THE 2015 FINANCIAL YEAR

To the shareholders of Ibercaja Banco, S.A.:

In accordance with the request of the Board of Directors of Ibercaja Banco, S.A. (the Entity) and our engagement letter dated 16 December 2015, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "*F. Internal Control and Risk Management systems relating to the process of issuing financial information*" of Annual Corporate Governance Report of Ibercaja Banco, S.A. for the 2015 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2015 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

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Mercantile Registry Madrid, page 87.250-1, sheet 75, volume 9.267, book 8.054, section 3ª.
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The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated 22 December 2015.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Entity.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Entity´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated 12 June 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated 22 December 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Raúl Ara Navarro

8 March 2016

This Annual Corporate Governance Report was approved by the Board of Directors or Governing Body of the Bank at its meeting on 26 February 2013.

Indicate the members of the Board or Governing Body who abstained or voted against the approval of this Report.