Ibercaja Banco, S.A.
and subsidiaries
(Grupo Ibercaja Banco)

Auditor's report
on the consolidated annual accounts
and the consolidated Directors' report
December 31, 2020

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of Ibercaja Banco, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Ibercaja Banco, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, the statement of recognised income and expense, the statement of changes in total equity, the statement of cash flows and the related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit matters

Impairment of financial assets for credit risk and foreclosed assets

The estimation of the impairment of financial assets for credit risk and foreclosed assets is one of the most significant and complex estimates in the preparation of the consolidated annual accounts, therefore we consider this estimation as a key audit matter. This impairment is based on individual and collective estimations, using different Group models. Mentioned estimations are included within the International Financial Reporting Standards 9 (IFRS 9) and considers elements such as:

- The classification of the different credit portfolios by their risk and asset type.
- The identification and classification by stages of the impaired assets and the assets with a significant increase in credit risk (SICR).
- The use of assumptions such as macroeconomic scenarios, useful life and segmentation criteria.
- The ddevelopment of parameters for these models such as the probabilities of default (PD) and the loss given default (LGD).
- The value of the collaterals and personal guarantees that are considered effective. The Group has developed internal methodologies to estimate the recoverable value of those collaterals based on haircuts according to their own sale experience on similar assets. The Group also uses information provided by external valuation experts.
- Regular retrospective testing (back-testing and monitoring) on the different parameters included within the model are performed.

The Group, regularly, performs adjustments on its models in order to optimise the estimates, updating, when needed, the data or the algorythms used.

The expected losses models modifications due to the Covid-19 environment have increased its complexity, including new estimations such as the flexible payments measures, the government guarantees (ICO facilities) or the adjustments

How our audit addressed the key audit matter

Our work over the estimation of the impairment of financial assets for credit risk has focused on the analysis and assessment of the internal control, as well as the performance of tests of details over credit risk provisions estimated collectively and individually.

With respect to internal control, we have focused on the following procedures:

- Verify that the internal policies, the procedures and the internal model comply with the regulation applicable requirements.
- Review of the periodic assessment of credit files and follow-up alerts designed by the Group to check the classification and the impairment.

In addition, we performed the following tests of details:

- Tests of principal models with respect to: i) calculation and segmentation methods; ii) methodology utilized for the estimation of the expected loss parameters; iii) methodology used for the generation of the macroeconomic scenarios; iv) information used in the calculation and generation; v) criteria for significant increase in credit risk and loan staging classification; and vi) restrospective methodologies for the most relevant parameters .
- Review of the impairment calculations for the main portfolios.
- Review the foreclosed assets model and the impairment related to them.
- Review, on a sample basis, individual credit files to test its classification and booking, its cash flows discounts and the impairment related to them.

Regarding Covid-19 environment and its impact in the expected loss model, we have performed the following procedures:

Key Audit matters	How our audit addressed the key audit matter
within the models to determine and adjust the expected loss. This situation has caused the need to adjust the expected loss models parameters to the new conditions based on Covid-19 environment. The impairment of the foreclosed assets possess by the Group on the execution of the guarantee is consistent with the criteria used to determine the value of the collaterals. Refer to notes 2.3 and 11.4 of the consolidated annual accounts as of December 31, 2020, and refer to note 11.6 for Covid-19 disclosures.	• Understanding of the internal policies and measures to evaluate the existence of significant increase in credit risk, based on the regulatory and supervision bodies communications since March 2020, and the agreements on payments flexibility and government guarantees (ICO facilities). • Analysis of the criteria and methodologies used by the Group for the impairment calculations based on Covid-19 environment. • Analysis of the Group policies to monitor the flexibility measures (holiday payments) granted to customers including the flexible payments and thr loans with government guarantees (ICO facilities). • Review, on sample basis, the flexiblity measures and ICO facilities concession process and the staging classification for both current and expired operations. We have not identified exceptions outside of a reasonable range in the tests outlined above.
Goodwill impairment test	
On annual basis or when there is any evidence of impairment, the Group performs an evaluation to determine if an impairment of the Goodwill exists. For the year ended December 31, 2020, the Group has considered the Covid-19 environment and the uncertainty within the economy to estimate the future cash flows. In connection with the consolidated annual accounts, the Group's Management assesses the existence of evidence of impairment in the Cash Generating Unit (CGU) since the previous year-end close. This goodwill is related to one CGU, agreeing with the total consolidated balance sheet, using for the estimation the discounted potential dividends derived from the business projections. These estimations are inherently uncertain and include a high level of judgement as they are based on aspects such as macroeconomic evolution and key hypothesis (credit growth,	We have understood and analysed the estimation process carried by the Group, and performed the following: • Obtained the criteria to decide the Group CGU related to the goodwill. • Assess of the methodology used to estimate the goodwill impairment. • Assess the annual valuation report from a third party used to perform the impairment testing. • Review the new cash flows estimations impacted by the Covid-19 environment. Additionally, we performed analysis of the budget for the main CGUs, considering the regulation, the market and the specific requirements by the sector. This analysis obtained to get comfort over the relevant hypothesis such as the growth rate, the discount

Key Audit matters	How our audit addressed the key audit matter
customer deposits, interest rates, capital requirements, etc..) which determined the cash flows, the discount rates and the long term growth rates used. These estimations are sensitive to variables and assumptions used, which based on their own nature are subject to the risk of material misstatement when being valued. Due to the high level of estimation, we consider this impairment as a key audit matter Refer to note 2.16.1 and 16.1 of the consolidated annual accounts as of December 31, 2020.	rate and the impact of the deviations identified against the budget and the rates that allowed the Group to identify potential evidence of impairment. Finally, we have observed the annual accounts disclosures on this topic. As a result of the above procedures, we believe that the evaluation carried out by Management is reasonable and the estimations of key assumptions employed are not outside a reasonable range in the context of the consolidated annual accounts.

Key Audit matters	How our audit addressed the key audit matter
Legal, tax and regulatory provisions As a result of the Group´s ordinary course of its operations, it is party to a range of tax and legal proceedings, including administrative and regulatory. There are also situations that even though still not subject to any legal proceedings, are nevertheless required from the Group to recognise provisions; these include customer conduct related matters and the related compensation. These may include the cancellations from the regulatory organism of the "Floor clauses" or the application of the "Royal Decree 1/2017" to protects the customers regarding the aforementioned clause. These proceedings generally take a long period of time to run their course, giving rise to complex processes dictated by the applicable legislation prevailing in the various jurisdictions in which the Group operates. The Group's Management decide when to recognise a provision for these proceedings based on estimates made using reasonable calculation procedures that are consistent with the uncertainty intrinsic to the obligations they cover. Litigations is one of the estimation areas that requires more judgement, therefore, we consider it as a key audit matter. Refer to note 21 of consolidated annual accounts for more detail on the "Floor clauses" contingency.	We have obtained our understanding and evaluated the estimation process of the litigation, legal, tax and regulatory provisions performed by the Group and the analysis of the internal control on the mentioned process including the following: • Understanding the process of update of the databases that contain the ongoing litigation and provision needs based on the accounting standards. • Analysis of the main claims, both individually and collectively ones. • Obtaining confirmation letters from Group´s legal department to agree their evaluation with the litigations, provisions and possible unrecorded liabilities. • Follow-up the open inspections using the help of our internal tax and legal experts and evaluation of the final results for the more significant tax open procedures and possible contingencies related to the open to inspection years. • Provisions booking, estimation and movement analysis. Specifically, for the claims and conduct matters related to the "Floor clauses", our procedures focused on: • Understanding the internal control related to the provision to compensate the customers calculations. • Evaluation of the methodology and hypothesis used by the Group, and verify that they are aligned with the ones used in the market. • Sensitivity analysis over the models due to possible deviations on the main assumptions. As result of the work mentioned above, we consider that the judgements and assumptions made by the Group are reasonable based on the available information.

Key Audit matters	How our audit addressed the key audit matter
Valuation of the liabilities related to life insurance contracts The Group operates in the life insurance business offering saving, life insurance and unit linked products. In relation to the life savings insurance products, the Group registers the liabilities related to these contracts in accordance with the Spanish regulation which includes a certain amount of judgement from Group management in the calculation of the mathematical provision. The Group's calculation of mathematical provision is determined by the methodology used and certain critical assumptions made my management which include the determination of the discount rates, future expense assumptions or mortality tables. Due to aforementioned factors included in this estimate, consider mathematical provision as a key audit matter. Refer to note 20 of consolidated annual accounts.	We have obtained an understanding of the processes and registration related to the valuation and account the liabilities for the life insurance contracts included within the mathematical provision. Additionally, we evaluated the internal control environment, including the related IT controls. In collaboration with the Actuarial experts, we have performed determined procedures focused on the following: • Understanding and assessing the methodologies used in the calculation of the mathematical provision for life insurance liabilities, as well as validating consistency year on year. • Validation of the appropriate accounting of the life insurance contracts, including the validation of the movements and payments made during the year. • Corroborate the completeness and accuracy of the Actuarial Data used for the calculations. • Recalculation of the mathematical provision for a sample of policies and validating the biometrical assumptions as per current regulation. On this matter, the Group is progressively adapting to the biometrical tables published within the communications from the Dirección General de Seguros y Fondos de Pensiones (DGS) dated December 17, 2020. • Validation of the immunization exercise performed by Management for a sample of groups of policies • Validation of the adequacy of future expenses assumptions.

Key Audit matters	How our audit addressed the key audit matter
	• Verification of the disclosures in the consolidated annual accounts. As result of the procedures described above, we consider that the calculations performed by Management related to the mathematical provision for life insurance products are within a reasonable range in the context of the consolidated annual accounts.

Key Audit matters	How our audit addressed the key audit matter
Risk related to IT systems The Group, as per its nature and specifically in the accounting and financial information generating process is dependent of the IT systems. This occurs both because of the platform that runs the majority of the Group´s activity and the personnel that managed it. Therefore, an adequate control over them is relevant to ensure the right recording and flow of information. In addition, as the IT systems become with more complex systems, some functions are externalised, the risks related to the IT systems and the information that runs on them increases. In this context, it is vital to evaluate aspects such as the effectivity of the Internal Control department. Therefore, the assessment of risk related to IT systems and the internal control environment are a key audit matter.	We have assessed, in collaboration with our IT system specialists, the internal controls over the IT systems, databases and applications that support the core business activity and have an impact on the Group's financial reporting. For the relevant IT systems related to the financial reporting process, we have performed the following procedures: • Testing the Group internal controls for the development and maintenance of the systems trying to minimize the risk on the program changes. • Check the authorisation access and application limits procedures in Applications, Databases and Operative Systems. On those where can be found some weakness over the access control we identified compensating controls either in the IT or business department. We performed the following procedures: • Obtained comfort over the compensating controls that allow to detect problems in the completeness and accuracy of the information. • Risk analysis for the outsourced critical services and analysis of the documentation and internal general controls performed to minimize the outsourcing risk. As result of our procedures and testing mentioned above, we have not found any relevant issue affecting the consolidated annual accounts.

Other information: Consolidated Directors' report

Other information comprises only the consolidated Directors' report for the 2020 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated Directors' report. Our responsibility regarding the consolidated Directors' report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated Directors' report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated Directors' report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated Directors' report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Ibercaja Banco, S.A. and its subsidiaries for the 2020 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Ibercaja Banco, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated March 3, 2021.

Appointment period

The General Ordinary Shareholders’ Meeting held on April 10, 2018 appointed us as auditors of the Group for a period of three years, from the year ended December 31, 2018.

Previously, we were appointed by resolution of the General Shareholders’ Meeting and we have audited the accounts continuously since the year ended December 31, 1989.

Services provided

Services provided to the Group for services other than the audit of the accounts are detailed in Note 39 of the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Julián González Gómez (20179)

March 3, 2021

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at 31 December 2020 and
consolidated directors' report for 2020

CERTIFICATE OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate issued by the Secretary of the Board, Mr Jesús Barreiro Sanz, to record that the Board of Directors of Ibercaja Banco, S.A., at its meeting held on 26 February 2021, has prepared the 2020 consolidated financial statements comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2020 consolidated directors' report, having been signed by all Directors.

For the record, I hereby issue this instrument in Zaragoza, on 26 February 2021.

MR JESÚS BARREIRO SANZ
Tax ID No.:
Non-Director Secretary

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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To the best of our knowledge, the 2020 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial position, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2020 consolidated directors' report fairly presents the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 1/11- Mr Aguirre.

Zaragoza, 26 February 2021

MR JOSÉ LUIS AGUIRRE LOASO
Tax ID No.:
Chairman

IBERCAJA BANCO, S.A.

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Zaragoza, 26 February 2021

MR JESÚS BUENO ARRESE
Tax ID No.:
First Deputy Chairman

IBERCAJA BANCO, S.A.

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Zaragoza, 26 February 2021

MR VÍCTOR IGLESIAS RUIZ
Tax ID No.:
CEO

IBERCAJA BANCO, S.A.

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Certificate 4/11- Mr González-Bueno.

Zaragoza, 26 February 2021

Ms GABRIELA GONZÁLEZ-BUENO LILLO
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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Zaragoza, 26 February 2021

MR JESÚS SOLCHAGA LOITEGUI
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

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Zaragoza, 26 February 2021

MR EMILIO JIMÉNEZ LABRADOR
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

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Zaragoza, 26 February 2021

MR VICENTE CÓNDOR LÓPEZ
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 8/11- Mr Longás.

Zaragoza, 26 February 2021

MR FÉLIX LONGÁS LAFUENTE
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 26 February 2021 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2020 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2020 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 9/11- Mr Tejel.

Zaragoza, 26 February 2021

MR JESÚS TEJEL GIMÉNEZ
Tax ID No.:
Member

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 26 February 2021 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2020 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2020 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

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*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 10/11- Mr Arrufat.

Zaragoza, 26 February 2021

MR ENRIQUE ARRUFAT GUERRA
Tax ID No.:
Director

IBERCAJA BANCO, S.A.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND CONSOLIDATED DIRECTORS' REPORT

Certificate* to record that the Board of Directors of Ibercaja Banco, S.A. met on 26 February 2021 in Zaragoza, pursuant to the prevailing legislation, resolved to authorise for issue the 2020 consolidated financial statements, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, the notes to the consolidated financial statements (Notes 1 to 45 and Appendices I to IV) and the 2020 consolidated directors' report, which were set forth on official stamped paper, including this certificate, and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the 2020 consolidated financial statements, prepared in accordance with the applicable accounting principles, present fairly the equity, financial position, results and cash flows of the Company and subsidiaries forming the Ibercaja Banco Group. Likewise, the 2020 consolidated directors' report fairly presents the performance, results and position of the Company and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

*This Certificate consists of 11 correlative pages, each signed by a Director. Certificate 11/11- Mr Segura.

Zaragoza, 26 February 2021

MS MARÍA PILAR SEGURA BAS
Tax ID No.:
Director

Ibercaja Banco, S.A.
and subsidiaries
(Ibercaja Banco Group)

Consolidated financial statements at
31 December 2020

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

ASSETS	Note	31/12/2020	31/12/2019 (*)
Cash and cash balances at central banks and other demand deposits	**6**	**7,572,609**	**3,929,202**
Financial assets held for trading	**7**	**5,503**	**8,963**
Derivatives		5,503	8,963
Debt securities		-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**8**	**853,721**	**375,885**
Equity instruments		824,170	284,905
Debt securities		28,009	78,783
Loans and advances		1,542	12,197
Customers		*1,542*	*12,197*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**9**	**8,602**	**8,939**
Debt securities		8,602	8,939
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**10**	**7,023,328**	**8,086,430**
Equity instruments		353,872	397,831
Debt securities		6,669,456	7,688,599
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*71,059*	*461,199*
Financial assets at amortised cost	**11**	**39,726,825**	**39,768,768**
Debt securities		8,474,312	7,218,228
Loans and advances		31,252,513	32,550,540
Credit institutions		*311,651*	*643,792*
Customers		*30,940,862*	*31,906,748*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		3,116,505	4,924,586
Derivatives - Hedge accounting	**12.1**	**142,020**	**137,210**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**-**	**-**
Investments in joint ventures and associates	**13**	**106,525**	**109,815**
Joint ventures		29,705	28,161
Associates		76,820	81,654
Assets under insurance or reinsurance contracts	**14**	**429**	**539**
Tangible assets	**15**	**960,967**	**983,710**
Property, plant and equipment		714,068	719,045
For own use		*638,443*	*645,064*
Assigned under operating lease		*75,625*	*73,981*
Investment property		246,899	264,665
Of which: assigned under operating lease		*63,416*	*53,796*
Memorandum items: acquired under finance lease		-	-
Intangible assets	**16**	**237,226**	**212,673**
Goodwill		144,934	144,934
Other intangible assets		92,292	67,739
Tax assets	**25**	**1,345,136**	**1,339,805**
Current tax assets		9,511	13,097
Deferred tax assets		1,335,625	1,326,708
Other assets	**17**	**155,526**	**192,867**
Inventories		108,102	135,284
Rest of other assets		47,424	57,583
Non-current assets and disposal groups classified as held for sale	**18**	**262,373**	**267,209**
TOTAL ASSETS		**58,400,790**	**55,422,015**

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

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

LIABILITIES	Note	31/12/2020	31/12/2019 (*)
Financial liabilities held for trading	**7**	**5,630**	**9,469**
Derivatives		5,630	9,469
Financial liabilities at fair value through profit or loss		**-**	**-**
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	**19**	**46,627,380**	**43,448,320**
Deposits		44,460,275	40,857,849
Central banks		*5,371,202*	*1,628,990*
Credit institutions		*1,207,820*	*4,304,232*
Customers		*37,881,253*	*34,924,627*
Debt securities issued		1,340,670	1,480,421
Other financial liabilities		826,435	1,110,050
Memorandum items: subordinated liabilities		*510,326*	*508,997*
Derivatives - Hedge accounting	**12.1**	**216,202**	**233,888**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**12.2**	**37,593**	**37,617**
Liabilities under insurance or reinsurance contracts	**20**	**7,521,867**	**7,784,537**
Provisions	**21**	**393,100**	**315,695**
Pensions and other post-employment defined benefit obligations		119,125	123,610
Other long-term employee remuneration		122	466
Lawsuits and litigation for outstanding taxes		7,780	7,930
Commitments and guarantees given		19,477	22,515
Other provisions		246,596	161,174
Tax liabilities		**167,326**	**178,164**
Current tax liabilities		165	1,551
Deferred tax liabilities	25.4	167,161	176,613
Other liabilities	**22**	**213,272**	**173,228**
Liabilities within disposal groups classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**55,182,370**	**52,180,918**

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

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019

(Thousands of euros)

EQUITY	Note	31/12/2020	31/12/2019 (*)
Shareholders' equity	**23**	**3,160,630**	**3,139,017**
Capital		214,428	214,428
Paid-in capital		*214,428*	*214,428*
Called-up capital		-	-
Memorandum items: uncalled capital		-	-
Share premium		-	-
Equity instruments issued other than capital		350,000	350,000
Equity component of compound financial instruments		-	-
Other equity instruments issued		*350,000*	*350,000*
Other equity items		-	-
Retained earnings		602,663	545,893
Revaluation reserves		3,297	3,305
Other reserves		1,966,640	1,941,402
Accumulated reserves or losses on investments in jointly-controlled entities and associates		*(33,603)*	*(43,089)*
Other		*2,000,243*	*1,984,491*
(Treasury shares)		-	-
Profit attributable to owners of the parent		23,602	83,989
(Interim dividends)		-	-
Other accumulated comprehensive income		**57,790**	**102,080**
Items that will not be reclassified to profit or loss		10,132	48,162
Actuarial gains/(losses) on defined benefit pension plans	*24.1*	*(23,741)*	*(24,286)*
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*24.3*	*33,873*	*72,448*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Items that may be reclassified to profit or loss		47,658	53,918
Hedges of net investment in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*24.2*	*8,551*	*8,524*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*24.3*	*39,091*	*45,509*
Hedging instruments (undesignated items)			
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised at joint ventures and associates		*16*	*(115)*
Non-controlling interests	**23.2**	-	-
Accumulated other comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,218,420**	**3,241,097**
TOTAL EQUITY AND LIABILITIES		**58,400,790**	**55,422,015**
Memorandum items: off-balance sheet exposures			
Loan commitments given	**27.3**	**3,288,448**	**2,966,973**
Financial guarantees granted	**27.1**	**93,631**	**76,204**
Other commitments given		**795,006**	**856,027**

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

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated balance sheet at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Note	2020	2019 (*)
Interest income	**28**	**632,798**	**663,561**
Financial assets at fair value through other comprehensive income		111,533	131,258
Financial assets at amortised cost		493,287	536,531
Other		27,978	(4,228)
(Interest expense)	**29**	**99,125**	**116,315**
(Expenses on share capital repayable on demand)		**-**	**-**
INTEREST MARGIN		**533,673**	**547,246**
Dividend income	**30**	**5,208**	**12,652**
Share of profit of entities accounted for using the equity method	**31**	**579**	**431**
Fee and commission income	**32**	**390,771**	**412,375**
(Fee and commission expenses)	**33**	**16,636**	**18,636**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**34**	**128,856**	**8,261**
Financial assets at amortised cost		125,366	(23,757)
Remaining financial assets and liabilities		3,490	32,018
Net gains or (-) losses on financial assets and liabilities held for trading	**34**	**1,149**	**1,220**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		1,149	1,220
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**34**	**(10,476)**	**(3,718)**
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortised cost		-	-
Other gains or (-) losses		(10,476)	(3,718)
Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	**34**	**-**	**747**
Net gains or (-) losses from hedge accounting	**34**	**(364)**	**567**
Net exchange differences	**35**	**852**	**1,104**
Other operating income	**36**	**47,022**	**37,073**
(Other operating expenses)	**37**	**78,581**	**72,473**
Income from assets covered by insurance and reinsurance contracts	**20.2**	**960,230**	**940,528**
(Liability expenses covered by insurance or reinsurance contracts)	**20.2**	**960,461**	**940,798**
GROSS INCOME		**1,001,822**	**926,579**
(Administration expenses)		**655,588**	**532,859**
(Staff expenses)	38	502,568	360,944
(Other administration expenses)	39	153,020	171,915
(Amortisation and depreciation)	**15, 16**	**62,918**	**67,228**
(Provisions or (-) reversal of provisions)	**21**	**(14,236)**	**37,330**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)		**219,646**	**124,637**
(Financial assets at fair value through other comprehensive income)	10	1,300	(1,242)
(Financial assets at amortised cost)	11.5	218,346	125,879
(Impairment or (-) reversal of impairment on investments in joint businesses or associates)		**-**	**-**
(Impairment or (-) reversal of impairment on non-financial assets)	**40**	**1,559**	**5,612**
(Tangible assets)		1,471	569
(Intangible assets)		-	-
(Other)		88	5,043
Gains/(losses) on derecognition of non-financial assets, net	**41**	**(3,047)**	**(6,544)**
Negative goodwill recognised in profit or loss		**-**	**-**
Gains (losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	**42**	**(19,830)**	**(23,732)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**53,470**	**128,637**
(Expense or (-) income from taxes on income from continuing operations)	**25**	**29,868**	**44,648**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**23,602**	**83,989**
Profit/(loss) after tax from discontinued activities		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**23,602**	**83,989**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		23,602	83,989

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

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated income statement for 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Note	2020	2019 (*)
PROFIT/(LOSS) FOR THE YEAR		**23,602**	**83,989**
OTHER COMPREHENSIVE INCOME	**24**	**(10,008)**	**31,813**
Items that will not be reclassified to profit or loss		**(3,747)**	**27,991**
Actuarial gains/(losses) on defined benefit pension plans		**779**	**(9,884)**
Non-current assets and disposal groups of items held for sale		-	-
Share in other income and expense recognised in joint ventures and and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		**(8,047)**	**42,816**
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
Corporation tax relating to items not to be reclassified	25.4	3,521	(4,941)
Items that may be reclassified to profit or loss		**(6,261)**	**3,822**
Hedges of net investment in foreign operations (effective portion)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Currency translation		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Cash flow hedges (effective portion)		39	(1,091)
Valuation gains/(losses) taken to equity		*39*	*(1,091)*
Transferred to the income statement		-	-
Transferred to initial carrying amount of hedge items			
Other reclassifications		-	-
Hedging instruments (undesignated items)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Debt instruments at fair value through other comprehensive income		(9,170)	7,587
Valuation gains/(losses) taken to equity		*3,686*	*38,256*
Transferred to the income statement	*34*	*(12,856)*	*(30,669)*
Other reclassifications		-	-
Non-current assets and disposal groups of items held for sale		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
Share in other income and expense recognised in joint ventures and associates		131	(725)
Corporation tax relating to items that may be reclassified to profit or loss	25.4	2,739	(1,949)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**13,594**	**115,802**
Attributable to non-controlling interests		-	-
Attributable to owners of the parent		13,594	115,802

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

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of recognised income and expense at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of euros)

	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 24)	Non-controlling interests		Total (Note 23)
												Other accumulated comprehensive income	Other items	
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,602**	**-**	**(10,008)**	**-**	**-**	**13,594**
Other changes in equity	**-**	**-**	**-**	**-**	**56,770**	**(8)**	**25,238**	**-**	**(83,989)**	**-**	**(34,282)**	**-**	**-**	**(36,271)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	74,270	(8)	44,009	-	(83,989)	-	(34,282)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(18,771)	-	-	-	-	-	-	(18,771)
	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**602,663**	**3,297**	**1,966,640**	**-**	**23,602**	**-**	**57,790**	**-**	**-**	**3,218,420**

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019 (*)

(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent (Note 4)	(Interim dividends)	Accumulated other comprehensive income (Note 24)	Other accumulated comprehensive income	Other items	Total (Note 23)
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**83,989**	**-**	**31,813**	**-**	**-**	**115,802**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**24,131**	**(8)**	**1,909,892**	**-**	**(40,804)**	**-**	**1,705**	**-**	**-**	**(34,932)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 23)	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	41,631	(8)	(2,524)	-	(40,804)	-	1,705	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,432)	-	-	-	-	-	-	(17,432)
III. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**545,893**	**3,305**	**1,941,402**	**-**	**83,989**	**-**	**102,080**	**-**	**-**	**3,241,097**

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

The accompanying Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of total changes in equity at 31 December 2020.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	Note	2020	2019 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**3,659,874**	**2,916,558**
Profit/(loss) for the year	**23**	**23,602**	**83,989**
Adjustments to obtain cash flows from operating activities		**222,170**	**329,262**
Amortisation and depreciation	15 and 16	62,918	67,228
Other adjustments		159,252	262,034
Net increase/decrease in operating assets		**358,308**	**(322,634)**
Financial assets held for trading		3,460	(1,552)
Non-trading financial assets mandatorily measured at fair value through profit or loss		(488,186)	(234,570)
Financial assets at fair value through profit or loss		337	636
Financial assets at fair value through other comprehensive income		1,153,025	621,899
Financial assets at amortised cost		(313,845)	(740,435)
Other operating assets		3,517	31,388
Net increase/(decrease) in operating liabilities		**3,084,855**	**2,591,541**
Financial liabilities held for trading		(3,839)	778
Financial liabilities at fair value through profit or loss		-	-
Financial liabilities at amortised cost		3,195,573	2,397,800
Other operating liabilities		(106,879)	192,963
Corporation tax credit/(payments)		**(29,061)**	**234,400**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**25,859**	**22,854**
Payments		**(139,856)**	**(106,584)**
Tangible assets		(98,300)	(78,534)
Intangible assets		(32,620)	(23,427)
Investments in joint ventures and associates		-	(559)
Subsidiaries and other business units		-	-
Non-current assets and liabilities classified as held for sale		(8,936)	(4,064)
Other payments related to investing activities		-	-
Receipts		**165,715**	**129,438**
Tangible assets		61,318	55,998
Intangible assets		-	424
Investments in joint ventures and associates		1,552	5,164
Subsidiaries and other business units			-
Non-current assets and liabilities classified as held for sale		49,562	67,852
Other receipts related to investing activities		53,283	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(42,000)**	**(119,801)**
Payments		**(542,000)**	**(119,801)**
Dividends	4	(17,500)	(17,500)
Subordinated liabilities	19.4	(500,000)	(77,801)
Redemption of own equity instruments		-	-
Acquisition of own equity instruments		-	-
Other payments related to financing activities	23.1	(24,500)	(24,500)
Receipts		500,000	**-**
Subordinated liabilities	19.4	500,000	-
Issuance of own equity instruments		-	-
Disposal of own equity instruments		-	-
Other receipts related to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**3,643,733**	**2,819,611**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD		**3,918,901**	**1,099,290**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD		**7,562,634**	**3,918,901**
MEMORANDUM ITEMS			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD			
Of which: in the possession of Group companies but not drawable by the Group		-	-
Cash	6	239,019	227,234
Cash equivalents at central banks	6	7,079,491	3,444,265
Other financial assets	6 and 19.2	244,124	247,402
Less: bank overdrafts repayable on demand		-	-

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

Notes 1 to 45 and the Appendices are an integral part of the consolidated statement of cash flows at 31 December 2020.

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the financial year ended 31 December 2020

Contents

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the financial year ended 31 December 2020

1. Introduction, basis of presentation and other information

1.1 Introduction

Ibercaja Banco, S.A. (hereinafter, Ibercaja Banco, the Bank or the Company), is a credit institution, 88.04% owned by Fundación Bancaria Ibercaja (hereinafter, the Foundation), subject to the rules and regulations issued by the Spanish and European Union economic and monetary authorities.

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Zaragoza Companies Registry in volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also registered in the Bank of Spain Special Register under number 2085. Its corporate web page (electronic headquarters) is www.ibercaja.es, on which its bylaws and other public information can be viewed.

Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

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

Likewise, the Foundation also prepares consolidated financial statements of the Group of which it is the parent (Ibercaja Group).

Note 45 contains the Bank's balance sheets, income statements, statements of recognised income and expense, statements of total changes in equity and statements of cash flows for the years ended 31 December 2020 and 2019, in accordance with the same accounting policies, accounting standards and measurement bases applied in the Group's consolidated financial statements.

It should be noted that these consolidated financial statements have been drawn up at a time of great economic and social uncertainty, caused by the public health emergency created by the spread of COVID-19 and the necessary measures for its containment.

The emergence of the COVID-19 Coronavirus in China in January 2020 and its global spread to a large number of countries led to the viral outbreak being classified as a pandemic by the World Health Organisation as at 11 March. In Spain, in view of the public health emergency and international pandemic situation, the Government adopted Royal Decree 463/2020 of 14 March, thus declaring a state of alarm for the management of the health crisis situation caused by COVID-19. This state of emergency was extended six times since it was declared in March, ending on 22 June 2020. In October 2020, the Government adopted Royal Decree 926/2020 of 25 October, thus declaring a state of alarm to contain the spread of infections caused by SARS-CoV-2. This state of alarm was extended in November for a period of six months, with the aim of ending in May 2021.

Considering the complexity of the markets due to their globalisation, the effects of government measures to curb the spread of the virus and the launch, at the end of 2020, of the first vaccination campaigns as medical treatment against the virus, the consequences for the Group's operations are uncertain and will depend largely on the development and extent of the pandemic in the coming months, as well as on the ability of all economic agents affected to react and adapt.

Therefore, on the date of preparing these consolidated financial statements, it is very difficult to make a detailed assessment or quantification of the possible impacts that COVID-19 will have on the Group, due to the uncertainty of its consequences in the short, medium and long term.

In this context, the Group has made its best estimate with the information available on this date and will continue in the future to reassess potential changes that may affect the financial information.

1.2 Basis of presentation of the consolidated financial statements

The consolidated financial statements of the Ibercaja Banco Group for 2020 were authorised for issue by the Company's directors at its Board of Directors' meeting held on 26 February 2021, and have not yet been approved by its Annual General Meeting. However, the Bank's directors believe that they will be approved without any significant modifications. The Group's consolidated financial statements for 2019 were approved by the Bank's shareholders at the Annual General Meeting held online on 30 March 2020. The resolutions adopted by this governing body were adopted by written vote and without a meeting, in accordance with article 40.2 of Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to deal with the economic and social impact of COVID-19.

These consolidated financial statements were prepared in accordance with the accounting policies, accounting standards and measurement bases applicable under the International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and considering Bank of Spain Circular 4/2017 of 27 November ("Circular 4/2017"), and subsequent modifications; accordingly, they fairly present the Group's equity and financial condition at 31 December 2020, and the consolidated results of its operations and consolidated cash flows during the year then ended.

On 6 December 2017, Bank of Spain Circular 4/2017, of 27 November, was published in the Boletín Oficial del Estado [Official State Gazette], addressed to credit institutions, concerning the rules on public and confidential financial information and model financial statements. The purpose of the Circular, which came into force on 1 January 2018, is to adapt the accounting rules of Spanish credit institutions to the changes in European accounting rules arising from the adoption of IFRS 9 and IFRS 15.

On 16 June 2020, the Bank of Spain issued Circular 3/2020, amending Circular 4/2017. The purpose of this Circular is to adapt Circular 4/2017, mainly Appendix IX, to the flexibility measures that supervisors and regulators around the world are recommending to mitigate the impact of COVID-19.

The amendment introduced by this circular means that restructured, refinanced or refinancing credit transactions no longer have to be classified as normal risk under special surveillance (stage 2) if they are not classified as doubtful risk (stage 3). In other words, these transactions may continue to be classified as normal risk (stage 1) at the date of refinancing or restructuring provided that the entity can justify that it has not identified a significant increase in credit risk since initial recognition. In addition, such transactions that are in the normal risk category under special surveillance could be reclassified to normal risk, provided that the significant increase in credit risk has been reversed. However, they shall remain identified as restructured, refinanced or refinancing until the end of the minimum two-year probationary period during which the holder must demonstrate good payment behaviour.

In accordance with the first transitional provision of this Circular, the first application of this Circular has been treated prospectively as a change in accounting methodologies, procedures and practices. However, given the uncertainty caused by COVID-19, the entity is currently in the process of modifying its methodologies and procedures, so the impact of this Circular on these consolidated financial statements is limited.

The most significant accounting policies and measurement bases used in the preparation of the consolidated financial statements are summarised in Note 2:

These financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Company and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's financial statements for 2020, adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Company.

1.3 Estimates made

The consolidated financial statements corresponding to 2020 contained opinions and estimates have been made on certain occasions to quantify the value of certain assets, liabilities, revenues, expenses and obligations recorded therein. These estimates basically relate to:

- impairment losses on certain assets and the estimate of related security (Notes 10, 11, 13, 15 to 18), in particular as regards the changes arising from changes in portfolios as a result of specific business models, the consideration of the “significant increase in credit risk (SICR)” and “default”, and the introduction of forward-looking information
- the assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees (Notes 2.13, 38.2 and 38.3), and those used to calculate liabilities arising under insurance contracts (Note 20),
- the measurement of goodwill and other intangible assets (Note 16).
- useful life of tangible and intangible assets (Notes 2.15 and 2.16),
- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events (Notes 2.20 and 21),
- the fair value of certain financial assets (Note 26),
- the income tax expense and the recoverability of deferred tax assets (Notes 2.14, 25.3 and 25.4),
- the valuation of investments in joint ventures and associates (Note 13),
- the determination of returns from investments in joint ventures and associates (Note 13) and
- the discount rate used in the valuation of the lease liability (Note 2.10).

The estimates described above have been made on the basis of the best available information as at 31 December 2020 on the events analysed, taking into account the above-mentioned uncertainty resulting from the coronavirus health crisis. For this reason, future events may require them to be modified in the coming years, which would occur in accordance with prevailing regulations, prospectively recognising the effects of the change in estimate in the consolidated financial statements for the years in question.

1.4 Comparative information relating to 2019

Under the regulations in force, the information contained in these consolidated financial statements for 2019 is presented exclusively for the purpose of comparison with the information for 2020, in order to aid understanding.

1.5 Agency agreements

Neither at year-end 2020 and 2019 nor at any time during the two years did the Group have any “agency agreements” in force within the meaning of article 21 of Royal Decree 84/2015, of 13 February.

1.6 Investments in credit institutions

Pursuant to article 28 of Royal Decree 84/2015, neither at 31 December 2020 and 2019 nor at any time during the two years did the Group own direct or indirect equity interests in the capital of Spanish or foreign credit institutions exceeding 5% of the share capital or voting rights of such entities.

1.7 Capital management and requirements

1.7.1 Regulatory framework

In December 2010, the Basel Committee on Banking Supervision approved a new regulatory framework (Basel III), which increased the capital requirements with the best quality instruments, seeking consistency and a uniform application by entity and country. The new agreement improves the transparency and comparability of capital ratios and includes new prudential tools, in the area of liquidity and leverage.

The European Union transfers these agreements to its legal system (Basel III) through the Directive 2013/36/EU (CRD-IV) of the European Parliament and of the Council of 26 June 2013, relating to access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable since 1 January 2014.

In order to adapt the Spanish legal system to international regulatory requirements, Law 10/2014, of 26 June, was approved on the regulation, supervision and solvency of credit institutions, together with Royal Decree 84/2015, of 13 February, enacting the aforementioned law, continuing the transposition commenced by Royal Decree-Law 14/2013, of 29 November, and Bank of Spain Circulars 2/2014 and 3/2014, stipulating the regulatory options for the applicable requirements during the transition period.

In 2015, new regulations were published that complement the (EU) Regulation No. 575/2013 (CRR) on aspects relating to shareholders' equity, liquidity, the risks of Pillar I and capital requirements.

Also, in February 2016, Bank of Spain Circular 2/2016, of 2 February, was published for credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no. 575/2013.

In June 2019, the European governing bodies enacted the new capital regulatory framework, which modifies the previous one (CRR/CRD IV). The reform package included the adoption of Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempt entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers, and capital preservation measures (hereinafter CRD V), and Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 575/2013 as regards the leverage ratio, NSFR, eligible capital and liability requirements, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and Regulation (EU) 648/2012 ('CRR II').

However, the economic disruptions caused by the COVID-19 pandemic and the exceptional containment measures taken by the authorities have significantly affected the main economic players.

In June 2020, Regulation (EU) 2020/873 of the European Parliament and of the Council entered into force, amending both the CRR and CRR II as regards certain adaptations made in response to the pandemic.

The most relevant new feature is the extension for two years of the transitional provisions on the application of IFRS 9, limiting the negative effect that a possible increase in provisions for expected credit losses may have on institutions' capital. It also lays down, on a temporary basis, a prudential filter on exposures to sovereign bonds, aimed at mitigating the consequences of financial market turmoil on the solvency of institutions.

In addition, the amendments also include bringing forward the introduction of some measures to reduce capital requirements for banks in relation to certain loans secured by pensions or salaries, and loans to SMEs and infrastructure.

In December 2020, Commission Delegated Regulation (EU) 2020/2176 was published amending the existing deduction for intangible assets associated with in-house software development. This amendment, introduced in order to further support the transition to a more digitised banking sector, allows software assets that have been prudently valued and whose value is not significantly affected by the resolution, insolvency or liquidation of an institution not to be deducted directly from the capital of financial institutions.

At the same time, it should be recalled that, the TLAC Term Sheet was implemented, established internationally by the FSB *(Financial Stability Board)* within the European capital framework, called *MREL (Minimum Requirement for own funds and Eligible Liabilities)* in such a way that systemic banks have to comply with the MREL requirements in Pillar 1. Within this package of changes, amendments to the Single Resolution Mechanism Regulation and the Bank Recovery and Resolution Directive (SRMR and BRRD, respectively) were also included and replaced with SRMR II and BRRD II, where MREL requirements are established by Pillar 2 for all banks in resolution, whether systemic or not, and the resolution authority sets requirements on a case-by-case basis.

The minimum requirements for own funds established by the prevailing regulations (Pillar I) are calculated based on the Group's exposure to credit, exchange rate, market and operational risks and risks of financial assets and liabilities held for trading. Also, the Group is subject to compliance with risk concentration limits.

1.7.2 Quantitative information

The Ibercaja Banco Group determines its capital and leverage ratios in accordance with the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up and pursuit of the business of credit institutions and their prudential supervision (CRD IV), and Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (CRR) as updated by Regulation (EU) 2019/876 of the European Parliament and of the Council (CRR II) and Regulation (EU) 2020/873 of the European Parliament and of the Council (CRRII Quick Fix).

At 31 December 2020, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following table:

	2020	2019
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	2,484,668	2,498,314
Additional eligible equity tier 1 (thousands of euros) (b)	350,000	350,000
Eligible equity tier 2 (thousands of euros) (c)	500,000	482,800
Risks (thousands of euros) (d)	18,248,449	20,362,850
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	13.62%	12.27%
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.92%	1.72%
Tier 1 capital ratio (Tier 1) (A) + (B)	15.53%	13.99%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.74%	2.37%
Total capital ratio (A) + (B) + (C)	**18.27%**	**16.36%**

	2020	2019
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,834,668	2,848,314
Exposure (thousands of euros) (b)	45,295,546	48,684,555
Leverage ratio (a)/(b)	**6.26%**	**5.85%**

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET 1 ratio of 4.5%, Tier I of 6% and a total capital ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) communicated that the prudent minimum capital requirements for 2020 applicable to Ibercaja Banco, following the supervisory review and evaluation process (SREP) remain in force for 2021.

The decision means that Ibercaja Banco must maintain a phased-in common equity tier 1 (CET1) ratio of 8.125% and a total capital ratio of 12.50%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

At 31 December 2020, Ibercaja Banco's consolidated ratios, CET1 of 13.62% and total capital of 18.27%, stood at 5.49 points and 5.77 points, respectively, above the regulatory requirements established for 2021.

The reconciliation of accounting equity to regulatory equity is as follows:

	Thousands of euros	
	2020	**2019**
Share capital	*214,428*	*214,428*
Equity instruments issued other than capital	*350,000*	*350,000*
Retained earnings	*602,663*	*545,893*
Revaluation reserves	*3,297*	*3,305*
Other reserves	*1,966,640*	*1,941,402*
Profit/(loss) attributed to the parent	*23,602*	*83,989*
Shareholders' equity in public balance sheet	3,160,630	3,139,017
Other accumulated comprehensive income	57,790	102,080
Non-controlling interests	-	-
Equity in public balance sheet	**3,218,420**	**3,241,097**
Intangible assets	*(245,635)*	*(221,292)*
Intangible asset amortisation adjustment	*25,369*	-
Deferred tax assets	*(263,693)*	*(249,936)*
Transitional adjustment for first-time application of IFRS9 9	*114,002*	*89,423*
of which due to modifications introduced by Quick Fix	*40,359*	-
Proposed distribution of dividends	*(3,849)*	*(17,500)*
Securitisations deduction	-	-
Equity instruments ineligible as CET1	*(350,000)*	*(350,000)*
Contingent convertible bonds	-	-
Differences in public equity for prudential purposes	*(9,946)*	*6,522*
Total adjustments and deductions	(733,752)	(742,783)
Total common equity tier 1 (CET1)	2,484,668	2,498,314
Equity instruments eligible as AT1	*350,000*	*350,000*
Other temporary adjustments for additional tier 1 capital	-	-
Total additional tier 1 capital (AT1)	350,000	350,000
Total tier 1 capital (T1)	2,834,668	2,848,314
Subordinated financing and other	500,000	482,800
Total tier 2 capital (T2)	500,000	482,800
Total eligible shareholders' equity	**3,334,668**	**3,331,114**

Below are the details at 31 December 2020 and 2019 of the consolidable Group's eligible own funds, indicating each of its components and deductions, broken down into common equity tier 1 instruments, additional tier 1 capital instruments and tier 2 capital instruments:

	Thousands of euros	
	2020	**2019**
TOTAL ELIGIBLE SHAREHOLDERS' EQUITY	**3,334,668**	**3,331,114**
Tier 1 capital (T1)	**2,834,668**	**2,848,314**
Common equity tier 1 (CET1)	**2,484,668**	**2,498,314**
Equity instruments disbursed	214,428	214,428
Retained earnings and other reserves	2,569,298	2,487,289
Admissible results	19,753	66,489
Revaluation reserves	3,297	3,305
Non-controlling interests	-	-
Other accumulated comprehensive income	57,789	119,497
Accumulated other ineligible comprehensive income	(9,940)	(10,889)
Transitional adjustment for first-time application of IFRS9 9	114,002	89,423
of which due to modifications introduced by Quick Fix	*40,359*	-
Deductions of common equity tier 1 instruments (CET 1)	(483,959)	(471,228)
Securitisations	-	-
Intangible assets	*(245,635)*	*(221,292)*
Intangible asset amortisation adjustment	*25,369*	-
Deferred tax assets dependent on future earnings	*(263,693)*	*(249,936)*
Additional tier 1 capital (AT1)	**350,000**	**350,000**
Additional Tier 1 capital instruments	350,000	350,000
Deductions of additional tier 1 capital instruments (AT 1)	-	-
Tier 2 capital (T2)	**500,000**	**482,800**
Subordinated financing, subordinated loans and others	500,000	482,800

Both this information and further details on regulatory capital and risk-weighted assets can be found in the Prudential Relevance Report (Pillar III Disclosures) published on the Company's website.

1.7.3 Capital management

The objective of Basel's Pilar II is to ensure an adequate relationship between the Group's risk profile and the own funds that it effectively holds. Accordingly, the Group performs a recurring capital self-assessment process in which:

- it applies processes for the identification, measurement and aggregation of risks;
- it determines the capital needed to cover them; in addition to the minimum own funds, it maintains a level in keeping with the risks inherent in its activity, in the economic climate in which it operates, in the management and control of such risks, in its governance and internal audit systems and in its strategic business plan;
- it plans capital at medium term; and
- It establishes the own funds objectives.

The Group sets a capital objective enabling it to permanently maintain sufficient means regarding prudential minimum requirements and capital guidelines, ensuring an adequate relationship between its risk profile and its own funds.

The Group's total capital needs were estimated through the aggregation of capital requirements associated with each risk.

In order to adequately plan the Group's future capital requirements, it forecast capital sources and consumption on the basis of business performance and expected results over a three-year period.

Likewise, the Group estimates projected capital levels in line with stress scenarios.

1.7.4 Information of Prudential Relevance

In order to comply with market disclosure requirements, the Board of Directors approved the information of prudential relevance disclosure policy (Basel Pillar III); consequently, the Ibercaja Group will make such information public on its web page prior to the publication and approval of the 2020 consolidated financial statements.

1.7.5 Credit ratings granted

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

	Date		Short-term		Long-term		Outlook	
Company	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Standard&Poors	Abril 2020	May 2019	B	B	BB+	BB+	Negative	Stable
Moody's	Abril 2020	March 2019	NP	NP	Ba3	Ba3	Stable	Positive
Fitch Ratings	September 2020	March 2019	B	B	BB+	BB+	Negative	Positive

During the year the rating agencies have revised downwards their outlook for the Spanish financial system as a result of the expected impacts on the Spanish economy of the health crisis triggered by COVID-19. As a result of this sector-wide review, the outlook for Ibercaja Banco's credit rating has been revised downwards.

1.7.6 Stock market launch

On 31 March 2020, RDL 11/2020 was published, adopting urgent additional measures in the social and economic field to deal with COVID-19. In the current context of the health, social and economic crisis, the banking foundations' welfare projects take on even greater importance. Therefore, and with the aim of guaranteeing these welfare projects, it is proposed to amend Law 26/2013 of 27 December on savings banks and banking foundations to extend by two years the divestment period foreseen for banking foundations with majority shareholdings in credit institutions.

In this context, the Company maintains its plan to go public within the new deadline laid down by current regulations, before the end of 2022, and is taking the appropriate and necessary actions to achieve this objective.

1.8 Single Resolution Fund and Deposit Insurance Fund

1.8.1 Single Resolution Fund

Law 11/2015, of 18 June, together with its regulatory enactment through Royal Decree 1012/2015, led to the transposition into Spanish law of Directive 2014/59/EU, establishing the new framework for the resolution of credit institutions and investment services companies, and regulated the creation of the National Resolution Fund.

As part of the enactment of such regulation, on 1 January 2016, the Single Resolution Fund entered into force, which was established as a financing instrument for the Single Resolution Board, which is the European authority that will take resolution decisions to effectively implement the resolution measures adopted. The Single Resolution Fund will be maintained with the contributions made by investment services companies and credit institutions availing themselves of such Fund.

Under Regulation (EU) 2015/63, the calculation of the contribution of each entity will take into account the proportion that it represents with respect to the total aggregate of total liabilities of all banks included, net of own funds and the guaranteed amount of the deposits, adjusted with the Company's risk profile.

In 2020, the expense incurred as a result of the contribution to this body was 11,094 thousand euros (10,350 thousand euros in 2019; Note 37).

1.8.2 Deposit Guarantee Fund

The Company is a member of the Deposit Guarantee Fund of Credit Institutions.

Royal Decree-Law 2606/1996, of 20 December, amended by Royal Decree 1012/2015, of 6 November, stipulates that the Management Committee of the Deposit Guarantee Fund will calculate the annual contributions of the companies included in the Deposit Guarantee Fund for Credit Institutions.

The Management Committee of the Deposit Insurance Fund for credit institutions, pursuant to Article 6 of Royal Decree-Law 16/2011 and Article 3 of Royal Decree 2606/1996, set the contribution to be made for all institutions adhering to the deposit insurance sub-fund at 1.8 per thousand of the amount of insured deposits as at 30 June each year. Each institution's contribution is calculated on the basis of the amount of insured deposits and their risk profile, taking into account indicators such as capital adequacy, asset quality and liquidity, introduced by Bank of Spain Circular 5/2016 of 27 May, as amended by Circular 1/2018 of 31 January. Likewise, the contribution to the securities guarantee compartment was set at 2/1000 of 5% of the guaranteed amount of the securities and other financial instruments at 31 December each year.

The expense for ordinary contributions referred to in the preceding paragraph accrue in full at year end, accordingly, at that time, the balance sheet included the liability for the contribution paid in the first quarter of the subsequent year (46,229 thousand euros and 41,486 thousand euros at 31 December 2020 and 2019, respectively; Note 22).

On 30 July 2012, the Management Committee of the Deposit Guarantee Fund agreed to cover an extraordinary shortfall between Fund members, to be paid by each entity through ten equal annual instalments. The amount of the shortfall corresponding to the Bank is 81,460 thousand euros (ten annual instalments of 8,146 thousand euros each).

In 2020, the expense incurred as a result of all contributions made to this body was 53,774 thousand euros (49,247 thousand euros in 2019). This amount was recognised under "Other operating expenses" (53,269 thousand euros and 48,520 thousand euros in 2020 and 2019, respectively; Note 37) and "Interest expense" (505 thousand euros and 727 thousand euros in 2020 and 2019, respectively; Note 29).

1.9 Minimum reserve ratio

At 31 December 2020, and throughout 2020, the Company complied with the minimums required by the minimum reserve ratio. In compliance with the legal obligations prescribed by the European Central Bank, the daily average of the minimum reserves to be held at 31 December 2020 amounted to 362,377 thousand euros (319,247 thousand euros at 31 December 2019).

1.10 Events after the reporting period

Between the year-end date and the date of preparation of the consolidated financial statements and the corresponding explanatory notes, no events have taken place that could have a significant effect on them.

1.11 Changes in accounting estimates and criteria

In 2020, amendments were made to the accounting regulations applicable to the Group with respect to those applied in the previous period. The changes considered to be most important are listed below.

The mandatory standards, amendments and interpretations for the years commencing on 1 January 2020 were as follows:

Standards and Interpretations	**Title**
Amendment to IAS 1 and IAS 8 (*)	Definition of "material"
Amendments to IFRS 3 (*)	Definition of business
Amendments to IFRS 9, IAS 39 and IFRS 7 (*)	Interest rate benchmark reform
Amendment to IFRS (*)	Conceptual framework
Amendment May 2020 - IFRS 16 (**)	COVID-19 related rent reductions

(*) Applicable for financial years beginning on or after 1 January 2020.
(**) Applicable retrospectively from 1 June 2020 for financial years starting on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 "Definition of Material".

These amendments clarify the definition of "material" by introducing, in addition to omitted or misstated items that may influence users' decisions, the concept of "obscuring" information. These amendments make IFRS more consistent.

Amendment to IFRS 3 "Definition of a Business":

These amendments help to distinguish between an acquisition of a business or a group of assets. To be considered a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products.

Additionally, the amended definition emphasises that the product of a business is to provide goods and services to customers, whereas the previous definition focused on providing returns in the form of dividends, lower costs or other economic benefits to investors and others.

Amendment of IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform".

In the context of the global reform of interest rate benchmarks (IBORs), the IASB initiated a project to revise the main IFRS standards concerned in two phases. The first phase focused on the accounting impacts before the replacement of interest rate indices, culminating in the publication in September 2019 of the Amendments to IAS 39, IFRS 9 and IFRS 7 which were endorsed at European level on 17 January 2020.

These amendments provide certain exemptions in relation to the reform of the interest rate reference rate (IBOR). The exemptions relate to hedge accounting and have the effect that IBOR reform generally should not cause hedge accounting to cease. However, any hedge ineffectiveness must continue to be recorded in the income statement.

As the Group applies IAS 39 for hedge accounting, so that the amendments to IFRS 9 referred to are not applicable, the impacts of the overall reform itself are small and the disclosures provided for in the first phase amendments do not apply to the Group.

Changes to references to the Conceptual Framework in IFRSs

The IASB has issued a revised conceptual framework to be used in the development of accounting standards and includes revised definitions of assets and liabilities, as well as new guidance on their measurement, derecognition, presentation and disclosure.

IFRS 16 (Amendment) "COVID-19 related rent reductions".

The IASB has published an amendment to IFRS 16 "Leases" that provides an optional practical expedient for lessees in assessing whether a rental concession related to COVID-19 is a lease modification. Lessees may elect to account for such lease concessions in the same way as they would if they were not lease modifications. In many cases, this will result in the allowance being accounted for as variable lease payments in the periods in which the event or condition that triggers the reduced payment occurs. This amendment does not affect the accounting record for lessors. The Group has not availed itself of this exemption.

Application of these modifications of accounting standards and interpretations has not had a material effect on the Group's consolidated financial statements.

At the date of authorisation for issue of these consolidated financial statements, following are the main standards, amendments and interpretations issued by the IASB and by the IFRS Interpretations Committee, but which have not yet entered into force, either because their effective date is subsequent to the date of these consolidated financial statements or because they have not yet been adopted by the European Union. The Group has assessed the impact arising from these standards, amendments and interpretations and has elected not to adopt them early:

Approved for use in the EU

Standards and Interpretations	Title
Amendment to IFRS 4 (**)	Extension of the temporary exemption from application of IFRS 9
Amendments to IFRS 9, IAS 39, IFRS 7 (*), IFRS 4 (**) and IFRS 16	Interest rate benchmark reform

(*) Applicable for financial years beginning on or after 1 January 2021.
(**) Applicable for financial years beginning on or after 1 January 2023.

IFRS 4 (Amendment) "Extension of the temporary exemption from application of IFRS 9"

In line with the postponement of the effective date of IFRS 17 "Insurance Contracts", the amendment changes the expiry date for the temporary exemption in IFRS 4 "Insurance Contracts" for the application of IFRS 9 "Financial Instruments".

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Restatement of Interest Rate Benchmarks

Following the Phase amendments outlined in the previous section, the Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of one reference rate with an alternative base rate.

Not approved for use in the EU

Standards and Interpretations	Title
Amendment to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture
Amendment to IAS 1 (*)	Classification of liabilities as current or non-current
Amendment to IAS 16 (*)	Property, plant and equipment – Revenue earned prior to intended use
Amendment to IAS 37 (*)	Onerous contracts – Cost of fulfilling a contract
Amendment to IFRS 3 (*)	Reference to the Conceptual Framework
IFRS 17 (**)	Insurance contracts (May 2017 and amendments June 2020)
Annual improvements to IFRS (*)	Cycle 2018-2020

(*) Applicable for financial years beginning on or after 1 January 2022.
(**) Applicable for financial years beginning on or after 1 January 2023.
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IFRS 10 and IAS 28 (Amendment) "Sale or allocation of assets between an investor and its associates or joint ventures"

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates and joint ventures, which will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not comply with the definition of "business", the investor recognises the gain or loss in line with the interests of other investors. The amendments will only be applied when the investor sells or contributes assets to its associates or joint ventures.

Originally, these modifications to IFRS 10 and IAS 28 were applied prospectively and were effective for the annual financial years that began on 1 January 2016. However, at the end of 2015, the IASB took the decision to postpone their date of validity (without setting a new specific date), as it is planning a more extensive review that may result in the simplification of accounting for these transactions and other accounting aspects for associates and joint ventures.

Amendments to IAS 1 "Classification of liabilities as current or non-current"

These amendments clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the end of the period. The amendment also clarifies what is meant in IAS 1 when it refers to the "settlement" of a liability.

IAS 16 (Amendment) "Property, plant and equipment – Revenue earned prior to intended use"

It is prohibited to deduct from the cost of an item of property, plant and equipment any revenue from the sale of items produced while the entity is preparing the asset for its intended use. Revenues from the sale of such samples, together with production costs, are now recognised in profit or loss. The amendment also clarifies that an entity is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant for this assessment. Therefore, an asset could be capable of operating as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management.

IAS 37 (Amendment) "Onerous contracts – Cost of fulfilling a contract"

The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfilment of contracts. It also clarifies that before making a separate provision for an onerous contract, an entity shall recognise any impairment loss that has occurred on the assets used to fulfil the contract, rather than on the assets dedicated to that contract.

Amendments to IFRS 3 "Reference to the Conceptual Framework".

IFRS 3 has been updated to refer to the Conceptual Framework mentioned above.

IFRS 17 "Insurance Contracts".

IFRS 17 replaces IFRS 4 "Insurance contracts", which currently enables a wide variety of accounting practices. IFRS 17 will fundamentally change accounting for all entities that arrange insurance contracts and investment contracts with discretionary participation components.

In response to some of the concerns and challenges raised in relation to the implementation of IFRS 17, the IASB has developed specific amendments and clarifications aimed at facilitating the implementation of the new standard, although the amendments do not change the essential principles of the standard. Originally the effective date of IFRS 17 was 1 January 2021, but amendments in June 2020 have delayed the effective date of application of the standard to 1 January 2023.

Annual Improvements to IFRS. Cycle 2018-2020

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1 January 2022. The main amendments relate to:

- IFRS 1 "First-time Adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure cumulative translation differences using the parent's carrying amounts based on the parent's date of transition to IFRS.

- IFRS 9 "Financial instruments": The amendment addresses which costs should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to third parties or to the lender. According to the amendment, costs or fees paid to third parties will not be included in the 10% test.

- IFRS 16 "Leases": Illustrative Example 13 accompanying IFRS 16 has been amended to remove the illustration of lessor payments in relation to lease improvements, thereby eliminating any potential confusion about the treatment of lease incentives.

- IAS 41 "Agriculture": This amendment removes the requirement to exclude cash flows for tax purposes when measuring fair value under IAS 41.

The Group is analysing the impact that these standards, amendments and interpretations may have on the consolidated financial statements and at the date of preparation of these consolidated financial statements it is considered that their entry into force will not have a material impact.

2. Accounting policies and measurement bases

The most significant accounting policies and principles and measurement bases applied in the preparation of these consolidated financial statements are described below. There are no accounting principles or measurement bases that, having a material effect on the 2020 financial year, have not been applied in its preparation.

2.1 Business combinations and consolidation

2.1.1 Subsidiaries

"Subsidiaries" are those companies over which the Entity has the ability to exercise control, which is generally, although not exclusively, expressed by the direct or indirect ownership of over 50% of the voting rights of the investees or, if this percentage is less or nil, by the existence of other circumstances or agreements that grant control. In line with the prevailing standards, control is deemed to be the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Appendices I and II provide significant information on these companies.

The financial statements of the subsidiaries are consolidated using the equity method, as defined by the prevailing standards: Consequently, all balances arising from transactions performed between companies consolidated using this method and which were significant were eliminated on consolidation. Also, the ownership interest of third parties in:

- the Group's equity was recognised under "Non-controlling interests" in the consolidated balance sheet,
- consolidated profit for the year was posted under "Profit/(loss) attributable to non-controlling interests" in the consolidated income statement.

The results of subsidiaries acquired during the year are consolidated only taking into consideration those relating to the period between the date of acquisition and the close of that year. Alongside this, the results of subsidiaries disposed of during the year are consolidated only taking into consideration those relating to the period between the start of that year and the disposal date.

2.1.2 Jointly controlled entities

“Jointly controlled entities” are deemed to be those, although not subsidiaries, with which contractual agreements of joint control exist, whereby decisions on significant activities are taken unanimously by the entities that share control, with entitlement to their net assets.

Theses entities are accounted for using the “equity method”.

Appendices I and II provide significant information on these companies.

2.1.3 Associates

An “associate” is an enterprise over which the Bank has significant influence, but with which it does not form a decision-making unit nor is it subject to joint control therewith. In general, although not exclusively, this capacity is presumed when a direct or indirect ownership interest is held equal to or exceeding 20% of the voting rights of the investee.

In the consolidated financial statements, associates are accounted for using the “equity method”, as defined by the prevailing standards:

If, as a consequence of the losses incurred, an associate reported negative equity, it would be recognised in the consolidated balance sheet as zero, since the Group is not obliged to provide it with financial support, and a provision for liability would be recognised under “Provisions” on the liability side of the balance sheet.

Appendices I and II provide significant information on these entities.

2.1.4 Structured entities

A structured entity is an entity designed in a manner that its voting and/or similar rights are not a decisive factor when determining control thereover.

When the Group forms or holds ownership interests in entities to transfer risks or to provide access to investments, it analyses whether it has control thereover and, therefore, whether the entities formed should be consolidated, mainly taking into account the following factors:

- Analysis of the Group's influence over the entity's activities that are important with a view to determining said entity's profit.
- Implicit or explicit commitments to provide financial support to the entity.
- Significant exposure of the Group to the variable returns of the entity's assets.

These entities include the so-called “asset securitisation funds” consolidated by the Group when contractual financial aid agreements exist (commonly used on the securitisations market). In virtually all securitisations performed by the Group, the transferred risks cannot be derecognised from the asset side of the balance sheet and the securitisation fund issues are recognised as liabilities on the Group's balance sheet.

The Group does not hold any significant interests in the companies and investment and pension funds managed by the Group itself that would constitute a potential indication of control or meet the criteria for consolidation as defined in IFRS 10 Consolidated Financial Statements. Therefore, these investment vehicles marketed to customers are not consolidated.

Note 27.5 provides details of the Group's structured entities and Appendix III provides details of the percentages held by the Group in the companies and mutual and pension funds managed by the Group.

2.1.5 Business combinations

A business combination is the union of two or more entities or independent economic units within a single entity or group of entities in which the acquirer obtains control over the other entities.

At the acquisition date, the acquirer will include the assets, liabilities and contingent liabilities of the acquired company in its financial statements, including the intangible assets not recognised by the latter, initially booking all of them at their fair value.

Any excess of the cost of the ownership interests in the entities over their corresponding carrying amounts acquired, adjusted on the date of the first business combination, are allocated as follows:

- Where they can be allocated to specific assets of the companies acquired, they are recognised by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets and whose accounting treatment is similar to that of the Group's equivalent assets (liabilities).

- If they are attributable to specific intangible assets, they are explicitly recognised in the consolidated balance sheet provided that their fair value at the date of acquisition can be measured reliably.

- The remaining non-attributable differences are recognised as goodwill, which is allocated to one or more specific cash-generating units.

Negative differences, once their amount has been established, are recognised in the income statement.

Acquisitions of non-controlling interests, subsequent to the takeover of the entity, are recognised as an addition to the business combination.

In those cases in which the cost of the business combination or the fair values assigned to the identifiable assets, liabilities or contingent liabilities of the acquired entity cannot be definitively determined, the initial recognition of the business combination will be deemed to be provisional. In any case, the process must be completed within a maximum of one year from the acquisition date, effective on that date.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the consolidated balance sheet when the Group becomes a party to the contract originating them, in accordance with the provisions thereof. Specifically, debt instruments, such as credits and monetary deposits, are recognised from the date on which the legal right to receive or a legal obligation to pay cash, respectively, arises. Financial derivatives are generally recognised on their trading date.

Regular way purchases and sales of financial assets are recognised on the date on which the benefits, risks, rights and duties attaching to all owners are for the purchaser which, depending on the type of financial asset bought or sold, may be the trading date or the settlement or delivery date. In particular, transactions carried out in the spot currency market are recognised on the settlement date, transactions carried out with equity instruments traded on Spanish secondary securities markets are recognised on the trade date and transactions carried out with debt instruments traded on secondary Spanish securities markets are recognised on the settlement date.

2.2.2 *Derecognition of financial instruments*

A financial asset is derecognised from the consolidated balance sheet when any of the following circumstances occur:

- the contractual rights over the cash flows they generate have expired, or
- the financial asset is transferred, together with substantially all its risks and benefits, or
- the risks and rewards associated with the transferred financial asset are not substantially transferred or retained - this being the case of sales of financial assets with an acquired call or written put option that are not deeply in or out of the money, or securitisations in which the transferor assumes subordinated financing or other credit enhancements for part of the transferred asset and other similar cases - if the transferor does not retain control of the transferred financial asset, it is derecognised and any rights or obligations retained or created as a result of the transfer are recognised.

A financial liability is derecognised from the balance sheet when the related obligation is extinguished or when it is re-purchased by the Group.

2.2.3 *Fair value and amortised cost of the financial instruments*

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable interested parties in an arm's length transaction. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price").

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence of this information, of valuation techniques commonly used by the international financial community, taking into consideration the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

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

The fair value of OTC derivatives or derivatives traded in scantly deep or transparent organised markets is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement ("present value" or "theoretical close") using valuation techniques recognised by the financial markets: "net present value" (NPV), option pricing models, etc.

All investments in equity instruments and contracts relating to such instruments are measured at fair value.

Amortised cost is the amount at which a financial asset or liability is measured at initial recognition, as corrected by principal repayments and by the cumulative amortisation of any difference between that initial amount and the maturity amount of the financial instrument, using the effective interest rate method. In the case of financial assets, amortised cost also includes any impairment loss allowances.

The effective interest rate is the discount rate that matches the gross carrying amount of a financial asset or the carrying amount of a financial liability to estimated cash flows over the expected life of the instrument, based on the contractual terms and disregarding expected credit losses. For fixed-rate financial instruments, the effective interest rate is the contractual interest rate set upon acquisition, adjusted by any fees and transaction costs that in accordance with current legislation form part of the effective yield or cost of the instrument and must therefore be considered in the calculation of the effective interest rate. For financial instruments at variable interest rates, the effective interest rate is estimated in a similar way to the transactions at a fixed interest rate, with the contractual interest rate of the transaction being recalculated on each review date, taking into account the changes to future cash flows from the transaction.

2.2.4 Classification and measurement of financial assets and liabilities

Business model and contractual cash flow characteristics of financial assets

Financial assets are classified into different categories depending on the business model under which they are managed and the contractual characteristics of their cash flows.

“Business model” means the way in which the Group manages its financial assets to generate cash flows, having regard to how groups of financial assets are managed together to achieve a specific objective. So a business model does not depend on the Group’s intentions for an individual instrument but is determined for a wider set of instruments.

Specifically, the business models used by the Group consist of holding financial assets to collect their related contractual cash flows, selling such assets, or a combination of both approaches (mixed model):

- *Holding financial assets to collect their related contractual cash flows:* the Group's objective is to hold financial assets to collect their related contractual cash flows. In accordance with the requirements of the standard, debt instruments managed under this model are rarely or never sold, i.e., sales are merely accessory and subject to restrictions. However, the Group takes the view that sales of financial assets close to maturity and sales prompted by increased credit risk or the need to manage concentration risk are consistent with this business model.

- *Sale of financial assets:* the Group’s objective is to realise gains and losses on financial assets.

- *Mixed model:* the Group’s objective combines collection of contractual cash flows and realisation of financial assets. For financial instruments managed under the mixed model, sales are essential and not accessory; therefore, sales are unrestricted.

Based on the characteristics of its contractual cash flows, a financial asset is initially classified into one of the following categories:

- Financial assets whose contractual terms give rise, on specified dates, to cash flows consisting only of payments of principal and interest on principal outstanding.

- Other financial assets:

For the purposes of this classification, the principal of a financial asset is its fair value at the time of initial recognition. That amount may change over the life of the financial asset: for example, after repayments of principal. Interest is defined as the sum of the consideration for the time value of money, for financing and structural costs, and for the credit risk associated with the principal amount outstanding during a specified period, plus a profit margin.

Although, given the nature of the Group’s business, almost none of its debt instruments give rise to cash flows other than payments of principal and interest, the Group monitors compliance with the contractual conditions of its financial assets (solely payments of principal and interest, SPPI test) and classifies such assets accordingly.

The main function of this test is to discriminate which products contained in the “holding of financial assets to receive their contractual cash flows” and “mixed model” business models can be measured at amortised cost and at fair value through other comprehensive income, or, conversely, must be measured at fair value through profit or loss.

The following are the judgements that guide the analysis to determine that the contractual cash flows of a financial instrument are only payments of principal and interest on the amount of principal outstanding:

- Principal: variables such as leverage or transaction currency are taken into account.

- Interest: account is taken of variables such as the time value of money, credit risk, other basic risks and costs such as liquidity risk or administrative costs associated with holding the financial asset and the profit margin.

- Contract terms that change the timing or amount of contractual cash flows.

- De minimis or non-genuine features: instruments that do not pass the SPPI test provided that the impact identified is considered to be insignificant or that the event affecting compliance with the SPPI test is extremely exceptional, highly abnormal and very unlikely to occur.

- Non-recourse assets: instruments with contractual cash flows that are described as principal and interest but that are not solely payments of principal and interest on the outstanding amount of principal.

- Contractually related instruments: situations in which an institution prioritizes payments to holders of multiple contractually related instruments that create credit concentration risk.

Classification and portfolios of financial instruments for presentation and measurement purposes

Financial instruments are mainly classified in the Group's consolidated balance sheet in accordance with the categories listed below:

▪ **Financial assets at amortised cost**: this category includes financial assets that are managed under a business model that holds assets to collect their contractual cash flows and whose contractual terms give rise to cash flows on specified dates, which are solely principal and interest payments on the outstanding principal amount.

  This portfolio includes financing to third parties from typical credit and lending activities, debt securities satisfying the two conditions set out above, and debts incurred by purchasers of goods and by users of services. Finance leases in which the Group acts as lessor are also included.

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

  Income and expenses from financial instruments at amortised cost are recognised on the following basis:

  - Accrued interest is recognised under “Interest income” in the consolidated income statement, using the effective interest rate of the transaction on the gross carrying amount of the transaction (except in the case of non-performing assets, where the rate is applied to the net carrying amount).

  - Other changes in value are recognised as income or expense when the financial instrument is derecognised; when it is reclassified; when there are exchange differences (see Note 2.5.3) and when there are impairment losses or gains due to subsequent recovery.

- **Financial assets at fair value through other comprehensive income:** this category mainly includes debt instruments acquired to manage the Company's balance sheet, which are managed using a mixed business model whose objective combines collection of contractual cash flows and sales, and whose contractual terms give rise to cash flows on specified dates, which are solely payments of principal and interest on the outstanding principal amount.

  In addition, the Group has opted to include in this portfolio the investments it holds in equity instruments that should not be classified to the portfolio of "Financial assets held for trading" and that, but for the use of this option, would be classified as financial assets mandatorily measured at fair value through profit or loss. This optional treatment is applied instrument by instrument.

  Instruments included in this category are initially measured at fair value, adjusted by transaction costs directly attributable to the acquisition of the financial asset. After acquisition, financial assets included in this category are measured at fair value through other comprehensive income.

  Income and expenses of financial assets at fair value through other comprehensive income are recognised on the following basis:

  - Accrued interest or, where applicable, accrued dividends are recognised in the consolidated income statement.

  - Exchange differences are recognised in the income statement in the case of monetary financial assets and in other comprehensive income, net of tax effects, in the case of non-monetary financial assets.

  - For debt instruments, impairment losses or gains on subsequent recovery are recognised in the consolidated income statement.

  - Other changes in value are recognised, net of tax effects, in other comprehensive income.

  When a debt instrument at fair value through other comprehensive income is derecognised, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. However, when an equity instrument at fair value through other comprehensive income is derecognised, the amount of the gain or loss recognised in other comprehensive income is reclassified not to profit or loss but to an item of reserves.

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

  - **Financial assets and liabilities held for trading:** financial assets or liabilities acquired to be sold in the short term or that are part of a portfolio of identified financial instruments managed jointly and for which there is evidence of a recent pattern of short-term profit-taking, together with derivative instruments that do not comply with the definition of a financial guarantee contract and have not been designated as hedging instruments, including those segregated derivatives of hybrid financial instruments pursuant to the regulations in force.

    The held-for-trading portfolio also covers short positions arising from sales of assets acquired temporarily under a non-optional reverse repurchase agreement or borrowed securities.

  - **Financial assets not held for trading mandatorily measured at fair value through profit or loss:** financial assets whose contractual terms do not pass the SPPI test, i.e., they do not give rise to cash flows consisting solely of principal and interest payments on the outstanding principal amount, as defined in the previous section.

  - **Financial assets and liabilities designated at fair value through profit or loss:** to avoid differences between the measurement bases of the related assets and liabilities, the Group classifies to this portfolio any debt instruments that are managed jointly with insurance contract liabilities ("Unit-linked"), measured at fair value.

A financial asset is classified to the portfolio of financial assets held for trading or the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss if the Group's business model for its management or the characteristics of its contractual cash flows do not warrant classification to any of the financial asset portfolios described above.

Financial instruments classified at fair value through profit or loss are initially measured at fair value, and directly attributable transaction costs are recognised immediately in the income statement.

Income and expenses of financial instruments at fair value through profit or loss are recognised on the following basis:

- Changes in fair value are recognised directly in the consolidated income statement, distinguishing, for non-derivative instruments, between the portion attributable to the instrument's accrued income, which is recognised as interest or dividends depending on its nature, and the remainder, which is recorded as gains/losses on financial transactions with a balancing entry under the headings "Gains/losses on financial assets and liabilities held for trading (net)", "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss (net)" and "Gains/losses on financial assets and liabilities designated at fair value through profit or loss (net)" of the consolidated income statement.

- Accrued interest on debt instruments is calculated using the effective interest method.

In relation to derivative instruments, the Group manages both those classified as "Financial assets and liabilities held for trading" and those classified as hedging derivatives on the basis of their net exposure to their credit risk; accordingly, it estimated their fair value by taking into account such net exposure, as indicated in paragraph 48 of IFRS 13.

- **Financial liabilities at amortised cost:** this category of financial instruments includes those financial liabilities that do not belong to any of the above categories and reflect the typical funding activities of financial institutions.

  Financial liabilities included in this category are initially measured at fair value, adjusted by the transaction costs directly attributable to their issue. Subsequently, they are valued at their amortised cost, calculated through the application of the effective interest rate method.

  The interest accruing on these securities, calculated using such method, is registered under the "Interest expense" heading in the consolidated income statement.
  Despite the foregoing, the financial instruments that must be considered to be non-current assets and disposal groups on sale under prevailing regulations are recognised in the consolidated financial statements in accordance with the criteria set forth in Note 2.18.

2.3 Impairment of financial assets

A financial asset or other form of exposure to credit risk is considered to be impaired when there is objective evidence that events have occurred that:

- in the case of debt instruments (loans and advances and debt securities), have an adverse impact on future cash flows as estimated at the time of entering into the transaction.

- in the case of other exposures involving credit risk other than debt instruments, an adverse impact on the future cash flows that would be due in the case of the drawdown of the loan commitment and the cash flows that are expected to be collected if the loan commitment is drawn, or in the case of financial security granted, on the payments that the entity expects to make.

Impairment losses on debt instruments arising in the period are recognised as an expense under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss” in the consolidated income statement. For debt instruments classified as financial assets at amortised cost, such impairment losses are recognised against an allowance account that reduces the carrying amount of the asset, while for debt instruments at fair value through other comprehensive income, impairment losses are recognised against “other accumulated comprehensive income”.

Allowances for impairment losses on exposures involving credit risk other than debt instruments are recorded on the liability side of the balance sheet as a provision. Impairment losses arising in the period for these exposures are recognised as an expense in the consolidated income statement.

Subsequent reversals of previously recognised impairment losses are immediately recognised as income in the consolidated income statement for the period.

The calculation of the impairment of financial assets is based on the type of instrument and on other circumstances that may affect them, once the guarantees received have been taken into account. For debt instruments at amortised cost, the Group recognises both allowance accounts, when provisions for bad debts are recognised to cover estimated losses, and direct write-offs against the asset, when it is considered that the likelihood of recovery is remote.

Interest accrual is recognised in the consolidated income statement by applying the effective interest rate to the gross carrying amount of the transaction, in the case of transactions classified as normal risk (stage 1) and normal risk under special watch (stage 2); while such recognition is carried out by applying the effective interest rate at amortised cost, i.e. adjusted for any impairment correction, in the case of transactions classified as non-performing risk (stage 3).

Following are the criteria applied by the Group to determine potential impairment losses in each of the different financial instrument categories, together with the method used to calculate the allowances recognised for such impairment.

Debt instruments and other exposures involving credit risk

Within the framework of EU-IFRS, International Financial Reporting Standard 9, “Financial Instruments”, which sets the criteria for measurement and impairment of financial assets, it is considered important to link credit risk monitoring policies to the accounting recognition of provisions under IFRS.

Credit risk management constitutes a priority for the Group, in order to provide sustainable balanced growth and to guarantee the soundness of the Bank’s financial and equity position at all times and to optimise the return/risk ratio. These principles are followed in the “Loan and discount risk management policy and procedure manual”.

To determine impairment losses, the Group performs an individual monitoring of at least the significant debtors and a collective monitoring of the groups of financial assets with similar credit risk characteristics that are indicative of the debtor's ability to pay all amounts due. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it is exclusively analysed individually to estimate the impairment loss.

The credit risk characteristics considered for grouping instruments are, among others: type of instrument, debtor's sector of activity, geographical area of activity, type of security, age of past-due amounts and any other factor relevant to the estimation of future cash flows.

The Group has policies, methods and procedures in place to estimate expected losses as a result of credit risk exposures, relating both to insolvency attributable to counterparties and to country risk. These policies, methods and procedures are applied to the arrangement, study and formalisation of debt instruments and off-balance sheet exposure, and to the identification of their possible impairment and, where appropriate, to the calculation of the amounts required to hedge the estimated losses.

The Group has established criteria to identify borrowers and bond issuers displaying significant increases in risk or objective evidence of impairment and classify them on the basis of their credit risk.

The following sections describe the classification principles and methodology used by the Group.

Classification category definitions

Credit exposures are classified according to credit risk as follows:

- Performing (stage 1): a transaction is considered to be at this stage when no significant increase in risk has occurred since its initial recognition. Where appropriate, the impairment loss allowance will reflect the expected credit losses arising from possible *default* during the 12 months following the reporting date.

- Performing on special watch (stage 2): when the risk has significantly increased from the date on which the transaction was initially recognised, but without leading to impairment, the transaction will be classified to stage 2. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses arising from *default* during the residual life of the financial instrument.

- Non-performing (stage 3): a transaction will be catalogued as stage 3 when it shows effective signs of impairment as a result of one or more events that have already occurred and will lead to a loss. Where appropriate, the amount of the impairment loss allowance will reflect the expected losses due to credit risk during the expected residual life of the financial instrument.

  - Due to borrower default: transactions with some part of the principal, interest or contractually agreed expenses is past-due, generally speaking, more than 90 days, unless they should be classified as written-off. Guarantees provided shall also be included in this category when the guarantor has defaulted under the guaranteed transaction. Furthermore, the amounts of all transactions of a single holder are included when the transactions with overdue sums, generally speaking, and as mentioned above, are past-due more than 90 days, account for more than 20% of the amounts receivable.

  - For reasons other than borrower default: transactions in which, not classifiable as written-off or non-performing due to default, there are reasonable doubts about their full repayment under the contractual terms; in addition to off-balance-sheet exposures not classified as non-performing due to default, concerning which payment by the Group is likely and recovery is doubtful.

    In order to determine the existence of reasonable doubt as to the full repayment of these transactions, the entity performs an analysis of indicators on transactions that are not overdue by more than 90 days, which may or may not automatically classify the transaction as stage 3.

    The indicators analysed that do not lead to the automatic classification of the transaction as stage 3 are the following:

    - Negative equity or equity that has significantly decreased in the last financial year.

    - Negative EBITDA for two years or a significant decrease in EBITDA for one year.

    - Very significant decrease in revenue and in operating income.

    - Significant decrease in cash flow generated in the last three years or in the last year.

    - Accumulation of defaults with other credit institutions.

    - Borrower has defaults equal to or greater than 91 days in less than 20% of exposure, and there are doubts about its total repayment.

The indicators analysed that lead to the automatic classification of the transaction as stage 3 are the following:

- Transaction that ceases to have amounts overdue for 91 or more days but is not classified in Stage 1 as there are other transactions classified in Stage 3.

- Refinancing with a Stage 3 rating as it meets the conditions for reclassification to non-performing.

- The borrower is in uncured insolvency proceedings.

- The transactions of holders that are declared or are known to be in insolvency proceedings without a winding-up petition.

▪ Write-off: transactions for which, after individual analysis, it is considered that there is no reasonable expectation of full or partial recovery due to a significant or irrecoverable deterioration in the creditworthiness of the transaction or the holder. The entity considers in any case that there is no reasonable expectation of recovery for the following cases:

- The risks of customers who are declared to be insolvent and for whom it is known that the liquidation phase has been or will be declared, except for those which have effective collateral covering at least 10% of the gross carrying amount of the transaction.

- Non-performing risks due to borrower default that have been classified as such for more than four years or, before reaching this age when the amount not covered by effective guarantees has been maintained with a credit risk coverage of 100% for more than two years, unless those balances have effective collateral covering at least 10% of the gross carrying amount of the transaction.

In the above circumstances, the Company derecognises any amount recognised along with the provision from the balance sheet, without prejudice to any actions that may be taken to seek collection until the contractual rights to receive sums are extinguished definitively by expiry of the statute-of-limitations period, remission or any other cause.

Transactions purchased or originated with credit impairment

As at 31 December 2020, there were no transactions purchased or originated with credit impairment. In recent years, the Bank has not acquired assets at a significant discount in accordance with the materiality threshold established by Group management.

Transaction classification criteria

The Group applies a range of criteria to classify borrowers, bond issuers and transactions among the different categories, depending on the related credit risk. These include:

▪ Automatic criteria,

▪ Specific refinancing criteria, and

▪ Indicator-based criteria.

Automatic factors and specific refinancing classification criteria constitute the classification and cure criteria against the entirety of the portfolio.

Furthermore, to facilitate advance identification of significantly increased risk or indications of impairment of transactions, the Group has constructed a series of indicators, distinguishing between significant and non-significant borrowers, which encompass all default events and signals depending on the composition of the relevant portfolio. This methodology is based on the Group's experience in Credit Risk, in the composition of its portfolio and loss events identified by the Group; in addition, it proactively seeks to identify potential impairment in advance. Specifically, non-significant borrowers who, having surpassed the automatic classification algorithm, fail to meet any of the conditions to be transferred to either the non-performing or special watch categories, are assessed using indicators; the objective of these indicators is to identify weaknesses that may involve the assumption of greater losses than other similar transactions classified as performing. These indicators are based on the best current estimate of the likelihood of being classified non-performing associated with each transaction.

To evaluate the significant increase in credit risk, the quantitative measurement indicators used in ordinary credit risk management are taken into account, such as the increased risk of default in any of the key indicators for which a threshold has previously been defined that depends on the management practices of each portfolio; for example, defaults of between 30 and 90 days are considered, except in cases where the unpaid amount does not exceed the materiality thresholds established by Group management for each portfolio, or increases in the Probability of Default (PD) at the reporting date with respect to the PD at the time of origination, based on specified thresholds. Other qualitative variables are also considered such as signs of whether an unimpaired transaction is considered to be refinanced, or the consideration of operations included in a special debt sustainability agreement.

The definition of default is based on a non-payment period exceeding 90 days, except in the events referred to in the above paragraph, although according to the EBA (4.3.1.89 a – 4.3.1.90), *unlikeliness-to-pay events* have also been defined, such as the inclusion of an uncured debtor in insolvency proceedings.

Operations classified as doubtful are reclassified to performing when, as result of the partial or full collection of outstanding amounts in the case of doubtful exposures due to default, or because the cure period has been completed in the case of doubtful exposures for reasons other than default, the reasons that gave rise to the classification of the operation as doubtful no longer apply, unless reasons subsist for maintaining it in this category.

As a result of these procedures, the Group classifies its borrowers in the categories of performing under special watch or doubtful due to debtor default, or maintains them under performing.

<u>Individual classification</u>

The Group has established an exposure threshold for considering borrowers as significant, based on EAD (exposure at default) levels.

On the basis of credit risk management and monitoring criteria, the Group has identified the following as individually significant borrowers:

- Borrowers/issuers with EAD (exposure at default) in excess of €3 million.
- Borrowers classified as doubtful for reasons other than default due to non-automatic factors (manually identified default).
- Borrowers without appreciable risk classified as doubtful for accounting purposes, irrespective of EAD.

For significant borrowers assessed through individual analyses, a trigger system has been established to identify significant increases in risks or signs of deterioration. The triggers system covers signs of impairment or of weaknesses through the definition of:

- *Triggers* with different pre-alert thresholds to identify increased risk and signs of impairment
- Specific *triggers* that indicate a significant increase in risk.
- Specific *triggers* that indicate signs of impairment.

A team of expert risk analysts analyses borrowers with activated triggers to conclude on the existence of a significant increase of risk or objective evidence for deterioration and, in the event that there is evidence of deterioration, whether the event or events causing the loss have any impact on estimated future cash flows from the financial asset or group of financial assets.

The indicator system for significant borrowers is automated and takes into account the specific characteristics of the differentiated behaviour segments in the loan portfolio. The issues to be identified by the indicator system are as follows:

- Significant financial difficulty faced by the issuer or obligor.

- Breach of contract terms, default or delay in interest payments.

- For financial difficulties, the borrower is granted concessions or benefits that would not otherwise be taken into account.

- Probability of borrower insolvency: cases where there is a high probability that the borrower will be declared insolvent or will have to be restructured.

The Group carries out an annual review of the reasonableness of the thresholds and coverage used in the individual analyses, unless the borrower's financial situation changes substantially, making a review of that situation necessary.

According to the specified levels, a volume of borrowers that allows a reasonable coverage of the total credit exposure is above the significance threshold, which requires them to be subjected to an individual expert analysis.

Collective classification

Both for borrowers that exceed the aforementioned materiality threshold and those that do not exceed the materiality threshold, and additionally have not been classified as doubtful or under special watch by the automatic classification algorithm, the Group has constructed a synthetic indicator to identify exposures that display significantly increased risk or weaknesses which could entail losses that are higher than those in other similar transactions classified as performing. In this respect the Group has laid down thresholds that, once exceeded, entail an automatic classification as performing exposure under special watch due to the significant increase in risk or weaknesses.

The methods used to determine whether the credit risk of an instrument has increased significantly since initial recognition must take into account the characteristics of the instrument (or group of instruments) and past default patterns in comparable financial instruments. In order to define the significant increase in risk (SICR) at the Group, qualitative variables and quantitative measurement indicators used in ordinary credit risk management are taken into account. The latter include increases in the probability of default (PD) with respect to the PD at the time of the origin of the operation, based on a series of thresholds.

For debtors assessed in line with a group approximation, thresholds were defined based on the comparison of PD during the expected lifetime of the operation. If insufficient past information of a granular nature is available, thresholds were defined based on the comparison of a current 12 months PD PIT versus a PD PIT involving 12 months of origination for such period. These thresholds were determined in such a way that the NPL rates observed, for a sufficiently long period, are statistically different.

<u>Refinancing and restructuring</u>

Once a transaction has been identified as refinancing, refinanced or restructured, it may only be classified as non-performing or under special watch.

The following refinancing or restructuring operations are classified as doubtful:

- Operations reclassified from doubtful exposures or which are refinanced to avoid their classification as doubtful due to default.
- Operations with a grace period exceeding 24 months.
- Operations with reductions higher than the impairment that would be applicable if they were classified under exposures subject to special watch.
- Transactions based on an unsuitable payment plan - because the plan has been repeatedly breached, because it has been modified to avoid default, or because it is based on expectations that are not properly supported by macroeconomic forecasts.

For a refinancing or restructuring classified as non-performing to be upgraded to "under special watch", all the criteria that generally determine the classification of transactions outside the category of non-performing risk must be satisfied, and, furthermore:

- It has been concluded, following an exhaustive review of the borrower's assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- One year has elapsed from the date of refinancing or restructuring.
- Accrued principal repayments and interest payments must be met, reducing the renegotiated capital.
  The transaction cannot have overdue amounts.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid, or other objective criteria evidencing the borrower's payment capacity must be attested to. The presence of contractual terms that delay repayment, such as grace periods, entails that the transaction remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 90 days on the date of the potential reclassification.

Refinancing or restructuring operations that do not meet the above conditions for classification as doubtful will be classified as exposures under special watch. They must remain under special watch for a trial period,until the following requirements are met:

- It has been concluded, following an exhaustive review of the borrower's assets and financial position, that it is unlikely the borrower will encounter financial difficulties.
- A minimum of two years elapse from the formalisation of the operation or from reclassification from doubtful exposures.
- The borrower has paid principal and interest accruing since the date of the refinancing or since the date of reclassification from non-performing exposure.
- The principal and interest due at the time of the refinancing or which were written off as a result thereof must be paid, or other objective criteria evidencing the borrower's payment capacity must be attested to. The presence of contractual terms that delay repayment, such as grace periods, will imply that the operation remains under special watch.
- The borrower must not have any other operations involving amounts overdue by more than 30 days at the end of the trial period.

During the trial period described, a new refinancing or restructuring of the refinanced or restructured operations, or the existence of amounts overdue by more than 30 days, will entail the reclassification of these operations to doubtful exposures for reasons other than default, provided that they were classified as doubtful before the trial period.

Credit risk management policies and procedures applied by the Group guarantee detailed monitoring of borrowers, indicating that provisions need to be recorded when there is evidence of impairment in a borrower's solvency. The Group records any bad-debt provisions that may be necessary in transactions in which the borrower's situation thus requires, before restructuring or refinancing operations are formally approved.

For refinanced operations, the algorithm provides for their initial classification on the basis of their characteristics, mainly the existence of financial difficulties for the borrower and certain contractual terms, such as lengthy grace periods; subsequently, the algorithm changes the initial classification on the basis of the cure periods established.

The Group's refinancing, restructuring, renewal and renegotiation policies are described in Note 3.5.5.2 to these financial statements.

Determination of provisions

Once the accounting classification of the borrower and of the related transactions has been determined, credit risk allowances are calculated. These allowances can be calculated by individual analysis or collective analysis.

The criteria for selecting portfolios for creating internal models for collective impairment testing follow the principles of materiality and complexity, and provide results that are in line with the real situation of the transactions in the current economic environment.

The Group applies the following policies for calculating credit risk loss provisions:

The amount of impairment loss provisions is calculated on the basis of whether or not there has been a significant increase in credit risk since the initial recognition of the transaction and whether or not an event of default has occurred. Thus, the allowance for impairment losses on transactions is equal to:

- The expected credit losses over twelve months, when the risk of an event of default in the transaction has not increased significantly since initial recognition (stage 1).
- The expected credit losses over the lifetime of the transaction, if the risk of an event of default in the transaction has increased significantly since initial recognition (stage 2).

- The expected credit losses over the lifetime of the transaction, if an event of default has occurred (stage 3).

The Group uses forward-looking information in the calculation of the expected loss, for which it uses scenario projection models. The macroeconomic effects of the COVID-19 health crisis are explained in Note 11.6.3.

The application of a range of scenarios to reflect the effect of non-linearity of losses entails estimation of the allowances required in different scenarios, including those that are unlikely but plausible. Specifically, three macroeconomic scenarios have been considered, a central scenario, an adverse scenario and a favourable scenario, which have been defined at Group level, with probabilities of occurrence of 70%, 20% and 10% respectively, taking into account the current uncertainty about how the pandemic will evolve and the time a large part of the economy will normalise. Timescales of three years are considered to cast these projections and the variables considered are the performance of GDP, the unemployment rate and housing prices, among others.

- Base case scenario:

  By studying what happened during 2020, it is possible to estimate the impact on the sector at the worst time of the pandemic and the degree of more immediate recovery, as well as the less severe and more differentiated effects and consequences by productive sector that the successive waves of the pandemic and the new restrictions on activity have had on economic activity during the second half of the financial year. The projections are also based on the behaviour of the different variables in periods of deep crisis, albeit taking into account the notable differences in the current crisis.

  In the central scenario, the normalisation of activity remains divergent by sector during the first three quarters of 2021 and the final improvement in those sectors requiring social closeness does not start until the last quarter of 2021.

- Adverse scenario:

  In the adverse scenario, effective control of the pandemic is not achieved until the third quarter of 2022, causing greater structural damage due to the long duration of the closures of a large part of the productive sectors. This situation aggravates job destruction, which spreads the negative effects to the economy as a whole. Public finances are also suffering, with rising deficits and debt levels.

- Favourable scenario:

  The favourable scenario entails a somewhat faster success in mass immunisation through vaccination processes, which would allow for some improvement in tourism activity already in the summer season of 2021, although it would still be a partial recovery.

The Group estimated the pre-payment rates for a range of different products and segments based on observed historical data. These pre-payment rates are applied to determine the expected loss on the exposures classified in Stage 1 and Stage 2. Also, the repayment table agreed for each transaction is applied.

Further, operations identified as not having appreciable risk (essentially operations with central banks, public administrations and companies, and financial institutions, all belonging to the European Union or certain countries regarded as non-risk) are given a percentage of 0% (based on an analysis of past such operations and backtesting analysis), except for operations classed as doubtful, in which an individual impairment estimate is carried out. In this estimate, the amount of the provisions required for the credit risk allocable to the debtor and for the relevant country risk are calculated. When it is necessary to provide for both the debtor's credit risk and the country risk, more demanding provisioning criteria are applied.

The Group's exposure metric for provisioning purposes considers currently drawn down balances and the estimate of the amounts that are expected to be disbursed in the event that off-balance-sheet exposures become doubtful, through the application of a Credit Conversion Factor or CCF.

For transactions classified as non-performing, an estimate is made of expected losses, defined as the difference between the current exposure amount and the estimated future cash flows, as described below.

Subsequently, those cash flows are discounted at the current effective interest rate of the financial asset (if the contractual rate is fixed) or at the contractual interest rate effective on the date of discounting (if the contractual rate is variable).

The various Group methodologies are described in the following paragraphs.

Individualised provision estimates

In order to estimate the credit risk provisions due to the insolvency of a financial instrument, the Group makes an individualised estimate of the expected credit losses of those financial instruments that are considered to be material and with sufficient information to make such calculation.

On this point, it should be noted that the Entity estimates collectively the positions classified in stage 1 of individually significant borrowers, since on the basis of its historical experience and the hedge monitoring analyses performed, the individualised estimate of the hedges of these borrowers would be considerably lower than that calculated by the collective estimate.

The Group has developed a method for estimating these allowances: calculating the difference between the carrying amount of the asset and the present value of the future cash flows expected to be collected (excluding future credit losses not incurred), discounted at the current effective interest rate of the financial asset. Furthermore, the calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from enforcement of the security, less costs of obtaining and selling the collateral, whether or not enforcement is probable, with application of a haircut to the collateral.

The following methods for calculating the recoverable amount of assets tested individually have been established:

a) Generation of cash flows by the activity itself (going concern): this will be applied for borrowers with respect to which it is estimated that future cash flows can be generated in the course of business, which will allow the repayment of part or all of the debt concerned. In addition, these flows could be supplemented by potential sales of equity assets that are not essential for the generation of said cash flows.

b) Enforcement of guarantees (gone concern): this will be applied for borrowers that are not capable of generating cash flows in the course of their business, the only means of recovering the investment being the foreclosure and liquidation of their assets.

c) Mixed approach: individual analysis of the borrower in which the two previous approaches are combined, enforcing secondary (non-essential) collateral.

The Group uses macroeconomic scenarios in its method for calculating provisions for individually material borrowers via an *add-on* calculated on the basis of the Group's internal models.

<u>Collective provision estimates</u>

The Group estimates expected credit losses as a group in cases where they are not estimated individually.

The criteria for selecting portfolios for creating internal models involve the principles of significance and complexity, and provide results that are in line with the real situation of the operations in the current economic environment.

The Group has conducted a prior study of the operations used in the collective calculation of provisions. As a result of this study, the Group has chosen the following portfolios to be used in the development of internal methodologies:

- Home purchases,
- Credit cards and
- Companies.

The following portfolios are excluded from the utilisation of internal models:

- Consumption,
- Self-employed,
- Large corporations and
- Property developers.

For the excluded portfolios, apart from the borrowers that are subject to individual analysis, the Group makes a group calculation of coverage based on the models prepared at sector level by the Bank of Spain on the basis of experience and the information it has on the Spanish banking sector, as well as forecasts of future conditions. In any case, these models are periodically checked retrospectively to ensure the reasonableness of the provision.

When calculating a collective impairment loss, the Group, in accordance with IFRS 9 and taking into account Bank of Spain Circular 4/2017, mainly takes into consideration the following aspects:

- The impairment estimate process takes into account all credit exposures except performing loans with no appreciable risk for which impairment estimation methods are used based on statistical data and models that aggregate the average behaviour across Spanish banking institutions. The Group recognises an impairment loss equal to the best available estimate under internal models, bearing in mind all available relevant information on conditions at the end of the period to which the calculation relates. The Group has identified the following transactions without appreciable risk for the estimation of credit risk allowances:

  - Transactions with central banks.
  - Transactions with the government bodies of European Union countries, including those arising from reverse repurchase loans of debt securities.
  - Transactions with central governments of countries classified in group 1 for country-risk purposes.
  - Transactions in the name of deposit insurance funds and resolution funds, provided that they are comparable in credit quality to those of the European Union.
  - Transactions with credit institutions and credit financial institutions of European Union countries and, in general, of countries classified in Group 1 for country-risk purposes.
  - Transactions with Spanish mutual guarantee companies and with government bodies or government-controlled companies from other countries classified in Group 1 for country-risk purposes whose main activity is credit insurance or guarantee.
  - Transactions with non-financial corporations that qualify as public-sector.
  - Advances on pension benefits and pay packets corresponding to the following month, provided that the paying entity is a government body and the payments are made to the bank on standing orders, and
  - Advances other than loans.

- In order to make a group assessment of impairment, financial assets are grouped according to the similarity in characteristics relating to credit risk (such as type of product, purpose of financing, trade identifier, guarantees, etc.) in order to estimate differentiated risk parameters for each homogeneous group. This segmentation is different according to the estimated risk parameter and allows for a more precise calculation of expected losses by taking into account the different elasticities of the risk parameters to the cycle and maturity. The segmentation takes into account historical loss experience observed for a uniform group of assets (segment), once the present economic situation has been analysed, which is representative of the unreported losses incurred that will take place in that segment. This segmentation distinguishes risk, and is aligned with management and is being used in the Group's internal models, having been applied on various occasions by the internal control units and the supervisor. Finally, it is subjected to backtesting and the regular update and review of estimates to include all available information.

The Group has developed internal models for the collective calculation of impairment losses in which the aggregate amount of a credit risk loss is determined on the basis of the following parameters:

- Probability of impairment (PI): probability of an asset becoming impaired (corresponding to a borrower or uniform borrower group) within a specific time horizon (appropriate to the period for the identification/emergence of impairment).
- Probability of recovery: probability of asset being recovered expressed as a percentage, in the event of the impairment event occurring (determined using the PI parameter).
- Discounting of guarantees: percentage loss in the value of guarantees.
- Exposure at the time of Default: Group's exposure when the borrower impairment materialises (on the basis of which the above-mentioned probability of impairment is determined).

Classification and Provision for credit risk due to country risk

Country risk is considered to be the risk arising in counterparties resident in a specific country due to circumstances other than ordinary commercial risk (sovereign risk, transfer risk or risks arising from international financial activity). The Group classifies transactions with third parties into groups according to the economic performance of the respective countries, their political situation, regulatory and institutional framework, and payment ability and history.

Debt instruments or off-balance-sheet exposures with final obligors resident in countries with persistent difficulties in servicing their debt are considered non-performing assets due to the materialisation of country risk: the possibility of recovery is considered doubtful. The same applies to off-balance-sheet exposures for which the likelihood of recovery is considered remote, unless they are to be classified as write-offs.

Allowances are estimated in two stages: first, we estimate the allowance for insolvency risk and then the additional allowance for country risk.

Provision levels for this risk are not significant in relation to the impairment provisions recognised by the Group.

Guarantees

In-rem and personal guarantees are regarded as efficient when the Group has demonstrated their validity in mitigating credit risk. The analysis of guarantee efficiency takes into account the time required to enforce the guarantees and the Group's capacity and experience in this respect.

Under no circumstances are guarantees whose efficiency depends substantially on the credit quality of the debtor or corporate group to which the debtor belongs regarded as admissible as efficient guarantees.

The Group's measurement policies for guarantees relating to real-estate assets located in Spain are in line with current regulations. Specifically, the Group applies policies for selecting and engaging valuation companies which aim to ensure their independence and the quality of the valuations. All the valuation companies and agencies used are entered in the Special Valuation Companies Register of the Bank of Spain and the valuations are conducted in accordance with the provisions of Order ECO/805/2003 on rules for valuing real estate and certain rights for certain financial purposes.

Real-estate guarantees in loan operations and properties are appraised at the time they are granted or acquired, the latter by purchase, adjudication or dation in payment, and when an asset suffers a significant decline in value. In addition, minimal updating criteria are applied that guarantee an annual frequency in the case of impaired assets (special vigilance, doubtful and repossessed assets or assets received in settlement of debts), or on a three-yearly basis for very large debts performing normally without any symptoms of latent risk. Statistical methods are used to update the appraisals, when the regulations so permit, especially for the above assets when exposure and risk is low.

2.4 Accounting hedges

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

The Group designates a transaction as a hedge from inception. In the documentation relating to hedge operations, the hedged and hedging instruments are identified adequately along with the nature of the risk to be covered and the criteria or methods followed by the Group to appraise their efficiency over the term of the operation.

The Group only considers hedging operations to be those which are highly efficient throughout their term. A hedge is regarded as being highly efficient if the fluctuations arising in the fair value or in the cash flows attributed to the hedged risk over the duration of the hedge are almost entirely offset by the fluctuations in the fair value or the cash flows, as applicable, of the hedging instruments.

To assess whether a hedge is effective The Group analyses whether, from inception to the finalisation of the term defined for the operation, it may be expected prospectively that any changes in the fair value or the cash flows of the hedged item that are attributable to the hedged risk are almost entirely offset by changes in the fair value or the cash flows, as applicable, of the hedging instruments and that, retrospectively, the gains or losses on the hedge operation are within a range of 80% to 125% of the gains or losses on the hedged item.

Hedging operations performed by the Group are classified into the following categories:

- Fair value hedges: they hedge the exposure to changes in fair value of financial assets and liabilities or unrecognised firm commitments, or an identified portion of such assets, liabilities or firm commitments, that is attributable to a particular risk, provided that it affects the consolidated statement of profit or loss.

- Cash flow hedges: hedge exposure to variability in cash flows that is attributable to a particular risk associated with a recognised financial asset or liability or with a highly probable forecast transaction and could affect the consolidated statement of profit or loss.

In fair value hedges, the differences in the fair value of both hedging instruments or hedged items, involving hedged type of risk are recognised directly in the consolidated statement of profit or loss.

In cash flow hedges, changes to the fair value arising in the portion of the effective hedge of the hedging instruments are recognised temporarily in “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Hedging derivatives. Cash flow hedge (effective portion) reserve until the time when the hedged transactions occur. At this moment, the amounts previously recognised in equity are taken to the statement of profit and loss in a symmetrical manner to the hedged cash flows. Gains or losses on the hedging instrument corresponding to the ineffective portion of cash flow hedging operations are recognised directly in the statement of profit or loss. Financial instruments hedged in this type of hedging transaction are recognised in the manner explained in Note 2.2, without any changes for their consideration as hedged items.

As well as the above hedging operations, the Group carries out fair value hedges of foreign exchange risk for a certain amount of financial assets (or financial liabilities) which form part of the instruments in its portfolio, but not specific instruments, which in accounting terms are usually called macro-hedges.

In fair value macro-hedges, changes to the fair value of hedged items attributable to interest rate risk are recognised directly in the statement of profit and loss, but the balancing entry is recognised in “Assets – Fair value changes of the hedged items in portfolio hedge of interest rate risk” or “Liabilities – Fair value changes of the hedged items in portfolio hedge of interest rate risk” depending on the substance of the hedged item, rather than in the items under which the hedged items are recognised.

The accounting technique known as a macro-hedge requires the periodic assessment of its efficiency and therefore efficiency is verified on a quarterly basis by checking that the net position of assets and liabilities that mature or are repriced in the corresponding time band is higher than or equal to the amount hedged (sum of the hedging instruments in that band). Therefore, inefficiencies arise when the amount hedged is higher than the net asset and liabilities in the same time band, with the fair value of the inefficient portion immediately recognised in the consolidated statement of profit or loss.

The Group discontinues hedge accounting when the hedging instrument expires or is sold, when the hedge no longer qualifies for hedge accounting or, lastly, when the designation as a hedge is revoked.

Where fair value hedge accounting is interrupted as stated in the preceding paragraph, the value adjustments made for hedge accounting purposes are recognised in the statement of profit or loss until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date of the hedge.

In turn, in the event of an interruption of a cash flow hedge, the cumulative gain or loss recognised in equity remain in equity until the forecast transaction occurs, at which point it is recognised in the statement of profit and loss. However, if it is expected that the transaction will not be carried out, the cumulative gain or loss is recognised immediately in the consolidated statement of profit or loss.

2.5 Foreign currency transactions

2.5.1 Functional currency

The Ibercaja Group's presentation and functional currency is the euro. All balances and transactions denominated in currencies other than the euro are therefore foreign currency balances and transactions.

The equivalent value of the main asset and liabilities balances on the consolidated balance sheet recorded in foreign currency breaks down as follows based on the nature of the items making them up and the most significant currencies in which they are denominated:

	Equivalent value in thousand euro			
	2020		2019	
	Assets	Liabilities/ Equity	Assets	Liabilities/ Equity
Breakdown by type of portfolio -				
Financial assets/liabilities at fair value with changes in equity	10,443	-	9,660	-
Financial assets/liabilities at amortised cost	58,252	45,321	67,190	40,785
Other	-	480	-	1,208
	68,695	**45,801**	**76,850**	**41,993**
Breakdown by type of currency -				
US dollar	53,076	41,692	61,879	37,546
Pound sterling	6,600	2,949	8,351	2,588
Swiss franc	1,353	1,331	1,423	1,322
Japanese yen	909	16	1,066	16
Canadian dollar	10	7	33	8
Norwegian krone	2,798	19	3,616	30
Other	3,949	(213)	482	483
	68,695	**45,801**	**76,850**	**41,993**

2.5.2 Conversion criteria for foreign currency balances

Transactions in foreign currencies are initially recognised at the equivalent value in euro based on the exchange rates prevailing at the date of the transactions. Monetary balances denominated in foreign currency are subsequently converted to the functional currency at the exchange rate prevailing on the date of issue of the financial information.

Furthermore:

- Non-monetary items valued at historical cost are translated into the functional currency at the exchange rate prevailing on the date of acquisition.
- Non-monetary items stated at fair value are translated into the functional currency at the exchange rate prevailing on the date on which the fair value is determined.

2.5.3 Recognition of exchange rate differences

Exchange differences that arise when translating balances in foreign currency to the entities' functional currency are recorded in general at net value under Differences on exchange (net) on the consolidated statement of profit or loss, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated statement of profit or loss under “Gain/(loss) on financial assets and liabilities held for trading, net” and “Gain/(loss) on financial assets and liabilities at fair value through profit or loss, net”, without differentiating them from other fair value fluctuations.

Exchange differences arising on foreign currency equity instruments whose fair value is adjusted against equity are recognised in consolidated equity under “Other accumulated comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value through other comprehensive income” in the consolidated balance sheet until they are realised. When an equity instrument at fair value through other comprehensive income is derecognised, the amount of exchange differences arising on these financial instruments is not reclassified to profit or loss, but to an item of reserves alongside the gains or losses recorded in accumulated other comprehensive income from changes in fair value.

2.6 Recognition of income and expenses

The paragraphs below summarise the most significant accounting criteria applied by the Group in recognising income and expense:

2.6.1 Interest income, interest expense, dividends and similar items

As a general rule, interest income, interest expense and similar items are recognised on a time proportion basis using the effective interest method. Dividends received from other companies are recognised as income when the right to receive them is declared by the consolidated entities.

2.6.2 Fees, commissions and similar items

Commission and fee income and expenses which are not included in the calculation of the effective interest rate on transactions and/or which do not form part of the acquisition cost of financial assets or liabilities other than those classified at fair value through profit or loss are recognised on the consolidated statement of profit or loss using accounting policies that vary according to the nature of the item concerned. The most significant fee and commission items are as follows:

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the statement of profit or loss when payment is made.

- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated statement of profit or loss over the term of the transaction or service.

- Those relating to a one-off event, which are recorded when the originating event takes place.

2.6.3 Non-financial income and expense

They are recognised for accounting purposes when the goods are delivered or the non-financial service is rendered. To determine the amount and timing of recognition, a five-step model is followed: identify the contract with the customer, identify the separate obligations of the contract, determine the transaction price, allocate the transaction to each identified obligation, and finally recognise revenue as and when obligations are satisfied.

2.6.4 Deferred receipts and payments

Deferred receipts and payment are recognised for accounting purposes at the amount resulting from discounting the expected cash flows to net present value at market rates.

2.6.5 Contributions to the Single Resolution Fund and Deposit Insurance Fund

In accordance with IFRIC 21 Levies, recognition of the obligation, which entails recording the amount accrued to date, takes place upon receipt of the payment notification (second quarter for the contribution to the Single Resolution Fund and fourth quarter for the contribution to the Deposit Insurance Fund).

2.7 Offsetting of financial instruments

Asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, when, and only when, they arise from transactions in which a contractual or legal right of set-off exists and the Company intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.8 Transfers of financial assets

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

- If the Group transfers substantially all the risks and rewards of transferred assets to third parties, the transferred financial asset is derecognised and any right or obligation retained or created in the transfer is recognised simultaneously.

- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of financial asset securitisations in which subordinated financing or another kind of credit improvement is maintained which substantially absorbs the loan losses expected for the securitised assets, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the criteria used prior the transfer. Conversely, the following items are recognised and not offset:

  - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.

  - The income from the financial asset which is transferred but not written off, and the expenses derived from the new financial liability.

Therefore, financial assets are only derecognised from the consolidated balance sheet when the cash flows they generate have been extinguished, when the risks and rewards involved have been substantially transferred to third parties, and when the transferor does not retain control of the transferred financial asset.

Notwithstanding the above, financial assets transferred before 1 January 2004 have been derecognised irrespective of the conditions of the transfer of risks and rewards, in accordance with current legislation.

Note 27.5 summarises the most significant circumstances of the main asset transfers in effect in the Group at year-end.

2.9 Financial guarantees and provisions made thereon

Financial guarantees are agreements in which the Group undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: collateral, financial guarantee, irrevocable documentary credit issued or guaranteed by the entity, etc.

At the time of initial recognition, the Group accounts for the financial guarantees provided under liabilities in the consolidated balance sheet at fair value, which is generally equal to the present value of the commissions and returns to be received on such contracts over the term of the same with, as the balancing entry under assets on the consolidated balance sheet, the amount of likened commissions and returns collected at inception and accounts receivable at the present value of the commissions and returns pending collection. These amounts are amortised on a straight-line basis over the term of the contracts in the consolidated statement of profit or loss.

Financial guarantees, whatever the holder or instrumentation, are analysed periodically to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to create a provision for them, which is determined by applying criteria similar to those used to quantify impairment losses on debt instruments, as explained in Note 2.3 above.

Provisions set aside for these operations are recognised under “Provisions – Commitments and guarantees given” on the liability side of the consolidated balance sheet. Additions to and reversals from these provisions are recognised in the consolidated statement of profit or loss under ““Provisions or reversal of provisions”.

When a provision is required for financial guarantees, the associated commissions pending accrual, carried in the consolidated balance sheet under “Other liabilities”, are reclassified to the relevant provision.

2.10 Accounting of operating leases

The Group should identify at the beginning of the lease whether a contract is a lease or contains a lease component and this conclusion will only be reassessed in the event of a change in the terms and conditions of the contract. According to the criteria of the Standard, a contract is a lease if it gives the customer the right to exercise control over the use of the asset identified in the contract for a period of time in exchange for a consideration.

The Standard provides two exemptions from the recognition of lease assets and liabilities, which may be applied in the case of short-term contracts and those whose underlying asset is of low value, which the Group has decided to use.

Leases in which the bank acts as lessee

The lease term corresponds to the non-cancellable period of a lease, plus the periods covered by the option to extend the lease if it is reasonably certain that the lessee will exercise the option and the periods covered by the option to terminate the lease if it is reasonably certain that the lessee will not exercise the option.

The lease liabilities, which are initially recognised under “Financial liabilities at amortised cost - other financial liabilities” in the balance sheet, include the net present value of the following lease payments:

- fixed payments (including essentially fixed payments), less any lease incentive receivable,
- variable lease payments that depend on an index or rate,
- amounts expected to be paid by the lessee as residual value guarantees,
- the exercise price of a call option if the lessee is reasonably certain that it will exercise that option, and
- lease termination penalty payments, if the term of the lease reflects the lessee's exercise of that option.

Subsequent to their initial recognition, they are measured at amortised cost using the effective interest rate method.

Lease payments are discounted using the interest rate implicit in the lease. The discount rate used was determined by the institution's Capital Strategy and Balance Sheet Unit, which calculated a financing curve that approximates the cost of funding the Group through senior debt.

When the implicit interest rate cannot be readily calculated, use is made of the incremental interest rate, which is defined as the interest rate that a lessee would have to pay for borrowing, for a term similar to the duration of the lease and with similar security, funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.

Each lease payment is allocated between liabilities and finance expense. The interest expense is charged to income over the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. Interest expense on lease liabilities are recognised in the consolidated statement of profit or loss under “Interest expense - Other liabilities”.

Right-of-use assets are initially measured at cost, which includes the following:

- the amount of the initial valuation of the lease liability,
- any lease payment made on or before the start date less any lease incentive received,
- any initial direct cost and
- restoration costs.

Such assets are measured subsequent to initial recognition at cost less:

- Accumulated depreciation and impairment, and
- Any revaluation of the corresponding lease liability.

Depreciation is calculated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis. The annual provisions for depreciation are charged to the statement of profit or loss under "Depreciation - Tangible assets" and are calculated on the basis of the following average years of the different underlying asset classes comprising the rights of use, as follows:

	Years of estimated useful life
Branch offices	1 to 20
Sale & lease-back	8 to 28
Other	2 to 8

The criteria for impairment of these assets are similar to those used for tangible assets (see Note 2.15).

<u>Leases in which the bank acts as lessor</u>

Finance leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

Whenever consolidated entities act as the lessor of an asset in a finance lease transaction, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value, are recorded as financing provided to third parties and are therefore recognised under "Financial assets at amortised cost" in the consolidated balance sheet, in accordance with the nature of the lessee.

Note 11.4 sets out information on these leases.

Operating lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased item of an underlying asset.

When the consolidated entities act as lessors in operating leases, the acquisition cost of the leased assets is presented under "Tangible assets" as "Investment property" or as "Other assets leased out under operating lease", depending on the substance of the leased assets. These assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated statement of profit or loss on a straight-line basis under "Other operating income".

The impacts of these leases are presented in Note 15.2 in the consolidated income statement.

2.11 Assets managed

Third party assets managed by the consolidated companies are not included in the consolidated balance sheet. Fees generated by this activity are recorded under “Fee income” in the consolidated statement of profit or loss. Note 27.4 provides information on the third-party assets managed at year end.

2.12 Investment funds and pension funds managed by the Group

Mutual funds and pension funds managed by consolidated companies are not recognised in the Group’s consolidated balance sheet since the related assets are owned by third parties. Fees and commissions earned on the services rendered to these funds by Group companies (asset management services, portfolio deposits, etc.) are recognised under “Fee income” in the consolidated statement of profit or loss.

Note 27.4 provides information on the investment funds and pension funds managed by the Group at the year end.

2.13 Staff expenses

2.13.1 Post-employment benefits

Post-employment remuneration is remuneration paid to employees after the end of their period of employment. All post-employment obligations are classified as defined contribution plans or defined benefit plans, based on the conditions of these obligations.

The Bank’s post-employment commitments with its employees are treated as “Defined contribution plans” when the Bank makes predetermined contributions to a separate entity, on the basis of the agreements reached with each specific group of employees, without any legal or effective obligation to make additional contributions were the separate entity unable to pay benefits to the employees for the services rendered in the current year and in prior years. Post-employment commitments that do not fulfil the above-mentioned conditions are treated as “Defined benefit plans”.

<u>Defined contribution plans</u>

The Group's pension commitments to active employees are arranged through a defined contribution system for retirement and a defined benefit system for death and disability during active employment, the latter being covered by annual insurance policies.

Defined contribution plans are recognised under “Personnel expenses” in the consolidated statement of profit or loss. The contributions made by the defined contribution plan promoters amounted to €15,339 thousand in 2020 and €15,030 thousand in 2019 (Note 38).

<u>Defined benefit plans</u>

With respect to defined benefit plans, the Group recognises the present value of post-employment obligations less the fair value of the plan assets, under “Provisions - Pensions and other post-employment defined benefit obligations” and “Provisions - Other long-term employee remuneration” on the liabilities side of the balance sheet. The liabilities for defined benefits are calculated annually by independent actuaries using the projected unit credit method.

“Plan assets” are the assets linked to a certain defined benefit obligation that will be directly used to settle these obligations and that meet the following conditions:

- They are not owned by the Bank, but rather by a legally separate, non-related third party.
- They are available to be used only to pay or fund employee benefits and are not available to Bank's own creditors, even in the event of bankruptcy.
- They cannot be returned to the Bank unless the assets remaining in the scheme are sufficient to meet all obligations of the scheme and of the Bank relating to employee benefits, or unless assets are to be returned to the Bank to reimburse it for employee benefits previously paid.
- They may not be non-transferable financial instruments issued by the Bank.

The Group records its reimbursement right under assets on the balance sheet under “Other assets”.

The present value of the defined benefit obligations with staff is determined by discounting the future cash flows estimated at discount rates for corporate bonds with high credit ratings that are consistent with the currency and estimated terms that the liabilities for post-employment benefits will be settled.

The expected return on plan assets for defined benefit plans and reimbursement rights are determined using the same discount rate as for calculating the present value of the obligations.

Post-employment benefits are recognised as follows:

- In the statement of profit or loss: the cost of services provided by employees, both during the year and in prior years (where not recognised in prior years), net interest on the provision (assets), and the gain or loss arising on settlement.
- In the statement of changes in equity: new measurements of the provision (asset) as a result of actuarial gains or losses, of yields on plan assets that have not been included in net interest on the provision (assets), and changes in the present value of the assets due to changes in the present value of flows available to the entity, which are not included in net interest on the provision (assets). The amounts not recorded in net interest under equity will not be reclassified to the statement of profit or loss in a subsequent period.

  Actuarial gains and losses arise from differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Pension supplements for serving or retired personnel

Post-employment commitments acquired by the Group with serving and retired personnel derive from the various Collective Agreements and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

Post-employment commitments acquired by the Group with retired personnel included in the “Ibercaja Employee Pension Plan” derive from the Collective Agreement and are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

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

2.13.2 *Other long term employee remuneration*

Commitments with staff taking early retirement, widowhood commitments and disability commitments prior to retirement that depend on length of service and other similar items will be processed for accounting purposes, as applicable, as established in defined benefit post-employment plans, except that actuarial gains and losses are recognised immediately in the statement of profit or loss.

The Group has commitments towards early retirees to pay salary complements and other welfare charges from the time of early retirement to the date of actual retirement. As at 31 December 2020 and 2019 there are no early retirees.

2.13.3 *Severance payments*

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

2.13.4 *Other employee benefits*

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

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

- Home loans: the maximum amount to be granted is that determined by the value of the dwelling plus the expenses inherent to the acquisition thereof, which must be duly supported and may not exceed five annuities, which are considered as comprising the items referred to in Article 39 of the Collective Agreement, plus the family support. If this second limit is applicable, the resulting amount may not be less than €200,000 under a Resolution of the Board of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 0.50% and a maximum of 5.25%.

- Personal loan/credit: the maximum capital to be financed is 25% of the employee's annual remuneration with respect to the corresponding items from those provided for in Article 39 of the Collective Agreement, plus the family support. However, any employee may obtain up to €30,000. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October.

- Welfare support: to meet fully justified essential needs. The amount will not exceed six gross monthly payments, including all fixed items that make up the monthly salary, and will be repaid in monthly instalments consisting of 10% of the gross salary.

2.14 Corporate Income Tax

The corporate income tax expense is recognised in the income statement, except when it results from a transaction whose outcome is recognised directly in equity, in which case the corporation tax is recognised with a balancing entry in equity.

The corporate income tax expense is calculated as the tax payable on the taxable profit for the year, adjusted for the changes arising during the financial year in the assets and liabilities recognised as a result of timing differences, tax credits and relief and possible tax loss carryforwards (Note 25).

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

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

Timing differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. The amounts are recognised at the tax rates that are expected to apply when the asset is realised or the liability is settled.

Deferred tax assets are only recognised when it is probable that sufficient future taxable profit will be obtained against which the deferred tax asset can be utilised. Deferred tax liabilities are recognised for practically all taxable temporary differences.

Tax credits and relief, and credits for tax loss carryforwards are amounts that, after performance of the activity or obtainment of the profit or loss giving entitlement to them, are not used for tax purposes in the related tax return until the conditions for doing so established in the tax regulations are met, provided that the Group considers it probable that they will be used in future periods. Note 25 gives details of the assets recorded in this respect.

Current tax assets and liabilities are those which, respectively, are regarded as being recoverable or payable within 12 months as from the year end. Deferred tax assets and liabilities are those which, respectively, are expected to be recovered or paid in future years.

Deferred tax assets and liabilities are reviewed at each balance sheet date to verify that they remain in force, and the appropriate adjustments are made on the basis of the results of the review.

2.15 Tangible assets

In general, tangible assets are presented on the balance sheet at cost, this being the fair value of any consideration paid plus all cash payments made or committed net of accumulated depreciation and any value adjustment resulting from comparing the carrying value of each item with its recoverable amount.

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets less their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The annual provisions for depreciation are charged to the consolidated statement of profit or loss under “Depreciation - Tangible assets” and are calculated on the basis of the following average years of estimated useful life of the various assets, as follows:

	Years of estimated useful life
Properties for own use	25 to 100
Furniture	6 to 16.6
Fixtures	5 to 16.6
Computer equipment and installations	4 to 8

At each balance sheet date, the consolidated entities assess whether there is any internal or external indication that a tangible asset is impaired (i.e. its carrying amount exceeds its recoverable amount). If any such indication exists, the carrying amount of the asset is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the asset‘s adjusted carrying amount and its new remaining useful life, in the event that a re-estimation of this is necessary. This reduction in the carrying amount is charged, as necessary to “Impairment or reversal of impairment of the value of non-financial assets (net)” in the consolidated statement of profit or loss.

Similarly, if there is an indication of a recovery in the value of a deteriorated tangible asset, the consolidated entities recognise the reversal of the impairment loss recognised in prior periods, through the corresponding credit to the heading “Impairment or reversal of impairment of the value of non-financial assets (net)” in the consolidated statement of profit or loss, and adjusts the future depreciation charges accordingly.

Foreclosed assets that, depending on their nature and purpose, are classified as real-estate investments by the Group, are initially recognised at the lower of the fair value net of sales cost and the acquisition cost, which is understood as the net carrying value of the debts that give rise to them, with the net value calculated pursuant to the provisions of the applicable regulations as set out in Note 2.18. Subsequently, these foreclosed assets are subject to the corresponding estimated impairment losses that, as applicable, are generated; to this end, an appraisal is carried out on whether the lease operation meets the following requirements:

- the lessee's payment capacity is sufficient to repay the amounts agreed in the contract, and
- the market value of the asset in the price of the lease exceeds its carrying amount.

In the event that either of these two points are not met, the estimated fair value will be calculated using the internal methodologies set out in Note 2.18.

Additionally, at least once every year, the estimated useful life of the elements of property, plant and equipment is reviewed, in order to detect significant changes in them that, if produced, will be adjusted through the corresponding correction charged to the statement of profit or loss for future years in concept of their depreciation by virtue of the new useful lives.

Repair and maintenance expenses relating to fixed assets for own use are charged to "Other administrative expenses" on the consolidated statement of profit or loss (Note 39).

2.16 Intangible assets

Intangible assets are identifiable non-monetary and non-physical assets that arise from an acquisition from third parties or have been developed internally.

2.16.1 Goodwill

The positive difference between the price paid in a business combination and the acquired portion of the net fair value of the assets, liabilities and contingent liabilities of the acquired entities is recognised under assets on the balance sheet as goodwill. Goodwill represents a payment made by the group in anticipation of the future economic benefits from assets of an acquired entity that are not capable of being individually or separately identified and recognised. It is recognised only if it has been purchased for valuable consideration through a business combination. Goodwill is not amortised, but at the end of each accounting period it is subject to analysis for any possible impairment that would reduce its recoverable value to below its stated net cost and, if found to be impaired, is written down against the consolidated statement of profit or loss.

In order to verify if any impairment has taken place, the goodwill acquired in a business combination will be allocated from the date of acquisition among the cash generating units of the acquiring entity which are expected to benefit from the synergies produced by the business combination, irrespective of whether other assets or liabilities of the acquired entity are allocated to these units or groups of units. Each unit or group of units among which the goodwill is distributed:

a) will represent the lowest level of detail within the entity to which the goodwill is assigned for internal control purposes; and

b) will not be larger than an operating segment, as defined in Note 27.8.

Therefore, in the annual impairment test on goodwill, the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

To detect possible indications of goodwill impairment, value appraisals are undertaken generally based on the medium-term dividend discount model, having regard to the following parameters:

- Key business assumptions. The cash flow projections used in the measurement are based on these assumptions. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates, as well as capital requirements.

- The period covered by the projections: This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.
- Discount rate. The present value of estimated future dividends, from which a value in use is derived, is calculated from a discount rate taken as the capital cost of the entity from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) is used.
- The rate of growth used to extrapolate cash flow projections beyond the year in which they are considered standardised. Based on long-term estimates for the main macroeconomic numbers and key business variables, and bearing in mind the current financial market outlook at all times, a rate of growth in perpetuity is estimated.

Goodwill impairment losses are not reversed in a subsequent period.

2.16.2 Other intangible assets

Intangible assets other than goodwill are carried in the consolidated balance sheet at acquisition or production cost, net of accumulated amortisation and any impairment losses.

Intangible assets may have indefinite useful lives when, on the basis of the analyses performed, it is concluded that there is no foreseeable limit to the period during which they are expected to generate cash flows and they are not amortised. Rather, at each accounting close, the Group reviews the assets' remaining useful lives in order to ensure that they are still indefinite. The Group has not identified any assets of this kind.

Intangible assets with a finite useful life are amortised over the useful life, applying policies similar to those followed for the depreciation of tangible assets. The annual amortisation of intangible assets with finite useful lives is recognised under "Depreciation – Intangible assets" in the income statement and is calculated on the basis of the years of estimated useful life as follows:

	Years of estimated useful life
Computer software	3 to 14
Trademark	5
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	6 to 10

During 2020, the useful lives of computer software have been re-estimated based on a functional, technical and strategic analysis, with the new useful lives ranging from 3 to 14 years, compared to 3 to 5 years in 2019.

The Group recognises any impairment loss in the carrying amount of these assets and makes a balancing entry under "Impairment or reversal of impairment of non-financial assets (net) - tangible assets" in the consolidated statement of profit or loss. The policies for recognising impairment losses on these assets and for reversing impairment losses recognised in prior years are similar to those for property, plant and equipment (Note 2.15).

2.17 Inventories

This item in the consolidated balance sheet includes the non-financial assets that the consolidated entities:

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

Inventories are valued at the lower of their cost, including all acquisition and conversion costs and other direct and indirect costs incurred in bringing the inventories to their present condition and location, and their net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business, less the estimated cost of completing production and selling expenses.

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated statement of profit or loss in the financial year they are incurred, under “Impairment or reversal of impairment of non-financial assets (net) - Other”.

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated statement of profit or loss under “Other operating expenses” in the year the income from their sale is recognised.

For assets foreclosed or received in settlement of debts which, according to their nature and purpose (in production, construction or development), are classified as inventories, the Group applies criteria similar to those described in Note 2.18 for said assets.

2.18 Non-current assets and disposal groups classified as held for sale

Under this heading, assets whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are recognised, provided that the sale is considered highly probable.

These are valued on the acquisition date and thereafter at the lower of carrying value and fair value of the estimated costs to sell. Assets that would otherwise be subject to depreciation and amortisation are not depreciated or amortised while they remain in the category of non-current assets held for sale.

In particular, repossessed real estate assets or assets received in settlement of debts by the Group in order to partially or fully meet the payment obligations of its debtors are considered non-current assets and disposal groups of items that are classified as held for sale, unless the decision has been taken to make continuing use of these assets or they are used in operations as leased properties.

- The carrying value at the date of acquisition of non-current assets and disposal groups of items that are classified as held for sale from foreclosures or received in settlement of debts is defined as the outstanding amount receivable of loans or credit facilities from which they originate net of any related provisions according to their accounting classification before receiving said assets. These repossessed assets or assets received in settlement of debts are treated as collateral. This carrying amount is compared with the previous carrying amount and the difference is recognised as a an increase or release of provisions, as applicable.

  To estimate the provisions mentioned, the recoverable amount of the guarantee is taken to be fair value less estimated costs to sell of the repossessed assets or assets received in settlement of debts, since the Group has sufficient sales experience to ratify its capacity to realise the assets at fair value.

- To determine the fair value of selling costs, the repossessed assets or assets received in settlement of debts are measured initially on the basis, as a reference value, of the market value calculated in complete individual appraisals applying the policies and criteria described under Guarantees in Note 2.3. In addition, the Group assesses whether it is necessary to apply a discount to this reference value given its experience in sales and the average time that similar assets are held on the balance sheet.

  With the exception of the certain properties, which do not account for a significant amount in this portfolio, classified under Other properties, to which the discount on the reference value provided by the Bank of Spain is applied as an alternative solution given its experience and the information it has on the Spanish banking sector, the Group has developed internal methodologies for estimating discounts on reference values and selling costs, taking into account its experience in selling similar assets.

For the purposes of determining impairment after the foreclosure date or receipt as payment, when the fair value of costs to sell exceeds the carrying amount, the difference is recognised in the consolidated statement of profit or loss as income from impairment reversals, subject to the limit of the accumulated impairment since the initial recognition of said assets. When an asset has surpassed the average period for holding properties, the Company reviews the procedure for determining fair value. Therefore, no impairment reversal income is recognised for these assets.

The Group carries out regular comparison and reference exercises for the estimates made and has devised backtesting methods for comparing estimated and actual losses.

As a result of these analyses, the Group makes changes to internal methodologies when regular backtesting brings to light significant differences between estimated losses and actual losses.

The backtesting methods and analyses are also revised by the internal control department.

Gains and losses generated on the disposal of non-current assets and disposal groups of items classified as held for sale and impairment losses and impairment reversals, where applicable, are recognised under “Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” on the consolidated statement of profit or loss. The remaining income and expenses associated with these assets and liabilities are disclosed by nature.

2.19 Insurance transactions

In accordance with accounting standards specific to the insurance sector, group insurance companies record a revenue for the amount of premiums issued during the year and an expense for the cost of claims when these are made known. These accounting practices require insurance companies to apportion the amounts credited to the statement of profit or loss and not accrued at that date at year-end.

The most significant accruals and deferrals made by the consolidated entities in relation to direct insurance purchased by them are: unearned premiums, benefits, life insurance when the investment risk is assumed by the policyholder, share in profits and returned premiums.

The adjustment of accounting asymmetries is applied to insurance transactions that:

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

The adjustment consists of symmetrically recognising the changes in the fair value of the financial assets linked to insurance activity classified in the categories “Financial assets not held for trading mandatorily measured at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.

The balancing entry for these changes is the life insurance provision, when this is required by Spanish insurance legislation, or a liability account (with a positive or negative balance) for the portion not recorded as in the life insurance provision which is disclosed under “Other liabilities” on the consolidated balance sheet.

The technical reserves for ceded reinsurance, calculated on the basis of the relevant reinsurance treaties applying the same criteria as for direct insurance, are recognised under “Assets under insurance or reinsurance contracts” (Note 14).

The technical provisions for direct insurance and accepted reinsurance recognised by the consolidated insurance company to cover the obligations arising from the insurance contracts in force at the end of the period are presented in the consolidated balance sheet under “Liabilities under insurance or reinsurance contracts” (Note 20).

Life insurance provisions

They represent the value of the institution's obligations net of the Policyholder's obligations for life insurance at the end of the financial year.

Life insurance reserves are broken down into the unearned premium reserve for insurance whose period of coverage is equal to or less than one year plus, where appropriate, the provision for current risks and, for other insurance, the mathematical reserves.

- **Unearned premium reserve**

  The unearned premium reserve relates to the fraction of the premiums in the year that is allocated to the period between the year-end date and the end of the contract coverage period. The reserve is calculated for each individual policy, applying the actuarial bases contained in its technical notes.

- **Provision for current risks**

  This provision is set up for each line of insurance in so far as the amount of the unearned premium reserve is not sufficient to reflect the value of all the risks and expenses to be covered by the institution for the coverage period not elapsed at the end of the financial year.

  The necessary claims study was carried out to determine the need for a provision for current risks based on the provisions of Article 31 of the Insurance Regulation. This yielded a positive balance, which shows the lack of obligation to make such a provision.

- **Mathematical reserves**

  The mathematical reserves represents the difference between the actuarial present value of the entity's future obligations and those of the policyholder or, if applicable, the insured party. Its calculation is made policy by policy, via an individual system and applying a prospective method, taking as a basis for calculation the inventory premium accrued in the year.

  Calculation of the mathematical reserves was based on the provisions of the Regulation for the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November, Royal Decree 239/2007 of 16 February and Order EHA/339/2007 of 16 February, as well as its subsequent amendments and the Resolutions of the Directorate General of Insurance of 6 July 2012 and 9 March 2015.

  However, pursuant to the Second Transitional Provision of the Regulations, for insurance contracted before the entry into force of the Regulation for the Organisation and Supervision of Private Insurance, if the real yield obtained from the investments concerned in the financial year was lower than the technical rate used, the Company would calculate the mathematical reserves by applying an interest rate equal to the yield actually obtained.

  The insurance company calculates the mathematical reserves of a significant part of its insurance portfolio in accordance with article 33.2 of the Regulation for the Organisation and Supervision of Private Insurance, measuring it by the maximum interest rate derived from the internal rate of return of certain investments allocated to the product, provided that certain requirements established in the applicable regulations are met by means of matching flows.

  On 2 December 2015, Royal Decree 1060/2015 of 20 November was published on the organisation, supervision and solvency of insurance and reinsurance undertakings. It came into force on 1 January 2016 and its main purpose is to complete the transposition of European Solvency II regulations into Spanish law.

  As a result of the foregoing, the institution has applied the fifth additional provision, which is mandatory for it, in relation to the interest rate for the calculation of technical provisions for accounting purposes of life insurance with respect to contracts entered into on or after 1 January 2016.

In 2017, the insurance company, pursuant to the provisions of section 1 of the fifth additional provision of Royal Decree 1060/2015, of 20 November, on the Regulation, Supervision and Solvency of Insurance and Reinsurance Companies, accepted, with regard to the interest rate to be used in the calculation of the life insurance provision for contracts concluded before 1 January 2016 and whose calculation is governed by the provisions of sections 1.a.1 and 1.b)1 of article 33 of the Regulation for the Organisation and Supervision of Private Insurance, to the option of adapting to the relevant temporary structure of risk-free interest rates provided for in article 54 of this Royal Decree, including, where appropriate, the component relating to the adjustment for volatility provided for in article 57 of this Royal Decree.

Reserves for benefits pending payment

These include:

- **Reserves for benefits pending payment**

  This represents the amount of the institution's outstanding obligations arising from claims occurring prior to the year-end date, which is equal to the difference between its total estimated or certain cost, including external and internal file management and administration expenses, and all the amounts already paid in respect of such claims.

  In order to determine their amount, claims are classified by year of occurrence, with each claim being measured individually.

- **Reserves for benefits pending declaration**

  The reserves for claims pending declaration has been estimated based on the information and experience in previous years of the Insurer, as established in article 41 of the Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

- **Provision for claim settlement expenses**

  It reflect the amount sufficient to cover the internal expenses of the institution necessary for the total settlement of the claims. The provision for benefits for settlement expenses has been estimated as set out in article 42 of Royal Decree 239/2007, of 16 February, amending the Regulation on the Organisation and Supervision of Private Insurance approved by Royal Decree 2486/1998 of 20 November.

Provision for profit sharing and returned premiums

It contains the amount of the benefits accrued in favour of the policyholders, insured parties or beneficiaries and the amount of the premiums that should be returned to the policyholders or insured parties, if applicable, by virtue of the behaviour experienced by the insured risk, as long as they have not been allocated individually to each of them.

Provisions for life insurance in which the investment risk is borne by the policyholders

The provision for life insurance in which it is contractually estimated that the risk of the investment is borne by the policyholder is determined on the basis of the technical notes for each type and on the basis of the investments concerned in order to establish the economic value of the policyholder's rights.

The Group carries out various procedures and has implemented controls to ensure the sufficiency of technical reserves, including:

- With regard to insurance reserves with mortality risk: the provision for current risks is calculated annually as detailed above. This calculation involves the preparation of a profit or loss account for the last two years of mortality risk in order to determine that the premiums collected, determined with the same mortality tables used for the calculation of technical reserves, are higher than the claims actually incurred. The fact that the mortality business yields profits ensures the sufficiency of the provisions made.

- With regard to insurance reserves with longevity risk: each year, the Group obtains real historical mortality assumptions in relation to this activity, for application in the Solvency II calculations (Best Estimate Liability and Capital Requirements (SCR)). For this generation of assumptions, the company's historical mortality rate in these products compared with the mortality tables applied in the collection of premiums and in the calculation of technical reserves. The fact that the reality does not differ from the tables applied ensures the sufficiency of the provisions made with these tables.

- Every month, from the second line of defence (control), the results obtained by the company are monitored by product, differentiating the financial result from the technical result (result associated with insurance risk). The observation that positive technical results are being generated in the different products ensures the sufficiency of the technical provisions set up.

- The Group has a specific Internal Audit function for the insurance activity which is set up as a third line of defence, independent from the rest of the company's units, which, as part of its action planning, periodically reviews the adequacy of the technical reserves associated with each insurance line.

- Lastly, the Group's external auditor issues the “Report on the Financial Condition and Solvency of the insurance company”.

2.20 Provisions and contingent liabilities

When preparing the financial statements of the consolidated companies, their respective directors distinguished between:

- Provisions: credit balances covering present obligations at the date of the balance sheet arising from past events which could give rise to pecuniary losses for the entities that are considered likely to occur, are certain as to their nature but uncertain as to their amount and/or timing.
- Contingent liabilities: possible obligations that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events not within the control of the consolidated entities.

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

Provisions, which are quantified taking into account the best information available concerning the consequences of the event from which they derive and are re-estimated at each accounting close if new information comes to light, are used to cover the specific obligations for which they were originally recognised and reversed in full or in part when such obligations cease to exist or decrease.

Provisions considered necessary in accordance with the above criteria are debited or credited to “Provisions or reversal of provisions” on the consolidated statement of profit or loss.

At year end, certain litigation and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group’s legal advisers and directors consider that the outcome of such lawsuits and proceedings will not have a material effect on the consolidated financial statements in the years in which they are settled.

2.21 Consolidated statements of recognised income and expenses

In accordance with the options established in IAS 1.81, the Group has chosen to present separately a statement showing the components of consolidated profits (“consolidated statement of profit or loss”) and a second statement which, on the basis of consolidated profits for the year, reflects the components of the remaining income and expenses for the year recognised directly in equity (“Consolidated statement of comprehensive income”).

The “Consolidated statement of comprehensive income” shows the income and expense generated by the Group as a result of its activity during the year, distinguishing between items of income and expense that are recognised in profit and loss for the year and items of income and expense that, as required under current regulations, are recognised directly in consolidated equity.

In general, income and expenses recognised directly in equity are disclosed at the gross amount and the relevant tax effect is reflected under “Corporate Income Tax”.

Therefore, this statement shows:

a) Consolidated profit/(loss) for the year.

b) The net amount of income and expenses recognised as “Other accumulated comprehensive income” in equity, which will not be reclassified to profit or loss.

c) The net amount of income and expenses recognised in equity, which may be reclassified to profit or loss.

d) Corporation tax accrued on the items indicated in (b) and (c) above, except for adjustments to other comprehensive income arising from investments in associates or jointly controlled entities accounted for using the equity method, which are presented on a net basis.

e) Total consolidated recognised income and expenses, calculated as the sum of the foregoing letters, showing separately the amount attributed to the parent and the amount attributed to non-controlling interests.

2.22 Total statement of changes in equity

The “Total statement of changes in equity” presents all changes in equity, including those arising from changes in accounting criteria and the correction of errors. This statement therefore reflects a reconciliation of the carrying value at the beginning and end of the year for all items forming part of consolidated equity, grouping movements on the basis of their nature into the following items:

a) Adjustments due to changes in accounting principles and correction of errors: Includes changes in consolidated equity due to the retroactive adjustment to financial statement balances because of changes in accounting principles or to correct errors.

b) Comprehensive income for the year: comprises an aggregate of all the aforementioned items recognised in the statement of comprehensive income.

c) Other changes in equity: includes the remaining items recognised in equity, such as capital increases or decreases, distribution of earnings, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in consolidated equity.

2.23 Consolidated statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, understood as on-demand investments.
- Operating activities: the ordinary activities of credit institutions. Activities involving financial instruments are regarded as operating activities, with certain exceptions such as the equity instruments classified as financial assets at fair value through other comprehensive income which are strategic investments and subordinate financial liabilities.
- Investing activities: the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and liabilities do not form part of operating activities.

For the purposes of preparing the consolidated cash flow statement, "cash and cash equivalents" are considered to be short-term, highly liquid investments with an insignificant risk of changes in value. The Group therefore treats the following financial assets and liabilities as cash or cash equivalents:

- The Group's own cash, which is recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6).
- Net demand balances held with Central Banks, recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6).
- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised in the consolidated balance sheet under "Cash and cash balances at central banks and other demand deposits" (Note 6). Creditor balances are recognised under liabilities on the consolidated balance sheet under the heading "Financial liabilities at amortised cost – Deposits – Credit institutions" (Note 19.2).

3. Risk management

3.1 General principles

The Ibercaja Group's risk management is based on the strategic principles described below:

- Maintenance of a medium-low risk profile.
- Compliance with regulatory requirements at all times, and with the capital and liquidity targets set in the capital and liquidity self-assessment processes.
- Maintenance of suitable levels of risk-adjusted returns to ensure achievement of profit targets.
- Avoid concentration of risks in any form (individual, economic groups, sectorial, etc).
- Avoid the materialisation of operational, regulatory, legal or reputational risks through active and continuing risk management.
- Strong risk governance with the effective involvement of senior management and the Board of Directors.
- Foster a risk-aware culture and support the Organisation's suitable understanding of the level and nature of risks to which it is exposed.
- Maintain and reinforce the trust of customers, investors, employees, suppliers and other stakeholders.

3.2 Catalogue of material risks for the Ibercaja Group

The material risks identified by the Ibercaja Group in the course of its business are as follows:

- Credit risk: the risk of loss due to borrowers' breach of payment obligations, and loss of value due to impairment in borrowers' credit quality. Includes the following sub-categories:
  - Concentration risk: These are defined as the risk of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Group.
  - Real estate risk: Risk of impairment of properties used as collateral in financing transactions or acquired through foreclosure arising from periods of crisis in the real estate market.
  - Sovereign risk: This relates to the risk that the country in which the investment is made, often in the form of purchase of bonds and government debt, will default on its payment obligations, outside the normal risks of a common credit operation.

- Operational Risk: reflects potential loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or a loss arising from external events. Includes the following sub-categories:
  - Reputational risk: Risk tied to the perception of stakeholders (customers, investors, employees, suppliers and others), from which economic losses may derive.
  - Legal risk: the possibility of financial loss due to failure to comply with applicable legal and administrative provisions, issuance of unfavourable administrative and judicial decisions, application of fines or sanctions in relation to any of the bank's operations, processes or activities, such as errors in legal opinions, contracts, bonds or any legal document, such as to preclude enforceability of a right or determine the legal impossibility of enforcing a contract due to failures of legal implementation.
  - Technological risk: the probability that the bank's ICT (information and communication technologies) services or infrastructure will not achieve the service levels necessary to support business processes with sufficient effectiveness, as a consequence of an event that affects the availability, integrity or confidentiality of the data, applications and networks that make up such infrastructure, causing economic loss or other types of loss.
- Market risk: the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, commodity prices, etc.) that determine the value of those positions. This risk affects the trading portfolio and the “hold to collect and sell” portfolio.
- Interest rate risk: the risk that the financial margin or economic value of the Bank are affected by adverse variations in interest rates that impact the cash flows of financial instruments.
- Liquidity and financing risk: the possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.
- Business and profitability risk: the probability of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. In addition, the risk encompasses extraordinary threats, which may endanger the continuity of the business or the Bank.
- Insurance business risk. In addition to its banking business risk, Ibercaja Banco, as a financial conglomerate, must specifically manage and control its insurance business risk. Material risks of this business include interest rate risk, spread risk, concentration risk, counterparty risk, underwriting risk, operational risk and sovereign risk.

3.3 Global risk management processes and tools

Risk Appetite Framework (RAF)

The Group's risk management is organised through the Risk Appetite Framework (RAF). The key aim of the Ibercaja Group's RAF is to establish a set of principles, procedures, controls and systems through which the Bank's risk appetite is specified, communicated and monitored.

Risk appetite is the level or profile of risk that the Ibercaja Group is willing to accept and maintain, in terms of type and amount, and its level of tolerance. Risk appetite must be geared towards achieving the targets of the strategic plan, in accordance with the lines of action established in that plan.

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

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

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

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

Internal Capital/Liquidity Adequacy Assessment Process (ICAAP & ILAAP)

The internal capital and liquidity adequacy assessment processes (ICAAP and ILAAP) seek to provide certainty about the risks to which the Bank is or may be exposed and its ability to remain viable, while maintaining an adequate level of capitalisation and liquidity and managing its risks effectively.

This requires prospective assurance that all material risks are identified, managed effectively (with an appropriate combination of measurement and controls), and covered by a sufficient amount of high-quality capital, in the case of ICAAP, and by a sufficient amount of liquid assets and stable sources of financing, in the case of ILAAP.

The purpose of ICAAP and ILAAP is to ensure an adequate relationship between the Bank's risk profile and the own funds that it effectively holds. To do this, a recurring process is carried out that allows:

- Identify, measure and aggregate material risks (not just Pillar I).
- Define the risk profile.
- Carry out capital planning and medium-term financing (base case and adverse scenarios).
- Set internal targets for own resources and liquid assets that enables us to maintain adequate clearance over minimum requirements.
- Determine and allocate the capital and liquidity needed to cover material risks.
- Establish action plans to respond to any situation of capital or liquidity shortage.
- Present a formal and unequivocal statement on the adequacy of the Group's capital and liquidity approved by the Board of Directors.

Recovery Plan

Ibercaja Banco's recovery plan is a response to the requirement under Directive 2014/59/EU of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, or “Bank Recovery and Resolution Directive” (BRRD). The main objectives of the plan are:

- To provide a detailed view of the Bank, including an analysis of its main lines of business and critical economic functions.
- To describe the process of development, approval and updating of the plan, and how it is integrated into the Bank's procedures.
- To describe in detail the model of escalation and decision-making in a situation of continuity, early warning and recovery.
- To identify the set of recovery indicators that are to be monitored periodically to anticipate any situations of severe stress.
- To set out the selected recovery measures, which could be taken in a recovery situation to restore Ibercaja's capital and liquidity position. For each recovery measure, a feasibility and financial impact analysis was carried out, an operational plan was designed for its implementation, a communication plan was rolled out, and needs were analysed from an information management point of view. In addition, a test of the effectiveness of the measures in the face of hypothetical stress scenarios is described.

- To design the internal and external communication plan to be carried out in a recovery situation.
- To describe preparatory measures.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are reviewed and approved by the Bank's Board of Directors on an annual basis.

3.4 Governance Model

The Ibercaja Group has a robust organisational structure that allows it to ensure effective risk management and control. The governance structure provides adequate channels of communication to convey information and decisions at all levels of the organisation.

The following are the Governing Bodies and Executive Committees that directly address risk management and control.

3.4.1 Governing Bodies

Board of Directors

The Board of Directors is the body responsible for ensuring a robust risk culture, establishing the strategic lines of risk management and control and approving policies, manuals and procedures relating to risk management.

Its risk management and control duties and powers include:

- Establishing and approving the Ibercaja Group's Risk Appetite Framework (RAF) after a report from the Large Exposures and Solvency Committee, and review it at least once a year or whenever necessary depending on the circumstances.
- Evaluating and supervising the risk profile and its alignment with the established framework and the Group's strategy, and approving the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports.
- To approve and periodically review the strategies and policies for accepting, managing, supervising and reducing the risks to which the Group is or may be exposed, including risks posed by the macroeconomic situation in which it operates in relation to the current stage of the economic cycle.
- To actively participate in the management of material risks covered by solvency regulations and ensure that the organisation has adequate resources for such management.
- To ensure that the necessary action plans and corrective measures are in place to manage limit overshoots.
- To establish and supervise the Group's risk information and control systems, following a report from the Large Exposures and Solvency Committee.
- To ensure that all aspects of capital planning are integrated with management in line with the scenarios used in the Strategic Plan, the Risk Appetite Framework and the Financing Plan.

The boards of directors of the subsidiaries are responsible for approving the respective risk appetite proposals once they have been validated by the Global Risk Committee and the Large Exposures and Solvency Committee.

The Ibercaja Group is a financial conglomerate and its insurance business is significant, so it jointly manages the risks arising from the banking and insurance businesses.

Large Exposures and Solvency Committee

The Large Exposures and Solvency Committee has had powers delegated to it by the Board of Directors to carry out the functions of framing and supervising risk management.

Its risk management duties and powers include:

- To report to the Board of Directors, prior to approval, on the Bank's Risk Appetite Framework (RAF), the Risk Appetite Statement (RAS), the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan, ensuring that they are consistent with other policies and with the Bank's strategic framework.
- To review the effectiveness of the risk management framework and internal control systems.
- To periodically review compliance with risk appetite (significant risk exposures, breaches of limits and agreed management measures).
- To receive adequate information from management so as to be able to identify the risks faced by the Bank and its Group; to be able to assess and, where appropriate, propose measures to mitigate the impact of the risks identified.

Strategy Committee

The Strategy Committee has the core function of informing the Board of Directors of the Bank's strategic policy, ensuring that there is a specific organisation in place for its implementation.

Audit and Compliance Committee

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

3.4.2 Executive Committees

Global Risk Committee

Executive body responsible for defining and monitoring the Group's risk strategies and policies. The main functions and responsibilities of the Global Risk Committee are:

- To report periodically to the Large Exposures and Solvency Committee on the degree of compliance with the metrics established in the Risk Appetite Statement, proposing, where appropriate, the action plans required to correct overshoots or breaches.
- To submit the proposed RAF, the internal capital and liquidity adequacy assessment process (ICAAP & ILAAP) reports and the Recovery Plan to the Large Exposures and Solvency Committee for evaluation and analysis with a view to consistency with the Group's risk management policy and strategic plan.
- To evaluate and approve action plans in response to alerts or overshoots, prior to referral to the Large Exposures and Solvency Committee.
- To ensure that the Group has adequate procedures and means in place for the identification, measurement, follow-up and monitoring of the risk profile.

Audit Committee

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

The organisational scheme provides the Bank with a global structure of governance and risk management, in proportion to the complexity of the Ibercaja Group's business, with three lines of defence:

- First line of defence: Configured by the Group's risk-taking business and support units.
- Second line of defence: Located organisationally in the General Secretary's Office-Control Department as the head of the second line, it acts independently of the business units. The second line comprises the Risk Control functions, which monitor and report risks and review the application of management policies and control procedures by the first line, and the Compliance functions, in charge of reviewing that business is conducted in accordance with applicable legislation, regulations and internal policies.
- Third line of defence: Internal audit, as an independent function that provides an assessment and proposals for improving risk management and control processes.

3.5 Exposure to credit risk

Defined as the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

3.5.1 Strategies and policies for the credit risk management

Credit risk management is geared towards facilitating sustained and balanced growth in loans and receivables while guaranteeing at all times the soundness of the Company's position in financial and equity terms, so as to optimise the return / risk ratio within levels of tolerance established by the Board of Directors based on the defined management principles and operational policies.

The Board of Directors approves the management framework, strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Credit Risk Management Framework", the "Irregular Assets Management Framework" and the "Risk Models Management Framework" and the various policy manuals that implement those frameworks. The manuals include, inter alia, the action guidelines for the main operating segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board of Directors is responsible for authorising risks that exceed the competence of the operating circuit.

In the current context of the health pandemic, the Entity, through the various support measures (public and private) put in place as a result of the COVID-19 crisis, has offered its customers solutions in keeping with their financial condition. The company has also implemented the guidelines issued by the regulator on the treatment and accounting recognition of such aid. (Note 11.6.1)

The Entity has carried out exercises to identify borrowers affected by this crisis, in order to assess their payment capacity, and the customers and exposures identified as having a higher risk profile, the Entity has carried out various risk management and accounting recognition actions.

The impact of the COVID-19 crisis, the support measures granted and their characteristics, as well as macroeconomic forecasts have been considered in the projection of the financial statements for the coming years, with special attention to the foreseeable development of inflows and outflows of non-performing loans, accounting provisioning and solvency.

3.5.2 *Credit risk granting, monitoring and recovery policies*

The loan portfolio is segmented into groups of customers with homogeneous risk profiles susceptible to different treatment through the application of specific evaluation models.

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

- Classifications of risk for borrower groups through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.
- Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.
- Methodology for operations analysis based on type and correspondence to different segments.
- Internal credit rating models integrated with decision-taking systems for the various areas of the retail business.
- Requirements necessary to provide each operation with legal safeguards.
- Risk mitigation techniques.
- Pricing policies in line with customers' credit quality.

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

The Bank has in place, under its “Acceptance Policy Manual”, risk acceptance policies in line with Law 2/2011 of 4 March, on the Sustainable Economy, Order EHA/2899/2011 of 28 October, on banking services transparency and customer protection, and Bank of Spain Circular 5/2012 of 27 June, on transparency in banking services and responsibility in the granting of loans and credit facilities.

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

In terms of banking services customer protection and transparency standards, the Group performs the following actions:

- Current rates (interest, fees and expenses) applied to the various financial products are displayed at branches.
- Rates in force are reported quarterly to the Bank of Spain.
- The rates applied in products can be consulted on the Company's website (http://contransparencia.ibercaja.es).
- Customers are provided with documentation setting out contractual conditions before any contract is signed. A copy of the contract is subsequently given to the customer.
- Every January, customers receive personal reports giving details of interest, fees and expenses applied during the preceding year in the products they have contracted.

The Internal Audit Department, as part of the control actions performed at the branches, is responsible for overseeing compliance with the established policies and procedures.

b) In the area of credit risk monitoring, the main objective is to identify in advance any impairment in borrowers' risk quality, to take corrective action and minimise the adverse impact of any entry into default of the exposure, or of classification of the exposure as Stage 2.

The credit risk monitoring function is carried out on the basis of individualised monitoring of customers who require greater attention due to exposure or risk profile, and on the basis of an analysis of the performance of different portfolios (Individuals, Production Activities, Developers, etc.).

Some of the credit risk monitoring conducted at the Bank, including classification and estimation of allowances for exposures, is based on Annex 9 “Analysis and Coverage of Credit Risk”, of Bank of Spain Circular 4/2017, of 27 November. Those regulatory provisions require institutions to have policies in place for credit risk assessment, monitoring and control that require the utmost care and diligence in the study and rigorous evaluation of the credit risk of transactions, both when granted and throughout their term of effect. Under this Circular, the Bank considers borrowers with respect to which exposure exceeds €3 million to be individually material borrowers.

The principles, procedures and key tools on which the monitoring function is based to carry out its work effectively are set out in the Bank's Credit Risk Monitoring Policy.

c) Integrated management risk is completed by recovery policies aimed at avoiding or minimising potential default through specific recover circuits based on the quantity and nature of the operations concerned and with the involvement of various internal and external managers to tailor the actions required by each situation.

3.5.3 Country risk

This is defined as the possibility of incurring losses due to the failure of a country to comply with payment obligations due to circumstances other than normal commercial risk. Comprises sovereign risk, transfer risk and other risks inherent to international financial activities.

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2017, on the basis of their rating, economic performance, political situation, regulatory and institutional framework, payment capacity and payment record.

In relation to sovereign risk, the Company has maximum limits for public debt issued by European Union States and other States, also based on their corresponding ratings.

3.5.4 Information on the credit risk of financial instruments

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and of the portfolio of financial assets at amortised cost (Note 11) at 31 December 2020 and 2019:

	Thousands of euros			
	31/12/2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**37,712,925**	**1,677,854**	**1,012,938**	**40,403,717**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,241**	**2,241**
Allowances for impairment of assets	**52,154**	**132,330**	**460,616**	**645,100**
Of which: calculated collectively	52,154	120,060	363,511	535,725
Of which: calculated separately	-	12,270	97,105	109,375
Net amount	**37,660,771**	**1,545,524**	**550,081**	**39,756,376**

	Thousands of euros			
	31/12/2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross amount	**37,807,997**	**1,403,209**	**1,293,161**	**40,504,367**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**-**	**-**	**2,231**	**2,231**
Allowances for impairment of assets	**60,248**	**65,200**	**516,940**	**642,388**
Of which: calculated collectively	60,248	55,091	392,072	507,411
Of which: calculated separately	-	10,109	124,868	134,977
Net amount	**37,747,749**	**1,338,009**	**773,990**	**39,859,748**

Impairment adjustments to collectively calculated assets amount to 57 thousand euros at 31 December 2020 (65 thousand euros at 31 December 2019) due to country risk.

In relation to the maximum level of exposure to credit risk, the most significant sectors of activity are detailed in relation to non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8) and financial assets at amortised cost (Note 11), by transaction purpose:

	Thousands of euros	
	2020	**2019**
Public sector	7,453,249	6,114,085
Credit institutions	405,120	795,337
Real estate construction and development	1,033,184	1,203,767
Other production activities	10,525,004	11,118,667
Housing acquisition and refurbishment	19,052,798	19,553,933
Consumer and other household lending	807,713	816,234
Other sectors not classified	1,126,649	902,344
	40,403,717	**40,504,367**

With respect to the maximum level of exposure to credit risk, financial assets at amortised cost (Note 11) secured by collateral or credit enhancements are as follows:

	Thousands of euros	
	2020	**2019**
Mortgage guarantees	21,857,969	22,857,231
Pledges - financial assets	74,900	58,096
Off-balance sheet guarantees – public sector, credit institutions, mutual guarantee funds	3,175,311	1,826,296
Guarantees - public sector debt	1,620,857	1,722,143
	26,729,037	**26,463,766**

Guarantees received and financial guarantees granted break down as follows at 31 December 2020 and 2019:

	Thousands of euros	
	2020	**2019**
Value of collateral	21,535,458	22,303,745
Of which: guarantees risks on special watch	*1,124,234*	*981,695*
Of which: guarantees non-performing risks	*642,981*	*844,728*
Value of other collateral	7,344,364	6,995,125
Of which: guarantees risks on special watch	*713,748*	*495,054*
Of which: guarantees non-performing risks	*316,958*	*396,071*
Total value of the collateral received	**28,879,822**	**29,298,870**

	Thousands of euros	
	2020	**2019**
Loan commitments given (Note 27.3)	**3,288,448**	**2,966,973**
Of which: classified as non-performing	*5,732*	*8,048*
Amount recognised under liabilities on the balance sheet (Note 21)	4,898	6,896
Financial guarantees granted (Note 27.1)	**93,631**	**76,204**
Of which: classified as non-performing	*5,495*	*5,255*
Amount recognised under liabilities on the balance sheet (Note 21)	6,048	5,687
Other commitments given	**795,006**	**856,027**
Of which: classified as non-performing	*31,270*	*36,726*
Amount recognised under liabilities on the balance sheet (Note 21)	8,531	9,932

At December 2020 the LTV (loan to value, reflecting the relationship between the financial transaction balance and the value of the guarantee associated with that transaction) of the Ibercaja Group's mortgage portfolio stood at 51.14% (51.82% at December 2019).

The classification of non-trading financial assets mandatorily measured at fair value through profit or loss (Note 8), of fixed-income assets at fair value through other comprehensive income (Note 10) and financial assets at amortised cost (Note 11) that are impaired, distinguishing between those where impairment arises from payment default and those where it emerges from other factors, is as follows:

	Thousands of euros	
	2020	**2019**
Customer default	839,140	1,052,257
Other factors	173,798	240,904
	1,012,938	**1,293,161**

The main factors taken into account to calculate impairment for reasons other than non-payment are those reflected in Note 2.3.

There are generally no non-performing financial assets that are not impaired. The only exceptions to this rule are transactions where the Public Sector is the titleholder or which are secured through a cash guarantee and the amount involved is insignificant.

Note 11.4.1 includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

3.5.5 Information concerning risk concentration, refinancing and restructuring

3.5.5.1 Information concerning risk concentration

Below is a breakdown of the carrying amount of the distribution of customer loans by activity at 31 December 2020 and 2019:

	Thousands of euros							
	31/12/2020							
	Total	Of which: mortgage collateral	Of which: other collateral	Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
				Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**733,879**	**53,579**	**-**	**5,408**	**17,753**	**29,207**	**396**	**815**
Other financial companies and individual entrepreneurs (financial business activity)	**1,631,822**	**4,033**	**1,620,429**	**1,093**	**2,740**	**200**	**1,620,429**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**7,582,830**	**2,369,709**	**31,675**	**734,812**	**622,044**	**450,185**	**259,672**	**334,671**
Real estate construction and development (including land)	978,430	942,023	-	79,388	153,749	236,948	206,002	265,936
Civil engineering	18,651	33	-	33	-	-	-	-
Other purposes	6,585,749	1,427,653	31,675	655,391	468,295	213,237	53,670	68,735
Large corporations	*1,459,380*	*20,584*	-	*10,349*	*1,732*	*8,022*	-	*481*
SMEs and individual entrepreneurs	*5,126,369*	*1,407,069*	*31,675*	*645,042*	*466,563*	*205,215*	*53,670*	*68,254*
Other households and non-profit institutions serving households	**20,663,018**	**19,141,646**	**29,340**	**5,858,906**	**7,413,127**	**5,039,182**	**539,079**	**320,692**
Homes	18,851,339	18,614,980	11,066	5,565,573	7,279,779	4,961,056	519,706	299,932
Consumption	783,435	118,191	12,163	87,511	23,870	12,441	4,721	1,811
Other purposes	1,028,244	408,475	6,111	205,822	109,478	65,685	14,652	18,949
Total	**30,611,549**	**21,568,967**	**1,681,444**	**6,600,219**	**8,055,664**	**5,518,774**	**2,419,576**	**656,178**
Memorandum items: refinancing, refinanced and restructured operations	**526,552**	**472,615**	**160**	**98,656**	**87,388**	**106,157**	**73,827**	**106,747**

	Thousands of euros							
	31/12/2019							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: mortgage collateral	Of which: other collateral	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**757,563**	**58,355**	**-**	**5,070**	**17,931**	**31,256**	**3,028**	**1,070**
Other financial companies and individual entrepreneurs (financial business activity)	**1,622,378**	**3,374**	**1,615,432**	**1,070**	**883**	**1,421**	**1,615,432**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**7,968,585**	**2,803,036**	**23,468**	**827,072**	**750,442**	**497,818**	**314,988**	**436,184**
Real estate construction and development (including land)	1,128,816	1,081,306	3	84,162	215,128	232,029	238,566	311,424
Civil engineering	21,840	36	-	36	-	-	-	-
Other purposes	6,817,929	1,721,694	23,465	742,874	535,314	265,789	76,422	124,760
Large corporations	*1,226,303*	*20,212*	*76*	*10,552*	*2,520*	*6,766*	*50*	*400*
SMEs and individual entrepreneurs	*5,591,626*	*1,701,482*	*23,389*	*732,322*	*532,794*	*259,023*	*76,372*	*124,360*
Other households and non-profit institutions serving households	**20,921,694**	**19,657,099**	**19,805**	**5,878,744**	**7,632,680**	**5,142,441**	**646,574**	**376,465**
Homes	19,374,025	19,127,294	6,710	5,588,720	7,500,874	5,058,499	626,565	359,346
Consumption	794,168	137,445	8,728	99,975	27,227	12,857	4,613	1,501
Other purposes	753,501	392,360	4,367	190,049	104,579	71,085	15,396	15,618
Total	**31,270,220**	**22,521,864**	**1,658,705**	**6,711,956**	**8,401,936**	**5,672,936**	**2,580,022**	**813,719**
Memorandum items: refinancing, refinanced and restructured operations	**745,056**	**671,738**	**133**	**120,625**	**122,113**	**156,026**	**106,042**	**167,065**

The carrying amount of the risks classified by business and geographic area are set out below, including loans and advances, debt securities, equity instruments, trading derivatives, hedge derivatives, shares and contingent risks.

- Total activity:

	Thousands of euros				
	31/12/2020				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**8,239,362**	**112,408**	**8,962**	**33,781**	**8,394,513**
Public administrations	**11,159,034**	**1,145,475**	**-**	**3,981**	**12,308,490**
Central government	10,282,826	1,145,475	-	3,981	11,432,282
Other public administrations	876,208	-	-	-	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**3,582,550**	**170,455**	**-**	**-**	**3,753,005**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,667,457**	**1,022,964**	**26,333**	**22,246**	**10,739,000**
Real estate construction and development (including land)	1,278,958	-	-	-	1,278,958
Civil engineering	26,628	-	-	-	26,628
Other purposes	8,361,871	1,022,964	26,333	22,246	9,433,414
Large corporations	*1,951,031*	*985,918*	*7,613*	*18,190*	*2,962,752*
SMEs and individual entrepreneurs	*6,410,840*	*37,046*	*18,720*	*4,056*	*6,470,662*
Other households and non-profit institutions serving households	**20,648,372**	**57,961**	**12,637**	**46,600**	**20,765,570**
Homes	18,736,241	57,137	11,481	46,479	18,851,338
Consumption	781,895	673	790	76	783,434
Other purposes	1,130,236	151	366	45	1,130,798
Total	**53,296,775**	**2,509,263**	**47,932**	**106,608**	**55,960,578**

	Thousands of euros				
	31/12/2019				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**4,749,638**	**502,009**	**7,473**	**13**	**5,259,133**
Public administrations	**10,732,786**	**1,113,967**	**-**	**-**	**11,846,753**
Central government	9,660,044	1,113,967	-	-	10,774,011
Other public administrations	1,072,742	-	-	-	1,072,742
Other financial companies and individual entrepreneurs (financial business activity)	**3,769,951**	**222,757**	**12,423**	**-**	**4,005,131**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**9,681,952**	**1,087,006**	**23,854**	**13,633**	**10,806,445**
Real estate construction and development (including land)	1,469,957	-	-	-	1,469,957
Civil engineering	19,767	-	-	2,073	21,840
Other purposes	8,192,228	1,087,006	23,854	11,560	9,314,648
Large corporations	*1,675,088*	*1,042,337*	*6,504*	*10,837*	*2,734,766*
SMEs and individual entrepreneurs	*6,517,140*	*44,669*	*17,350*	*723*	*6,579,882*
Other households and non-profit institutions serving households	**20,954,878**	**72,359**	**13,859**	**34,124**	**21,075,220**
Homes	19,261,281	67,470	12,377	33,705	19,374,833
Consumption	791,752	1,095	971	350	794,168
Other purposes	901,845	3,794	511	69	906,219
Total	**49,889,205**	**2,998,098**	**57,609**	**47,770**	**52,992,682**

- Activity in Spain:

	Thousands of euros								
	31/12/2020								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**8,008,760**	**65,951**	**-**	**27,063**	**21,584**	**-**	**-**	**116,004**	**8,239,362**
Public administrations	**158,489**	**58,542**	**8,762**	**63,996**	**20,787**	**86,295**	**14,870**	**464,467**	**11,159,034**
Central government (*)	-	-	-	-	-	-	-	-	10,282,826
Other public administrations	158,489	58,542	8,762	63,996	20,787	86,295	14,870	464,467	876,208
Other financial companies and individual entrepreneurs (financial business activity)	**151,034**	**3,425,252**	**1,610**	**449**	**696**	**2,115**	**320**	**1,074**	**3,582,550**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**3,395,506**	**2,182,543**	**965,381**	**615,344**	**528,644**	**486,397**	**273,036**	**1,220,606**	**9,667,457**
Real estate construction and development (including land)	267,920	657,467	52,264	66,467	80,418	76,593	18,095	59,734	1,278,958
Civil engineering	1,441	24,768	2	-	-	267	-	150	26,628
Other purposes	3,126,145	1,500,308	913,115	548,877	448,226	409,537	254,941	1,160,722	8,361,871
Large corporations	*535,491*	*583,098*	*251,779*	*133,379*	*90,983*	*65,707*	*36,234*	*254,360*	*1,951,031*
SMEs and individual entrepreneurs	*2,590,654*	*917,210*	*661,336*	*415,498*	*357,243*	*343,830*	*218,707*	*906,362*	*6,410,840*
Other households and non-profit institutions serving households	**5,527,566**	**5,401,921**	**1,957,435**	**1,733,119**	**1,291,608**	**916,796**	**1,283,623**	**2,536,304**	**20,648,372**
Homes	4,534,543	5,118,429	1,840,461	1,646,431	1,228,761	828,019	1,206,575	2,333,022	18,736,241
Consumption	307,058	124,967	54,838	44,508	30,535	46,374	44,704	128,911	781,895
Other purposes	685,965	158,525	62,136	42,180	32,312	42,403	32,344	74,371	1,130,236
Total	**17,241,355**	**11,134,209**	**2,933,188**	**2,439,971**	**1,863,319**	**1,491,603**	**1,571,849**	**4,338,455**	**53,296,775**

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

	Thousands of euros								
	31/12/2019								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,022,968**	**3,553,141**	**-**	**4,232**	**60,037**	**-**	**-**	**109,260**	**4,749,638**
Public administrations	**183,731**	**125,291**	**8,079**	**109,948**	**5,247**	**71,795**	**57,905**	**510,746**	**10,732,786**
Central government (*)	-	-	-	-	-	-	-	-	9,660,044
Other public administrations	183,731	125,291	8,079	109,948	5,247	71,795	57,905	510,746	1,072,742
Other financial companies and individual entrepreneurs (financial business activity)	**51,344**	**3,707,140**	**1,495**	**433**	**5,273**	**1,749**	**330**	**2,187**	**3,769,951**
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	**3,197,910**	**2,245,892**	**1,000,688**	**615,562**	**525,354**	**566,415**	**288,037**	**1,242,094**	**9,681,952**
Real estate construction and development (including land)	348,546	743,736	59,244	75,860	80,917	75,898	30,188	55,568	1,469,957
Civil engineering	2,273	16,886	13	-	80	321	-	194	19,767
Other purposes	2,847,091	1,485,270	941,431	539,702	444,357	490,196	257,849	1,186,332	8,192,228
Large corporations	*463,191*	*469,100*	*227,302*	*123,575*	*67,478*	*68,111*	*38,517*	*217,814*	*1,675,088*
SMEs and individual entrepreneurs	*2,383,900*	*1,016,170*	*714,129*	*416,127*	*376,879*	*422,085*	*219,332*	*968,518*	*6,517,140*
Other households and non-profit institutions serving households	**5,663,265**	**5,289,365**	**1,970,890**	**1,786,924**	**1,321,902**	**963,989**	**1,326,638**	**2,631,905**	**20,954,878**
Homes	4,810,810	5,047,076	1,860,728	1,702,736	1,270,680	881,341	1,251,635	2,436,275	19,261,281
Consumption	309,288	128,036	56,532	45,456	29,815	47,191	43,475	131,959	791,752
Other purposes	543,167	114,253	53,630	38,732	21,407	35,457	31,528	63,671	901,845
Total	**10,119,218**	**14,920,829**	**2,981,152**	**2,517,099**	**1,917,813**	**1,603,948**	**1,672,910**	**4,496,192**	**49,889,205**

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

The concentration of credit quality risk in debt securities based on the counterparty's rating at 31 December 2020 and 2019 is detailed below:

	Thousands of euros			
	2020			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
AAA / AA	-	-	154,612	7,719
A	18,008	5,473	4,287,913	5,619,781
BBB	10,001	3,129	2,221,418	2,816,381
BB	-	-	5,513	30,431
B	-	-	-	-
CCC	-	-	-	-
Unrated	-	-	-	-
Total	**28,009**	**8,602**	**6,669,456**	**8,474,312**

	Thousands of euros			
	2019			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
AAA / AA	48,340	-	153,743	7,936
A	20,312	5,612	4,929,037	4,690,054
BBB	10,131	3,327	2,545,886	2,439,855
BB	-	-	59,423	75,408
B	-	-	-	4,975
CCC	-	-	510	-
Unrated	-	-	-	-
Total	**78,783**	**8,939**	**7,688,599**	**7,218,228**

3.5.5.2 Information concerning refinancing and restructuring

The Group follows a policy aimed at utilising operations refinancing and restructuring as credit risk management instruments which, when implemented prudently and appropriately, contribute to improving risk quality, based on individualised analyses focused on providing economic viability to borrowers that, at some stage of the transaction, undergo transitory difficulties to meeting their payments commitments promptly at the time they fall due. The policy is aimed at:

- Ensuring the economic feasibility of borrowers and operations (grant of interest free periods, increase in timeframes, etc.).
- Improving as far as possible the Group’s risk position through the delivery of additional effective guarantees and the review of existing guarantees.

Acceptance of transactions:

In general, refinancing/restructuring transactions must meet the following requirements:

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.
- Assessment of the borrower's/operation's compliance record.
- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. To this end, the following are considered effective guarantees:
  - Guarantees pledged over cash deposits, listed equity instruments and debt securities.
  - Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.
  - Personal guarantees (guarantee deposits, new holders etc.) fully covering the guaranteed risk.

Sanctions:

The branch network is not authorised to sanction refinancing or restructuring transactions. The transactions are authorised by a specific circuit other than the admission circuit, which is completely separate from the Commercial Network.

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

A breakdown of refinancing and restructuring balances at 31 December 2020 and 2019 can be seen below:

	Thousands of euros			
	2020		**2019**	
	Total	**Of which: default/ not-performing**	**Total**	**Of which: default/ not-performing**
Gross amount	**736,561**	**496,929**	**988,179**	**686,062**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**2,241**	**2,241**	**2,231**	**2,231**
Allowances for impairment of assets	**207,768**	**188,750**	**240,892**	**219,013**
Of which: collective	147,103	130,674	151,683	134,385
Of which: individual	60,665	58,076	89,209	84,628
Net amount	**526,552**	**305,938**	**745,056**	**464,818**
Value of the collateral received	**788,729**	**511,512**	**1,050,844**	**706,263**
Value of collateral	544,141	351,281	741,144	499,644
Value of other collateral	244,588	160,231	309,700	206,619

The reconciliation of the gross amounts of refinanced and restructured transactions at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Opening balance	**988,179**	**1,878,722**
(+) Refinancing and restructuring in the period	67,251	73,700
Memorandum items: impact recognised in the statement of profit and loss for the period	*13,862*	*19,473*
(-) Debt repayments	165,891	244,438
(-) Foreclosures	41,052	41,693
(-) Derecognitions (reclassification to written-off assets)	19,460	43,238
(+)/(-) Other changes (*)	(92,466)	(634,874)
Closing balance	**736,561**	**988,179**

(*) Includes transactions that are no longer classified as refinancing, refinanced or restructured as the requirements for reclassification from performing exposures under special vigilance to performing exposures have been met (Note 2.3).

On 31 December 2020, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**1**	**815**	**5**	**1,069**	**578**	**-**	**673**	**1,211**
Other financial companies and individual entrepreneurs (financial business activity)	**2**	**20**	**1**	**29**	**29**	**-**	**15**	**34**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,216**	**95,376**	**1,031**	**205,267**	**160,439**	**766**	**122,962**	**177,681**
Of which: financing for real estate construction and development (including land)	*8*	*8,118*	*143*	*77,470*	*63,353*	*6*	*29,780*	*55,808*
Other household	**2,412**	**28,902**	**4,773**	**405,083**	**358,161**	**130**	**86,359**	**347,626**
Total	**3,631**	**125,113**	**5,810**	**611,448**	**519,207**	**896**	**210,009**	**526,552**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousands of euros							
	Of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**-**	**-**	**5**	**1,069**	**578**	**-**	**673**	**396**
Other financial companies and individual entrepreneurs (financial business activity)	**1**	**17**	**1**	**29**	**29**	**-**	**14**	**32**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**726**	**67,059**	**756**	**152,835**	**114,875**	**255**	**114,429**	**105,465**
Of which: financing for real estate construction and development (including land)	*7*	*7,978*	*125*	*57,739*	*43,761*	*6*	*28,882*	*36,835*
Other household	**1,499**	**20,563**	**2,963**	**255,357**	**220,861**	**50**	**75,875**	**200,045**
Total	**2,226**	**87,639**	**3,725**	**409,290**	**336,343**	**305**	**190,991**	**305,938**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

On 31 December 2019, the details of the refinanced and restructured transactions are as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	3	2,844	5	2,705	2,044	-	2,228	3,321
Other financial companies and individual entrepreneurs (financial business activity)	-	-	1	29	29	-	-	29
Non-financial companies and individual entrepreneurs (non-financial business activity)	1,368	107,573	1,489	295,351	183,715	50	150,450	252,474
Of which: financing for real estate construction and development (including land)	*12*	*8,748*	*201*	*122,567*	*75,119*	*-*	*49,683*	*81,632*
Other household	2,886	29,366	6,078	550,311	439,049	40	90,445	489,232
Total	4,257	139,783	7,573	848,396	624,837	90	243,123	745,056
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

	Thousands of euros							
	Of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
					Maximum amount of the collateral that can be considered			
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	2	1,866	2	874	213	-	2,228	512
Other financial companies and individual entrepreneurs (financial business activity)	-	-	-	-	-	-	-	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	808	69,954	1,039	215,474	118,122	-	138,548	146,880
Of which: financing for real estate construction and development (including land)	*9*	*8,464*	*170*	*102,120*	*56,134*	*-*	*48,327*	*62,257*
Other household	1,557	18,961	4,083	378,933	287,323	16	80,468	317,426
Total	2,367	90,781	5,124	595,281	405,658	16	221,244	464,818
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during financial years 2020 and 2019:

	Thousands of euros	
	2020	2019
Public administrations	-	-
Other legal persons and individual entrepreneurs	**7,269**	**11,611**
Of which: financing for real estate construction and development	364	771
Other individuals	**15,708**	**21,152**
Total	**22,977**	**32,763**

On 31 December 2020, the Group assessed the renegotiated transactions, and according to their better judgement identified and provided those that having not mediated renegotiation could have been past-due or impaired, for a global risk amount of 239,632 million euros (302,117 million euros on 31 December 2019).

3.5.6 Policies for the management of problematic assets

Ibercaja Banco, S.A. establishes specific policies relating to the management of assets of the real estate sector.

These policies are focused on favouring the compliance of the obligations of the borrowers and mitigate the risks to which the Group is exposed. In this sense, alternatives are searched for that allow for the completion and sale of the projects, analysing the renegotiation of the risks if it improves the credit position of the Group and with the basic purpose that the borrower can maintain his/her commercial activity. To do so, they keep in mind the previous experience with the borrower, the apparent willingness of payment and the improvement of the Group in terms of expected loss, seeking to increase the guarantees of the credits and not increase the customer's risk.

Additionally the Group supports the promoters once the promotions are finished, working together in the management and speeding up of sales.

In the case that the support measurements are not possible or sufficient, other alternatives are searched for such as the granting in payment or the purchase of assets, with legal claim and subsequent acquisition of real estate being the last option.

All those assets that form part of the Group's balance sheet are managed seeking their divestment or lease.

To do so, the Group has agreements with third parties or has instrumental companies, specialised in the management of urban projects, sale of real estate and lease of real estate assets. The Group has specific Units to implement these strategies and coordinate the actions of instrumental subsidiaries, the branch office network and the rest of actors involved. Additionally, the Group has the website www.ibercaja.es/inmuebles as one of the main tools with which they disclose to the public interested in these assets.

3.5.6.1 Credit investment linked to development and real estate activities and to retail mortgages

On 31 December 2020 and 2019, the details of the financing for the real estate construction and development and the hedging thereof is the following:

	Thousands of euros							
	Gross carrying amount		Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*)		Accumulated impairment		Net value	
	2020	2019	2020	2019	2020	2019	2020	2019
Financing for real estate construction and development (including land) (businesses in Spain)	**1,029,181**	**1,205,703**	**85,280**	**128,728**	**40,497**	**76,785**	**988,684**	**1,128,918**
Of which: default/non-performing	79,927	134,243	38,696	64,937	34,457	69,631	45,470	64,612
Memorandum items: written-off assets	**131,500**	**205,094**	**-**	**-**	**-**	**-**	**-**	**-**

(*) Excess of the gross exposure on the maximum recoverable amount of the effective collateral calculated according to Circular 04/2018. That is, the positive difference between the gross carrying amount of the financial assets and the maximum recoverable amount of the effective collateral.

	Thousands of euros	
	Carrying amount	
Memorandum items: Data from the public consolidated balance sheet	**2020**	**2019**
Loans to customers, excluding Public Administrations (businesses in Spain)	29,877,672	30,512,657
Total consolidated asset (total businesses)	58,400,790	55,422,015
Impairment loss and provisions for exposures classified as normal (total businesses)	198,237	141,815

The breakdown of the heading of the financing for the real estate construction and development (including land), on 31 December 2020 and 2019 is the following:

	Thousands of euros	
	Gross carrying amount	
	2020	2019
Without real estate collateral	**26,516**	**41,683**
With real estate collateral (breakdown as per the type of asset received in collateral)	**1,002,665**	**1,164,020**
Buildings and other completed constructions	283,471	341,916
Housing	*245,068*	*318,930*
Other	*38,403*	*22,986*
Buildings and other constructions under construction	638,685	712,869
Housing	*638,577*	*711,995*
Other	*108*	*874*
Land	80,509	109,235
Consolidated urban land	*71,917*	*105,398*
Other land	*8,592*	*3,837*
Total	**1,029,181**	**1,205,703**

Below a detail of the collateral received and financial guarantees granted in relation to the financing for property construction and development is shown (including undeveloped land) on 31 December 2020 and 2019.

Collateral received:

	Thousands of euros	
	2020	2019
Value of collateral	1,028,265	1,158,053
Of which: guarantees default/non-performing risks	*57,041*	*79,052*
Value of other collateral	408,851	380,462
Of which: guarantees default/non-performing risks	*18,533*	*20,847*
Total value of the collateral received	**1,437,116**	**1,538,515**

Financial guarantees granted:

	Thousands of euros	
	2020	2019
Financial guarantees granted related to real estate construction and development	**5,973**	**6,525**
Amount recognised under liabilities on the balance sheet	2,804	2,808

On 31 December 2020 and 2019, the breakdown of loans to households for housing acquisition, is the following:

	Thousands of euros			
	Gross amount		Of which: default/ non-performing	
	2020	2019	2020	2019
Housing acquisition loans	**18,692,949**	**19,158,732**	**416,727**	**596,978**
Without mortgage loan	224,210	231,885	9,824	9,949
With mortgage loan	18,468,739	18,926,847	406,903	587,029

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) on 31 December 2020 and 2019 is the following:

	Thousands of euros					
	2020					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	Total
Gross carrying amount	5,394,865	7,227,198	4,993,412	534,422	318,842	**18,468,739**
Of which: default/non-performing	49,009	96,534	133,142	57,881	70,337	**406,903**

	Thousands of euros					
	2019					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%	Total
Gross carrying amount	5,399,679	7,431,020	5,069,678	645,985	380,485	**18,926,847**
Of which: default/non-performing	58,751	117,035	196,025	95,001	120,218	**587,030**

On 31 December 2020 95% of the housing acquisition loan with real estate collateral has an LTV lower than 80% (95% on 31 December 2019).

3.5.6.2 Foreclosed or received assets in payment for debts.

As at 31 December 2020 and 2019, the following information relates to assets repossessed or accepted as payment for debts:

	Thousands of euros			
	31/12/2020			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**444,900**	**(286,929)**	**(175,151)**	**157,971**
Buildings and other completed constructions	36,522	(18,012)	(9,201)	18,510
Housing	*14,540*	*(7,902)*	*(4,076)*	*6,638*
Other	*21,982*	*(10,110)*	*(5,125)*	*11,872*
Buildings and other constructions under construction	3,578	(2,711)	(886)	867
Housing	*3,218*	*(2,433)*	*(743)*	*785*
Other	*360*	*(278)*	*(143)*	*82*
Land	404,800	(266,206)	(165,064)	138,594
Consolidated urban land	*104,560*	*(64,873)*	*(32,475)*	*39,687*
Other land	*300,240*	*(201,333)*	*(132,589)*	*98,907*
Real estate assets acquired in mortgage loans to households for housing acquisition	**107,931**	**(47,816)**	**(23,797)**	**60,115**
Other foreclosed or received real estate assets in payment of debt	**66,696**	**(32,668)**	**(12,390)**	**34,028**
	619,527	**(367,413)**	**(211,338)**	**252,114**

(*) Amount before deducting the allowances for impairment loss

	Thousands of euros			
	31/12/2019			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**535,894**	**(306,974)**	**(180,591)**	**228,920**
Buildings and other completed constructions	63,644	(26,991)	(13,659)	36,653
Housing	*17,483*	*(8,008)*	*(3,931)*	*9,475*
Other	*46,161*	*(18,983)*	*(9,728)*	*27,178*
Buildings and other constructions under construction	12,261	(4,750)	(1,352)	7,511
Housing	*9,830*	*(3,681)*	*(1,055)*	*6,149*
Other	*2,431*	*(1,069)*	*(297)*	*1,362*
Land	459,989	(275,233)	(165,580)	184,756
Consolidated urban land	*172,131*	*(99,105)*	*(52,650)*	*73,026*
Other land	*287,858*	*(176,128)*	*(112,930)*	*111,730*
Real estate assets acquired in mortgage loans to households for housing acquisition	**62,194**	**(23,474)**	**(8,300)**	**38,720**
Other foreclosed or received real estate assets in payment of debt	**26,802**	**(15,585)**	**(5,306)**	**11,217**
	624,890	**(346,033)**	**(194,197)**	**278,857**

(*) Amount before deducting the allowances for impairment loss

The breakdown of the carrying amount of assets foreclosed or received as payment for debts classified by balance sheet item as at 31 December 2020 and 2019 is as follows:

	Thousands of euros				
	31/12/2020				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets - Investment property	16,251	(2,204)	(565)	(4,049)	9,433
Other assets - Inventories	169,990	(34,789)	-	(92,831)	42,370
Non-current assets and disposal groups classified as held for sale	433,286	(118,384)	(133)	(114,458)	200,311
	619,527	**(155,377)**	**(698)**	**(211,338)**	**252,114**

	Thousands of euros				
	31/12/2019				
	Gross carrying amount	Allowances for impairment losses from lending	Accumulated depreciation	Allowances for impairment losses from the time of the foreclosure	Carrying amount
Tangible assets - Investment property	12,500	(1,898)	(503)	(2,886)	7,213
Other assets - Inventories	188,479	(36,473)	-	(86,713)	65,293
Non-current assets and disposal groups classified as held for sale	423,911	(112,770)	(192)	(104,598)	206,351
	624,890	**(151,141)**	**(695)**	**(194,197)**	**278,857**

3.6 Exposure to operational risk

This is defined as the risk of loss resulting from a lack of adequacy or failure of internal processes, personnel and systems, or a loss arising from external events, and therefore encompasses sub-categories such as conduct risk, technological risk or model risk, among others.

3.6.1 Strategies and policies for the operational risk management

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Framework of operational risk management".

The Group currently has a management an assessment model for this risk, which basically contemplates the following points:

- General aspects: definition of operational risk, categorisation and assessment of risks.
- Methodologies applied for the identification, assessment and measuring of operational risks.
- Scope of application of the methodologies and personnel that participate in the management of this risk.
- Indicators, limits and tolerance ranges.
- Generation of stress scenarios.
- Models of support to the management (management, control and mitigation of the operational risk): information derived from the previous methodologies and implementation of measures directed at the mitigation of this risk.

The scope of application of the model of management and assessment model of the operational risk is extended both to business units and support of Ibercaja Banco, and the Group companies.

Its application and effective use in each of the units and subsidiary companies are developed in a decentralised manner. For its part, the Market, Operational and Reputational Risk Control Unit, together with other units and subsidiaries, coordinates risk measurement and carries out risk monitoring, analysis and communication.

3.6.2 Procedures for measurement, management and control

The Group, in applying the adopted model for the operational risk management, use the following methodologies combined, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and the existing controls in the processes and activities, together with the breakdown and analysis of risk indicators. During 2020 they reviewed and self-assessed 585 operational risks, concluding in this process, a low risk profile.
- Quantitative methodology, supported in the identification and analysis of the real losses fluctuations in the Group, which are recorded in the database established for that purpose (BDP).

The quantification of real losses recorded in the data base of losses in 2020 shows the total annual net losses (net of direct recoveries and insurance) for operational risk events came to €19,469 thousand, corresponding to 9,341 events, of which 420 events for €5,964 thousand euros derive from write-downs linked to floor clauses (return of interest totalling €5,040 thousand and legal costs of €924 thousand). If the provisions linked to these losses from interest rate floor clauses and other provisions associated with different losses, which were also extraordinary, are discounted, the total annual net loss is 6,936 thousand euros.

Stripping out the exceptional impact certain losses such as interest rate floor clauses, real operational losses were small in relation to capital requirements, consistently with the overall result of the qualitative assessment mentioned above.

Streamlining in processes of operational risk management and control resulting from the established policies and methodologies, allow the Entity to calculate from December 2010 the capital consumption for Operational Risk by standard method, in accordance with that established in Regulation (EU) No. 575/2013.

3.7 Exposure to the interest rate risk

This is defined as the current or future risk to the Company's capital or earnings as a result of adverse fluctuations in interest rates affecting the positions of its investment portfolio.

The sources of the interest rate risk are the gap, base or optionality risks. In particular, gap risk arises from the different timing of interest rate-sensitive balance sheet instruments, as a result of differences in the timing of their repricing or maturities. Basis risk derives from the different benchmark indices used for repricing, interest rate-sensitive asset and liability instruments. Optionality risk arises from embedded or explicit options that arise when either the Entity or the customer have the option of altering future cash flows if it benefits them.

3.7.1 Strategies and policies for the interest rate risk management

The aim of risk management is to contribute to the maintenance of the current and future profitability in the adequate levels, preserving the economic value of the Company.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the “Manual of policies and procedures for the management and control of interest rate risk”.

3.7.2 Procedures for measurement and control

The Group manages the exposure to the risk that derives from the transactions of their portfolio, both at the time of its agreement and in its subsequent monitoring, and incorporate to its analysis horizon the assessment established for the business and the expectations respect to the interest rates, as well as the proposals of management and hedging, simulating different behaviour scenarios.

The Company's tools measure the effects of interest rate movements on the intermediation margin and the economic value, simulate scenarios depending on the assumptions used for interest rate behaviour and business performance, and help estimate the potential impact on capital and on results of abnormal fluctuations of the market, so that the results can be considered in the establishment and review of risk policies and limits and in the planning and decision-making process.

As to optionality risk, behavioural models are available that provide the key assumptions on the sensitivity and duration of demand savings transactions, as their maturity date is not contractually specified, and on early repayments on loans, early redemption of time deposits, and duration of non-performing assets, always based on historical experience for different scenarios.

In the same way, the effect that the variations in interest rates have on the financial margin and economic value is controlled by the establishment of limits to the exposure. The limits allow for maintaining the exposure to the interest rate risk within the levels compatible with the approved policies.

Below, the sensitivity profile is shown of the balance of the Group to the interest rate risk on 31 December 2020 and on 31 December 2019, indicating the carrying amount of those financial assets and liabilities affected by this risk, which appear classified depending on the estimated term until the review date of the interest rate or maturity.

On 31 December 2020:

	Millions of euros						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**13,326**	**7,740**	**15,641**	**36,707**	**14,523**	**4,643**	**9,880**
Financial assets with fixed interest rates and other assets without determined maturity	9,126	1,091	3,095	13,312	12,453	4,202	8,251
Financial assets at fixed rate hedged with derivatives	21	(-151)	1,256	1,126	1,133	-	1,133
Financial assets at variable interest rate	4,179	6,800	11,290	22,269	937	441	496
Liabilities	**8,207**	**8,348**	**10,601**	**27,156**	**24,074**	**18,380**	**5,693**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	7,602	1,364	8,564	17,530	25,212	19,456	5,756
Financial liabilities at fixed rate hedged with derivatives	518	1,300	2,036	3,854	(-1,144)	(1,076)	(68)
Financial liabilities at variable interest rate	87	5,684	1	5,772	6	-	6
Difference or Gap in the period	**5,119**	**(608)**	**5,040**	**9,551**	**(9,551)**	**(13,737)**	**4,186**
Difference or accumulated Gap	**5,119**	**4,511**	**9,551**	**9,551**	**(9,551)**	**(4,186)**	
Average gap	5,119	4,664	1,118	5,934			
% of total assets	9,99	9,1	2,18	11,58			

On 31 December 2019:

	Millions of euros						
	Terms until the review of the effective interest rate or maturity						
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**Sensitive Balance**	**Insensitive Balance**	**1 to 5 years**	**Over 5 years**
Assets	**10,533**	**8,642**	**16,439**	**35,614**	**12,675**	**2,592**	**10,083**
Financial assets with fixed interest rates and other assets without determined maturity	5,702	1,184	2,490	9,376	9,360	1,965	7,395
Financial assets at fixed rate hedged with derivatives	71	(19)	1,299	1,351	2,357	399	1,958
Financial assets at variable interest rate	4,760	7,477	12,650	24,887	958	228	730
Liabilities	**10,850**	**3,658**	**12,284**	**26,792**	**21,497**	**15,578**	**5,919**
Financial liabilities with fixed interest rates and other liabilities without determined maturity	10,634	1,808	8,923	21,365	22,313	16,052	6,261
Financial liabilities at fixed rate hedged with derivatives	110	1,404	3,357	4,871	(813)	(474)	(339)
Financial liabilities at variable interest rate	106	446	4	556	(3)	-	(3)
Difference or Gap in the period	**(317)**	**4,984**	**4,155**	**8,822**	**(8,822)**	**(12,986)**	**4,164**
Difference or accumulated Gap	**(317)**	**4,667**	**8,822**	**8,822**	**(8,822)**	**(4,164)**	**-**
Average gap	(318)	3,420	3,419	5,594			
% of total assets	(0,66)	7,08	7,08	11,58			

Sensitive balances will be considered those whose maturity or repricing occurs in the next twelve months. This period is established as a reference to quantify the effect of the variation of the interest rates on the annual intermediation margin of the Group.

The Gap that appears in the box represents the difference between the sensitive assets and liabilities in each period, i.e., the net balance exposed to changes in prices. The average gap of the period is 5,933.7 billion euros, 11.58% of the asset (-5,593.5 million euros, -11.58% of the asset on 31 December 2019).

With data on 31 December 2020, the impact on the interest margin of the company before a raise of 200 basis points in the interest rates is 160.03 million euros, 40.45% on the interest margin of the next 12 months and before a decrease of 200 basis points is (-69.98) million euros, 17.69% on the interest margin of the next 12 months (in December of 2019, 90.38 million euros and 21.88% before increases and (-64.58) million euros and 15.63% before decreases) under the assumption of maintenance of size and structure of the balance and that the activity of the interest rates occurs instantly and are equal on all points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

Meanwhile, the impact on the economic value of the Company in the event of a 200 basis points rise in interest rates is 141.58 million euros, 2.27% on the equity economic value and in the event of a 200 basis points decrease it is (-47.73) million euros, (-0.77 %) on the equity economic value (in December of 2019, 28.80 million euros and (-0.46%) in the event of increases and 157.36 million euros and 2.54% in the event of decreases) under the assumption that the activity of the interest rates occur instantly and are equal on all the points of the curve, with a progressive floor ranging from minus 100 bp, rising by 5 bp each year to zero.

3.8 Exposure to liquidity risk

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

3.8.1 Strategies and policies for the liquidity risk management

The management and control of the liquidity risk are governed by the principles of financial autonomy and balance equilibrium, guaranteeing the continuity of the business and the availability of sufficient liquid resources to fulfil the payment commitments associated with the cancellation of the liabilities on their respective maturity dates without compromising the capacity of answering before strategic opportunities of market.

The Board of Directors establishes the strategies, policies and limits for the management of this risk, following a report from the Large Risk and Solvency Committee, documented in the "Manual of policies and procedures for the management of liquidity risk".

The strategies for attracting resources in the retail segments and the use of alternative sources of short-, medium- and long-term liquidity, allow the Group to have the necessary resources to attend the solvent credit demand derived from the commercial activity and maintain the positions of treasury within the parameters of management established in the Framework of risk appetite and in the Liquidity manual.

3.8.2 Procedures for measurement and control

The measurement of the liquidity risk considers the estimated treasury flows of the assets and liabilities, as well as the guarantees or additional instruments that it has to ensure alternative sources of liquidity that could be required.

Likewise, the evolution established for the business and the expectations respect to the interest rates are incorporated, as well as the proposals of management and hedging, simulating different behaviour scenarios. These procedures and analysis techniques are reviewed with the necessary frequency to ensure their correct operation.

Progress is made in the short-, medium- and long-term to know the needs of financing and the compliance of the limits, that have in mind the most recent macroeconomic tendencies, for its incidence in the evolution of the different assets and liabilities of the balance sheet, as well as in the contingent liabilities and derived products. In the same way, the liquidity risk is controlled via the establishment of tolerance ranges compatible with the approved policies.

In addition, the Company is prepared to affront possible crisis, both internal and of the markets in which they operate, with action plans that guarantee sufficient liquidity at the lowest cost possible.

At 31 December 2020, the Company's available liquidity amounted to 14,959 million euros (11,468 million euros at 31 December 2019), coupled with an issuance capacity of 8,380 million euros (7,307 million euros at 31 December 2019). Total availability stood at 23,339 million euros (18,775 million euros at 31 December 2019), 4,564 million euros up on the close of last year. During 2020, wholesale maturities were outstanding for a nominal amount of 981 million euros: covered bonds (427 million euros), securitisation bonds owned by third parties (54 million euros), subordinated bonds (500 million euros). In addition, they have carried out repurchases of issuances for 34 thousand euros, instrumented in Securitisation bonds.

The collateral policy with the ECB includes pledged assets with a discounted value of 6,278 million euros as at 31 December 2020 (31 December 2019: 6,609 million euros), of which it has drawn down 5,400 million euros, leaving it with 892 million euros (31 December 2019: 4,959 million euros) available to meet its liquidity needs.

In addition to the policy mentioned, the Company has very different sources of financing. There is a large base of retail deposits of €32,256 million (€29,386 million as at 31 December 2019), of which 85% had stable balances. The Bank also has financing collateralised by securities in the amount of 6,056 million euros (5,603 million euros at 31 December 2019), 394 million euros of which is transacted with central counterparties. In addition, wholesale issues of a total €3,327 million euros (€3,808 million at 31 December 2019), characterised by diversification of maturities, and deposits from the Group's financial institutions amounting to €796 million (€736 million at 31 December 2019), and deposits from other customers of €3,242 million (€2,794 million at 31 December 2019), among others.

The Company's balance sheet does not have major exposures of liquidity risk in their assets or in their financing sources.

In relation to other contingent risks, the Group controls the position of:

- Financing received from investment funds and pension plans with clauses that cause the reimbursement depending on reversals in the credit qualification of Ibercaja Banco. At the end of 2020, there was no amount affected by the reversal of a qualification scale.
- Liability derivatives for 67 million euros, that have required the contribution of additional guarantees for 70 million as well as asset derivatives for 23 million euros, for those that have received additional guarantees for 23 million euros. In addition, those transacted through the clearinghouse required additional collateral of 50 million euros.
- Financing collateralised by securities of 633 million euros, which required the provision of additional collateral of 177 million euros in cash (collateral includes both repurchase agreements and reverse repurchase agreements).
- Financing of the BEI of 405 million, which requires a contribution of guarantees of 446 million euros in fixed income.

Ibercaja Banco has signed framework agreements of compensation or “netting”, and their appendices of guarantee exchange, with all the entities that operate in OTC (over the counter, for its letters in English) derivatives and in simultaneous transactions. Their signature is a prerequisite for those entities with which this type of transaction will be started. Ibercaja Banco participates as a direct member in the central chambers of compensation of simultaneous transactions LCH Clearnet and MEFFClear, and in Eurex for the operation with some classes of derivatives of interest rates, being a normal market practice extended among the participants after regulation EMIR goes into effect.

Below a breakdown is offered of the available liquidity:

	Thousands of euros	
	2020	**2019**
Cash and central banks	7,319,717	3,671,499
Available in policy	891,981	4,982,938
Eligible assets not included in the policy	6,421,078	2,432,048
Other marketable assets not eligible by the Central Bank	326,665	381,397
Accumulated available balance	**14,959,441**	**11,467,882**

On 31 December 2020, the capacity to issue covered bonds was 8,380 million euros (7,307 million euros on 31 December 2019).

The LCR (Liquidity Coverage Ratio) of the Ibercaja Group as at 31 December 2020 amounts to 468% (307% as at 31 December 2019). The breakdown of liquid assets at 31 December 2020 under the criteria established for calculating the LCR ratio is as follows:

	Thousands of euros					
	31/12/2020			31/12/2019		
	Balance sheet figure	Weighting (%)	Weighted balance	Balance sheet figure	Weighting (%)	Weighted balance
Cash and central banks	6,958,365	100	6,958,365	3,350,643	100	3,350,643
Tier 1 fixed-income	7,053,254	100	7,053,254	4,293,282	100	4,293,282
Central government sovereign debt	*5,175,852*	*100*	*5,175,852*	*4,033,129*	*100*	*4,033,129*
Regional government sovereign debt	*494,132*	*100*	*494,132*	*645,317*	*100*	*645,317*
Foreign government debt	*225,300*	*100*	*225,300*	*210,580*	*100*	*210,580*
SAREB/ICO	*8,698*	*100*	*8,698*	*1,740,939*	*100*	*1,740,939*
FADE/FROB/State-backed bonds	*190,332*	*100*	*190,332*	*-*	*100*	*-*
Reverse repurchase agreement for Tier 1 fixed-income assets	*1,612,849*	*100*	*1,612,849*	*1,625,780*	*100*	*1,625,780*
Fixed-income repos	*(653,909)*	*100*	*(653,909)*	*(3,962,463)*	*100*	*(3,962,463)*
NCC1 covered bonds	-	93	-	-	93	-
TIER 1 ASSETS	**14,011,619**		**14,011,619**	**7,643,925**		**7,643,925**
Non-financial entity NCC1 bonds	-	85	-	-	85	-
NCC2 covered bonds	128,265	85	109,025	132,917	85	112,980
TIER 2A ASSETS	**128,265**		**109,025**	**132,917**		**112,980**
NCC1 securitisations	-	75	-	-	75	-
Non-financial entity NCC 2/3 bonds	17,502	50	8,751	21,773	50	10,887
NCC3 covered bonds	-	70	-	26,931	70	18,852
Disposable equities	118,640	50	59,320	123,918	50	61,959
TIER 2B ASSETS	136,142		68,071	**172,622**		**91,698**
LIQUID ASSETS	**14,276,026**		**14,188,715**	**7,949,464**		**7,848,603**

The LCR ratio data for the Ibercaja Group are:

	Thousands of euros					
	31/12/2020			31/12/2019		
	Balance sheet figure	Weighting (%)	Weighted balance	Balance sheet figure	Weighting (%)	Weighted balance
TIER 1 ASSETS (70% limit)	14,011,619	100	14,011,619	7,643,925	100	7,643,925
TIER 2 ASSETS	128,265	85	109,025	132,917	85	112,980
TIER 2B ASSETS	136,142	50	68,071	172,622	53	91,698
LIQUID ASSETS	**14,276,026**		**14,188,715**	**7,949,464**		**7,848,603**
Stable deposits	*27,468,797*	*5*	*1,373,440*	*24,982,087*	*5*	*1,249,104*
Non-stable deposits	*4,428,694*	*10*	*442,869*	*4,197,591*	*10*	*419,759*
RETAIL CUSTOMER DEPOSITS	31,897,491	6	1,816,309	29,179,678	6	1,668,863
Unsecured wholesale financing	4,148,392	35	1,436,388	3,422,802	36	1,218,068
Additional requirements	3,837,971	7	261,672	3,562,482	6	223,310
GROSS OUTFLOWS			**3,514,369**			**3,110,241**
INFLOWS - Maximum allowed inflows (75% outflows)	880,402	55	483,274	1,033,408	53	554,308
NET OUTFLOWS			**3,031,095**			**2,555,933**
LIQUIDITY COVERAGE RATIO (LCR)			**468.11%**			**307.07%**

Below the breakdown by terms of the contractual maturities of assets and liabilities is presented (liquidity gap) on 31 December 2020 and 31 December 2019:

	Thousands of euros						
	On demand	Up to 1 month	Between one and three months	Between three months and one year	Between one and five years	After 5 years	Total
ASSETS							
Deposits in credit institutions	71,500	3,052	45,258	-	-	132,789	252,599
Loans to other financial institutions	-	21,188	1,501	152	624	-	23,465
Temporary acquisitions of securities and securities lending	-	1,443,721	177,136	106,391	-	-	1,727,247
Loans (including matured, non-performing, written-off and foreclosed)	-	633,358	989,195	2,302,452	8,993,056	18,153,486	31,071,547
Securities portfolio settlement	-	3,000	209,611	215,877	2,394,921	4,756,794	7,580,202
Hedging derivatives	-	(6,444)	10,569	40,084	63,434	3,585	111,228
Trading derivatives	-	-	-	-	-	-	
Interest margin	-	52,151	55,590	283,205	-	-	390,946
Total on 31 December 2020	**71,500**	**2,150,026**	**1,488,861**	**2,948,161**	**11,452,035**	**23,046,654**	**41,157,236**
Total on 31 December 2019	**39,720**	**2,497,835**	**1,920,971**	**3,209,299**	**9,256,178**	**24,498,431**	**41,422,434**
LIABILITIES							
Wholesale issues	-	3,052	231,097	331,895	2,441,194	320,189	3,327,426
Deposits from credit entities	5,473	41,489	-	600	2,290	2,377	52,229
Deposits from other financial institutions and bodies	772,880	302	175	7,590	120,475	-	901,422
Deposits from large non-financial companies	73,926	1	-	2,200	-	-	76,127
Financing from the rest of the customers	32,042,075	445,892	623,779	1,937,405	447,335	2,066	35,498,552
Funds for brokered loans	-	14,407	15,714	109,795	276,265	107,244	523,424
Financing with secured securities	-	655,634	-	-	5,400,000	-	6,055,634
Other net outflows	-	34,839	54,176	284,190	67,273	55,700	496,178
Hedging derivatives	-	185	1,782	11,884	34,677	(15,773)	32,755
Formalised loans pending settlement	-	438,065	-	-	-	-	438,065
Commitments available for third parties	3,288,448	-	-	-	-	-	3,288,448
Financial guarantees issued	11,070	2,803	23	86	4,413	1,081	19,477
Total on 31 December 2020	**36,193,873**	**1,636,669**	**926,745**	**2,685,645**	**8,793,922**	**472,884**	**50,709,739**
Total on 31 December 2019	**31,459,544**	**4,953,445**	**1,346,034**	**5,405,378**	**2,692,473**	**1,308,072**	**47,164,946**
2020 gap period	**(36,122,373)**	**513,356**	**562,115**	**262,515**	**2,658,113**	**22,573,770**	
2019 gap period	**(31,419,824)**	**(2,455,610)**	**574,937**	**(2,196,079)**	**6,563,705**	**23,190,359**	
Accumulated gap (without demand savings) 2020	**-**	**513,356**	**1,075,471**	**1,337,987**	**3,996,100**	**26,569,870**	
Accumulated gap (without demand savings) 2019	**-**	**(2,455,610)**	**(1,880,673)**	**(4,076,752)**	**2,486,953**	**25,677,312**	

Includes maturities of principal and interests and does not take assumptions of a new business.

The maturity of the demand deposits is not determined contractually. It has been entered in the first time slot (demand) even though for the most part, these deposits are stable.

The financing of the rest of the customers include the implicit derivative in the structured deposits.

Loan commitments amounted to €3,288 million (€2,967 million at 31 December 2019). While these commitments are available immediately for the customers, and therefore would have “demand” nature in accordance with IFRS 7, in the practice of cash flow outputs they are distributed in all the time slots.

In relation with the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily have to represent an actual obligation of settlement or of liquidity needs, which will depend on if they meet the conditions so that the amount of the committed guarantee should be settled.

The Group only hopes to produce a cash outflow in relation to financial guarantee contracts that have qualified as non-performing and special watch. The amount that is expected to be settled of these contracts is recorded under “Provisions for contingent risks and commitments”, in the heading Provisions (Note 21), for an amount of 19,477 million euros (22,515 million euros on 31 December 2019).

Long-term wholesale financing maturities are shown in the following boxes.

On 31 December 2020:

	Thousands of euros						
	On demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	-	850,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	225,000	300,000	1,435,470	165,000	2,125,470
Securitisations	-	3,052	6,097	31,895	155,724	155,189	351,956
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,052**	**231,097**	**331,895**	**2,441,194**	**320,189**	**3,327,426**
Financing with long-term secured securities	**-**	**-**	**-**	**-**	**5,400,000**	**-**	**5,400,000**
Maturities in the period	**-**	**3,052**	**231,097**	**331,895**	**7,841,194**	**320,189**	**8,727,426**
Accumulated maturities	**-**	**3,052**	**234,148**	**566,043**	**8,407,237**	**8,727,426**	

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

On 31 December 2019:

	Thousands of euros						
	On demand	Up to 1 month	1 to 3 months	Between 3 months and 1 year	1 to 5 years	Over 5 years	Total
Senior debt	-	-	-	-	-	-	-
Government-backed debt	-	-	-	-	-	-	-
Subordinated and preferential	-	-	-	500,000	350,000	-	850,000
Bonds and mortgage- and sector-covered bonds	-	-	216,667	210,000	1,119,444	1,006,026	2,552,137
Securitisations	-	3,556	6,544	31,598	171,264	192,989	405,951
Promissory notes and certificates of deposit	-	-	-	-	-	-	-
Wholesale issues	**-**	**3,556**	**223,211**	**741,598**	**1,640,708**	**1,199,015**	**3,808,088**
Financing with long-term secured securities	**-**	**-**	**-**	**1,650,000**	**-**	**-**	**1,650,000**
Maturities in the period	**-**	**3,556**	**223,211**	**2,391,598**	**1,640,708**	**1,199,015**	**5,458,088**
Accumulated maturities	**-**	**3,556**	**226,766**	**2,618,365**	**4,259,073**	**5,458,088**	**-**

The wholesale issues appear as net treasury shares. However, multi-seller covered bonds appear for their gross amount issued while the treasury shares are recognised as available liquidity in accordance with the preparation criteria of the LQ statements of the Bank of Spain.

The diversification policy at the time of the maturities of the wholesale issues, will permit the Company to cover the maturities of the next financial years, maintaining ample liquidity. Thus, keeping in mind the available liquidity (14,959 billion euros), the Company could cover the total of the maturities of the long-term wholesale financing (3,327 billion euros). Additionally, it has an issuance capacity of 8,380 billion euros (total availability of 23,339 billion euros).

3.9 Exposure to other risks

3.9.1 Exposure to market and counterparty risk

3.9.1.1 Strategies and policies for the market and counterparty risk management

a) Market risk

This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Bank manages the market risk, trying to obtain an adequate financial profitability in relation to the assumed risk level, keeping in mind certain levels of overall exposure, exposure due to segmentation rates (portfolios, instruments, ratings), structure of the portfolio and portfolio/risk objectives. In their management and control they apply analysis of sensitivity and simulation of stress scenarios for the estimation of their impact in the profits and equity.

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, as documented in the “Capital Markets Department Policy Manual”.

For the market risk management, they have policies on identification, measuring, monitoring, control and mitigation as well as policies on transactions in that relative to their trading, revaluation of positions, classification and valuation of portfolios, cancellation of transactions, approving of new products, relationships with intermediaries and delegation of duties.

b) Counterparty risk

The possibility of default by counterparties in financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors approves the strategies, policies and limits for the management of this risk, following a report from the Large Exposures and Solvency Committee, documented in the "Manual for Lines of Risk" of Ibercaja Banco.

For the management of the counterparty risk, the Company has policies for identification, measuring, monitoring, control and mitigation. Additionally the "Manual of Lines of Risk of Ibercaja Banco" establishes the criteria, methods and procedures for the granting of lines of risks, the proposal of limits, the process for formalisation and documentation of transactions, as well as the procedures for monitoring and controlling the risks for financial institutions, public administrations with rating and listed and/or qualified companies with rating, with the exception of promoting entities.

The lines of risk are established essentially depending on the ratings assigned by the credit qualification agencies, of the reports that these agencies issue and of the expert analysis of their financial statements.

For the granting of transactions related with the counterparty risk to the entities previously mentioned, it will be the Capital and Balance Sheet Management Unit and the Governing Bodies in charge of managing the assumption of risk, attending to the fixed limits for the lines of credit.

The Company uses specialised tools for the management, control and measuring of the counterparty risk, with the aim of considering the risk consumption of each product and gather the risk consumption at the Group level under one application.

3.9.1.2 Procedures for measurement and control

a) Market Risk

The portfolios exposed to Market Risk are characterised for their high liquidity and for the absence of materiality in the trading activity, which implies that the Market Risk assumed by the trading activity is insignificant as a whole.

The Company monitors the progression of the expected loss of the management portfolio given a trust level of 99% and a time horizon (1 day or 10 days) as a result of the variations of the risk factors that determine the price of the financial assets via the VaR indicator (Value at risk).

The VaR calculation is carried out with different methodologies:

- The parametric VaR assumes normalcy of the relative variations of the risk factors for the calculation of the expected loss of the portfolio given a trust level of 99% and a time horizon (1 day or 10 days).
- The diversified parametric VaR keeps in mind the diversification offered by the correlations of the risk factors (interest rates, exchange rates, shares listing, etc.). It is the standard measure.
- The non-diversified parametric VaR assumes the lack of diversification among those factors (correlations equal to 1 or -1 according to the case), and is useful in stress or change periods of the risk factors correlations.
- The Historic Simulation VaR uses the relative variations made in the last year of the risk factors to generate the scenarios in which the loss potential of the portfolio is evaluated given a trust level of 99% and a time horizon.

- The Shortfall VaR measures, given a calculated VaR at 99% and with a time horizon of 1 day, the expected loss in 1% of the worst results beyond the VaR. It provides an average of the losses in case of breakage of the VaR.
- In any case, the impact in absolute terms of the VaR is relativised regarding capital.

Thus, at 31 December 2020, the measurement of VaR presents the following values:

Thousands of euros **Confidence level: 99%**	**Parametric diversified VaR**	**Parametric VaR vs *PR.***	**Parametric non-diversified VaR**	**Parametric non-diversified VaR vs *PR.***	**Historical Simulation VaR**	**Historical Simulation VaR vs PR.**	**Shortfall VaR**	**Shortfall VaR vs PR.**
Time horizon: 1 day	(5,422)	0.16%	(9,831)	0.29%	(4,411)	0.13%	(5,430)	0.16%
Time horizon: 10 days	(17,147)	0.51%	(31,089)	0.93%				

The calculation on 31 December 2019 of the VaR, presented the following values:

Thousands of euros **Confidence level: 99%**	**Parametric diversified VaR**	**Parametric VaR vs *PR.***	**Parametric non-diversified VaR**	**Parametric non-diversified VaR vs *PR.***	**Historical Simulation VaR**	**Historical Simulation VaR vs PR.**	**Shortfall VaR**	**Shortfall VaR vs PR.**
Time horizon: 1 day	(29,832)	0.90%	(51,035)	1.53%	(71,550)	2.15%	(85,077)	2.55%
Time horizon: 10 days	(94,337)	2.83%	(161,387)	4.84%				

Likewise, and supplementing the VaR analysis, stress tests have been performed that analyse the impact of different scenarios of the risk factors on the value of the portfolio being measured.

b) Counterparty risk

The limits authorised by the Board of Directors are established by investment volume weighted by the borrower's credit rating, the term of the investment and the instrument type.

Additionally, the legal limits are respected for the concentration and grand exposures in application of Regulation (EU) No. 575 / 2013.

The monitoring systems ensure that the consumed risks are kept within the established limits at all times. They incorporate controls regarding the variations produced in the ratings, and in general of the borrower's solvency.

Among the techniques for counterparty risk mitigation appear the compensation or netting master agreements, the guarantee agreements, the reduction of portfolios in the case of adverse credit events, the reduction of the lines of risk in the case of decreases in the rating or negative news of some company and the timely monitoring of the companies' financial information.

With those entities with whom they have agreed on a compensation of risks and an agreement on guarantee contribution, in accordance with the requirements demanded by the Bank of Spain, the risk may be computed by the net resulting position.

3.9.2 Exchange rate risk management

It is defined as the possibility of incurring in losses derived from the negative fluctuations in the exchange rates of the currencies in which the assets, liabilities and transactions are denominated off the Company's balance sheet.

The Company does not maintain significant positions in foreign currency in a speculative nature. They do not hold open positions in foreign money that is not speculative of a significant amount either.

The Company's policy is to limit this type of risk, mitigating it generally speaking, at the time it presents itself via the agreement on symmetrical active or passive transactions or via financial derivatives that allow their coverage.

3.9.3 *Exposure to sovereign debt*

Below, the following information is detailed regarding the exposure to sovereign debt, which includes all the positions with public entities, on 31 December 2020 and 2019:

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

	Thousands of euros	
	2020	**2019**
Spain	11,149,836	10,730,565
Italy	1,025,440	1,031,382
Portugal	89,445	52,617
France	23,494	22,760
United States	-	-
Other	10,694	6,646
Total gross amount	**12,298,909**	**11,843,970**
(Impairment losses)	*(821)*	*(2,229)*
Total net amount	**12,298,088**	**11,841,741**
Of which: from the insurance company	4,893,693	5,257,410

- Breakdown of the carrying amount of the exposure per portfolio in which the assets are recorded:

	Thousands of euros	
	2020	**2019**
Financial assets held for trading	-	-
Financial assets at fair value through profit or loss	7,416	7,504
Financial assets at fair value through other comprehensive income	4,838,244	5,723,384
Financial assets at amortised cost	7,453,249	6,113,082
	12,298,909	**11,843,970**
Of which: from the insurance company	4,893,693	5,257,410

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

- Breakdown of the term to residual maturity of the exposure per portfolio in which the assets are recorded:

	Thousands of euros					
	2020					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	1,347	6,069	-	**7,416**
Financial assets at fair value through other comprehensive income	51,287	458,161	835,536	717,024	2,776,236	**4,838,244**
Financial assets at amortised cost	9,330	251,571	264,504	1,885,920	5,041,924	**7,453,249**
Total	**60,617**	**709,732**	**1,101,387**	**2,609,013**	**7,818,160**	**12,298,909**
of which: from the insurance company	57,254	458,161	807,711	724,223	2,846,344	4,893,693

	Thousands of euros					
	2019					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	-	5,612	1,892	**7,504**
Financial assets at fair value through other comprehensive income	306,219	504,136	1,027,786	823,322	3,061,921	**5,723,384**
Financial assets at amortised cost	134,545	95,109	489,323	396,816	4,997,289	**6,113,082**
Total	**440,764**	**599,245**	**1,517,109**	**1,225,750**	**8,061,102**	**11,843,970**
of which: from the insurance company	180,313	504,136	982,417	812,324	2,778,220	5,257,410

- Other information

  - Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets designated at fair value through profit or loss and the portfolio of financial assets at fair value through other comprehensive income matches the carrying amount indicated above.

    Note 26 specifies the valuation methodology of the portfolio of financial assets at amortised cost, in which it is observed that the fair value detailed does not differ significantly from the carrying amount. The fair value associated to the sovereign risk is obtained via valuation techniques from level 1 (the description of them is given in Note 26).

  - A 100-basis point shift in the interest rate would have an effect on fair value of (-5.85%) (-6.76% in 2019).

3.9.4 Reputational risk management

Reputational risk is defined as the unfavourable impact that an event may cause in the corporate reputation of the entities that form part of the Group. It is associated to a negative perception on behalf of the interest groups (customers, employees, company in general, regulators, shareholders, suppliers, counterparties, investors, market analysts, etc.) that affects the capacity of the Group to maintain the existing business relationships or establish new ones.

The management of this risk aims at protecting one of the main intangible assets, corporate reputation, by preventing events that may have an adverse effect.

Reputational risk has a wide relationship with the rest of the risks due to the amplifying effect that it can have on them. In the majority of the occasions, reputational risk appears due to the materialisation of other risks that could affect any of the entities of the Group, especially with the regulatory risk or regulatory incompliance (imposing sanctions, especially in the case that they were presented to the public). To do so, the policies and procedures directed at ensuring the compliance of the applicable regulations, whether internal or external, are added.

Additionally, and as a key function of control, to mitigate the risk of suffering possible negative impacts derived from regulatory incompliance, the Company and different financial institutions of the Group have a verification function for regulatory compliance, with supervisory powers in areas especially relevant such as the prevention of money laundering and terrorism financing, the protection of the investor in the sale of financial instruments and lending of investment services (MIFID), the behaviour regulations in the area of Stock Market, the regulations on communication of transactions suspected of abusing the market, etc.

The Group grants, therefore, the maximum relevancy to the management of the corporate reputation as a method to prevent, avoid and/or manage possible reputational risks, and for its positive impact on the creation of value. Reputation metrics are constructed and regularly measured so as to monitor the perception of the Company by the general public, customers and employees and the Group's evolving footprint in social media. The results are the basis for identifying strong points, improvement areas, possible focuses for reputational risk and to elaborate the action plans to improve the reputation.

In 2020, the Company continued to measure its reputational risk, identifying strengths and areas for improvement and continuing action plans to enhance its reputation involving the Company's main areas.

4. Appropriation of profit and earnings per share

4.1 Appropriation of profit

The proposed appropriation of the profit of Ibercaja Banco, S.A. from 2020, which the Board of Directors will propose for its approval to the General Shareholders' Meeting, and that which was approved from 2019 are the following:

	Thousands of euros	
	2020	**2019**
Distribution		
To dividends:	3,849	17,500
To retained earnings:		
Legal reserve	-	-
Voluntary reserve	*4,122*	*54,693*
Profit/(loss) for the year	**7,971**	**72,193**

As a consequence of the economic impacts generated by COVID-19, and with the aim of preserving the regulatory capital of credit institutions, the European Central Bank issued a recommendation on 27 March 2020 urging European banks under its supervision, including Ibercaja Banco, to refrain, at least until 1 October 2020, from distributing dividends or entering into irrevocable commitments to distribute dividends for 2019 and 2020, as well as from share buy-backs to remunerate shareholders. This recommendation was updated on 27 July 2020, extending the limitation until 1 January 2021.

Subsequently, on 15 December 2020, the European Central Bank again amended its recommendation, urging banks to be very prudent in deciding on dividend amounts or in repurchasing shares to remunerate shareholders until 30 September 2021. It also urges credit institutions that intend to implement dividend or share buy-back measures to remunerate shareholders to contact their joint supervisory teams, in the framework of the supervisory dialogue, to discuss the prudence of such measures.

The General Shareholders' Meeting of Ibercaja Banco held on 30 March 2020 approved the distribution of a dividend out of the profit for 2019 for the amount of 17,500 thousand euros. However, due to the situation described above, the General Shareholders' Meeting signed a resolution on 3 April 2020, whereby the payment of the amount of the profit for the year earmarked for dividends was conditioned to a new resolution of this governing body, which should take place once the uncertainties caused by the pandemic situation had disappeared. On 7 October 2020, the Extraordinary General Meeting of Ibercaja Banco, S.A., held in writing and without a meeting, once again authorised, bearing in mind that the distribution of dividends was approved by the Ordinary General Meeting held on 30 March, the distribution to shareholders of the dividend for 2019 for the amount of 17,500 thousand euros which was paid on 13 October 2020.

Additionally, and following the recommendations of the European Central Bank mentioned above, the Board of Directors will propose to the General Shareholders' Meeting that they agree on distributing a dividend paid from profits from 2020 amounting to 3,849 million euros.

4.2 Earnings per share

Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year by the weighted average number of outstanding shares, excluding the average number of treasury shares held, during that period.

Diluted earnings per share: for its calculation, both the amount of profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all dilutive effects inherent in potential ordinary shares (share options, warrants and convertible debt).

Basic and diluted earnings per share at 31 December 2020 and 2019 are detailed below:

	31/12/2020	31/12/2019
Earnings per share numerator		
Profit/(loss) attributed to the parent (thousands of euros)	23,602	83,989
Adjusted profit (thousands of euros)	23,602	83,989
Earnings per share denominator		
Average weighted number of shares	214,427,597	737,865,930
Basic and diluted earnings per share (euros)	**0.11 €**	**0.11 €**

As at 31 December 2020 and 2019 there are no dilutive effects on the earnings per share calculation.

5. Information on the Board of Directors and Senior Management

Under the provisions of the Bank of Spain Circular 4/2017, the "key management personnel and executives" at Ibercaja Banco, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any member of the Board of Directors and Senior Management. By virtue of their positions, this group of persons is considered a "related party" and, as such, subject to the disclosure requirements described in this Note.

Persons who have certain kinship or personal relationships with "key management personnel and executives" are also considered related parties, along with controlling companies, with significant influence or significant voting rights from key personnel or any of the persons in their family environment. The transactions carried out by the Ibercaja Banco Group with related parties are disclosed in Note 43.

5.1 Remuneration to the Board of Directors

The remunerations and other benefits received in 2020 by the members of the Board of Directors of the Company, in their status as Directors, or Secretary of the Board of Directors, is detailed below by item individually:

		Thousands of euros						
Members of the Board of Directors	**Position**	**Remuneration**		**Attendance fees**	**Life insurance premiums**	**Remuneration for membership on board committees**	**Other items**	**Total**
		Fixed	**Variable**					
José Luis Aguirre Loaso	Chairman	360.9	-	28.0	13.8	-	6.7	409.4
Jesús Bueno Arrese	First Deputy Chairman	-	-	42.0	31	-	4.3	77.3
Victor Iglesias Ruiz	Chief Executive Officer	395.2	139.2	28.0	1.6	-	5.5	569.5
Jesús Solchaga Loitegui	Member	-	-	28.7	-	30.4	4.2	63.3
Gabriela González-Bueno Lillo	Member	-	-	17.5	6.5	19.0	1.8	44.8
Vicente Cóndor López	Member	-	-	44.8	4.8	45.6	3.0	98.2
Jesús Tejel Giménez	Member	-	-	41.3	3.4	26.6	5.5	76.8
Félix Longás Lafuente	Member	-	-	27.3	3.7	-	6.7	37.7
Emilio Jiménez Labrador	Member	-	-	42.7	-	-	0.6	43.3
Enrique Arrufat Guerra	Member	-	-	18.2	4.9	-	6.7	29.8
María Pilar Segura Bas	Member	-	-	23.1	2.3	-	5.5	30.9
Jesús Barreiro Sanz	Non-Director Secretary	-	-	52.5	5.1	-	6.7	64.3

The remunerations and other benefits received in 2019 by the members of the Board of Directors of the Company, in their status as Directors, or Secretary of the Board of Directors, is detailed below by item individually:

Members of the Board of Directors	Position	Remuneration Fixed	Remuneration Variable	Attendance fees	Life insurance premiums	Remuneration for membership on board committees	Other items	Total
		Thousands of euros						
José Luis Aguirre Loaso	Chairman	358.0	-	26.6	12.6	-	6.7	403.9
Jesús Bueno Arrese	First Deputy Chairman	-	-	42.7	27.8	-	4.2	74.7
Victor Iglesias Ruiz	Chief Executive Officer	389.6	118.7	26.6	1.5	-	5.5	541.9
Jesús Solchaga Loitegui	Member	-	-	20.3	-	30.4	5.5	56.2
Gabriela González-Bueno Lillo	Member	-	-	31.5	5.9	45.6	1.8	84.8
Vicente Cóndor López	Member	-	-	43.4	4.4	45.6	3.0	96.4
Jesús Tejel Giménez	Member	-	-	26.6	3.2	-	5.5	35.3
Félix Longás Lafuente	Member	-	-	19.6	3.5	-	6.7	29.8
Emilio Jiménez Labrador	Member	-	-	28.0	-	-	0.6	28.6
Enrique Arrufat Guerra	Member	-	-	16.8	4.3	-	6.7	27.8
María Pilar Segura Bas	Member	-	-	18.2	2.2	-	5.4	25.8
Jesús Barreiro Sanz (1)	Non-Director Secretary	-	-	52.5	4.7	-	6.7	63.9
Jorge Simón Rodríguez (2)	Member	-	-	7.7	1.9	-	0.4	10.0
Juan María Pemán Gavín (2)	Member	-	-	21.7	2.3	-	0.4	24.4

(1) Director of the Company who resigned as a member on 29 August 2019. However, he continues to hold the position of Secretary to the Board of Directors and its committees as a non-director secretary.
(2) Company Director who resigned from his/her position on 29 August 2019

With respect to the attendance allowances to be received by the proprietary director appointed by the shareholder foundation Fundación Ordinaria Caja Badajoz, it is noted that:

- Generally, the attendance allowances are allocated, for the purposes of the above information, to the proprietary director appointed at the request of the mentioned shareholder foundation, although in the application of the sectoral legislation applicable to him, and inasmuch as the director is part of their governance and management bodies, they have been directly paid to the shareholder foundation.

In the section “Remuneration for membership on board committees”, the gross amounts accrued by the Chairmen of the internal committees of the Board of Directors are calculated.

In the section “Other concepts” the insurance premiums other than life insurance (health and accident) are included.

The Company does not have any pension obligations with former or current members of the Board of Directors in their capacity as such.

5.2 Remuneration of Senior Management

For the purposes of preparing the financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee).

As of 31 December 2020, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management.

The remunerations accrued by Senior Management are shown in the following table, as was previously defined, for 2020 and 2019:

	Short-term remuneration		Post-employment benefits		Total	
Thousands of euros	2020	2019	2020	2019	2020	2019
Senior Management	2,626	2,417	184	150	**2,810**	**2,567**

Remunerations for pensions or life insurance premiums were not registered in the year for former members of Senior Management.

5.3 Duties of loyalty of the Directors

As of 31 December 2020, with respect to the requirements of articles 229 and 230 of the Corporate Enterprises Act, the members of the Ibercaja Banco Board of Directors, as well as the persons related thereto referenced in article 231 of the aforementioned Law, have confirmed that they do not carry out, on their own account or the account of others, activities which actually or potentially constitute effective competition with those carried out by the Company or which, in any other way, permanently conflict with the Company's interests.

5.4 Transactions with significant shareholders

During 2020 and 2019, there have been no transactions outside the ordinary course of business or other than at arm's length with significant shareholders, except:

- Service level agreement (legal, fiscal, technological, marketing, communication, etc. council) formalised with Fundación Bancaria Ibercaja for the amount of 142,867 euros (247,794 euros as of 31 December 2019).
- Rental of Ibercaja Banco property used by Fundación Bancaria Ibercaja to carry out its activities for the amount of 149,559 euros (134,630 euros as at 31 December 2019).
- Service level agreement (use and management of installations, artistic assets, etc.) by Fundación Bancaria Ibercaja to Ibercaja Banco for the amount of 1,028,627 euros (860,437 euros as at 31 December 2019).

All the transactions to be formalised with the shareholder foundations are previously reported by the Audit and Compliance Committee and subject to the approval of the Board of Directors.

6. Cash and cash balances at central banks and other demand deposits

The balances in this consolidated balance sheet heading as at 31 December 2020 and 2019 were as follows:

	Thousands of euros	
	2020	**2019**
Cash	239,019	227,234
Cash balances at central banks	7,079,491	3,444,265
Other demand deposits	254,099	257,703
	7,572,609	**3,929,202**

The average effective interest rate on debt instruments classified in this portfolio during 2020 was (-0.32%) (-0.57% during 2019).

7. Financial assets and liabilities held for trading

7.1 Breakdown of the balance and maximum credit risk - debit balances

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	4,869	7,268
Rest of the countries in the European Monetary Union	518	1,562
Rest of the world	116	133
	5,503	**8,963**
By counterparty classes		
Credit institutions	2,138	5,115
Resident public administrations	-	-
Other resident sectors	3,365	3,848
	5,503	**8,963**
By type of instruments		
Debt securities	-	-
Derivatives not traded in organised markets	5,503	8,963
	5,503	**8,963**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

7.2 Breakdown of the balance - credit balances

The financial liabilities included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	4,001	7,163
Rest of the countries in the European Monetary Union	436	714
Rest of the world	1,193	1,592
	5,630	**9,469**
By counterparty classes		
Credit institutions	5,553	9,469
Other resident sectors	77	-
Other non-resident sectors	-	-
	5,630	**9,469**
By type of instruments		
Derivatives not traded in organised markets	5,630	9,469
Of which: segregated embedded derivatives of hybrid financial instruments	-	-
	5,630	**9,469**

7.3 Financial derivatives held for trading

The details, by product type, of the fair and notional value of the financial derivatives held for trading as at 31 December 2020 and 2019 are shown below:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2020	2019	2020	2019
Not matured foreign currency purchases and sales	**400**	**157**	**-**	**-**
Security/index options	**-**	**-**	**377**	**387**
Interest rate options	**5**	**12**	**494**	**707**
Other interest rate transactions	**5,098**	**8,794**	**4,759**	**8,375**
Interest rate swaps (IRSs)	5,098	8,794	4,759	8,375
	5,503	**8,963**	**5,630**	**9,469**

	Thousands of euros	
	Notional	
	2020	2019
Not matured foreign currency purchases and sales	**26,148**	**40,882**
Security/index options	**7,550**	**10,259**
Interest rate options	**-**	**-**
Security/index embedded derivatives	**-**	**-**
Other interest rate transactions	**152,396**	**239,538**
Interest rate swap embedded derivatives	-	-
Retail market derivatives	84,845	127,797
Distribution of derivatives	67,551	111,741
	186,094	**290,679**

In addition to the balances detailed in the previous table, the notional value of the securities options (credit balances) derived from the return guarantee granted by the Group to Investment Funds commercialised by it amounts to 811,107 thousand euros as at 31 December 2020 (1,025,238 thousand euros as at 31 December 2019).

8. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	2019
By geographical areas		
Spain	827,953	309,683
Rest of the countries in the European Monetary Union	-	40,145
Rest of Europe	28,009	28,288
Total gross amount	**855,962**	**378,116**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	(2,241)	(2,231)
Total net amount	**853,721**	**375,885**
Of which: equity instruments related to the insurance activity	*824,170*	*284,905*
Of which: debt securities related to the insurance activity	*28,009*	*68,433*
By counterparty classes		
Credit institutions	28,009	68,433
Other resident sectors	827,953	309,683
	855,962	**378,116**
By type of instruments		
Debt securities	28,009	78,783
Credits and loans	3,783	14,428
Shares	-	-
Ownership interests in Investment Funds	824,170	284,905
	855,962	**378,116**

The Group classifies financial assets to this portfolio when their contractual terms do not give rise to cash flows consisting solely of principal and interest payments (SPPI test). The portfolio also includes equity assets (investment fund units) that are managed jointly with insurance liabilities ("Unit linked") measured at fair value, which make up almost the entire balance.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2020, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), has decreased the value of the subordinated debt it holds in this entity by 10,350 thousand euros, with a charge to "Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net" in the consolidated income statement. As at 31 December 2020, the decrease in the fair value of this financial instrument amounts to 20,371 thousand euros, reducing the carrying amount of this asset to zero (carrying amount of 10,350 thousand euros as at 31 December 2019).

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 0.24% (0.38% during 2019).

9. Financial assets at fair value through profit or loss

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	5,473	5,612
Rest of the countries in the European Monetary Union	3,129	3,327
	8,602	**8,939**
By counterparty classes		
Credit institutions	1,186	1,435
Resident public administrations	5,473	5,612
Non-resident public administrations	1,943	1,892
Other resident sectors	-	-
Other non-resident sectors	-	-
	8,602	**8,939**
By type of instruments		
Debt securities	8,602	8,939
Ownership interests in Investment Funds	-	-
	8,602	**8,939**

The Group classifies to this portfolio the fixed-income assets that are managed jointly with insurance contract liabilities ("Unit linked") measured at fair value.

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

10. Financial assets at fair value through other comprehensive income

10.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	**2019**
By geographical areas		
Spain	5,205,938	6,185,832
Rest of the countries in the European Monetary Union	1,306,002	1,326,637
Rest of Europe	165,522	208,201
Rest of the world	352,478	373,759
Total gross amount	**7,029,940**	**8,094,429**
(Impairment losses)	(6,612)	(7,999)
Total net amount	**7,023,328**	**8,086,430**
Of which: equity instruments related to the insurance activity	*30,417*	*27,285*
Of which: debt securities related to the insurance activity	*6,504,697*	*6,939,326*
By counterparty classes		
Credit institutions	616,258	630,981
Resident public administrations	4,418,272	5,303,196
Non-resident public administrations	419,972	420,188
Other resident sectors	497,111	564,268
Other non-resident sectors	1,078,327	1,175,796
Total gross amount	**7,029,940**	**8,094,429**
By type of instruments		
Debt securities:	6,676,068	7,696,598
Public sector debt	*4,264,454*	*5,042,960*
Other public administrations	*153,817*	*260,808*
Foreign government debt securities	*419,972*	*419,616*
Issued by financial institutions	*603,447*	*625,411*
Other fixed-income securities	*1,234,378*	*1,347,803*
Other equity instruments:	353,872	397,831
Shares in listed Spanish companies	*74,373*	*67,878*
Shares in non-listed Spanish companies	*136,796*	*184,649*
Shares in listed foreign companies	*84,606*	*103,281*
Shares in non-listed foreign companies	*45*	*45*
Ownership interests in Investment Funds	*48,583*	*33,234*
Ownership interests in Venture Capital Funds	*9,469*	*8,744*
Total gross amount	**7,029,940**	**8,094,429**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

In 2019, the Company, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), decreased the value of the interest it held in this entity by 7,147 thousand euros, with a charge to consolidated equity. At 31 December 2019, the decrease in the fair value of this ownership interest amounted to 48,629 thousand euros and the ownership interest has been fully impaired since then.

The entirety of losses from impairment related to the hedge against credit risk of debt securities, which are reversible, are detailed in the table above.

This heading includes a balance of 113,717 thousand euros (160,440 thousand euros at 31 December 2019) relating to the shareholding in Caser. In this respect, on 24 January 2020, Ibercaja Banco, S.A. signed a contract of sale with Helvetia Schweizerische Versicherungsgesellschaft AG for part of its shareholding in Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A. ("Caser"), which represents 4.45% of the share capital and voting rights of this company. On 25 June 2020, Ibercaja obtained the relevant regulatory authorisations to formalise the aforementioned sale and purchase, which was completed for a final price of 53 million euros. The recording of this transaction has entailed a reclassification between equity items, from "Other accumulated comprehensive income" to "Other reserves" in the amount of 32 million euros. Ibercaja holds a 9.5% stake in Caser.

The positive impact of this sale on Ibercaja's fully-loaded Common Equity Tier 1 (CET1) ratio was estimated at approximately 24 basis points.

Additionally, Ibercaja formalised an agreement for a modifying novation of its non-life insurance distribution contract on the same date with Caser (through the linked bancassurance operator, Ibercaja Mediación de Seguros, S.A.U.)

This novation has meant for Ibercaja, in addition to the full maintenance of the distribution fees, the collection of an initial fixed fee of 70 million euros not subject to review and not adjustable for any circumstance or event as supplementary consideration for the performance of insurance mediation activities as well as the collection of the variable payment for the total fulfilment of the Business Plan of the previous agency contract, which is settled with the signing of this new agreement.

The accounting policy applied in the Condensed Consolidated Interim Financial Statements as at 30 June 2020 was to recognise 53 million euros under "Other operating income" in the consolidated income statement, in accordance with a reasonable interpretative approach to the applicable standard (IFRS 15) supported by external expert reports and with the external auditor's agreement.

However, the application of the standard to this specific case is of a certain technical complexity, with different interpretations being admitted, so that, following the interpretation of the Spanish Securities and Exchange Commission, only 15 million euros has been recognised in the consolidated profit and loss account at year-end (see Note 36). The remaining amount of the initial fixed fee already paid, i.e. 55 million euros, is being accrued in the consolidated profit and loss account in accordance with the provisions of the aforementioned standard.

Finally, the signing of this contract will result in additional profit-sharing payments of up to 50 million euros over the next 10 years. Such receipts shall be recorded as revenue on an accruals basis.

The average effective interest rate on debt instruments classified in this portfolio during 2019 was 2.01% (1.80% during 2019), which includes the effect of the revenue reversals from risk hedging for interest rate risk.

10.2 Impaired debt securities

At 31 December 2020 and 2019 there were no impaired debt securities.

10.3 Credit risk hedges and others

The changes in the impairment losses recognised to cover the credit risk of the debt instruments included in this portfolio in 2020 and 2019 are presented below:

	Thousands of euros	
	2020	**2019**
Opening balance	**7,999**	**10,874**
Transfer charged to profit for the year	10,903	8,745
Reversal of provisions taken to income statement	(9,603)	(9,987)
Amounts used	(3,257)	(1,956)
Exchange differences and other movements	570	323
Closing balance	**6,612**	**7,999**
Of which:		
- Individually determined	-	1,748
- Collectively determined	6,612	6,251

The impairment losses indicated in this Note are recognised in the consolidated income statement under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at fair value through other comprehensive income)".

11. Financial assets at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Debt securities (Note 11.2)	8,474,312	7,218,228
Loans and advances	31,252,513	32,550,540
Credit institutions (Note 11.3)	311,651	643,792
Customers (Note 11.4)	30,940,862	31,906,748
	39,726,825	**39,768,768**

11.1 Breakdown of the balance and maximum credit risk

The financial assets included in this category as at 31 December 2020 and 2019 are detailed below, classified by geographical areas, counterparty classes and type of instrument:

	Thousands of euros	
	2020	2019
By geographical areas		
Spain	39,304,955	38,947,449
Rest of the countries in the European Monetary Union	70,310	73,007
Rest of the world	996,660	1,390,700
Total gross amount	**40,371,925**	**40,411,156**
(Impairment losses)	(645,100)	(642,388)
Total net amount	**39,726,825**	**39,768,768**
Of which: debt securities related to the insurance activity	*160,465*	*186,262*
Of which: loans and advances related to the insurance activity	*28,428*	*43,811*
By counterparty classes		
Credit institutions	377,111	726,904
Resident public administrations	6,726,092	5,422,601
Non-resident public administrations	727,157	691,484
Other resident sectors	32,387,036	33,349,874
Other non-resident sectors	154,529	220,293
Total gross amount	**40,371,925**	**40,411,156**
By type of instruments		
Debt securities	8,474,475	7,218,577
Credits and loans	29,633,919	30,284,184
Reverse repurchase agreements	1,727,248	1,722,144
Other	536,283	1,186,251
Total gross amount	**40,371,925**	**40,411,156**

The carrying amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument, except for:

- The asset corresponding to the current value of the fees outstanding on financial guarantees, registered under "Other" (in the breakdown by type of instruments), amounts to 1,456 thousand euros as at 31 December 2020 (1,703 thousand euros as at 31 December 2019). In Note 27.1, the nominal value of the financial guarantees is broken down, which implies the maximum level of exposure to the credit risk.

  This item also includes the balances of "Other financial assets" detailed in notes 11.3 and 11.4.

- The assets transferred to securitisation funds that were not derecognised from the balance, in accordance with that stipulated in Note 2.8, shall be registered under heading "Credits and loans" (in the breakdown by type of instruments) and as at 31 December 2020 they amounted to 2,441,430 thousand euros (2,746,243 thousand euros as at 31 December 2019), with their breakdown detailed in Note 27.5. The maximum level of exposure to credit risk is collected by the value of all the positions of the Group in the mentioned securitisation funds, which amounts to 2,249,870 thousand euros as at 31 December 2020 (2,514,856 thousand euros as at 31 December 2019). The amount of the bonds issued by the securitisation funds that were subscribed by third parties outside to the Group amounts to 326,522 thousand euros as at 31 December 2020 (377,655 thousand euros as at 31 December 2019), with their breakdown detailed in Note 19.4.

11.2 Debt securities

The breakdown by financial assets included in the debt securities category as at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Debt securities	**8,474,475**	**7,218,577**
Impaired assets	-	-
Total gross amount	**8,474,475**	**7,218,577**
(Impairment losses)	(163)	(349)
Total net amount	**8,474,312**	**7,218,228**

This heading includes, among others, SAREB bonds, with an irrevocable guarantee from the Spanish central government, whose nominal value at 31 December 2020 was 1,653,300 thousand euros (1,702,200 thousand euros at 31 December 2019).

In 2020, the Group sold a debt securities portfolio for a nominal value of 1,381,770 thousand euros, of which 300,000 thousand euros was sold in the form of a forward sale. This sale was made in response to the extraordinary circumstances of the COVID-19 pandemic and the unusual scale of the challenges involved. This extraordinary sale transaction is consistent with the business model under which the assets concerned are managed (Maintenance of financial assets to receive their contractual cash flows, Note 2.2.4) in accordance with IFRS 9 and the Group's policies and methodological manuals. The gain or loss on the cash sale of securities amounted to 114,619 thousand euros and was recognised under “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost” in the consolidated income statement (Note 34).

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 0.66% (0.88% during 2019).

11.3 Credit institutions

The breakdown of the financial assets included in the “credit institutions” category at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Time or at notice:	**106,391**	**106,391**
Reverse repurchase agreements	106,391	106,391
Other accounts	-	-
Other financial assets:	**205,394**	**537,498**
Cheques payable by credit institutions	1,218	1,152
Cash guarantees	167,513	395,853
Other items	36,663	140,493
Impaired assets	**-**	**-**
Valuation adjustments	**(134)**	**(97)**
Total gross amount	**311,651**	**643,792**
(Impairment losses)	**-**	**-**
Total net amount	**311,651**	**643,792**

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 0.06% (0.05% during 2019).

11.4 Customers

The breakdown by financial assets included in the Loans and advances to customers category as at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Credits and loans	**29,633,919**	**30,284,184**
Commercial loans	450,769	578,278
Secured loans	20,754,757	21,397,683
Other term loans	6,240,819	5,883,115
Finance leases	463,997	525,452
Receivables on demand and others	633,133	542,924
Impaired assets	1,010,697	1,290,930
Valuation adjustments	79,747	65,802
Reverse repurchase agreements	**1,620,857**	**1,615,753**
Other financial assets	**331,023**	**648,850**
Financial transactions pending settlement	165	9,007
Cash guarantees	170,244	230,902
Financial guarantee fees	1,456	1,828
Other items	159,158	407,113
Total gross amount	**31,585,799**	**32,548,787**
(Impairment losses)	(644,937)	(642,039)
Total net amount	**30,940,862**	**31,906,748**

On 27 June 2019, Ibercaja Banco, S.A. entered into a contract for the sale of a loan book of mostly NPLs with a nominal value of 534 million euros to Melf Investment Holding II, S.A.R.L. The negative impact of the operation, 27 million euros, is registered under heading “Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss” of the profit and loss account (Note 34).

Also, on 24 December 2019, Ibercaja Banco, S.A. arranged the sale to DSSV, S.A.R.L. of a loan book in doubtful status for a overall nominal debt amount of 73 million euros. The negative impact of the operation, 15 million euros, is registered under heading “Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss” of the profit and loss account (Note 34).

Finance leases in which the Group is the lessor are described below:

- The interest rate is variable.
- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise this purchase option, its value is recorded as a debt claim together with the rest of the minimum payments to be made by the lessee.

Details of finance leases for the year are as follows:

- At 31 December 2020, the gross investment totals 463,997 thousand euros (525,452 thousand euros at 31 December 2019).
- The present value of future minimum lease payments receivable during the non-cancellable part of the lease period (assuming that any existing rights to extend the lease or purchase options are not exercised) at 31 December 2020 is 162,993 thousand euros within one year, 264,216 thousand euros in one to five years and 35,547 thousand euros after more than five years.
- Unaccrued interest income totals 22,373 thousand euros in 2020 (25,470 thousand euros in 2019).

- The residual value of these leases amounts to 36,732 thousand euros at 31 December 2020 (41,410 thousand euros at 31 December 2019).

- Impairment adjustments to finance leases amount to 18,190 thousand euros at 31 December 2020 (10,604 thousand euros at 31 December 2019).

"Valuation adjustments" at 31 December 2020 included an amount of 31,262 thousand euros corresponding to the adjustment to the amortised cost of the covered assets pending accrual after the interruption of the macro-hedges described in Note 12.2 (42,600 million euros at 31 December 2019).

The average effective interest rate on debt instruments classified in this portfolio during 2020 was 1.24% (1.38% during 2019).

11.4.1. Overdue, impaired and unimpaired assets

There follows a breakdown of credit to customers considered to be impaired because of credit risk at 31 December 2020 and 2019, classified according to the period elapsed since the maturity of the oldest unpaid amount of each transaction at those dates:

	Thousands of euros					
	Not yet due	Up to 6 months	6 to 9 months	9 to 12 months	Over 12 months	Total
Balances as at 31 December 2020	142,193	48,278	45,422	50,962	723,842	**1,010,697**
Balances as at 31 December 2019	209,976	102,602	54,770	44,413	879,169	**1,290,930**

The detail of the impaired assets by counterparty classes is as follows:

	Thousands of euros	
	2020	2019
Resident public administrations	1.246	2.741
Other resident sectors	1.005.184	1.283.201
Other non-resident sectors	4.267	4.988
	1.010.697	**1.290.930**

In general, the matured assets are not considered impaired until the length of service of the default surpasses 90 days. The detail of the unimpaired matured assets by counterparty classes and length of service as at 31 December 2020 and 2019 is as follows:

	Thousands of euros 2020			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	68	73	-	141
Other resident sectors	23,903	4,923	3,768	32,594
Other non-resident sectors	49	13	11	73
	24,020	**5,009**	**3,779**	**32,808**

	Thousands of euros 2019			
	Less than one month	1 to 2 months	Between 2 months and 90 days	Total
Credit institutions	-	-	-	-
Resident public administrations	41	51	-	92
Other resident sectors	34,839	12,939	9,993	57,771
Other non-resident sectors	79	18	9	106
	34,959	**13,008**	**10,002**	**57,969**

11.5 Credit risk hedges and others

The changes in the gross balance of financial assets included in this category in 2020 and 2019 are presented below:

	Thousands of euros			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**
Transfers:	(337,589)	283,275	54,314	-
from stage 1 to stage 2:	*(765,894)*	*765,894*	-	-
from stage 1 to stage 3	*(51,474)*	-	*51,474*	-
from stage 2 to stage 3	-	*(94,279)*	*94,279*	-
from stage 3 to stage 2	-	*89,769*	*(89,769)*	-
from stage 2 to stage 1	*478,109*	*(478,109)*	-	-
from stage 3 to stage 1	*1,670*	-	*(1,670)*	-
Increases	10,529,728	327,290	39,446	10,896,464
Decreases	(10,225,782)	(335,920)	(182,082)	(10,743,784)
Transfers to write-offs	-	-	(191,911)	(191,911)
Other movements	-	-	-	-
Gross balance at 31 December	**37,683,374**	**1,677,854**	**1,010,697**	**40,371,925**

	Thousands of euros			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross balance at 1 January	**36,671,116**	**1,551,944**	**2,272,336**	**40,495,396**
Transfers:	(22,846)	(10,419)	33,265	-
from stage 1 to stage 2:	*(654,619)*	*654,619*	-	-
from stage 1 to stage 3	*(54,766)*	-	*54,766*	-
from stage 2 to stage 3	-	*(110,484)*	*110,484*	-
from stage 3 to stage 2	-	*128,666*	*(128,666)*	-
from stage 2 to stage 1	*683,220*	*(683,220)*	-	-
from stage 3 to stage 1	*3,319*	-	*(3,319)*	-
Increases	10,724,637	154,302	68,170	10,947,109
Decreases	(9,655,890)	(292,618)	(828,006)	(10,776,514)
Transfers to write-offs	-	-	(254,835)	(254,835)
Other movements	-	-	-	-
Gross balance at 31 December	**37,717,017**	**1,403,209**	**1,290,930**	**40,411,156**

The changes in impairment losses recognised to cover the credit risk of financial assets included in this category in 2020 and 2019 are presented below:

	Thousands of euros			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	-	*10,109*	*124,634*	*134,743*
- Collectively determined	*60,248*	*55,091*	*392,306*	*507,645*
Changes through profit or loss:	**(67,638)**	**122,431**	**169,384**	**224,177**
Increases in origination	31,715	-	-	31,715
Changes due to changes in credit risk	(64,041)	129,221	199,225	264,405
Changes in calculation method	-	-	-	-
Other	(35,312)	(6,790)	(29,841)	(71,943)
Changes other than through profit or loss:	**59,544**	**(55,301)**	**(225,708)**	**(221,465)**
Transfers:	59,544	(55,301)	(4,243)	-
from stage 1 to stage 2:	*(19,448)*	*19,448*	-	-
from stage 1 to stage 3:	*(354)*	-	*354*	-
from stage 2 to stage 3:	-	*(16,947)*	*16,947*	-
from stage 3 to stage 2	-	*21,253*	*(21,253)*	-
from stage 2 to stage 1	*79,055*	*(79,055)*	-	-
from stage 3 to stage 1	*291*	-	*(291)*	-
Existing provisions utilised	-	-	(198,823)	(198,823)
Other movements	-	-	(22,642)	(22,642)
Balance at 31 December	**52,154**	**132,330**	**460,616**	**645,100**
Of which:				
- Individually determined	-	*12,270*	*97,105*	*109,375*
- Collectively determined	*52,154*	*120,060*	*363,511*	*535,725*

	Thousands of euros			
	2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which:				
- Individually determined	*-*	*9,171*	*436,856*	*446,027*
- Collectively determined	*55,379*	*76,180*	*539,394*	*670,953*
Changes through profit or loss:	**(93,348)**	**61,001**	**166,552**	**134,205**
Increases in origination	34,561	-	-	34,561
Changes due to changes in credit risk	(105,082)	70,908	194,409	160,235
Changes in calculation method	-	-	-	-
Other	(22,827)	(9,907)	(27,857)	(60,591)
Changes other than through profit or loss:	**98,217**	**(81,152)**	**(625,862)**	**(608,797)**
Transfers:	98,217	(81,152)	(17,065)	-
from stage 1 to stage 2:	*(20,554)*	*20,554*	*-*	*-*
from stage 1 to stage 3:	*(360)*	*-*	*360*	*-*
from stage 2 to stage 3:	*-*	*(17,680)*	*17,680*	*-*
from stage 3 to stage 2	*-*	*31,822*	*(31,822)*	*-*
from stage 2 to stage 1	*115,848*	*(115,848)*	*-*	*-*
from stage 3 to stage 1	*3,283*	*-*	*(3,283)*	*-*
Existing provisions utilised	-	-	(591,357)	(591,357)
Other movements	-	-	(17,440)	(17,440)
Balance at 31 December	**60,248**	**65,200**	**516,940**	**642,388**
Of which:				
- Individually determined	*-*	*10,109*	*124,868*	*134,977*
- Collectively determined	*60,248*	*55,091*	*392,072*	*507,411*

The balance of provision utilisation in 2020 relates mainly to provisions covering transactions derecognised from the consolidated balance sheet amounting to 191,911 thousand euros (252,587 thousand euros in 2019). The balance of utilisations in 2019 additionally includes the provisions derecognised from the balance sheet for the loan portfolio, mostly non-performing loans, sold to Melf Investment Holding II, S.A.R.L. amounting to 305,035 thousand euros as well as the loan book sold to DSSV, S.A.R.L. amounting to 22,446 thousand euros.

“Other” includes releases generated by the write-downs of provisions for operations cancelled due to collections during the period. Write-downs of provisions in operations that have been removed from the balance sheet are included in the concept of “Use of provisions”.

The concept of “Other movements” includes the transfer of the non-performing loan allowance that the credit transaction had which were paid through the awarding or granting in payment for the overall or partial satisfaction of the debt, in accordance with the criteria described in Note 2.18.

The detail of the impaired losses by counterparty classes is as follows:

	Thousands of euros	
	2020	2019
Resident public administrations	821	2,229
Other resident sectors	641,948	637,581
Other non-resident sectors	2,331	2,578
	645,100	**642,388**

The various items recognised in 2020 and 2019 under “Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost” in the consolidated income statements for those years are presented below:

	Thousands of euros	
	2020	2019
Impairment losses credited to allowances for assets	224,177	134,205
Recovery of written-off assets	(5,831)	(8,326)
	218,346	**125,879**

The movement of the consolidated Loans and receivables derecognised in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Balances as at the start of the year	**818,454**	**732,549**
Use of the Accumulated impairment balance	132,495	173,485
Contractually required interests	24,506	33,248
Direct write-down to the profit and loss account	-	-
Main cash payment to the counterparties	(5,618)	(8,106)
Interest cash payment to the counterparties	(213)	(220)
Forgiveness	(66,975)	(53,640)
Limitation period	(384)	(4,406)
Foreclosure of tangible assets	(2,524)	(4,178)
Debt refinancing or restructuring	-	-
Sales	(268,615)	(38,527)
Other items	-	(11,751)
Balance at the close of the year	**631,126**	**818,454**

“Sales” in 2020 mainly includes the impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. In 2019 this item included the sale of a portfolio of mainly non-performing loans for a total of 38 million euros to Melf Investment Holding II, S.A.R.L.

The accrued interest pending payment, registered in memorandum accounts, associated with impaired financial assets, amounts to 51,073 thousand euros as at 31 December 2020 (62,950 thousand euros as at 31 December 2019).

11.6 Impact of COVID-19 on classification and impairment of financial instruments (IFRS 9)

11.6.1. Measures implemented to mitigate the impacts of COVID-19

On 18 March 2020, Royal Decree-Law 8/2020 of 17 March on extraordinary urgent measures to address the economic and social impact of COVID-19 was published. On 1 April, Royal Decree-Law 11/2020 of 31 March was published, adopting urgent additional measures in the social and economic sphere to deal with COVID-19, which amended the previous Royal Decree-Law 8/2020, introducing modifications that improve or extend it.

One of the measures developed by these Royal Decrees is aimed at ensuring the protection of mortgage debtors in a situation of economic vulnerability, establishing a moratorium on the payment of their mortgage on their principal residence, loans secured by real estate used for economic activity, those secured by housing that was intended for rental and in which the debtor has ceased to receive rent due to the COVID-19 situation, as well as loan and credit contracts without mortgage collateral, including consumer loans. Banks could enter into such transactions until 29 September 2020.

It should be noted that, after the close of the 2020 financial year and prior to preparing these consolidated annual accounts, Royal Decree-Law 3/2021 of 2 February was published, adopting measures to reduce the gender gap and other matters in the Social Security and economic fields, which includes the measure to extend the application period for moratoriums, in line with the extension of the effects of the pandemic. In this way, the beneficiaries of any moratoriums, whether legal or under a sector understanding, are allowed to take advantage of them for a maximum cumulative duration of nine months, including those who had initially requested a moratorium for a shorter period. The deadline to apply for these moratoriums is extended to 31 March 2021.

Another of the measures adopted in Royal Decree-Law 8/2020 addressed the difficult economic situation that companies and the self-employed would have to face as a result of the health crisis by creating a 100 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their liquidity needs. This line has been managed by the Official Credit Institute (ICO) and its objective is to facilitate granting sufficient liquidity to maintain employment and alleviate the economic effects of COVID-19. Institutions may enter into such transactions until 1 June 2021, provided that they do not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

Similarly, on 3 July 2020, Royal Decree-Law 25/2020 was published, approving the creation of a 40 billion euro line of guarantees on behalf of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their needs for new investments. Institutions may enter into such transactions until 1 June 2021, provided that they do not exhaust the amounts of guaranteed financing granted by the Instituto de Crédito Oficial before then.

In addition, the publication of Royal Decree-Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in the area of taxation, in addition to extending the application period for these publicly-guaranteed financing transactions until 1 June 2021, lays down an extension of the maturity and grace periods of these transactions for all debtors who so request. Specifically, the maturity of these transactions will be extended by a maximum of three years, provided that the total maturity of the guaranteed transaction does not exceed eight years from the date of the initial formalisation of the transaction, and the grace period for the repayment of the principal of the guaranteed transaction will be increased by a maximum of twelve additional months, if the total grace period, taking into account the initial grace period, does not exceed twenty-four months.

Lastly, the Group adhered to the Sector Understanding on the deferral of financing operations for customers affected by the coronavirus crisis, approved by the Board of the Spanish Confederation of Savings Banks (CECA) and published on 16 April 2020. The purpose of this agreement is to establish the framework and general criteria for certain debtors affected by this health crisis to defer payment of mortgage loans or credits and personal loans or credits. Entities could enter into such transactions until 30 September 2020.

On 15 December 2020, CECA issued an addendum to the abovementioned Sector Understanding, adapting the term of the Sector Understanding until 30 March 2021, the latest date for submission of applications under this Sector Understanding, in line with the new provisions contained in the EBA/GL/2020/15 Guidelines.

In this context, the Group has been granting its customers both moratoriums under the aforementioned Royal Decrees (legal moratoriums) and moratoriums under the sector agreement (sectoral moratorium), as well as transactions with guarantees from the COVID-19 ICO line, in order to reach a larger number of those affected by the health crisis.

The detail of these transactions as at 31 December 2020 is as follows:

	Thousands of euros 31/12/2020								
	Total data						Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Balance granted	of which: legal moratoriums	of which: extended moratoriums	of which: expired moratoriums	Outstanding balance	Stage 1	Stage 2	Stage 3
Loans and advances subject to statutory and sectoral moratoria									
Mortgage operations	7,353	688,112	607,058	232,826	348,039	340,073	241,165	89,479	9,429
Consumer finance	372	4,179	3,987	1,649	3,059	1,120	1,034	72	14
Other operations	939	49,130	41,414	14,813	24,194	24,936	20,783	3,651	502
Total	**8,664**	**741,421**	**652,459**	**249,288**	**375,292**	**366,129**	**262,982**	**93,202**	**9,945**

	Thousands of euros 31/12/2020						
	Total data				Breakdown of outstanding amounts by risk stage		
	Number of transactions granted	Amount granted	Amount guaranteed	Outstanding balance	Stage 1	Stage 2	Stage 3
COVID-19 ICO Guarantees	**17,082**	**1,829,587**	**1,089,024**	**1,454,067**	**1,272,178**	**179,493**	**2,396**
Self-employed	3,619	80,685	57,417	73,451	72,766	607	78
SMEs	12,804	1,417,729	856,006	1,111,003	953,368	155,398	2,237
Other corporations	659	331,173	175,601	269,613	246,044	23,488	81

In addition to these support operations established in legal and sector-wide frameworks, the Group, in its desire to help its customers overcome this crisis, has renegotiated certain financial leasing operations whose holders had accredited correct compliance with their financial obligations and who, as a result of COVID-19, are experiencing temporary financial difficulties. At 31 December 2020, the Group had granted 285 transactions of this type, with an outstanding balance of 2,170 thousand euros.

All the operations described above have been carried out in accordance with the provisions of the regulations of the Royal Decrees, as well as the guidelines and sector understandings.

The characteristics of the financial instruments under which these mitigation measures have been implemented are as follows:

- **Legal moratoriums:** entails the suspension of the mortgage debt for a period of three months and the consequent non-application, during the period of validity of the same, of the early maturity clause that, where applicable, was included in the mortgage loan contract. During the period of validity, the Entity may not demand payment of the mortgage instalment, nor of any of the items comprising it (amortisation of the capital or payment of interest), either in full or as a percentage. At 31 December 2020, legal moratorium measures affecting 7,695 transactions had been formalised, bringing the outstanding risk of transactions with this type of moratorium in force to 39,743 thousand euros. In accordance with IFRS 9, these measures have resulted in a non-substantial modification of the contract and therefore the affected assets have not been derecognised, although the Group has recognised the adjustment to the carrying amount of these assets as a result of the change in cash flows under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost" in the consolidated income statement. In any case, the effect of the changes on the consolidated income statement was not significant.

- **Sectoral moratorium:** this applies both to those individuals who do not have transactions with defaults of more than two bills or instalments on 14 March 2020 and who, as a result of the health crisis, have been economically affected, and to those individuals who, fulfilling these requirements and whose legal moratorium has expired, request it, thus linking a legal moratorium with a sectoral moratorium. In this moratorium, the repayment of the principal of the loan is deferred for the term of the loan, although the customer will pay interest on the outstanding principal during this period. The term of the moratorium is a maximum of 12 months for mortgage loans or credits, and a maximum of 6 months for personal loans or credits. In the case of customers who are granted this moratorium after having exhausted the legal moratorium granted, the maximum term of the sectoral moratorium shall be reduced by the term of the legal moratorium. At 31 December 2020, the Group had formalised sector moratorium measures affecting 3,645 transactions, of which 2,676 transactions were formalised after the customer had exhausted the legal moratorium granted, with the outstanding risk of transactions with this type of moratorium in force amounting to 326,386 thousand euros.

- **COVID-19 ICO Lines**: Royal Decree-Law 8/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 100 billion euros in guarantees for financing granted by credit institutions to meet their needs arising from invoice management, working capital requirements, financial or tax obligations, payment of employee salaries or other liquidity needs that allow them to maintain economic activity. Companies and the self-employed have access to these guarantees, through the formalisation of new financing operations or the renewal of existing ones. Until 31 December 2020, the lines of guarantees that have been activated by the Government total the 100 billion euros set out in Royal Decree-Law 8/2020, in five lines, approved by Agreement of the Council of Ministers on 24 March, 10 April, 5 May, 19 May 2020 and 16 June. Of these total amounts, 67.5 billion euros have been earmarked for SMEs and the self-employed, 25 billion euros to other companies, 4 billion euros for issuing promissory notes, 2.5 billion euros for SMEs and the self-employed in the tourism sector and related activities, 500 million euros for the self-employed and companies for the acquisition or financial or operational leasing of road transport motor vehicles for professional use and 500 million euros for CERSA (Compañía Española de Reafianzamiento, S.A.)

  Additionally, Royal Decree-Law 25/2020 lays down that the Ministry of Economic Affairs and Digital Transformation will grant up to 40 billion euros in guarantees for financing granted by credit institutions to mainly meet their financial needs arising from new investments. Companies and the self-employed have access to these guarantees, through formalising new financing operations. Until 31 December 2020, the Government has activated two lines of guarantees, some of which will be managed by the ICO, for a total of 11.3 billion euros, approved by the Council of Ministers on 28 July 2020 and 24 November 2020, with a total of 5 billion euros for SMEs and the self-employed and 3 billion euros for other companies, 2.55 billion euros to guarantee financing operations for companies and the self-employed that are in the execution phase of an insolvency agreement within an insolvency proceeding (but are up to date with their obligations under the agreement and can prove this by means of a court or administrator's report), 250 million euros to guarantee promissory notes issued on the MARF (Mercado Alternativo de Renta Fija) by companies that could not benefit from the tranche available under the first line as they were in the process of renewing their promissory note programme, and 500 million euros to meet the investment and liquidity needs of SMEs and the self-employed in the sector of tourism, hotel and catering and related activities.

  The number of operations formalised by the Group for the self-employed, SMEs and other companies amounted to 17,082 euros with an outstanding balance of 1,454,067 thousand euros and an ICO guarantee amount of 1,089,024 thousand euros.

The Group considers that the COVID-19 ICO guarantees form a substantial part of the secured financing (full guarantee), as they are in any case new operations or renewals of existing credit lines with substantial modifications to the original terms and conditions. Therefore, the accounting treatment applied to them is based on the following assumptions in line with the specifications of IFRS 9: (i) the fee paid by the Group to the ICO is incorporated as an incremental cost in the calculation of the effective interest rate of the operation, and (ii) the flows expected to be obtained as a result of the execution of the guarantee are taken into account in the calculation of the expected loss on the transaction.

11.6.2. Effect on rating by credit risk stages

In the current economic context arising from the COVID-19 health crisis, banking regulators and supervisors around the world have recommended making appropriate use of the flexibility implicit in the regulatory framework, without undermining the adequate identification and hedging of credit risk. In line with these guidelines and recommendations, the Group has adapted its criteria for classifying financial instruments by stage according to their credit risk. The aim is to avoid automatisms and to allow greater flexibility in the application of expert judgement for the credit risk classification of operations, including those affected by legal and sectoral moratoriums, those that have been subject to a guarantee from the COVID-19 ICO line, and the treatment of refinancing. Following on from this, the existence of liquidity difficulties of borrowers with a good payment behaviour would not automatically lead to the amendments of the operations motivated by the COVID-19 crisis being identified as refinancing or restructuring at the time they are granted. These transactions may remain classified as normal as long as there are no reasonable doubts about their repayment and there has been no significant increase in their credit risk.

The Group has considered these guidelines and recommendations in its criteria for determining whether there is a significant increase in risk in its lending exposures. Furthermore, based on the recommendations of the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA), and in order to distinguish between exposures affected by temporary liquidity constraints (according to ESMA) and those that are actually affected by a situation of significantly increased risk, the Group refutes the presumption that there is a significant increase in risk in the case of operations affected by legal and sectoral moratoria, for the entire duration of the moratorium. However, those operations affected by sectoral moratoriums more than three months old and for which a low capacity to overcome this crisis is determined, based on the credit risk monitoring carried out by the Group, will be considered to have produced a significant increase in risk, with their consequent classification at Stage 2.

In addition, based on the results of the credit risk monitoring analyses of its loan portfolio described in Note 11.6.3, the Group has considered the classification at Stage 2 of those exposures in companies (not individually significant, since these are analysed by means of an individualised expert analysis) belonging to economic sectors especially affected by the health crisis or which, within the credit risk monitoring carried out by the Group, have been determined to have a low capacity to overcome this crisis.

11.6.3. Impact on credit risk impairment hedges

The prospective assessment of impairment cannot be carried out mechanically and with a vision reduced to a very short period of time. The incorporation of the effect of forecasts of future economic conditions in the estimation of credit risk hedges should be made on the basis of reasonable and substantiated information so as not to undermine the reliability of the estimates. Therefore, in estimating the estimated credit risk loss, the Group has taken into consideration not only the macroeconomic scenarios for 2020, but also the projections for the coming years, giving more weight to long-term projections.

Therefore, during the 2020 financial year, the European Central Bank has published various estimates of the macroeconomic scenario for the 2020-2022 period in the European Union, focusing on the estimated change in GDP, inflation and unemployment, together with a more optimistic scenario and a stressed scenario, based how the pandemic evolves. Similarly, the Bank of Spain has made various projections of the above variables adapted to Spain, incorporating a scenario of gradual recovery of activity (central), together with a scenario of early recovery (optimistic) and a scenario of risk (stressed).

In this context, the Group, in its process of recalibrating the credit risk models, has updated, using the information available at year-end, the macroeconomic variables that affect the forward-looking information of the impairment coverage models. To this end, the probability of occurrence of each scenario used (Note 2.3) has been reweighted by raising the probability of occurrence of the central scenario that the Group has estimated on the basis of the latest macroeconomic information and which is in line with the Bank of Spain's published projections.

The main projected variables considered as at 31 December 2020 are as follows:

	2020	2021	2022
GDP growth			
Base Scenario	(11.4%)	6.2%	6.3%
Optimistic scenario	(11.4%)	8.6%	5.6%
Pessimistic scenario	(11.5%)	1.7%	5.8%
Unemployment rate			
Base Scenario	16.8%	18.4%	16.3%
Optimistic scenario	16.8%	17.5%	15.1%
Pessimistic scenario	16.9%	19.3%	18.5%
Interest rate			
Base Scenario	(0.4%)	(0.4%)	(0.4%)
Optimistic scenario	(0.4%)	(0.4%)	(0.4%)
Pessimistic scenario	(0.4%)	(0.6%)	(0.7%)
House price growth			
Base Scenario	(2.3%)	(1.8%)	(2.4%)
Optimistic scenario	(2.3%)	(0.8%)	(2.7%)
Pessimistic scenario	(2.3%)	(9.7%)	(2.9%)

Given the exceptional nature of the macroeconomic situation caused by COVID-19, in which unprecedented rates of falls and rebounds in the historical series of many variables have been observed and are estimated, the Group has considered, on the basis of the communications made by supervisors and supranational bodies to mitigate the treatment of short-term procyclicality in institutions' credit risk models, that, for those variables in which very distant peaks and troughs are reached, it is more prudent to draw up scenarios using the net effect of the variables.

The weighting of the scenarios for 2020 and 2019 is as follows:

	2020	2019
Optimistic scenario	10%	20%
Base scenario	70%	60%
Pessimistic scenario	20%	20%

In addition, the Group analysed its loan portfolio taking into account the different types and segmentation of customers affected by the new economic situation (affected by ERTE, unemployment or equivalent circumstances), their characteristics (companies, individuals, self-employed, etc.) as well as the sector to which each borrower belongs (CNAE). Following this analysis, it was concluded that there are economic sectors particularly impacted by the COVID-19 crisis, such as air transport, hotels, restaurants and tourism, for which the Group has to be particularly prudent in determining credit risk coverage.

Based on the new macroeconomic scenarios arising as a result of COVID-19, the credit risk monitoring measures implemented and the expert analysis of individually-significant borrowers and the particular impact that this crisis may have on certain sectors, the Group has made a non-recurring provision of 90 million euros in 2020. These have been recorded for accounting purposes under the heading “Impairment or reversal of the impairment of financial assets not measured at fair value through profit or loss and net gains or losses on modification - Financial assets at amortised cost”, 52 million of which has been recorded as a post model adjustment to cover the increase in credit risk of customers who are not in default at year-end 2020, but who, due to the persistent deterioration of the current macroeconomic situation, are expected to transition to Stage 2 in 2021, as the potential effect of the transitions between stages is not captured by the internal models. The allocation of this subsequent adjustment to the stage and purpose model is explained on the basis of the progress of the transitions between stages of the moratorium and COVID-19 ICO operations observed in the Group during 2020 and on the basis of the loan portfolio change projections used in the Group's Business Plan.

The breakdown by stage and by purpose of the additional non-recurring provision incurred by the Group due to the health crisis is presented below:

	Thousands of euros			
	31/12/2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgages to individuals	1,092	29,665	12,624	43,381
Self-employed and SMEs	234	31,962	2,706	34,902
Large corporations	70	8,021	805	8,896
Other segments	88	1,840	1,017	2,945
Total	**1,484**	**71,488**	**17,152**	**90,124**

The Group closely monitors the trend of both the sectors and the most relevant individual borrowers that could be affected by this crisis, in order to adapt its credit risk coverage to the different scenarios that may arise.

12. Derivatives - hedge accounting (assets and liabilities) and fair value changes of the hedged items in a portfolio with interest rate risk hedging

12.1 Derivatives - Hedge accounting

The breakdown, by product type, of the fair value of the financial derivatives designated as hedging instruments in fair value hedge and cash flow transactions at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2020	2019	2020	2019
Interest rate swaps (IRSs)	142,020	137,210	216,202	233,888
	142,020	**137,210**	**216,202**	**233,888**

The carrying amount shown in the previous table represents the maximum level of exposure to credit risk with respect to the financial instruments included therein, except for the derivative assets contracted in which there are netting or compensation agreements, and that also have a collateral agreement consisting of the formalisation of deposits for an amount equivalent to the net fair value of the derivative transactions, so that in the event of non-payment of the derivative operations by one of the parties, the other party is not required to satisfy the obligations associated with the deposit.

The Company has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7 are not fulfilled. The breakdown of the carrying amount of the financial instruments associated with these agreements and asset and liability deposits that are generated with the counterparties (for both the hedging and trading derivatives that are detailed in Note 7.3), is as follows:

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2020	2019
Derivative assets	25,283	30,080
Derivative liabilities	46,378	71,702

	Thousands of euros	
	Deposits subject to derivative offset arrangements	
	2020	2019
Deposits recognised under assets	70,217	82,117
Deposits recognised under liabilities	23,010	26,790

The purpose of all fair value hedges carried out by the Company is to hedge the risk of changes in the fair value of debt instruments, assets or liabilities issued at a fixed rate, due to changes in the reference interest rate. This risk is established in the increase of the fair value of the financial liabilities against reference interest rate decreases and decreases in the fair value of the financial assets in the event of their increases. To mitigate this risk, the Group arranges interest rate swaps, the value of which varies similarly and symmetrically to the changes in value of the hedged items.

The purpose of the cash flow hedges is to stabilise the impact on net interest income of interest associated with inflation-indexed public debt, eliminating the underlying risk of the benchmark index. To hedge this risk, interest rate swaps were arranged on the market that convert the issue's inflation-indexed floating rate into a fixed rate.

In the event of ineffectiveness in fair value or cash flow hedges, the Bank mainly considers the following causes:

- Possible economic events affecting the Bank (e.g: default).
- Due to changes and possible differences with respect to the market in the collateralised and non-collateralised curves used in the valuation of derivatives and hedged items, respectively.
- Possible differences between the nominal value, settlement/repricing dates and credit risk of the hedged item and the hedging instrument.

Note 3 analyses the nature of the Group's main risks covered by these financial instruments.

A breakdown of the maturities of the notional amounts of the hedging instruments used by the Group at 31 December 2020 and 2019 is shown below:

	Thousands of euros					
	2020					
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Fair value hedges	**-**	**227,948**	**6,000**	**3,058,900**	**1,485,000**	**4,777,848**
Interest rate swaps (IRSs)	**-**	**227,948**	**6,000**	**3,058,900**	**1,485,000**	**4,777,848**
Average interest rate	-	0.08%	4.00%	0.85%	1.52%	0.49%
Cash flow hedges	**-**	**-**	**200,000**	**-**	**423,500**	**623,500**
Interest rate swaps (IRSs)	-	-	200,000	-	423,500	623,500
Average interest rate	-	-	-	-	-	-

	Thousands of euros					
	2019					
	Up to 1 month	**1 to 3 months**	**Between 3 months and 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Fair value hedges	**-**	**62,800**	**1,866,667**	**2,667,337**	**2,145,897**	**6,742,701**
Interest rate swaps (IRSs)	-	62,800	1,866,667	2,667,337	2,145,897	6,742,701
Average interest rate	-	4.88%	0.33%	0.03%	1.51%	0.54%
Cash flow hedges	**-**	**-**	**-**	**200,000**	**415,000**	**615,000**
Interest rate swaps (IRSs)	-	-	-	200,000	415,000	615,000
Average interest rate	-	-	-	-	-	-

A breakdown of the hedging instruments used by the Group at 31 December 2020 and 2019 is shown below:

	Thousands of euros			
	2020			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**4,777,848**	**122,347**	**135,747**	**(49,019)**
Interest rate swaps (IRSs)	4,777,848	122,347	135,747	(49,019)
Cash flow hedges	**623,500**	**19,673**	**80,455**	**8,551**
Interest rate swaps (IRSs)	623,500	19,673	80,455	8,551

	Thousands of euros			
	2019			
	Notional	Assets	Liabilities	Change in the FV used to calculate hedging ineffectiveness
Fair value hedges	**6,742,701**	**118,466**	**149,653**	**(144,058)**
Interest rate swaps (IRSs)	6,742,701	118,466	149,653	(144,058)
Cash flow hedges	**615,000**	**18,744**	**84,235**	**8,524**
Interest rate swaps (IRSs)	615,000	18,744	84,235	8,524

A breakdown of the items hedged the Group at 31 December 2020 and 2019 is shown below:

	Thousands of euros					
	2020					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**1,142,031**	**3,441,265**	**112,988**	**(86,809)**	**48,655**	**-**
Transactions with clients	-	175,716	-	(3,842)	(599)	-
Loans	-	2,315,549	-	(74,059)	11,291	-
Fixed Income	1,142,031	-	112,988	-	26,408	-
Deposits taken (Money Market)	-	-	-	-	2,475	-
Equities	-	-	-	-	5,619	-
Savings demand deposit hedge	-	950,000	-	(8,908)	3,461	-
Cash flow hedges	**701,929**	**-**	**-**	**-**	**-**	**8,551**
Fixed Income	701,929	-	-	-	-	8,551

	Thousands of euros					
	2019					
	Carrying amount of the hedged item		Adjustment of cumulative FV in the hedged instrument		Change in the FV used to calculate hedging ineffectiveness	Cash flow hedges reserve
	Assets	Liabilities	Assets	Liabilities		
Fair value hedges	**1,450,908**	**4,894,576**	**142,762**	**(103,438)**	**144,625**	**-**
Transactions with clients	-	182,478	-	(3,243)	(2,232)	-
Loans	-	2,133,108	-	(85,350)	19,555	-
Fixed Income	1,450,908	-	142,762	-	128,179	-
Deposits taken (Money Market)	-	1,628,990	-	(2,475)	578	-
Equities	-	-	-	-	409	-
Savings demand deposit hedge	-	950,000	-	(12,370)	(1,864)	-
Cash flow hedges	**695,965**	**-**	**-**	**-**	**-**	**8,524**
Fixed Income	695,965	-	-	-	-	8,524

The following table shows the impact on the consolidated income statement and consolidated statement of other comprehensive income of the hedging relationships designated by the Group at 31 December 2020 and 2019:

	Thousands of euros			
	2020			
	Change in value of hedging instrument recognised in other comprehensive income	**Ineffectiveness recognised in profit or loss**	**Amount reclassified from equity to profit or loss**	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**364**	**-**	**-**
Transactions with clients	-	205	-	-
Loans	-	(20)	-	-
Fixed Income	-	(212)	-	-
Deposits taken (Money Market)	-	162	-	-
Equities	-	(499)	-	-
Cash flow hedges	**27**	**-**	**-**	**11,802**
Fixed Income	27	-	-	11,802

	Thousands of euros			
	2019			
	Change in value of hedging instrument recognised in other comprehensive income	**Ineffectiveness recognised in profit or loss**	**Amount reclassified from equity to profit or loss**	
			Hedging interruption	*Recognition in profit or loss of the hedged transaction*
Fair value hedges	**-**	**567**	**-**	**-**
Transactions with clients	-	81	-	-
Loans	-	230	-	-
Fixed Income	-	(41)	-	-
Deposits taken (Money Market)	-	297	-	-
Equities	-	-	-	-
Cash flow hedges	**(764)**	**-**	**-**	**4,411**
Fixed Income	(764)	-		4,411

At 31 December 2020 and 2019, there were no accounting hedges that failed the effectiveness test.

12.2 Fair value changes of the hedged items in a portfolio with interest rate risk hedging

As explained in Note 2.4, these gains or losses arising from changes in the fair value of the interest rate risk of the financial instruments effectively hedged in fair value macro-hedging transactions are charged or credited under these headings of the consolidated balance.

The breakdown of adjustments to financial assets and liabilities via macro-hedges at 31 December 2020 and 2019 is as follows:

	Thousands of euros			
	Fair value			
	Tax receivables		Tax payables	
	2020	2019	2020	2019
Mortgage loans	-	-	-	-
Financial liabilities	-	-	37,593	37,617
	-	**-**	**37,593**	**37,617**

With respect to the assets affecting the micro-hedges, Banco Grupo Cajatres, S.A.U. signed an option contract on interest rates in 2012, for which it would pay the positive difference between the floor rate and Euribor rate at 12 months (or zero if this difference is negative) on the current notional in each period in 2013-2026. The starting and maximum notional value of the option amounted to 2.672 billion euros, covering the cost of the floor value included in the mortgage loans in the portfolio on interest rate variations. In 2015 the Group decided to interrupt the micro-hedge. The change to the amortised cost of the hedged assets on the hedge interruption date, for an amount of 140.9 million euros, is accrued over the initially designated hedging period. At 31 December 2020, the adjustment pending accrual amounts to 31.2 million euros (42.6 million euros at 31 December 2019) and has been recorded since the interruption of the hedge under the heading "Financial assets at amortised cost - Customers" on the asset side of the balance sheet (Note 11.4). The cancellation of the derivative with the counterparty was made on the same day.

The nominal amount of financial liabilities corresponding to own issues, covered bonds, deposits and transactions with customers, covered by interest rate swaps (IRSs), amounted to 450,897 thousand euros at 31 December 2020 (450,897 thousand euros at 31 December 2019).

At 31 December 2020 and 2019, there were no accounting hedges that failed the effectiveness test.

13. Investments in joint ventures and associates

13.1 Investments in associates

This heading of investments in associates in the consolidated balance sheets as at 31 December 2020 and 2019 is broken down as follows:

	Thousands of euros	
	2020	**2019**
Equity instruments	76,820	81,783
(Impairment losses)	-	(129)
Total net amount	**76,820**	**81,654**

The balance of "Investments in subsidiaries, joint ventures and associates – Associates" of the consolidated balance sheets as at 31 December 2020 and 2019 included goodwill associated with these investments. The breakdown of this goodwill, based on the entity in which they originated, is shown below:

	Thousands of euros	
Company	**2020**	**2019**
Henneo	11,149	11,149
Total net amount	**11,149**	**11,149**

The movement of the impairment losses of the associated entities in 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Opening balance	**129**	**129**
Transfers	**-**	**-**
Transfer charged to profit for the year	-	-
Recovered amount credited to profit for the year	-	-
Recovered amount credited to profit for the previous years	**-**	**-**
Amounts used	**(129)**	**-**
Other movements	**-**	**-**
Closing balance	**-**	**129**

13.2 Investments in joint ventures

Appendices I and II show a breakdown of the investments in joint ventures held by the Group at 31 December 2020 and 2019, with related details.

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

14. Assets under insurance or reinsurance contracts

As at 31 December 2020 and 2019, the entirety of the budget under this heading of consolidated balances corresponds to the profit-sharing of the reinsured policies.

The reconciliation between the opening and closing balances under this heading in 2020 and 2019 is as follows:

	Thousands of euros
Balances as at 31 December 2018	**719**
Transfers	(180)
Balances as at 31 December 2019	**539**
Transfers	(110)
Balances as at 31 December 2020	**429**

15. Tangible assets

Movements in this consolidated balance sheet heading in 2020 and 2019 are as follows:

	Thousands of euros			
	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances as at 1 January 2019	**1,290,488**	**481,999**	**53,831**	**1,826,318**
Additions (*)	95,001	19,521	42,669	157,191
Disposals due to sales or through other means	(31,636)	(106,166)	(14,362)	(152,164)
Other transfers and other movements	(4,514)	15,625	5,578	16,689
Balances as at 31 December 2019	**1,349,339**	**410,979**	**87,716**	**1,848,034**
Additions	44,679	14,257	39,364	98,300
Disposals due to sales or through other means	(56,013)	(39,314)	(33,973)	(129,300)
Other transfers and other movements	(6,894)	1,466	(3,554)	(8,982)
Balances as at 31 December 2020	**1,331,111**	**387,388**	**89,553**	**1,808,052**
Accumulated depreciation				
Balances as at 1 January 2019	**(697,365)**	**(121,687)**	**(8,738)**	**(827,790)**
Disposals due to sales or through other means	30,223	31,708	3,733	65,664
Allowances recognised in profit or loss	(36,704)	(7,163)	(8,730)	(52,597)
Other transfers and other movements	(229)	49	-	(180)
Balances as at 31 December 2019	**(704,075)**	**(97,093)**	**(13,735)**	**(814,903)**
Disposals due to sales or through other means	49,862	12,312	8,651	70,825
Allowances recognised in profit or loss	(39,069)	(6,658)	(9,124)	(54,851)
Other transfers and other movements	716	(856)	280	140
Balances as at 31 December 2020	**(692,566)**	**(92,295)**	**(13,928)**	**(798,789)**
Impairment losses				
Balances as at 1 January 2019	**(512)**	**(56,025)**	**-**	**(56,537)**
Transfer charged to profit for the year (Note 40)	(115)	(1,532)	-	(1,647)
Recovered amount credited to profits (Note 40)	-	1,078	-	1,078
Applications and other movements	427	7,258	-	7,685
Balances as at 31 December 2019	**(200)**	**(49,221)**	**-**	**(49,421)**
Transfer charged to profit for the year (Note 40)	(386)	(2,488)	-	(2,874)
Recovered amount credited to profits (Note 40)	-	1,403	-	1,403
Applications and other movements	484	2,112	-	2,596
Balances as at 31 December 2020	**(102)**	**(48,194)**	**-**	**(48,296)**
Net tangible assets				
Balances as at 31 December 2019	**645,064**	**264,665**	**73,981**	**983,710**
Balances as at 31 December 2020	**638,443**	**246,899**	**75,625**	**960,967**

(*) At 31 December 2019, the cost of property, plant and equipment for own use includes the right-of use assets corresponding to the leased tangible assets in which the Group acts as the lessee, amounting to 78,657 thousand euros, of which 15,643 thousand euros had been depreciated at that date.

As at 31 December 2020, fully-amortised assets still in use amounted to 441,570 thousand euros (427,194 at 31 December 2019).

In 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. availed themselves of the possibility offered by Article 9 of Law 16/2012 to update the tax value of property, plant and equipment, and certain buildings for own use and property investments were accordingly updated.

The amount of the tax update in Ibercaja Banco, S.A. amounted to 17.888 million euros, generating a share of 5% to be paid for this update, for an amount of 894 thousand euros. Given the revaluation of assets as a consequence of a tax law not permitted in the IFRS-EU, the carrying amount of the assets did not incur any variation in consolidated terms.

At Banco Grupo Cajatres, S.A.U., the amount of the tax update amounted to 36.094 million euros, generating a share of 5% to be paid for this update, for an amount of 1.805 million euros. However, given that the fiscally revaluated assets had already been revaluated for accounting purposes in 2010 when the Institutional Protection Scheme founded the Company, there was no increase in their carrying amount since the new tax value did not surpass the carrying amount before the update in any case.

In the Ibercaja Banco, S.A. individual financial statements of 2016, the information required by section 12 of article 9 of Law 16/2012 is set forth on the updated elements that were found in the Company equity.

15.1 Property, plant and equipment for own use

The breakdown, according to its nature, of the parties that include the balance under this heading of the consolidated balance as at 31 December 2020 and 2019 is the following:

	Thousands of euros			
	Cost	**Accumulated depreciation**	**Impairment losses**	**Net balance**
Computer equipment and installations	225,058	(189,901)	-	35,157
Furniture, vehicles and other installations	398,986	(348,671)	-	50,315
Buildings	639,715	(149,860)	(200)	489,655
Construction in progress	6,923	-	-	6,923
Use rights under lease	78,657	(15,643)	-	63,014
Of which: Branch offices	*53,113*	*(13,298)*	-	*39,815*
Of which: Sale & lease-back	*25,467*	*(2,281)*	-	*23,186*
Of which: Other	*77*	*(64)*	-	*13*
Balances as at 31 December 2019	**1,349,339**	**(704,075)**	**(200)**	**645,064**
Computer equipment and installations	238,430	(196,531)	-	41,899
Furniture, vehicles and other installations	388,009	(335,069)	-	52,940
Buildings	607,998	(129,673)	(102)	478,223
Construction in progress	8,230	-	-	8,230
Use rights under lease	88,444	(31,293)	-	57,151
Of which: Branch offices	*61,878*	*(25,908)*	-	*35,970*
Of which: Sale & lease-back	*26,096*	*(5,241)*	-	*20,855*
Of which: Other	*470*	*(144)*	-	*326*
Balances as at 31 December 2020	**1,331,111**	**(692,566)**	**(102)**	**638,443**

No third party termination benefits were received in 2020 for asset impairment, and there were no pending termination benefits to be received as at 31 December 2019.

There are no significant material asset acquisition commitments for its own use or restrictions on its ownership as at 31 December 2020 and 2019.

15.2 Investment property

The rental income coming from the Group's investment properties amounted to 4,141 thousand euros (5,376 thousand euros in 2019) (Note 36), other related expenses amounted to 1,591 thousand euros (1,977 thousand euros in 2019) (Note 37) and operating expenses for depreciation and amortisation were incurred during 2020 for 6,658 thousand euros (7,163 thousand euros in 2019) (Note 15).

84% of the net carrying amount of the investment properties (89% in 2019) is based on appraisals made by experts with recognised professional capacity and recent experience in the location and category of the investment properties subject to assessment. The appraisals of these properties were performed out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The following table displays a classification by type of asset of the investment properties. The carrying amount (excluding impairment losses) of these assets, which was valued by an independent surveyor, is as follows:

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2020	2019	2020	2019
Investment property	**295,093**	**313,886**	**270,098**	**260,213**
Residential	83,884	24,483	82,739	17,839
Commercial and industrial	206,325	284,513	182,475	237,484
Agricultural	4,884	4,890	4,884	4,890

The fair value calculated by independent appraisals for the assets amounts to 288,222 thousand euros at 31 December 2020 (287,772 thousand euros at 31 December 2019).

Appraisals of rental assets have a level 2 in the fair value hierarchy (Note 18).

There are no significant commitments for the acquisition or maintenance of investment properties, nor restrictions on their ownership as at 31 December 2020 and 2019.

15.3 Property, plant and equipment assigned under operating lease

The Group includes the assets associated with renting contracts under this heading, which amount to 75,625 thousand euros at 31 December 2020 (73,981 thousand euros at 31 December 2019). In 2020, the rental income coming from these assets amounted to 15,350 thousand euros (14,276 thousand euros in 2019) (Note 36) and operating expenses due to depreciation amounted to 9,124 thousand euros (8,730 thousand euros in 2019) (Note 37).

15.4 Impairment losses

In 2020, 386 thousand euros of impairment losses on property, plant and equipment for own use and 1,085 thousand euros of impairment losses on investment property were recognised (impairment losses of 115 thousand euros and 454 thousand euros in 2019, respectively) (Note 40).

16. Intangible assets

16.1 Goodwill

The breakdown of the parties that include the balance of this heading of the consolidated balance as at 31 December 2020 and 2019 is the following:

	Thousands of euros	
Company	**2020**	**2019**
Banco Grupo Cajatres, S.A.U.	128,065	128,065
Caja Badajoz Vida y Pensiones, S.A. de Seguros	16,869	16,869
	144,934	**144,934**

On 23 May 2013, the market was notified that Ibercaja Banco, S.A.U., Banco Grupo Cajatres, S.A. and its respective shareholder savings banks had agreed the inclusion of the banks through a share exchange process and subsequent merger by absorption of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U.

On 25 July 2013, after satisfaction of the conditions precedent and the required administrative exemptions and authorisations having been secured, Ibercaja Banco became the owner of 100% of the share capital of Banco Grupo Cajatres, S.A. To this end, Ibercaja Banco carried out a 325.5 million euro capital increase subscribed for by the shareholders of Banco Grupo Cajatres, S.A. in exchange for all that bank's share capital. The new shareholders thereby obtained a joint holding of 12.20% in the share capital of Ibercaja Banco.

As a result of the difference between the consideration for the business acquired and the total at the acquisition date of the fair value of the assets and liabilities and the amount of the non-controlling interests, goodwill in the amount of 128,065 thousand euros was recognised in the consolidated financial statements. This goodwill takes into consideration, among other factors, the future results, the expected synergies of the combination of the acquirer and the acquiree and other intangible assets that do not qualify for separate recognition.

The goodwill associated with the company Caja Badajoz Vida y Pensiones, S.A de Seguros was established as a consequence of the acquisition of 50% of this entity on 3 September 2014 that was not owned by the Group at the close of 2013.

This acquisition took place as part of the reorganisation of the Group's insurance business as a result of the takeover of Banco Grupo Cajatres, S.A.U. in 2013. In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (absorbed company) was merged by absorption into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Absorbing Company).

For the purposes of distributing the goodwill of that referred to in Note 2.16.1, in accordance with IAS 36 Impairment of Assets, the Group considered that there was only one cash-generating unit coinciding with the entirety of its balance, since the goodwill is controlled at the highest level for the purposes of internal management and there are no differentiated operational segments, in accordance with that indicated in Note 27.8. Ibercaja Banco has therefore been considered to be the cash-generating unit to which the goodwill is allocated.

The Group determines the recoverability of goodwill at the end of each reporting period in accordance with paragraph 96 of that IAS by comparing the recoverable amount of the CGU (higher of fair value or value in use) containing the goodwill is compared with that unit's carrying value.

The Group calculated the value in use by the cash-generating unit which constitutes Ibercaja Banco at the close of the year based on the valuation made by an independent expert (Deloitte Financial Advisory, S.L.U.) It was concluded that there was no need to record any impairment of the same.

In accordance with IAS 36, value in use has been calculated using discounted cash flows. The projected flows are the potentially distributable dividends based on the expected profit in an explicit 5-year projected scenario, net of compliance with the minimum solvency requirements defined by the supervisor. These flows have been discounted using market rates adjusted to the estimated cost of capital in accordance with the capital asset pricing model (CAPM) (Note 2.16).

The main criteria used to calculate value in use are as follows:

- Cash flows estimated from the Company's business plan
    - The net interest margin recovered as a result of a slight steepening of the yield curve.
    - Increase in asset management fees (unit trusts and pension plans) due to the rise in balances, which is explained by the strategy of transferring customers' savings from demand accounts.
    - Increase in bank fees, mainly those related to means of payment.
    - Reduction of the personnel and general expenses, as a consequence of the different rationalisation plans set in place by the Bank.
    - Normalisation of the allowance for asset impairments from 2023 after leaving behind the impact of COVID-19.

It should be noted that the projections for previous years have been reasonably met with the results obtained in those years. However, on occasions, the downward deviations from the projections for previous years arose mainly from differences between the actual rates and the rate curve used or from some extraordinary event that could not have been known at the time the projection was made (e.g. the sale of a loan portfolio or foreclosure, since they are made when there is a perceived appetite in the market and the market is not always able to anticipate it). With the exception of these cases, the Entity's projections do not usually show other significant downward deviations. However, in some cases, these downward deviations have been offset by upward deviations in other income statement headings, either due to improved income statement performance or to the use of levers to offset negative impacts. Nevertheless, the preparation of the projections has taken into account the strategic line set by the Entity, so that it follows a continuous and clearly defined path.

Additionally, the economic consequences of COVID-19, together with the measures adopted by the government to contain its spread, add further uncertainty to the projections of distributable flows, due to doubts about future changes in the main macroeconomic variables, and the Group has therefore been extremely prudent in its estimates.

Based on the above, it can be concluded that the impact of the COVID-19 contingency has had a negative impact on the Group's profit generation in the first year of the projection. This negative impact is the result of the expected loss from the credit impairment of the portfolios until 2021, where the largest rebound in NPLs could be reached, and from the expected development of the pandemic and its macroeconomic effects, which the Group expects to leave behind in 2023.

In any event, the Group expects these provisions to revert, depending on how the situation evolves, to pre-pandemic levels, which has justified the accounting and prudential relaxation measures approved by the supervisors, as the true and fair view of a large part of the banking assets in the long term is not being called into question.

These effects should be contrasted with an interest margin generation capacity similar to that projected in the previous business plan, a context of low interest rates and the new conditions of the European Central Bank's TLTRO III programme, which, together with the increase in concessions guaranteed by the ICO, offset the lower accrual of interest income from doubtful investments.

- Discount rate

  The discount rate has been calculated on the basis of the capital asset pricing model (CAPM). In this formula, the following has been taken into consideration: a risk-free rate of 3.1%, which, given the current sovereign debt rate environment, has been estimated from the normalisation of the Spanish 10-year bond; a beta adjusted by the Blume methodology of comparable listed companies taking the average monthly data of the last 5 years of 1.16, and a market risk premium of 5.4%. Taking these factors into consideration, the discount rate calculated on the basis of profit after tax is 9.8%, while the discount rate calculated on the basis of profit before tax is 14%.

- Rate of growth in perpetuity of the cash flow starting in 2025.

  The rate has been set at 1.7%, a level similar to Spain's long-term growth estimates.

A sensitivity analysis of the valuation to reasonably possible changes in the key valuation variables (perpetual growth rate of cash flows, discount rate, credit cost adjustments due to the effect of changes in government measures to combat COVID-19 and the time window of the cash flow projection) has been performed, noting that in no case would the calculated value in use be lower than the carrying amount of the cash-generating unit, which would imply impairment of the goodwill. The discount rate should vary around 119 bp so that, after incorporating the effects at the recoverable amount that are a consequence of this change to other variables, the cash-generating unit's value in use is equal its carrying amount.

16.2 Other intangible assets

The detail of this heading is as follows:

	Thousands of euros			
	Cost	**Accumulated depreciation**	**Impairment losses (Note 40)**	**Net balance**
Computer software	162,637	(105,148)	(673)	56,816
Trade mark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	45,031	(34,108)	-	10,923
Other	-	-	-	-
Balances as at 31 December 2019	**215,168**	**(146,756)**	**(673)**	**67,739**
Computer software	195,140	(109,978)	(673)	84,489
Trademark	7,500	(7,500)	-	-
Customer relationships (Core deposits) of Banco Grupo Cajatres, S.A.U.	45,031	(37,228)	-	7,803
Other	-	-	-	-
Balances as at 31 December 2020	**247,671**	**(154,706)**	**(673)**	**92,292**

The “Trademark” includes the estimated value of the brands of the now extinct savings banks that gave rise to Banco Grupo Cajatres, S.A. (CAI, Caja Círculo and Caja Badajoz).

The cost of the asset “Customer relationships with Banco Grupo Cajatres, S.A.U.” includes the net present value that, at the time of the acquisition of this entity, implies the saving of costs that the demand deposits and term of the this entity represent with respect to other alternative financing sources.

Movements in this consolidated balance sheet heading throughout 2020 and 2019 are as follows:

	Thousands of euros				
	Computer software	**Trade mark**	**Customer relationships of Banco Grupo Cajatres**	**Other**	**Total**
Cost					
Balances as at 1 January 2019	**138,484**	**7,500**	**45,031**	**1,616**	**192,631**
Additions	23,427	-	-	-	23,427
Disposals due to sales or through other means	-	-	-	(1,616)	(1,616)
Other transfers and other movements	726	-	-	-	726
Balances as at 31 December 2019	**162,637**	**7,500**	**45,031**	**-**	**215,168**
Additions	32,821	-	-	-	32,821
Disposals due to sales or through other means	(318)	-	-	-	(318)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2020	**195,140**	**7,500**	**45,031**	**-**	**247,671**
Accumulated depreciation					
Balances as at 1 January 2019	**(94,824)**	**(7,500)**	**(29,833)**	**(858)**	**(133,015)**
Disposals due to sales or through other means	-	-	-	890	890
Allowances recognised in profit or loss	(10,324)	-	(4,275)	(32)	(14,631)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2019	**(105,148)**	**(7,500)**	**(34,108)**	**-**	**(146,756)**
Disposals due to sales or through other means	117	-	-	-	117
Allowances recognised in profit or loss	(4,947)	-	(3,120)	-	(8,067)
Other transfers and other movements	-	-	-	-	-
Balances as at 31 December 2020	**(109,978)**	**(7,500)**	**(37,228)**	**-**	**(154,706)**
Impairment losses					
Balances as at 1 January 2019	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances as at 31 December 2019	**(673)**	**-**	**-**	**-**	**(673)**
Transfer charged to profit for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances as at 31 December 2020	**(673)**	**-**	**-**	**-**	**(673)**
Net intangible assets					
Balances as at 31 December 2019	**56,816**	**-**	**10,923**	**-**	**67,739**
Balances as at 31 December 2020	**84,489**	**-**	**7,803**	**-**	**92,292**

At 31 December 2020, fully-amortised intangible assets still in use amounted to 113,642 thousand euros (113,560 thousand euros at 31 December 2019).

17. Other assets

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	2019
Accruals and deferred income	35,938	50,614
Inventories	216,901	236,774
Transactions in transit	2,052	3,601
Other	9,434	3,368
Total gross amount	**264,325**	**294,357**
(Impairment losses)	(108,799)	(101,490)
Total net amount	**155,526**	**192,867**

Impairment analysed in the above table relates entirely to Inventories.

Movements in Inventories during 2020 and 2019 are as follows:

	Thousands of euros		
	Foreclosed assets	Other assets	Total
Cost			
Balances as at 1 January 2019	**219,900**	**83,237**	**303,137**
Additions	2,018	1,531	3,549
Disposals due to sales or through other means	(64,607)	-	(64,607)
Other transfers and other movements	(5,305)	-	(5,305)
Balances as at 31 December 2019	**152,006**	**84,768**	**236,774**
Additions	562	-	562
Disposals due to sales or through other means	(17,367)	(3,068)	(20,435)
Other transfers and other movements	-	-	-
Balances as at 31 December 2020	**135,201**	**81,700**	**216,901**
Impairment losses			
Balances as at 1 January 2019	**(137,697)**	**(13,043)**	**(150,740)**
Transfer charged to profit for the year (Note 40)	(5,083)	-	(5,083)
Recovered amount credited to profits (Note 40)	40	-	40
Applications and other movements	56,027	(1,734)	54,293
Balances as at 31 December 2019	**(86,713)**	**(14,777)**	**(101,490)**
Transfer charged to profit for the year (Note 40)	-	(840)	(840)
Recovered amount credited to profits (Note 40)	752	-	752
Applications and other movements	(6,870)	(351)	(7,221)
Balances as at 31 December 2020	**(92,831)**	**(15,968)**	**(108,799)**
Net inventories			
Balances as at 31 December 2019	**65,293**	**69,991**	**135,284**
Balances as at 31 December 2020	**42,370**	**65,732**	**108,102**

In inventories, all foreclosed assets consist of real estate.

The valuations of the above assets have been restated principally in the last year. The valuations have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets valued. The valuations of these elements of real estate have been carried out by appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

Note 18 sets out the criteria applied to determine the fair value of these assets.

The breakdown of the inventory-related expenses for 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Costs to sell inventories sold during the year	12,745	20,100
Impairment losses on inventories (Note 40)	88	5,043
Impairment write-downs	840	5,083
Reversals of impairment write-downs	(752)	(40)
Total net amount	**12,833**	**25,143**

18. Non-current assets and disposal groups classified as held for sale

At 31 December 2020 and 2019, this consolidated balance sheet item breaks down as follows:

	Thousands of euros	
	2020	2019
Foreclosed assets	**314,769**	**310,949**
Residential	273,984	263,154
Industrial	29,751	36,337
Agricultural	11,034	11,458
Other assets	**64,806**	**63,798**
Residential	39,983	37,766
Industrial	21,692	22,901
Agricultural	3,131	3,131
Total gross amount	**379,575**	**374,747**
(Impairment losses)	(117,202)	(107,538)
Total net amount	**262,373**	**267,209**

Movements in this consolidated balance sheet heading in 2020 and 2019 are as follows:

	Thousands of euros		
	Foreclosed assets	Other assets	Total
Cost			
Balances as at 1 January 2019	**365,816**	**64,612**	**430,428**
Additions	75,321	969	76,290
Disposals due to sales or through other means	(136,816)	(1,783)	(138,599)
Other transfers and other movements	6,628	-	6,628
Balances as at 31 December 2019	**310,949**	**63,798**	**374,747**
Additions	82,664	2,410	85,074
Disposals due to sales or through other means	(78,844)	(1,402)	(80,246)
Other transfers and other movements	-	-	-
Balances as at 31 December 2020	**314,769**	**64,806**	**379,575**
Impairment losses			
Balances as at 1 January 2019	**(140,137)**	**(1,701)**	**(141,838)**
Net transfer charged to profit for the year (Note 42)	(15,691)	(1,266)	(16,957)
Applications and other movements	51,230	27	51,257
Balances as at 31 December 2019	**(104,598)**	**(2,940)**	**(107,538)**
Net transfer charged to profit for the year (Note 42)	(18,862)	1	(18,861)
Applications and other movements	9,002	195	9,197
Balances as at 31 December 2020	**(114,458)**	**(2,744)**	**(117,202)**
Net non-current assets held for sale			
Balances as at 31 December 2019	**206,351**	**60,858**	**267,209**
Balances as at 31 December 2020	**200,311**	**62,062**	**262,373**

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

According to the Group's historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since the majority relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the market situation.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan, and
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

In 2020, the Group financed 15.39% of sales (17.09% in 2019).

Loans granted during the year to finance sales of this type of assets amount to 7,676 thousand euros (14,373 thousand euros at 31 December 2019) and the accumulated amount of loans granted is 567,113 thousand euros (559,437 thousand euros at 31 December 2019).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance appraised by an independent appraiser is indicated.

	Thousands of euros			
	carrying amount (without impairment losses)		Of which: appraised by an independent appraiser	
	2020	2019	2020	2019
Non-current assets held for sale	**379,575**	**374,747**	**354,173**	**360,519**
Residential	313,967	300,920	297,666	293,828
Industrial	51,443	59,238	43,203	52,963
Agricultural	14,165	14,589	13,304	13,728

The fair value calculated by independent appraisals for the assets amounts to 400,420 thousand euros at 31 December 2020 (403,978 thousand euros at 31 December 2019).

The Group has a corporate policy that ensures the professional competence, independence and objectivity of external appraisal companies, in accordance with the provisions of the regulations, which require appraisal companies to meet the requirements of neutrality and credibility so that the use of their estimates does not undermine the reliability of their appraisals. This policy establishes that all the appraisal companies with which the Group works must be registered with the Official Register of the Bank of Spain and their appraisals must be carried out in accordance with the methodology established in Order ECO/805/2003 of 27 March.

The appraisal techniques are used generally by all appraisal companies depending on the type of real estate asset. By regulatory requirement, these companies generally employ observable market data and other factors that market participants would consider in setting the price, limiting as much as possible the use of subjective considerations and unobservable or unverifiable data.

In order to determine the appraisal value, the necessary verifications are carried out to ascertain the characteristics and real situation of the object of the appraisal, which, in accordance with the provisions of the aforementioned Order, are as follows:

- The physical identification of the property, by means of its location and ocular inspection by a competent technician, verifying whether its surface area and other characteristics match the description in the documentation used to carry out the valuation, as well as the existence of visible easements and its apparent state of construction or conservation.
- The state of occupation of the property and the use or exploitation for which it is intended.
- In the case of housing, the public protection regime.
- The architectural heritage protection regime.
- The suitability of the property for the urban planning in force, and, if applicable, the existence of the right to the urban development that is being valued.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. Generally speaking, the residual method has been used to value land and the construction work underway, the discounted cash flow method for assets for rent and the comparison method for finished buildings and elements thereof. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer's industrial margin, to arrive at the price of the land. In those cases where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate (dynamic residual method).

  The following steps are used to calculate the residual value using the dynamic calculation procedure: the cash flows are estimated, the discount rate is chosen and the calculation formula is applied. The following shall be taken as cash flows: the collections and, where applicable, the credit deliveries expected to be obtained from the sale of the property to be developed; and the payments expected to be made for the various costs and expenses during construction or refurbishment, including payments for the credits granted. These charges and payments will be applied on the dates foreseen for the marketing and construction of the property.

  The following requirements must be met for the use of the residual method:

  - The existence of adequate information to determine the most likely property development to be carried out under the applicable planning regime or, in the case of land with completed buildings, to check whether it complies with the planning regime.
  - The existence of sufficient information on construction costs, necessary development costs, financial costs, if any, and marketing costs to enable an estimate to be made of the normal costs and expenses for an average developer and for a development of similar characteristics to the one to be developed.
  - The existence of market information allowing for the calculation of the most likely selling prices of the elements included in the development or in the building at the dates foreseen for their commercialisation.
  - The existence of sufficient information on the performance of similar developments.

  In order to be able to apply the residual method using the dynamic calculation procedure, it will also be necessary to have information on the construction or renovation periods, the marketing of the property and, where appropriate, the urban development management and the execution of the development.

- Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and/or present rent, taking into account the return required on each type of asset.

  The calculation of the present value requires the valuer to estimate the cash flows, estimate the reversion value, choose the discount rate and apply the calculation formula.

  For the use of the updating method, at least one of the following requirements must be met:

  - There must be a rental market that is representative of comparable properties. In order to presume such an existence, there will be a need to have at least six pieces of rental income data on comparable properties that adequately reflect the current situation of this market and to have sufficient data on rental transactions or offers to identify suitable parameters to perform the homogenisation of rents on comparable properties.

  - The existence of a lease on the property under valuation.

  - The valued real estate is producing or is likely to produce income as real estate linked to an economic activity and there is also sufficient accounting data from the operation or adequate information on average structural ratios of the relevant branch of activity.

- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties, the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

  The following general rules are used to calculate the value by comparison:

  - The qualities and characteristics of the appraised property that influence its value are established. In the case of buildings of an historic or artistic nature, in order to establish these qualities and characteristics, the particular value of the elements of the building that give it that nature is also considered.

  - The real estate market segment of comparable properties is analysed and, on the basis of concrete information on actual transactions and firm offers, corrected where necessary, current cash purchase prices for these properties are obtained.

  - A representative sample of the prices obtained after the previous analysis is selected from among the prices corresponding to the comparable properties, to which the necessary homogenisation procedure is applied. In the selection process, those prices that are abnormal must first be compared in order to identify and eliminate both those from transactions and offers that do not meet the conditions required in the definition of the market value of the goods concerned and, in the case of a valuation for the purpose foreseen in the aforementioned Order, those that may include speculative elements.

  - The comparable properties are homogenised using the criteria, coefficients and/or weightings that are appropriate for the property in question.

  - The value of the property, net of marketing costs, is assigned on the basis of the homogenised prices, after deduction of the easements and limitations of ownership that apply to it and that have not been taken into account in the application of the preceding rules.

In order to use the comparison method, the following requirements must be met:

- There must be a representative market for comparable properties.

- Sufficient data on transactions or bids to be able, in the area concerned, to identify appropriate parameters to perform the homogenisation of comparable properties.

- Sufficient information on at least six transactions or offers of comparable properties that adequately reflect the current state of that market.

Thus, assets for rent and finished buildings and building items have a level 2 in the fair value hierarchy, while land and buildings under construction have a level 3.

The valuations were carried out by the following appraisers approved by the Group: TINSA, Sociedad de Tasación, Tasvalor, UVE Valoraciones, General de Valoraciones, S.A., Gesvalt, Tecnitasa, Eurovaloraciones and ARCO Valoraciones.

19. Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	**2019**
Deposits	**44,460,275**	**40,857,849**
Central banks (Note 19.1)	5,371,202	1,628,990
Credit institutions (Note 19.2)	1,207,820	4,304,232
Customers (Note 19.3)	37,881,253	34,924,627
Debt securities issued (Note 19.4)	**1,340,670**	**1,480,421**
Other financial liabilities (Note 19.5)	**826,435**	**1,110,050**
	46,627,380	**43,448,320**

19.1 Deposits - Central Banks

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2020 and 2019 is shown below:

	Thousands of euros	
	2020	**2019**
European Central Bank	5,400,000	1,650,000
Valuation adjustments	(28,798)	(21,010)
	5,371,202	**1,628,990**

On 6 June 2019, the European Central Bank announced a new programme of targeted longer-term refinancing operations (TLTRO III). On 30 April 2020, the Governing Council of the European Central Bank made a number of amendments to the terms and conditions of these financing operations in order to further support the provision of credit to households and businesses to mitigate the economic effects of the health crisis. With the maturity of the TLTRO II programme (1,650,000 thousand euros), the Group tendered 5,400,000 thousand euros in the TLTRO III programme maturing in 2023.

For institutions that meet a certain volume of eligible loans between 1 March 2020 and 31 March 2021, the interest rate may be (-1%) for the period from June 2020 to June 2021. Furthermore, these conditions were extended on 10 December 2020, establishing, in addition to the above, that, if a certain volume of eligible loans is met between 1 October 2020 and 31 December 2021, the (-1%) interest rate may be applied for the period between June 2021 and June 2022.

Institutions shall have the option to repay the financing early one year after the settlement of each transaction, on a quarterly basis but no earlier than 29 September 2021.

In accordance with point B5.4.4 of IFRS 9 on the application of the effective interest rate method to financial assets and liabilities at amortised cost, the Group has opted to accrue interest in accordance with the specific periods of adjustment to market rates, so that interest for the period from June 2020 to June 2022 (i.e. -1%) will be recognised in the consolidated income statement, assuming that the threshold of eligible loans giving rise to the extra-rate is met. This compliance is estimated considering the performance of the eligible loan book to date and the projections estimated in the Group's Business Plan, the degree of compliance with which is reviewed periodically.

The average effective interest rate on debt instruments classified in this caption during 2020 was (-0.93%) (-0.52% at 31 December 2019).

19.2 Deposits - Credit institutions

The breakdown, by transaction type, of the balances of this item in the accompanying consolidated balance sheets at 31 December 2020 and 2019 is shown below:

	Thousands of euros	
	2020	2019
On demand	**9,975**	**10,301**
Other accounts	9,975	10,301
Time or at notice	**1,198,312**	**4,294,052**
Fixed-term deposits	526,295	670,535
Assets sold under repurchase agreements	632,633	3,611,022
Other accounts	39,384	12,495
Valuation adjustments	**(467)**	**(121)**
	1,207,820	**4,304,232**

The average effective interest rate on debt instruments classified in this caption during 2020 was 0% (0.17% during 2019).

19.3 Deposits - Customer

The breakdown of the balance under this heading in the consolidated balance sheets at 31 December 2020 and 2019, based on the geographical location, nature and counterparties of the transaction concerned, is indicated below:

	Thousands of euros	
	2020	2019
Geographic location		
Spain	37,751,833	34,796,186
Rest of the world	129,420	128,441
	37,881,253	**34,924,627**
By nature		
Demand deposits	33,014,125	28,509,031
Current Accounts	*25,291,671*	*21,514,545*
Savings accounts	*7,634,909*	*6,961,871*
Other demand deposits	*87,545*	*32,615*
Term deposits	4,688,146	6,009,517
Fixed-term deposits	*3,017,862*	*4,113,508*
Non-marketable mortgage covered bonds and bonds issued (Note 44.1)	*1,625,470*	*1,842,137*
Hybrid deposits	-	-
Other term deposits	*44,814*	*53,872*
Assets sold under repurchase agreements	13,001	197,319
Valuation adjustments	165,981	208,760
	37,881,253	**34,924,627**
By counterparties		
Resident public administrations	1,430,828	1,158,839
Other resident sectors	36,321,005	33,637,347
Non-resident public administrations	13	13
Other non-resident sectors	129,407	128,428
	37,881,253	**34,924,627**

The average effective interest rate on debt instruments classified in this caption during 2020 was 0.08% (0.13% during 2019).

The item “Non-marketable mortgage covered bonds and bonds issued” (in the breakdown by nature) includes unique mortgage covered bonds issued under Law 2/1981 (25 March) governing the Mortgage Market in the amount of 1,625,470 thousand euros (1,842,137 thousand euros at 31 December 2019). The mortgage covered bonds were issued at variable or fixed rates of interest. The fixed-interest issues are hedged for interest-rate risk by means of interest rate swaps.

19.4 Debt securities issued

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	2019
Nominal value of mortgage covered bonds (Note 44.1)	3,000,000	3,900,000
Treasury shares	(2,507,121)	(3,319,808)
Nominal value of other securities linked to transferred financial assets	326,522	377,655
Nominal value of subordinated bonds	500,030	500,030
Valuation adjustments	21,239	22,544
	1,340,670	**1,480,421**

During 2020, mortgage covered bonds matured in the nominal amount of 1.116 million euros. (1,180 thousand euros at 31 December 2019, Note 44.1).

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

					Thousands of euros	
					Amount subscribed	
Type	Nominal interest	Issuance date	Maturity date	Nominal value of issue	2020	2019
TDA2 securitisation bonds	Variable	13.10.2005	(*)	904,500	63,926	74,817
TDA3 securitisation bonds	Variable	12.05.2006	(*)	1,007,000	62,069	71,293
TDA4 securitisation bonds	Variable	18.10.2006	(*)	1,410,500	78,928	88,513
TDA5 securitisation bonds	Variable	11.05.2007	(*)	1,207,000	42,413	47,964
TDA6 securitisation bonds	Variable	25.06.2008	(*)	1,521,000	13,766	15,054
TDA ICO-FTVPO securitisation bonds	Variable	15.07.2009	(*)	447,200	65,420	80,014
TDA7 securitisation bonds	Variable	18.12.2009	(*)	2,070,000	-	-
					326,522	**377,655**

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

The average effective interest rate on debt instruments classified in this caption during 2020 was 0.14% (0.21% during 2019).

Details regarding each issue of subordinated bonds are as follows:

			Thousands of euros	
			Nominal amount	
Issue	Nominal interest	Maturity	2020	2019
15 June 2007	Mixed	15 June 2022	30	30
28 July 2015	Fixed	28 July 2025 (*)	-	500,000
23 January 2020	Fixed	23 July 2030 (*)	500,000	-
			500,030	**500,030**

(*) The Group reserves the right to redeem these issues once five years have elapsed as from the issue date. Early redemption by the issuer is also possible within five years as from the issue date for causes deriving from a change in the tax treatment of the product and/or its treatment as an equity instrument. Such redemption must be authorised by the competent regulator.

On 8 January 2020, Ibercaja Banco, S.A. agreed to make a buyback offer in cash to all holders of the subordinated obligations issue called “€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025”. Once this offer was concluded, Ibercaja accepted the purchase of Obligations for a nominal amount of 281,900 thousand euros, the settlement of which took place on 23 January 2020. Subsequently, Ibercaja met the selling interest of other investors who had not participated in the public offering, repurchasing an additional 77,700 thousand euros during the first half of this financial year.

Finally, on 28 July 2020, as anticipated in its "Other Relevant Information" communication to the CNMV on 3 June 2020, having obtained the necessary authorisations, the Group proceeded to carry out the early redemption of the remaining amount (140,400 thousand euros) of its issue of subordinated obligations called "€500,000,000 Fixed Rate Reset Subordinated Notes due 28 July 2025". The nominal amount of 100 thousand euros has been paid for each outstanding security plus accrued and unpaid interest up to the aforementioned date (excluded), in accordance with the terms and conditions of the issuance prospectus.

On 16 January 2020, Ibercaja Banco, S.A. set the economic terms of an issue of subordinated obligations with a par value of 500 million euros and maturing on 23 July 2030. The issue price of the subordinated obligations was 100% and they will bear a fixed annual coupon of 2.75% until 23 July 2025, when Ibercaja has the option of carrying out early redemption. From this date, they will bear a fixed interest equal to the applicable 5 year Mid-Swap Rate plus a margin of 2.882%. The disbursement and closure of this issue took place on 23 January 2020.

The new bonds qualify as Tier 2 capital instruments for the purposes of the own funds requirements to which it is subject under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms.

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

Issues of subordinated bonds have been authorised by the competent Regulator to be classified as eligible own funds.

Interest accrued on the subordinated liabilities amounts to 19,387 thousand euros at 31 December 2020 (25,408 thousand euros at 31 December 2019).

The average effective interest rate on debt instruments classified in this caption during 2020 was 3.36% (4.79% during 2019).

Below follows a reconciliation of the carrying value of the liabilities originating from financing activities according to changes that generate cash flows and those that do not:

	Thousands of euros	
	2020	**2019**
Opening balance	**508,997**	**586,614**
Cash flows	-	(77,801)
Subordinated bond issuance by Ibercaja Banco, S.A.	*500,000*	-
Redemption of subordinate bonds issued by Ibercaja Banco, S.A.	*(500,000)*	*(72,801)*
Redemption of preference shares	-	*(5,000)*
No impact on cash flows	1,329	184
Valuation adjustments	*1,329*	*184*
Closing balance	**510,326**	**508,997**

19.5 Other financial liabilities

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	**2019**
Bonds payable	37,836	45,180
Guarantees received	29,076	4,958
Collection accounts	539,751	604,955
Special accounts	37,714	40,795
Financial guarantees	2,234	3,056
Other items	179,824	411,106
	826,435	**1,110,050**

"Other items" include deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repos or reverse repos. The balance also includes lease liabilities amounting to 58,496 thousand euros (63,756 thousand euros during 2019, Note 2.10).

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

	Thousands of euros	
	Instruments subject to offset arrangements.	
	2020	**2019**
Assets under repos	-	-
Liabilities under repos	182	4,376

	Thousands of euros	
	Deposits subject to repo offset arrangements.	
	2020	**2019**
Deposits recognised under assets	1,060	3,270
Deposits recognised under liabilities	1,000	-

19.6 Information on average payment period for suppliers. Additional Provision Three. "Disclosure requirement" of Law 15/2010 of 5 July

Pursuant to Final Provision Two of Law 31/2014, of 3 December, amending Additional Provision Three of Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, on measures to combat late payment in commercial transactions, and in connection with the information to be included in the notes to the financial statements on the deferral of payments to suppliers in commercial transactions, calculated in accordance with the Spanish Institute of Accounting and Auditing's Ruling of 29 January 2016, the information for 2020 and 2019 is as follows:

	2020	**2019**
	Days	
Average supplier payment period	25	20
Ratio of settled transactions	23	19
Ratio of transactions pending payment	102	96
	Thousands of euros	
Total payments made	566,606	630,686
Total payments outstanding	15,859	10,862

20. Liabilities under insurance or reinsurance contracts

At 31 December 2020 and 2019, the balances in this consolidated balance sheet heading were as follows:

	Thousands of euros	
	2020	**2019**
Technical reserves for:		
Unearned premium reserves (non-life)	-	-
Life insurance:	6,573,738	7,393,305
Unearned premium reserve and current risks	*22,475*	*22,856*
Mathematical reserves	*6,551,263*	*7,370,449*
Benefits pending payment	92,728	71,710
Profit sharing and returned premiums	4,396	5,026
Life insurance in which the investment risk is borne by the policyholders	851,005	314,496
	7,521,867	**7,784,537**

There is no accepted reinsurance at 31 December 2020 or 31 December 2019.

The reconciliation between the opening and closing balances under this heading in 2019 and 2020 is as follows:

	Thousands of euros
Balances as at 31 December 2018	**7,514,769**
Transfers	26,394
Transfers	*1,153,535*
Reversals	*(1,127,141)*
Other movements	243,374
Balances as at 31 December 2019	**7,784,537**
Transfers	(377,745)
Transfers	*1,186,574*
Reversals	*(1,564,319)*
Other movements	115,075
Balances as at 31 December 2020	**7,521,867**

On 17 December 2020, the Directorate General of Insurance and Pension Funds published by means of a Resolution the new biometric tables to be applied by insurance companies, as well as the technical guide on supervisory criteria related to them.

The main objective of this Resolution was to declare the admissibility of these new tables and the inadmissibility of certain previous tables, establishing their application in calculating new premiums, accounting provisions and the valuation of liabilities under Solvency II, distinguishing between the various types of insurance (mortality, individual and group survival insurance).

In addition, and with regard to survival insurance, this resolution provides that institutions may choose between full adaptation to the tables in 2020 or progressive adaptation over time, complying with a timetable set by the supervisor. This timetable requires at least 25% of the difference in tables to be collected by the end of 2021 and each year thereafter additional quarters are to be computed, so that by the end of 2024 the institutions are fully adapted to the new tables.

Ibercaja Vida has estimated the total impact of the change of tables at 15,198 thousand euros, coming entirely from the survival insurance of its portfolio. At the end of 2020 an accumulated provision for this item amounting to 6,079 thousand euros had been recorded. Therefore, at the end of 2020, 40% of the impact of the change of tables has been included in its accounts, which is much higher than the minimum percentage laid down in the Resolution of the Directorate General of Insurance and Pension Funds for 2021, taking advantage of the adaptation period.

In the aforementioned Resolution, the Directorate General for Insurance and Pension Funds published two tables with different applications:

- Tables second-order or realistic: these are biometric tables based on actually observed historical mortality. They shall be applied in the calculation of the best estimate in the area of solvency.

- First order tables: these incorporate prudential surcharges determined by the supervisor on the second-order tables and are the tables to be applied for the quantification of accounting provisions.

Furthermore, Ibercaja Vida has analysed the adequacy of the new tables by comparing its actual experience with those that would be obtained in application of the new realistic, i.e. second-order, tables. The results obtained are shown in the following table:

	Products	Actual Claims	Realistic Mortality Table	Estimated Claims	%
Death Risk Insurance	Savings Insurance Risk Insurance	1,216	PASS M/F 2020 2nd Order	1,653	73.56%
Insurance with Survival Risk	Rent Insurance (Individual and Group)	1,969	PER M/F 2020 Ind 2nd Order PER M/F 2020 Col 2nd Order	1,939	101.55%

(*) Data at 31 December 2020

As can be seen, in Death Risk Insurance there is a high sufficiency in the biometric hypotheses used in the calculation of the best estimate, since the real behaviour of the insured group (real deaths) is 73.56% of the behaviour obtained with the realistic mortality tables (second order). In other words, the company's mortality rate is lower than that determined by the realistic second-order table published by the supervisor.

In addition, sufficiency in Insurance with Survival Risk is verified because the real mortality of the insured group is 101.55% of the realistic longevity tables (second order). In other words, the company's mortality rate is slightly higher (in insurances where the risk is life extension) than that determined by the realistic second-order table published by the supervisor.

However, as explained above, the provision booked at year-end 2020 has been calculated using the first-order tables, which represent a significant surcharge compared to the second-order tables. Therefore, once the adequacy of the second order tables has been verified with the company's experience, there is a very high probability that the provisions booked will cover future commitments, even if they are subject to some uncertainty.

20.1 Risk management under insurance contracts

The Group is exposed to market (interest rate, concentration, spread and variable income), liquidity, counterparty, operational and underwriting (life) risks under insurance contracts arranged and related transactions.

Ibercaja Vida has policies describing the management and control strategies applied to each of the abovementioned risks. These policies meet the Solvency II requirements that came into force on 1 January 2016 and have been approved by the Board of Directors.

Additionally, the Three Lines of Defence Model has been deployed in the Entity to assure effective risk management and supervision.

In addition, and with a risk-based approach, Ibercaja Vida has defined its Risk Appetite Framework (RAF), the main objective of which is to identify the risks to which the company is exposed and to determine tolerance limits for each of these risks, by establishing metrics with established compliance thresholds. This system makes it possible to monitor that the company is at all times within the threshold or risk appetite set by its Board of Directors.

In addition, and at least once a year, Ibercaja Vida carries out a Self-Assessment of its Risks and Solvency to obtain a prospective vision of the company's risks and solvency in different scenarios.

Market, liquidity, counterparty and operational risks affecting this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 on Risk Management.

Insurance business risk relates to life underwriting, which is the risk of incurring losses due to an increase in the value of liabilities as a result of a departure from the assumptions (mortality, longevity, policy lapse, expenses, etc.) on the basis of which they were contracted. This risk spans a number of sub-risks, the most significant being:

- Mortality Risk: the risk of incurring losses due to an increase in mortality rates in relation to forecasts.
- Survival/Longevity Risk: risk of incurring losses due to an increase in the survival of insured parties in relation to forecasts.
- Surrender/Portfolio Downside Risk: the risk of incurring losses due to variance in surrender rates in relation to forecasts.

Among others, the Company applies the following procedures to manage these life insurance underwriting risks to which it is exposed:

- Application of prudent mortality and survival tables to manage the risk associated with each product and generally accepted in the industry.
- Limits on taking out the insurance.
- Medical selection when taking out the insurance.
- Updating pricing and withholding platform.
- Ongoing monitoring of matching flows in portfolios subject to matching adjustment.
- In addition, risk diversification is an essential technique to reduce Ibercaja Group's overall exposure. To this end, Ibercaja Vida spreads its business strategy among various products, thus increasing the diversification of underwriting risks.

The main actuarial assumptions used in measuring the mathematical provisions of the various forms of insurance in the portfolio for 2020 and 2019 are detailed below:

	2020						
	Coverage type	Tables used	Profit sharing: With or without profit sharing	Profit sharing: Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.28%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.32%
Life annuities	Mixed	GR95/PER2000P/ PER2020I1º	No profit sharing	-	Individual	Single premium	2.17%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.62%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.77%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P/PER2020C1º	With/without profit sharing	8	Group	Single premium	4.30%
Other groups	Mixed	GK80/GK95	With profit sharing	33	Group	Regular/single premium	1.28%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,500	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	34	Group	Regular premiums	-

	2019						
	Coverage type	Tables used	Profit sharing: With or without profit sharing	Profit sharing: Amount to be distributed	Form of distribution	Form of payment	Guaranteed average rate
Systematic savings	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.32%
Savings-investment	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	0.31%
Life annuities	Mixed	GR95/PER2000P	No profit sharing	-	Individual	Single premium	2.21%
Systematic insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular premiums	0.57%
Investment insured benefit plans	Mixed	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Single premium	1.59%
Unit linked	Policyholder risk	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Pension plans of inactive employees	Income	GK95/PER2000P	With/without profit sharing	6	Group	Single premium	4.29%
Other groups	Mixed	GK80/GK95	With profit sharing	99	Group	Regular/single premium	1.45%
Individual life-risk	Performing	GK80/GK95/PASEM2010	No profit sharing	-	Individual	Regular/single premium	-
Group life-risk	Performing	GK80/GK95/PASEM2010	With profit sharing	1,350	Group	Regular premiums	-
Accidents	Accidents	Market	With profit sharing	34	Group	Regular premiums	-

20.2 Classification of insurance risk

The Group has a policy of diversifying insurance risks and there are mechanisms in place to detect any type of risk concentration. It is common practice to use treaty reinsurance to mitigate the risk of concentration or accumulation of guarantees above the maximum acceptance levels.

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

	Thousands of euros	
	2020	**2019**
Life insurance premiums	73,606	75,209
Savings insurance premiums	883,695	862,247
	957,301	**937,456**
Premiums under individual policies	952,777	932,421
Premiums under group policies	4,524	5,035
	957,301	**937,456**
Regular premiums	372,128	400,540
Single premiums	585,173	536,916
	957,301	**937,456**
Premiums for policies with no profit-sharing	402,703	675,027
Premiums for policies with profit-sharing	4,460	4,822
Premiums for policies where the investment risk is assumed by the policyholder	550,138	257,607
	957,301	**937,456**

The premiums under the insurance contracts detailed in the table above are presented in the income statement item “Income from assets under insurance or reinsurance contracts”, which amounted to 960,230 thousand euros at 31 December 2020 (940,528 thousand euros at 31 December 2019). This heading also reflects income from reinsurance amounting to 2,929 thousand euros at 31 December 2020 (3,072 thousand euros at 31 December 2019).

According to the Directorate General of Insurance, individual insurance policies are those in which, despite a group policy being formalised, the premium payment obligations and inherent rights pertain to the insured. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2020 amounting to 960,461 thousand euros (940,798 thousand euros in 2019) relate to the technical reserves associated with such contracts.

20.3 Sensitivity to insurance risk

Ibercaja Vida monitors its risk exposure by applying the standard formula determined in the Solvency II regulations, obtaining a solvency ratio of 220% at 31 December 2020, with the regulatory minimum being 100% (210% at 31 December 2019).

In addition, as explained above, Ibercaja Vida has established a Risk Appetite Framework (RAF) which defines the risk accepted in the company and establishes a series of first level metrics to monitor compliance with this appetite. In addition, in each of the risk management policies approved by the company, a series of second-level metrics or early warnings are determined that enable deviations to be anticipated and measures to be taken.

Among other sensitivity analyses, these metrics measure impacts on economic value and margin in the light of variations in the risk-free curve. The results achieved as at 31 December 2020 are as follows:

- A progressive increase of +100 basis points in the discount curve would mean a reduction in economic value of 9% and a reduction in one-year earnings of 3%.

- A progressive decrease of +50 basis points in the discount curve would generate a 5% increase in the economic value and a 1% increase in the one-year result.

As most of the insurer's portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the economic value and income statement.

21. Provisions

The breakdown of movements in 2020 and 2019 indicating the purpose of the provisions recognised in the consolidated balance sheet at 31 December 2020 and 2019, is as follows:

	Thousands of euros				
	Pensions and other post-employment defined benefit obligations	**Other long term employee remuneration**	**Lawsuits and litigation for outstanding taxes**	**Commitments and guarantees given**	**Other provisions**
Balances as at 1 January 2019	**124,265**	**1,931**	**9,027**	**33,465**	**180,123**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	603	333	26,298	50,568
Staff costs (Note 38)	2,225	-	-	-	-
Reversal of provisions taken to income statement	-	-	-	(37,271)	(3,201)
Provisions utilised	(317)	(2,068)	(1,430)	-	(67,452)
Other movements	(2,565)	-	-	23	1,136
Balances as at 31 December 2019	**123,610**	**466**	**7,930**	**22,515**	**161,174**
Allowances charged to income statement					
Interest expense	2	-	-	-	-
Allowances to provisions and other	-	432	434	17,307	23,450
Staff costs (Note 38)	2,359	-	-	-	151,041
Reversal of provisions taken to income statement	-	-	-	(20,435)	(35,424)
Provisions utilised	(311)	(776)	(584)	-	(13,539)
Other movements	(6,535)	-	-	90	(40,106)
Balances as at 31 December 2020	**119,125**	**122**	**7,780**	**19,477**	**246,596**

The composition of the provisions items "Pensions and other post-employment defined benefit commitments" and "Other long-term employee remuneration" is broken down in Note 38 "Staff costs". Other movements discloses the variation of exterior commitments implemented through pension plans and insurance policies without breaking down the financial and actuarial components and the benefits paid, with the information provided in the aforementioned Note.

The caption "Provision – Commitments and guarantees given" reflects impairment losses associated with financial guarantees (Note 27.1) and other off-balance-sheet exposures (Note 27.3) granted by the Group.

Post-employment benefits and other long-term commitments

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term remuneration commitments, carried as provisions in the balance sheet at 31 December 2020 and 2019, are analysed below:

	Thousands of euros	
	2020	**2019**
Liabilities		
Early retirement agreement	-	-
Externalised post-employment benefits	112,168	116,743
Non-externalised post-employment benefits	6,957	6,867
Fund for labour-related costs of the restructuring plan	122	466
	119,247	**124,076**

The net balance in the consolidated balance sheet for defined benefit plans breaks down as follows:

	Thousands of euros	
	2020	**2019**
Commitments relating to:		
Post-employment benefits (Note 38.2)	(29,314)	(30,141)
Other long-term remuneration - pre-retirement (Note 38.3)	(122)	(466)
(Shortfall)/Surplus	**(29,436)**	**(30,607)**
Impact of limit on assets	(638)	(568)
Net asset (liability) on balance sheet:	**(30,074)**	**(31,175)**
Assets linked to pensions (*)	84,845	89,215
Net pension assets (**)	4,328	3,686
Net pension (provision)	(119,247)	(124,076)

(*) Financial assets at the subsidiary Ibercaja Vida, S.A.
(**) Amount recorded under "Other assets" in the consolidated balance sheet.

The costs recognised in the consolidated income statement for employee benefits are as follows:

	Thousands of euros	
	2020	**2019**
Defined benefit plans	(2,359)	(2,225)
Contributions to defined contribution plans	(15,339)	(15,030)
Interest expense and similar charges (net)	36	13
Transfers to provisions (*)	(412)	(519)
Actuarial gains (-) losses on long-term employee benefits	(20)	(84)
	(18,094)	**(17,845)**

(*) Includes annual provision for training, educational assistance for children, etc.

The amounts recognised in the consolidated statement of changes in equity are as follows:

	Thousands of euros	
	2020	**2019**
Actuarial gains/(losses) on post-employment benefits	849	(9,704)
Limitation on assets	(70)	(180)
	779	**(9,884)**

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

	2020	**2019**
Technical interest rate	0.00% - 0.66%	0.00% - 1.09%
Expected return on assets	0.22% - 0.66%	0.59% - 1.09%
Annual pension revision rate	0.00% - 2.00%	0.00% - 2.00%
Annual salary increase rate	2.00%	2.00%
Growth in Social Security contribution bases	1.00%	1.00%
Retirement age	63 - 67 years	63 - 67 years
Mortality tables	PER 2000P - PER 2000C	PERM/F 2000P
Life expectancy		
Employees retiring in FY 2018/2016		
Men	22.66	22.54
Women	27.15	27.03
Employees retiring in FY 2037/2036		
Men	24.95	24.84
Women	29.21	29.12

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality AA corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the financial statements. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the post-employment obligations is 11.50 years and the weighted average discount rate was 0.32%.

Other provisions

- A significant portion of these provisions relates to the labour cost of the redundancy plans for 2014, 2015, 2017 and 2020 pending disbursement (207,379 thousand euros at 31 December 2020 and 75,350 thousand euros at 31 December 2019). During 2020, the funds associated with this item were released for 19,011 thousand euros, due to the expiry of a contingency linked to these labour costs from Cajatres.

- With regard to the possible impact of the refund of the amounts perceived as a result of the application of the so-called interest rate floor clauses, either as a result of the hypothetical cancellation by the courts of the floor clauses, either through the application of Royal Decree Law 1/2018, of 20 January, on measures to protect consumers regarding floor clauses, the Company has reserves to cover a hypothetical legal risk deriving from the potential elimination of the floor clauses in mortgages which would cover, where applicable, the maximum estimated amount of 21 million euros.

  At 31 December 2020, 653 million euros of the 752 million-euro balance drawn down on loans containing interest rate floor clauses relates to loans in which the entity has negotiated or traded with its customers a resolution whereby, in exchange for eliminating or reducing the amount of the floor rate, the customer has waived the right to claim from the Group the amounts charged under the floor clause.

  On 11 April 2018, in a judgment handed down by the full court, when analysing one of these resolutions, the Supreme Court considered it to be valid, as it was a genuine transaction, where both parties, reducing their original claims, resolved in a free and informed manner to reach an agreement to avoid litigation on the possible unfairness of the interest rate floor clause. Both parties renounced claiming the consequences of the possible abuse of the floor clause due to lack of transparency, and therefore, given that all the resolutions are in keeping with the same pattern and were adapted with equal or greater transparency than the one analysed by the S.C., the Group considers that all the agreements it entered into with its customers are valid.

  On 26 June 2018, when analysing an Ibercaja Banco resolution, similar to the one examined by the Supreme Court in its judgment of 11 April 2018, the court of first instance and preliminary investigations 3 of Teruel called on the Court of Justice of the European Union ("CJEU") to provide a preliminary ruling (Case C-452/18), calling into question the doctrine established by the Supreme Court in its Plenary Judgment of 11 April 2018.

  On 9 July 2020, the CJEU delivered its judgment in case C-452/18. The CJEU affirms, contrary to the opinion of Court 3 of Teruel and in line with that stated by the Advocate General in his conclusions issued on 30 January 2020, that it is possible for a bank and a customer to sign a novation or settlement agreement on a potentially abusive interest rate floor clause, by virtue of which the customer sees the rate of the floor clause reduced and for its part waives the right to claim against the bank for the alleged unfairness of the initial floor clause, provided that the customer gives his free and informed consent.

  Subsequently, on 5 November 2020, when ruling on an appeal in cassation lodged by the Company, the Spanish Supreme Court, applying the CJEU ruling of 11 July, considered that, given that the novation agreement signed by the customer with Ibercaja was a pre-established contract and its clauses were general conditions, there was a need to examine the transparency of its clauses. In doing so, it considered that the clause modifying the interest rate was transparent and therefore valid, but the clause containing the reciprocal waiver of the exercise of actions was not, as it was a generic waiver not limited exclusively to the floor clause. This changed the criterion laid down by the Spanish Supreme Court in its judgment of 11 April 2018 in relation to the novation agreements signed by the Company, and ordered it to return to the plaintiff the interest charged in excess due to the application of the interest rate floor clause from the time it began to operate in the contract until the date of the novation, and from that date onwards, the Entity could continue to charge the customer the floor clause.

In addition, it should be noted that the new limitation period for actions that do not have a special term is applicable, which has changed from 15 years to 5 years (Art. 1964 of the Civil Code), except in Catalonia, which maintains the 10-year period due to its foral regulation, which means that those who have not claimed the floor clause of their novated loan will have their claim action barred if more than five years have elapsed since the novation contract. This assertion is supported by the case law of the CJEU, and in its judgment of 16 July 2020, the European Court ruled on the length of the limitation period for actions to enforce the restitutionary effects of the declaration of invalidity of an unfair term, stating that “a period of five years 'does not appear' to make it impossible in practice or excessively difficult to exercise the rights conferred by Directive 93/13” (CJEU of 16 July 2020, para. 87), especially when the CJEU, in other cases, has considered three-year limitation periods to be in line with the principle of effectiveness (CJEU of 15 April 2010, Barth, C-542/08, para. 28) and two years (CJEU of 15 December 2011, Banca Antoniana Popolare Veneta, Case C-42772010, para. 25).

- On 14 December 2017, the Spanish Supreme Court, in the face of disparate criteria from the various provincial courts, declared in a unification of doctrine, that the Mortgage Loan Reference Index (IRPH) was valid and not abusive, given that it is an official index and as such cannot be subject to a transparency analysis.

  On 16 February 2018, the 38th Court of First Instance of Barcelona made a reference to the CJEU for a preliminary ruling (Case C125/18), calling into question the criterion laid down by the Court of Justice in its judgment of 14 December 2017.

  On 3 March 2020, the CJEU ruled in Case C-125/18, in which it clarified that a clause that fixes the interest rate on the basis of an official reference rate is subject to the Consumer Directive 93/13, and therefore, a national judge can examine whether the reference rate has been informed to the consumer in a transparent manner, unless this official rate is applied to the loan contract by application of a mandatory rule, as is the case, for example, in the Spanish case, with agreed loans (VPO). The CJEU also states that for such a clause fixing the interest rate to be transparent, it must not only be comprehensible on a formal and grammatical level, but also enable the average consumer, who is reasonably well informed and reasonably observant and circumspect, to be able to understand how the method of calculation of that interest rate actually works and thus to assess, on the basis of precise and comprehensible criteria, the potentially significant economic consequences of that clause on his financial obligations. And finally, the CJEU states that in the event that the national court concludes that the clause is void because of lack of transparency, it is possible for the national court to replace the original index with a legal index applicable in the absence of an agreement to the contrary by the parties to the contract, provided that the mortgage loan contract could not survive after the unfair term has been removed and that the annulment of the contract in its entirety would leave the consumer exposed to particularly harmful consequences.

  After this ruling, the various provincial courts maintained different criteria. Some considered the interest rate clauses that include the IRPH to be transparent and, therefore, not abusive, and others, conversely, considered them to be non-transparent and declared the interest rate clause abusive; however, the latter agree that the loan contract cannot survive without this clause and included very different criteria in the contract, some courts replaced it with the Euribor, others with the IRPH credit institutions.

  Recently, in November 2020, the Spanish Supreme Court has issued five rulings related to the IRPH, four of them referring to free loans, and one of them related to an agreed loan. In the first four cases, the Court concluded that, despite the fact that the IRPH clause is not transparent, since the customer was not informed of the past performance of the index, it is not considered to be abusive, since, from the point of view of contractual good faith, the clause does not create an imbalance in the obligations of the contract for the consumer, and, therefore, since it was agreed by the Entity with the customer in good faith, it cannot be declared abusive. In relation to the fifth ruling, concerning a VPO loan, the SC stated that this clause, whose interest rate is imposed by the application of a regulation, cannot be considered abusive, since the Entity acted in good faith, limiting itself to applying the interest rate to the loan that is imposed for these loans by law.

In the case of the Entity, the largest loan book referenced to IRPH comes from agreed or VPO loans, where the interest rate is mandatorily imposed by the government and, therefore, the clause of these loans is outside the scope of application of the Consumer Directive, as has been affirmed by the CJEU ruling.

The remaining IRPH-linked loan book is scarce and many of these loans have already been repaid, thus leaving a very small outstanding portfolio. As a result, the number of claims received for this legal contingency has been very low.

Based on this background and given that current case law on this matter is in favour of considering the IRPH clause as a non-abusive clause, the Entity has considered it appropriate not to provision any amount for this legal risk, as it considers the probability that the Entity will have to part with resources that include economic benefits to settle this obligation to be remote, in accordance with the provisions of point 14 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

- The CJEU in its Judgment of 16 July 2020, while recalling that an unfair term must be deemed not to have been included without further modification, permits that not all the sums paid have to be refunded where the limitation derives from provisions of national law which impose on the consumer the obligation to pay all or part of those costs. In this regard, the most relevant pronouncements on this issue are contained in paragraphs 54 and 55 of the Judgment, through which the Court recognises that, once the costs clause has been declared unfair, national law can be applied to regulate the distribution of the costs of mortgage creation and cancellation in the absence of an agreement between the parties. In these paragraphs, in particular, the Court expressly mentions the possibility of not refunding to the consumer amounts imposed on him by national law (such as Stamp Duty).

  In short, in our opinion, the CJEU upholds the interpretation made by the Supreme Court in such a way that it will be up to the national judge to determine, in the absence of an agreement as the clause has been eliminated, which of the costs borne by the consumer were imposed on him by the provisions of national law. And these national provisions are those that the Supreme Court has been applying in its case law (see, for example, Judgment 49/2019, of 23 January) so, in our opinion, the Supreme Court will not be forced to change its jurisprudential doctrine in this regard by the doctrine contained in the aforementioned CJEU Judgment.

  In view of the foregoing, i.e. that there should be no change in the Spanish Supreme Court's jurisprudential position on the payment of mortgage origination fees as a result of the CJEU Ruling of 16 July 2020, the Entity understands that it does not have to re-estimate the provisions set up for this contingency, as the situation, following the CJEU Ruling, has not changed adversely for the Entity, especially when the CJEU Ruling admits that the action to claim the restitution of amounts derived from the application of the expenses clause has, in accordance with our legal system, a limitation period of 5 years. Provisions made at 31 December 2020 for this contingency, based on the information available at that date, amount to 5,365 thousand euros.

  With regard to appraisal expenses, it should be noted that the SC, after the close of the 2020 financial year and prior to the preparation of these consolidated financial statements, has established as a criterion that this expense must be borne by the Company, as the property was appraised for mortgage purposes and in favour of the Company, unless the loan was formalised after the entry into force of Law 5/2019 of 15 March, regulating real estate credit contracts, which imperatively establishes that this cost must be borne by the borrower. In this sense, the estimated impact of this judgement is low.

- The remainder of the balance relates to the coverage of other ordinary business risks.

  At 31 December 2019, the Group estimated a probable impact of 10 million euros as a result of the repurchase of the subordinated debt, which could not materialise until January 2020 (Note 19.4). Once the subordinated debt had been repurchased, the Group drew down the fund set up for this contingency, thus mitigating the impact recognised under “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost” in the consolidated income statement (Note 34).

22. Other liabilities

This heading in the consolidated balance sheets at 31 December 2020 and 2019 breaks down as follows:

	Thousands of euros	
	2020	**2019**
Personnel expense apportionment	9,882	18,091
Transactions in transit	4,320	7,007
Contribution to Deposit Guarantee Fund (Note 1.8.2)	46,229	41,486
Other	152,841	106,644
	213,272	**173,228**

At 31 December 2020 and 2019, “Other” mainly includes supplier expenses that have been accrued by the Group.

23. Shareholders' funds and non-controlling interests

23.1 Shareholders' equity

The breakdown of shareholders' equity at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	**2019**
Capital	214,428	214,428
Equity instruments issued other than capital	350,000	350,000
Retained earnings	602,663	545,893
Legal reserve	*59,215*	*59,215*
Goodwill reserve	*12,807*	*12,807*
Voluntary reserves	*511,313*	*454,543*
Capitalisation reserves	*19,328*	*19,328*
Revaluation reserves	3,297	3,305
Other reserves	1,966,640	1,941,402
Legal reserve	*13,671*	*13,671*
Accumulated reserves or losses on investments in jointly-controlled entities and associates	*(33,603)*	*(43,089)*
Other reserves	*1,986,572*	*1,970,820*
Of which: from the application of IFRS 9	*(115,872)*	*(115,872)*
Of which: from the issue of equity instruments other than capital	*(49,870)*	*(32,720)*
Profit/(loss) for the year	23,602	83,989
Total	**3,160,630**	**3,139,017**

In 2019 capital was reduced by 1,929,848 thousand euros in order to set up a restricted voluntary reserve for this amount. This reduction was achieved by reducing the nominal value of all the shares into which the share capital was divided by 90%, and then grouping the number of outstanding shares by exchanging each 10 pre-existing shares of ten euro cents in nominal value for a new share of one euro at nominal value. The reduction in capital affected all the Company's shares equally, and there was no disparity in treatment between them.

In addition, part of the legal reserve was allocated to the creation of a voluntary reserve of 200 million euros. The legal reserve after the transaction amounted to 73 million euros.

In addition, in connection with this restructuring of the Bank's equity, a capitalisation reserve amounting to 19 million euros was set up, with a charge to voluntary reserves, in accordance with Article 25 of the Corporate Income Tax Law.

The equity instruments issued other than capital correspond to an issue of preference shares and have been authorised by the competent supervisor for classification as Tier 1 eligible capital (Note 1.7.2).

Accrual and payment of the dividend of these instruments is recognised in "Other reserves" of equity. As at 31 December 2020, this dividend payment amounts to 24,500 thousand euros (24,500 thousand euros as at 31 December 2019).

23.1.1 Capital

Share capital at 31 December 2020 consists of 214,427,597 shares (214,427,597 shares at 31 December 2019), with a par value of 1 euro each, fully subscribed and paid out, of the same class and series. The Bank's shares are represented by registered certificates.

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

	Thousands of euros	
	31/12/2020	31/12/2019
Fundación Bancaria Ibercaja	88.04%	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.73%	4.85%
Cajacírculo Fundación Bancaria	3.33%	3.45%
Fundación Ordinaria Caja de Badajoz	3.90%	3.90%

In 2020, 513,958 Ibercaja Banco shares were transferred from Fundación Caja de Ahorros de la Inmaculada de Aragón and Cajacírculo Fundación Bancaria to Fundación Bancaria Ibercaja, in accordance with the terms of the settlement agreement reached between the aforementioned shareholder foundations in relation to the payment of the price adjustment made by SAREB as payment of the compensation arising from the Integration Agreement between Ibercaja Banco and Banco Grupo Cajatres.

23.1.2 Reserves

Appendix II includes a breakdown by company of the balance in "Accumulated reserves or losses on investments in jointly-controlled entities and associates" and the other accumulated reserves.

23.1.2.1 Legal reserve

In accordance with the consolidated text of the Corporate Enterprises Act, companies that record profits for the financial year must transfer 10% of the profits to the legal reserve until the balance in the reserve reaches at least 20% of share capital. The legal reserve may not be used to offset losses unless it exceeds the aforementioned limit and no other sufficient reserves are available for such purpose.

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

23.1.2.2 Goodwill reserve

The goodwill reserve is recognised pursuant to the previous Article 273.4 of the Corporate Enterprises Act, (eliminated in financial statements for periods commencing on or after 1 January 2016) and is not available for distribution. Law 22/2015 of 20 July on the Auditing of Accounts stipulates that in periods commencing on or after 1 January 2016, the goodwill reserve will be reclassified to voluntary reserves and will be unrestricted as from that date in an amount that exceeds the goodwill recognised on the assets side of the balance sheet.

23.1.2.3 Revaluation reserves

The revaluation reserves are the result of the accounting restatement carried out on the first-time adoption of IFRS-EU and may not be distributed, directly or indirectly, unless the capital gain has been realised, this being understood as when:

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

b) The restated assets have been transferred or written off the balance sheet.

23.2 Non-controlling interests

The Group had no non-controlling interests in 2020 or 2019.

24. Other accumulated comprehensive income

24.1 Actuarial gains/(losses) on defined benefit pension plans

At 31 December 2020, cumulative actuarial losses on defined benefit pension plans amount to €23,741 thousand (€24,286 thousand at 31 December 2019).

24.2 Hedging derivatives. Cash flow hedge reserve (effective portion)

At 31 December 2020, the amount of gains taken to equity for cash flow hedges amounted to 8,551 thousand euros (31 December 2019: gains of 8,524 thousand euros).

24.3 Financial assets at fair value through other comprehensive income

This heading on the consolidated balance sheets reflects the net amount of changes in fair value of assets which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4).

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

	Thousands of euros				
	2020				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	(10,432)	210,904	201,601	9,303	-
Unlisted equity instruments	44,305	142,967	-	113,717	29,250
Listed fixed income	39,091	6,669,457	6,350,334	319,123	-
Total	**72,964**	**7,023,328**	**6,551,935**	**442,143**	**29,250**

	Thousands of euros				
	2019				
	Valuation adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Listed equity instruments	3,152	206,897	197,261	9,636	-
Unlisted equity instruments	69,296	190,934	-	160,440	30,494
Listed fixed income	45,509	7,688,599	7,447,877	240,722	-
Total	**117,957**	**8,086,430**	**7,645,138**	**410,798**	**30,494**

25. Tax position

25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporate Income Tax Consolidated Group (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore Corporate Income Tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatres, as from the tax period starting 1 January 2014, Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

25.2 Years open to inspection

The Group and its companies are subject to inspection by the tax authorities for Corporate Income Tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2016 onwards. In this respect, in July 2020, tax audits were initiated in relation to the 2013 to 2017 tax years, both inclusive, for the Corporate Income Tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Furthermore, in relation to the Corporate Income Tax of the tax consolidation group of Banco Grupo Cajatrés, a company absorbed by Ibercaja Banco in 2013, and of several of its companies, in July 2020 notification was received that inspection proceedings were commencing regarding supplementary tax returns and requests for rectification filed for 2011 to 2013. These proceedings are currently underway.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

25.3 Reconciliation of book and tax income

The reconciliation of consolidated profit before taxes for 2020 and 2019 and Corporate Income Tax expense is as follows:

	Thousands of euros	
	2020	**2019**
Consolidated profit (loss) before tax	**53,470**	**128,637**
Corporate Income Tax at the 30% tax rate	16,041	38,591
Effect of permanent differences	(1,958)	1,296
Other adjustments on consolidation	(174)	(129)
Tax deductions and tax credits	(1,163)	(1,062)
Write-off of deferred tax assets	19,210	-
Corporate income tax expense for the year	**31,956**	**38,696**
Adjustments to prior-year tax expense	(2,088)	5,952
Total corporate income tax expense	**29,868**	**44,648**
Of which: current tax expense	*41,977*	*8,618*
Of which: deferred tax expense	*(12,109)*	*36,030*

The item "Effect of permanent differences" includes 5,494 thousand euros (6,111 thousand euros at 31 December 2019) relating to the straight-line reversal over five years of impairment losses on shareholdings that were tax deductible in periods prior to 2013, under Royal Decree-Law 3/2016 of 2 December.

In 2020, the Group derecognised tax credits associated with tax loss carryforwards generated by a subsidiary of the Group prior to its entry into the tax group for the amount of 19,210 thousand euros.

In 2020, pursuant to the provisions of Transitional Provision 16 of the Corporate Income Tax Law, in line with the wording used in Royal Law Decree 3/2016 of 2 December, which adopts tax measures that pursue the consolidation of public finances and other urgent social matters, the Bank has included 22,867 thousand euros in its taxable basis to reverse impairment losses on debt securities in the equity of entities that were tax deductible from the Corporate Income Tax base during the tax periods prior to 1 January 2013. Furthermore, as a result of the sale and settlement of Companies during the year, it will no longer be necessary to include income of 2,130 thousand euros. As at 31 December, no amount remains to be included in the taxable basis in this respect.

Corporate Income Tax expense decreased by 31,007 thousand euros in 2020 due to the deferred taxes related to the origination and reversal of temporary differences (increase of 49,641 thousand euros in 2019).

Years prior to 2015, income was generated that qualified for the then-applicable tax credit for reinvestment of extraordinary profits, the relevant reinvestment commitment having been fulfilled. The following table shows the extraordinary gains that resulted in the tax credit:

	Thousands of euros	
Year income obtained	Income	Year of reinvestment
1998	3,498	2001
1999	190	2001
2001	6,001	2002
2002	6,017	2002
2003	4,181	2003
2004	6,707	2004
2005	4,486	2007
2006	14,633	2005-2007
2007	3,380	2007
2008	101,953	2007-2011
2009	1,598	2008-2012
2010	4,403	2009-2010
2011	17,729	2010-2011
2012	1,406	2012
2013	1,165	2012-2013
2014	9,229	2013-2014

Note: data for 2010 and prior years relate to operations of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja).

25.4 Deferred tax assets and liabilities

Based on tax legislation in force in Spain, there are certain timing differences and tax credits that should be taken into account when calculating consolidated corporate income tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2020 and 2019 are as follows:

	Thousands of euros	
	Deferred tax liabilities	Deferred tax assets
Balance at 1 January 2019	**1,365,093**	**178,968**
Prior-year restatement and other	(15,639)	(6,756)
Generated during the year	25,295	2,044
Applied during the year	(50,186)	(6,678)
Change in deferred tax assets and liabilities applied to equity	2,145	9,035
Balance at 31 December 2019	**1,326,708**	**176,613**
Prior-year restatement and other	(16,142)	(1,364)
Generated during the year	82,890	339
Applied during the year	(59,875)	(4,211)
Change in deferred tax assets and liabilities applied to equity	2,044	(4,216)
Balance at 31 December 2020	**1,335,625**	**167,161**

In accordance with the provisions of transitional provision thirty-nine of the Corporate Income Tax Law, as amended by Royal Decree-Law 27/2019, of 28 December, the income or expense recorded directly in reserves as a result of the first application of Circular 4/2017 that have tax effects will be included in equal parts in the taxable basis of each of the first three years starting on or after 1 January 2018. The amount included in the taxable basis for 2020 for this item was 10,733 thousand euros. As at 31 December 2020, there are no amounts still to be recognised for this reason.

Below follows a breakdown of the Group's deferred tax assets and liabilities by type of temporary difference and tax credit:

	Thousands of euros			
	Deferred tax assets		Deferred tax liabilities	
	2020	2019	2020	2019
Impairment of financial assets	691,219	713,660	631	1,511
Pension commitments and other provisions	81,926	55,763	-	-
Fixed assets	13,322	13,407	110,900	113,273
Foreclosed assets	1,468	2,193	-	-
Other adjustments	92,655	69,796	33,248	35,231
Total temporary differences with a balancing item in income statement	**880,590**	**854,819**	**144,779**	**150,015**
Temporary differences with a balancing item in equity	**21,936**	**19,892**	**22,382**	**26,598**
Tax credit for tax-loss carryforwards	417,124	435,075	-	-
Tax credit for deductions pending application	15,975	16,922	-	-
Total tax credits	**433,099**	**451,997**	**-**	**-**
	1,335,625	**1,326,708**	**167,161**	**176,613**

Below follows a breakdown of corporate income tax relating to each item included in the statement of recognised income and expense:

	Thousands of euros	
	2020	2019
Actuarial losses and gains on defined benefit pension plans	(234)	2,965
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	3,755	(7,906)
Items that will not be reclassified to profit or loss	**3,521**	**(4,941)**
Debt instruments at fair value through other comprehensive income	2,751	(2,276)
Valuation gains/(losses) taken to equity	*(1,106)*	*(11,477)*
Transferred to the income statement	*3,857*	*9,201*
Cash flow hedges	(12)	327
Other recognised income and expenses	-	-
Items that may be reclassified to profit or loss	**2,739**	**(1,949)**
	6,260	**(6,890)**

No significant temporary differences associated with investments in subsidiaries, branches and associates or interests in joint arrangements have arisen which could give rise to deferred tax liabilities not recognised on the balance sheet.

Under current tax and accounting regulations, certain temporary differences must be taken into account when quantifying the relevant corporate income tax expense on continuing operations.

In 2013, Royal Decree-Law 14/2013 classed as assets guaranteed by Spain's Central Government those tax assets generated by impairment losses on loans or other assets as a result of the possible insolvency of debtors unrelated to the taxpayer; this status was subsequently extended to impairment losses on public corporations and on provisions for or contributions to pension plans and, if applicable, pre-retirement plans (“monetisable tax assets”).

Monetisable tax assets may be converted into debt claims against the tax administration in the event that the taxpayer records book losses or the entity is liquidated or declared to be insolvent by a court. They may also be exchange for government securities once 18 years have elapsed as from the last day of the tax period in which the assets were recognised in the accounts. In order to maintain the Central Government’s guarantee, the assets are subject to an annual charge of 1.5% of their amount as from 2016 (Note 37).

In 2020, the net amount of deferred tax assets and liabilities related to temporary differences amounted to 735,365 thousand euros (698,098 thousand euros at 31 December 2019). There are no deductible temporary differences, losses or tax credits for which deferred tax assets have not been recognised on the balance sheet.

As noted above, a portion of deferred tax assets arising from temporary differences are enforceable against the public authorities in the above circumstances (monetisable assets), meaning that recoverability is not dependent on the existence of future taxable profits, so the recognition of the relevant amounts is justified. As at 31 December 2020, deferred tax assets amounted to 629 million euros (643 million euros at 31 December 2019).

In addition, at 31 December 2020 there are deferred tax assets for tax-loss carryforwards and for unused tax credits amounting to 433,099 thousand euros (451,997 thousand euros at 31 December 2019). The vast majority of these tax assets result from the prior-year losses, which were extraordinary and non-recurring, due basically to the write-down of real estate assets in 2012 and of renegotiated assets in 2013, as disclosed in the financial statements for those years.

The tax credits described in the preceding paragraph were recorded for accounting purposes on the premise that future tax benefits might be obtained that will allow the tax-loss carryforwards to be offset in a reasonably short period of time. According to applicable regulations, there is no time limit for offsetting these deferred tax assets.

According to Ibercaja Banco's business plan, which has provided the basis for the valuation of the Bank at 31 December 2020, sufficient future taxable profits will be generated to enable the recovery of these deferred tax assets and therefore the Company considers that there is convincing objective evidence for the recognition of the deferred tax assets. Note 16.1 describes the justification of the basic assumptions used in determining the business plan considered by the Company, as well as the justification of the significant deviations therefrom in previous years that could jeopardise its fulfilment.

According to the business plan estimates referred to above, in 2020 the estimated period for recovering these deferred tax assets is no more than 15 years.

26. Fair value of financial assets and liabilities

26.1 Breakdown

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2020 and 2019 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the appraisal system (levels 1, 2 and 3):

	Thousands of euros				
	2020				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	7,572,609	7,572,609	-	7,572,609	-
Financial assets held for trading	5,503	5,503	-	5,503	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	853,721	853,721	824,170	-	29,551
Financial assets at fair value through profit or loss	8,602	8,602	8,602	-	-
Financial assets at fair value through other comprehensive income	7,023,328	7,023,328	6,551,935	442,143	29,250
Financial assets at amortised cost	39,726,825	43,033,735	6,548,679	3,636,832	32,848,224
Derivatives - Hedge accounting	142,020	142,020	-	142,020	-
Total financial assets	**55,332,608**	**58,639,518**	**13,933,386**	**11,799,107**	**32,907,025**
Financial liabilities held for trading	5,630	5,630	-	5,253	377
Financial liabilities at amortised cost	46,627,380	47,206,444	-	47,206,444	-
Derivatives - Hedge accounting	216,202	216,202	-	216,202	-
Total financial liabilities	**46,849,212**	**47,428,276**	**-**	**47,427,899**	**377**

	Thousands of euros				
	2019				
	Total balance sheet	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	3,929,202	3,929,202	-	3,929,202	-
Financial assets held for trading	8,963	8,963	-	8,963	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	375,885	375,885	284,905	-	90,980
Financial assets at fair value through profit or loss	8,939	8,939	8,939	-	-
Financial assets at fair value through other comprehensive income	8,086,430	8,086,430	7,645,138	410,798	30,494
Financial assets at amortised cost	39,768,768	42,611,057	5,057,476	3,717,483	33,836,098
Derivatives - Hedge accounting	137,210	137,210	-	137,210	-
Total financial assets	**52,315,397**	**55,157,686**	**12,996,458**	**8,203,656**	**33,957,572**
Financial liabilities held for trading	9,469	9,469	-	9,082	387
Financial liabilities at amortised cost	43,448,320	43,830,956	-	43,830,956	-
Derivatives - Hedge accounting	233,888	233,888	-	233,888	-
Total financial liabilities	**43,691,677**	**44,074,313**	**-**	**44,073,926**	**387**

The criteria used to determine fair value have been as follows:

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

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.

- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.

- Equity instruments measured at fair value: In general, provided that directly or indirectly observable market data is available, their fair value is obtained from listed prices or transactions in active markets for similar instruments. If sufficient market information is not available, fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.

- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early amortisation of 1,39% of the total has been taken into account. This percentage is based on the Group's historical data and is used in internal management.

  The impact of a 100 basis point rise in the interbank interest rate curve would bring about a (-2.06%) reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the expected losses and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.

- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on the evolution of market interest rates. The longer the residual life of the instrument, the greater the variation.
- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins remain constant, the fair value coincides with the carrying value only on repricing dates. On all other dates, there is an interest rate risk for the flows that have already been calculated.

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. During 2020 and 2019 there were no financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

	Thousands of euros	
	2020	**2019**
Level 1	(776)	156
Level 2	915	1,237
Level 3	(10,587)	(3,815)
	(10,448)	**(2,422)**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, separately revealing changes during the year attributable to the following:

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2020	**-**	**90,980**	**30,494**	**387**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(10,475)	91	-
Purchases	-	-	150	-
Sales	-	(40,313)	(1,485)	-
Issues	-	-	-	-
Settlements and maturities	-	(10,641)	-	(10)
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 31 December 2020	**-**	**29,551**	**29,250**	**377**

	Thousands of euros			
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial liabilities held for trading
Balance at 1 January 2019	**4**	**102,463**	**184,246**	**153**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(3,935)	(7,089)	45
Purchases	-	-	260	342
Sales	-	-	(2,945)	-
Issues	-	-	-	-
Settlements and maturities	(4)	(7,548)	-	(153)
Transfers from or to Level 3 in or outside the portfolios described	-	-	(143,978)	-
Balance at 31 December 2019	**-**	**90,980**	**30,494**	**387**

Financial liabilities and assets held for trading with Level 3 fair values are related, respectively, to embedded derivatives in structured deposits arranged with customers and to derivatives arranged with counterparties to cover the risk of those embedded derivatives. As shown in the table included at the beginning of this Note, the values of both derivatives offset each other since they have the same features and almost the same nominal values. The Group measures both derivatives according to the quotations offered by the counterparty.

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Private Equity Venture Capital Association).

Considering the amount of these investments, the Group believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine the value would not have a significant impact on the results, total assets or equity of the Group.

26.2 Impact of COVID-19 on fair value hierarchy levels

The events outlined above related to COVID-19 have had a significant impact on the financial markets at certain times during the 2020 financial year, and especially in the first half of the financial year, in the weeks following COVID-19 being declared a global pandemic. With the announcement of tightening measures affecting most of the world's economies, there was a decline in liquidity, a widening of bid-ask spreads in some financial instruments and some loss of convergence among the various price contributors.

Subsequently, market conditions have been normalising. Certain assets have recovered some of their accumulated losses, liquidity has recovered and volatility has declined in most markets from the highs reached in the weeks following COVID-19 being declared a global pandemic. At year-end 2020, no significant reduction in the price sources used to value financial instruments has been observed.

As a result, during 2020, the Group has not identified any significant changes in the fair value hierarchy levels of the financial assets in its portfolio.

27. Other significant information

27.1 Contingent risks

The following table breaks down financial guarantees granted at 31 December 2020 and 2019 in accordance with the maximum risk assumed by the Group:

	Thousands of euros	
	2020	2019
Guarantees and other sureties	**737,212**	**768,899**
Financial guarantees	93,631	76,204
Guarantees and other sureties	643,581	692,695
Irrevocable letters of credit	**23,018**	**25,571**
Irrevocable documents issued	23,018	25,551
Irrevocable documents confirmed	-	20
Assets associated with third-party obligations	**234**	**234**
	760,464	**794,704**

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties.

The income obtained from collateral instruments is recorded under the headings “Fee and commission income” and “Interest income” (in the amount relating to the restatement of the commission values) in the consolidated income statement and are calculated by applying the rate established contractually based on the nominal amount of the guarantee.

Provisions recorded to cover these guarantees, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the heading “Provisions - Commitments and guarantees given” in the balance sheet (Note 21).

At 31 December 2020 and 2019, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

	Thousands of euros	
	2020	2019
Assets under repos	617,298	2,663,926
Assets associated with Bank of Spain policy (*)	2,570,266	2,210,195
Other	-	511,664
	3,187,564	**5,385,785**

(*) There is an additional 3,707,465 million euros (4,399,276 million euros in 2019) relating to own securitisation bonds and mortgage covered bonds that are also associated with the Bank of Spain policy obtained to secure monetary policy operations in the Eurosystem.

27.3 Contingent commitments

At 31 December 2020 and 2019, the limits on financing contracts granted and the undrawn balances were as follows:

	Thousands of euros			
	2020		2019	
	Limit granted	Undrawn balance	Limit granted	Undrawn balance
Drawable by third parties	**6,408,498**	**3,288,448**	**5,906,818**	**2,966,973**
Available immediately	3,677,218	2,296,459	2,831,634	1,924,342
Available subject to conditions	2,731,280	991,989	3,075,184	1,042,631
Securities subscribed pending disbursement	**-**	**1,268**	**-**	**1,268**
Documents in clearing houses	**-**	**126,905**	**-**	**136,259**
	6,408,498	**3,416,621**	**5,906,818**	**3,104,500**

The amounts available relate to variable interest operations.

Provisions recorded to cover these exposures, which have been calculated by applying criteria similar to those for the calculation of the impairment of financial assets at amortised cost, are included under the caption "Provisions - Commitments and guarantees given" in the balance sheet (Note 21).

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

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2020 and 2019 are indicated in the following table:

	Thousands of euros	
	2020	2019
Collective Investment Institutions	16,234,844	14,708,533
Pension funds	5,907,074	5,668,503
Insurance products	101,968	113,853
Discretionary portfolio management (*)	4,602,628	5,044,760
	26,846,514	**25,535,649**
Of which: managed by the Group	25,814,364	24,744,802

(*) Mainly includes discretionary managed Collective Investment Institutions.

Set out below is a breakdown of the securities deposited by third parties with the Group at 31 December 2020 and 2019:

	Thousands of euros	
	2020	2019
Fixed Income	6,715,953	7,584,401
Equities	1,745,355	2,826,839
	8,461,308	**10,411,239**

27.5 Securitisation of assets

As at 31 December 2020 and 2019 there are no outstanding securitisations whose loans have been derecognised in the consolidated balance sheet (Note 2.8).

In addition, the Group has securitised assets by assigning loans from its portfolio to a securitisation fund in which, due to the agreed transfer terms, the Company has continued to bear the substantial risks and rewards of the securitised assets and therefore these assets have been retained in full in the balance sheet. Details of the balances recorded in relation to these operations are set out below:

	Thousands of euros	
	2020	2019
Assets transferred to TDA Ibercaja 2, FTA in 2005	137,840	162,491
Assets transferred to TDA Ibercaja 3, FTA in 2006	197,836	227,274
Assets transferred to TDA Ibercaja 4, FTA in 2006	305,692	349,489
Assets transferred to TDA Ibercaja 5, FTA in 2007	313,746	353,239
Assets transferred to TDA Ibercaja 6, FTA in 2008	491,065	547,365
Assets transferred to TDA Ibercaja ICO-FTVPO, FTH in 2009	93,950	116,089
Assets transferred to TDA Ibercaja 7, FTA in 2009	901,301	990,296
	2,441,430	**2,746,243**

Note 11.1 provides details concerning the Company's exposure in securitisation funds and the amount of securitisation fund liabilities that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitised assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2020 and 2019, which are backed by the transferred assets mentioned above, is as follows:

	Thousands of euros	
	2020	2019
Liabilities issued by TDA Ibercaja 2, FTA in 2005	136,906	162,223
Liabilities issued by TDA Ibercaja 3, FTA in 2006	192,725	225,239
Liabilities issued by TDA Ibercaja 4, FTA in 2006	298,965	347,407
Liabilities issued by TDA Ibercaja 5, FTA in 2007	259,101	341,852
Liabilities issued by TDA Ibercaja 6, FTA in 2008	466,713	538,936
Liabilities issued by TDA Ibercaja ICO-FTVPO, FTH in 2009	91,057	113,558
Liabilities issued by TDA Ibercaja 7, FTA in 2009	813,562	917,807
	2,259,029	**2,647,023**

27.6 Assets received under guarantees

Assets received under guarantees at 31 December 2020 amount to 6,709 thousand euros (11,359 thousand euros at 31 December 2019).

27.7 Environment

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimise possible environmental impacts, and complies with current environmental legislation. During 2020 and 2019, no significant environment-related investments were made and no significant environment-related contingencies are considered to exist.

27.8 Segmentation

The ultimate decision-making body responsible for defining the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments, as the results of its activities are not examined on an independent basis by Management, for the following reasons:

- The types of products marketed by the Group's insurance companies are, in part, substitutes for bank savings products and are subject to similar risks.
- The use of the commercial network of Ibercaja Banco, S.A. as the majority distribution channel for the products of the Group's insurance companies affects the relationship of dependence between the two sectors.
- The existence of a common customer base and the linkage of the two brands from the consumer's point of view mean that operational risk is interrelated between the two sectors of banking and insurance.
- All strategic, commercial and regulatory analysis is carried out at the Group level.

Nevertheless, in accordance with applicable regulations, information on the distribution of the Group's revenues by geographical area and product type have been included in this Note.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

The breakdown of the Group's ordinary revenue (which includes interest income, dividend income, fees and commissions received, gains on financial assets and liabilities and other operating income) by type of product or service is as follows.

	Thousands of euros			
	Ordinary revenue from third-party customers		**Gross margin excl. gains on financial assets and liabilities**	
	2020	**2019**	**2020**	**2019**
Banking	1,056,949	978,775	774,872	805,030
Insurance	1,099,097	1,095,595	106,933	113,368
Other	-	-	-	-
	2,156,046	**2,074,370**	**881,805**	**918,398**

The reconciliation between total ordinary income and gross income excluding gains and losses on financial transactions is shown below:

	Thousands of euros	
	2020	**2019**
Ordinary revenue from third-party customers	**2,156,046**	**2,074,370**
(Interest expense)	99,125	116,315
Share of profit of entities accounted for using the equity method	579	431
(Fee and commission expenses)	16,636	18,636
(Net gains or (-) losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss)	128,856	8,261
(Net gains or (-) losses on financial assets and liabilities held for trading)	1,149	1,220
(Net gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss)	(10,476)	(3,718)
(Net gains or (-) losses on financial assets and liabilities designated at fair value through profit or loss)	-	747
(Net gains or (-) losses from hedge accounting)	(364)	567
(Net exchange differences)	852	1,104
(Other operating expenses)	78,581	72,473
(Liability expenses covered by insurance or reinsurance contracts)	960,461	940,798
Gross margin excl. gains on financial assets and liabilities	**881,805**	**918,398**

28. Interest income

The breakdown of the balance under this consolidated income statement heading in 2020 and 2019, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2020	2019
Financial assets held for trading	-	-
Non-trading financial assets mandatorily valued at fair value through profit or loss	181	420
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	111,533	131,258
Financial assets at amortised cost	493,287	536,531
Interest rate hedging derivatives	(11,026)	(19,709)
Other assets	1,008	751
Interest income from liabilities	37,815	14,310
	632,798	**663,561**

"Interest income from liabilities" includes interest income from the application of negative interest rates on liquidity auctions under the European Central Bank's TLTRO programme amounting to 33,173 thousand euros (31 December 2019: 13,306 thousand euros; Note 19.1).

29. Interest expense

The breakdown of the balance under this consolidated income statement heading in 2020 and 2019, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	2020	2019
Financial liabilities at amortised cost	109,398	146,915
Interest rate hedging derivatives	(59,367)	(78,143)
Insurance contracts	31,568	32,078
Other liabilities	3,114	3,748
Interest expense from assets	14,412	11,717
	99,125	**116,315**

"Other liabilities" includes interest expense arising from the contribution made to the Deposit Guarantee Fund amounting to 505 thousand euros (727 thousand euros at 31 December 2019) (Note 1.8). In addition, as at 31 December 2020, it also includes 1,369 thousands of euros in interest expense on lease liabilities (Note 2.10) (1,410 thousand euros as at 31 December 2019).

30. Dividend income

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of financial assets at fair value through portfolio other comprehensive income amounting to 5,208 thousand euros at 31 December 2020 (12,652 thousand at 31 December 2019).

31. Share of profit of entities accounted for using the equity method

Appendix II provides a breakdown by company of the balance under this consolidated income statement heading in 2020 and 2019.

32. Fee and commission income

Fee and commission income accrued in 2020 and 2019, classified in accordance with the item generating the fees and commissions, is reflected in the following table:

	Thousands of euros	
	2020	2019
Contingent risk fees	8,581	10,102
Contingent commitment fees	3,421	3,653
Foreign currency exchange fees	90	267
Collection and payment services fees	113,084	117,601
Securities services fees	38,992	61,501
Non-bank financial product marketing fees	206,590	195,389
Other fees	20,013	23,862
	390,771	**412,375**

33. Fee and commission expenses

Expenses for fees and commissions accrued in 2020 and 2019, classified in accordance with the item generating the fees and commissions, are reflected in the following table:

	Thousands of euros	
	2020	2019
Fees and commissions assigned to other entities	5,792	7,597
Fees for securities transactions	2,605	1,791
Other fees	8,239	9,248
	16,636	**18,636**

34. Gains/(losses) on financial assets and liabilities

The breakdown of the balance under this consolidated income statement heading in 2020 and 2019, based on the financial instrument portfolios from which the balances originate, is as follows:

	Thousands of euros	
	2020	2019
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**128,856**	**8,261**
Financial assets at fair value through other comprehensive income	12,856	30,669
Financial assets at amortised cost	125,366	(23,757)
Financial liabilities at amortised cost	(9,366)	477
Other	-	872
Net gains/(losses) on financial assets and liabilities held for trading	**1,149**	**1,220**
Gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**(10,476)**	**(3,718)**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**-**	**747**
Net gain/(loss) from hedge accounting	**(364)**	**567**
Adjustments to hedged instruments (fair value hedge)	48,655	144,625
Hedge derivative (fair value hedge)	(49,019)	(144,058)
	119,165	**7,077**

At 31 December 2020, the heading “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss – Financial assets at amortised cost” includes, among others, the impact of the sale of the national public debt securities portfolio explained in Note 11.2, which gave rise to a positive result of 114,619 thousand euros.

The impact of the sale of a portfolio of non-performing loans with a nominal value of 269 million euros, which the Group sold to DSSV, S.A.R.R.L. on 30 January 2020, is also included. The transaction resulted in a positive result of 3 million euros.

At 31 December 2019, this heading mainly included the impact of the sale of NPLs and the non-performing loan book, as explained in Note 11.4.

The heading “Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss - Financial liabilities at amortised cost” mainly reflects the impact of the subordinated obligations repurchase transaction described in Note 19.4. The Group had to pay a premium of an average cost of 2.14% to the holders of the issue who took part in the buy-back offer. The final impact of this repurchase resulted in a negative result of 9 million euros as at 31 December 2020.

Lastly, at 31 December 2020, “Net gains or losses on financial assets not held for trading mandatorily measured at fair value through profit or loss” mainly reflects the impact of the 10,350 thousand euros reduction in the value of SAREB’s subordinated debt (Note 8).

35. Exchange differences

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Translation into euro of monetary items denominated in foreign currency	1,376	1,194
Foreign currency trading	(524)	(90)
	852	**1,104**

No gain or loss was obtained on the cancellation of exchange differences recorded in consolidated equity, in accordance with the provisions of Note 2.5.3.

36. Other operating income

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Income from investment property (Note 15.2)	4,141	5,376
Income from other operating leases (Note 15.3)	15,350	14,276
Sales and income from provision of services	4,416	5,344
Other items	23,115	12,077
	47,022	**37,073**

The heading “Other items” mainly includes the initial recognition of 15 million euros, as part of the 70 million euros already received by Ibercaja Mediación, for the signing of the novation agreement modifying Caser's non-life insurance distribution contract (see Note 10).

37. Other operating expenses

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Operating expenses on investment properties (Note 15.2)	1,591	1,977
Contribution to National Resolution Fund (Note 1.8.1)	11,094	10,350
Contribution to Deposit Guarantee Fund (Note 1.8.2)	53,269	48,520
Other items	12,627	11,626
	78,581	**72,473**

At 31 December 2020, “Other items” includes the charge of 3,361 thousand euros (3,211 thousand euros at 31 December 2019) for converting deferred tax assets into debt claims against the Spanish tax administration (Note 25.4).

38. Staff expenses

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Wages and salaries	263,920	270,066
Social security contributions	68,660	71,018
Defined benefit plans	2,359	2,225
Contributions to defined contribution plans	15,339	15,030
Severance payments	151,072	-
Other staff costs	1,218	2,605
	502,568	**360,944**

In December 2020, the management of Ibercaja Banco and employee representatives, as part of a redundancy programme, reached an agreement that envisaged a redundancy programme that would affect a maximum of 750 employees, establishing voluntary redundancy as a preferential selection criterion, either for reasons of age or due to the closure of the work centre. The departures of the participating employees will be staggered and will take place until June 2022. In accordance with point 165 of IAS 19 “Employee benefits” and the conditions established in IAS 37 “Provisions” for the recognition of restructuring costs, this plan has led to staff expenses amounting to 151,041 thousand euros being recognised in the income statement for 2020. Note 21 includes the outstanding liabilities associated with this agreement.

38.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2020 and 2019 is as follows:

	31/12/2020			31/12/2019		
	Men	Women	Total	Men	Women	Total
GR. 1 Senior Management	9	3	12	9	3	12
GR. 1 Levels I to V	1,403	754	2,157	1,374	734	2,108
GR. 1 Levels VI to X	1,180	1,610	2,790	1,185	1,620	2,805
GR. 1 Levels XI to XIII	145	177	322	151	203	354
GR. 2 and Cleaning service	23	3	26	23	3	26
	2,760	**2,547**	**5,307**	**2,741**	**2,563**	**5,304**

At 31 December 2020 and 2019, the entire workforce is based in Spain.

The average number of Group employees in 2020 and 2019 is as follows:

	2020	2019
GR. 1 Senior Management	12	12
GR. 1 Levels I to V	2,143	2,093
GR. 1 Levels VI to X	2,804	2,813
GR. 1 Levels XI to VIII	386	432
GR. 2 and Cleaning service	26	27
	5,371	**5,377**

At 31 December 2020, the average number of Group employees with a disability of 33% or more is 57 (50 employees at 31 December 2019).

38.2 Staff costs - post-employment benefits

Net figures recognised in the balance sheet for defined benefit post-employment plans at December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Present value of obligations financed	(254,922)	(265,205)
Fair value of plan assets	225,608	235,064
(Shortfall)/Surplus	**(29,314)**	**(30,141)**
Impact of limit on assets	(638)	(568)
Net asset (liability) on balance sheet:	**(29,952)**	**(30,709)**
Assets linked to pensions (Note 21) (*)	84,845	89,215
Net pension assets (Note 21) (**)	4,328	3,686
Net pension (provision) (Note 21)	(119,125)	(123,610)

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

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan obligations during 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Initial value of obligations financed	**(265,205)**	**(256,700)**
Cost of services for the current year	(2,359)	(2,225)
Interest expense	(282)	(634)
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	(4,522)	(23,796)
Gains/(losses) due to experience	(1,526)	(2,411)
Benefits paid	18,972	20,561
Transfers and other	-	-
Final present value of obligations	**(254,922)**	**(265,205)**

The reconciliation of opening and closing balances reflecting the present value of post-employment defined benefit plan assets during 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Initial fair value of plan assets	**234,496**	**230,264**
Interest income	318	645
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:		
Yield on plan assets excluding interest (expense)/income	-	-
Gains/(losses) on changes in financial assumptions	877	15,528
Gains/(losses) due to experience	6,018	970
Change in asset limit, excluding interest expense	(68)	(175)
Employer contributions	1,991	7,510
Member contributions	-	-
Benefits paid	(18,662)	(20,246)
Transfers and other	-	-
Final fair value of plan assets	**224,970**	**234,496**

The breakdown of the main types of plan assets at 31 December 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Shares	13,74%	12,26%
Debt instruments	82,51%	83,02%
Constructions	-	-
Demand deposits	3,75%	4,72%
Other assets	-	-
Total	**100,00%**	**100,00%**

The analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

	Thousands of euros					
	2021	2022	2023	2024	2025	2026-2030
Probable post-employment benefits	16,807	16,213	15,623	14,998	14,351	61,364

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of post-employment plan obligations to changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(5.51%)	6.12%
Pension increase rate	50 bp	5.67%	(5.20%)
Salary increase rate	50 bp	0.17%	(0.16%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

The value of the obligation and the fair value of the assets for the purposes of the post-employment defined benefit plan for the current year and the previous four are as follows:

	2020	2019	2018	2017	2016
Present value of obligations financed	(254,922)	(265,205)	(256,700)	(264,016)	(294,053)
Fair value of plan assets	225,608	235,064	230,652	253,395	270,289
Surplus/(Shortfall)	**(29,314)**	**(30,141)**	**(26,048)**	**(10,621)**	**(23,764)**
Impact of limit on assets (Note 21)	(638)	(568)	(388)	(386)	(235)
Net asset (liability) on balance sheet:	**(29,952)**	**(30,709)**	**(26,436)**	**(11,007)**	**(23,999)**
Insurance contracts related to pensions (Note 21)	84,845	89,215	93,264	105,483	112,416
Net pension assets (Note 21)	4,328	3,686	4,565	4,261	3,405
Net pension assets (Provision) (Note 21)	(119,125)	(123,610)	(124,265)	(120,751)	(139,820)

38.3 Staff costs - long-term remuneration for early retirees

The net figures recognised in the balance sheet for long-term remuneration payable to early retirees under defined benefit plans at December 2020 and 2019 are as follows:

	Thousands of euros	
	2020	2019
Present value of obligations financed	**(122)**	**(466)**
Fair value of plan assets	-	-
Net liability on balance sheet:	**(122)**	**(466)**
Assets linked to pensions	-	-
Net pension assets	-	-
Net pension (provision) (Note 21)	(122)	(466)

The reconciliation of opening and closing balances reflecting the present value of obligations under defined benefit plans for early retirees during 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Initial value of obligations financed	**(466)**	**(1,931)**
Cost of services for the current year	-	-
Interest expense	-	-
Past service cost	-	-
Gains/(losses) on plan settlements and reductions	-	-
Recalculation of values:	-	-
Gains/(losses) on changes in demographic assumptions	-	-
Gains/(losses) on changes in financial assumptions	-	(84)
Gains/(losses) due to experience	(20)	-
Benefits paid	364	1,549
Transfers	-	-
Final present value of obligations	**(122)**	**(466)**

The analysis of the expected termination of other non-discounted long-term employee remuneration in the coming 10 years is as follows:

	Thousands of euros					
	2021	2022	2023	2024	2025	2026-2030
Probable long-term staff obligations	122	-	-	-	-	-

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of the obligations due to other long-term early retiree remuneration in the event of changes in the main assumptions is detailed below:

	Change in bps	Increase in assumptions	Decrease in assumptions
Discount rate	50 bp	(0.04%)	0.04%
Pension increase rate	50 bp	-	-

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

39. Other administration expenses

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	2019
Buildings, installations and office equipment	26,484	30,744
Equipment maintenance, licences, works and computer software	22,239	21,776
Communications	10,864	12,096
Advertising and publicity	5,003	6,493
Charges and taxes	20,221	19,766
Other management and administration expenses	68,209	81,040
	153,020	**171,915**

The item “Charges and taxes” includes the Tax on Deposits in Credit Institutions amounting to 11,242 thousand euros at 31 December 2020 (10,117 thousand euros in 2019).

- Other information

Fees payable to PricewaterhouseCoopers Auditores, S.L. for auditing the 2020 annual accounts of Ibercaja Bank and its group companies (including the audit of interim financial statements) amount to 1,067 thousand euros (1,133 thousand euros in 2019).

In addition, the audit firm received fees amounting to 503 thousand euros (326 thousand euros in 2019) for other audit work and 561 thousand euros (1,142 thousand euros in 2019) for other services.

The fees accrued for non-audit services provided by the audit firm during the year relate mainly to limited reviews of the Group's interim consolidated financial statements and other services requested of the auditor.

In 2020 and 2019, no services have been provided by other companies that use the PricewaterhouseCoopers brand.

40. Impairment or reversal of impairment on non-financial assets

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	**2019**
Tangible assets (Note 15)	**1,471**	**569**
Property, plant and equipment	386	115
Investment property	1,085	454
Intangible assets (Note 16)	**-**	**-**
Goodwill	-	-
Other intangible assets	-	-
Other (Note 17)	**88**	**5,043**
	1,559	**5,612**

41. Gains/(losses) on derecognition of non-financial assets, net

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	**2019**
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(3,066)	(6,576)
Gains/(losses) on disposal of shareholdings	19	32
Other gains/(losses)	-	-
	(3,047)	**(6,544)**

42. Profit or loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

This consolidated income statement heading is analysed below for 2020 and 2019:

	Thousands of euros	
	2020	**2019**
Impairment gains/(losses) on other non-current assets for sale (Note 18)	(18,861)	(16,957)
Gains/(losses) on disposal of other non-current assets for sale	(969)	(6,775)
	(19,830)	**(23,732)**

43. Related parties

The balances recorded on the consolidated balance sheets at 31 December 2020 and 2019 and in the consolidated income statements for 2020 and 2019 are as follows:

	Thousands of euros									
	2020					2019				
	Shareholder	Associates	Associates entities	Other related parties (*)	Related individuals (**)	Shareholder	Associates	Jointly cont. entities	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and receivables	80,002	2,462	-	-	8,936	143,433	2,808	5,782	-	8,767
Counterparties under insurance contracts	-	-	-	-	-	-	-	-	-	-
LIABILITIES										
Deposits	103,790	12,305	1,004	478,163	22,484	147,107	14,383	689	367,753	19,758
Liabilities under insurance contracts linked to pensions	-	-	-	-	-	-	-	-	-	-
Provisions	-	3	-	-	-	-	2	-	-	-
PROFIT / (LOSS)										
Expenses										
Interest expense	79	345	-	-	4	111	-	2	-	10
Fees, commissions and other expenses	1,086	-	-	-	2	909	-	-	-	2
Income										
Interest income	-	-	29	68	63	-	28	104	405	69
Fees, commissions and other income	292	-	-	-	4	382	-	-	-	5
Dividends	17,500	-	-	-	-	17,500	-	-	-	-
OTHER										
Contingent liabilities	-	3,288	14	-	4	1	3,809	-	-	5
Commitments	-	6	6,000	-	719	-	69	4,418	-	406

(*) Investment funds and companies and pension funds.
(**) Senior management, Board of Directors, relatives to the second degree and their related entities.

The financial operations included have been carried out in accordance with the usual operating processes of the Group's parent entity and at arm's length. Arm's length terms are also applied in other operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable uncontrolled price method.

44. Other disclosure requirements

44.1 Information on the mortgage market

In accordance with Royal Decree 716/2009, of 24 April, whereby certain aspects of Law 2/1981, of 25 March, governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2010, of 29 June, the Board of Directors approved the "Loan and discount risk management policy and procedure manual" drawn up by the Company to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation companies authorised by the Bank of Spain.
- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by the borrower and the borrower's solvency, and the existence of other additional guarantees.
- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

The General Shareholders' Meeting of Ibercaja Banco, S.A. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 31 December 2020, the figure was 29.54% (36.51% at 31 December 2019).

Mortgage covered bonds are securities especially guaranteed by the issuer where the entire mortgage loan book arranged in its favour guarantees compliance with its payment commitments.

The level of over collateralisation or backing of mortgage covered bonds by the total mortgage portfolio is 409.76% at 31 December 2020 (340.11% at 31 December 2019).

At that date 99.48% of transactions in the mortgage portfolio have been formalised through loans (99.43% at 31 December 2019). Of these, instalments are collected on a monthly basis for 97.69% (97.50% at 31 December 2019). The transactions formalised at variable interest rates are 99.45% of the total (99.53% at 31 December 2019) and of these, 80.34% are tied to Euribor (82.31% at 31 December 2019).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage covered bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitizations written off the balance sheet):

	Thousands of euros	
	Nominal value	
	2020	**2019**
Total loans	**21,956,512**	**22,911,795**
Mortgage participations issued	**995,475**	**1,139,991**
Of which: loans recognised on asset side of balance sheet	995,475	1,139,991
Mortgage transfer certificates issued	**1,445,955**	**1,606,253**
Of which: loans recognised on asset side of balance sheet	1,445,955	1,606,253
Mortgage loans pledged in guarantee for financing received	**-**	**-**
Loans backing mortgage bonds issues and covered bond issues	**19,515,082**	**20,165,551**
Non-eligible loans	3,842,758	4,420,677
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	3,477,412	3,946,110
Other non-eligible loans	365,346	474,567
Eligible loans	15,672,324	15,744,874
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	15,672,324	15,744,874
Non-computable amounts	13,247	16,092
Computable amounts	15,659,077	15,728,782
Memorandum items	**Updated value**	
Loans backing mortgage bond issues	-	-

Note 3.5.4 sets out the carrying amount of mortgage backed loans and its reconciliation with mortgage market information.

- Information on eligible loans and mortgages:

	Thousands of euros				
	2020				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80%**	**Total**
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15.672.324**
Residential	4,275,966	6,195,817	4,262,679	-	14.734.462
Other properties	524,909	364,098	48,855		937,862

	Thousands of euros				
	2019				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80%**	**Total**
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15.744.874**
Residential	4,252,019	6,296,233	4,182,029	-	14.730.281
Other properties	554,869	419,121	40,603		1,014,593

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

	Thousands of euros			
	2020		2019	
	Loans backing mortgage bonds issues and covered bond issues	**Of which: Eligible loans**	**Loans backing mortgage bonds issues and covered bond issues**	**Of which: Eligible loans**
Total	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Origin of operations	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Originated by the Entity	13,339,039	10,252,575	13,663,715	10,106,878
Subrogated from other entities	349,447	334,967	394,539	377,953
Other	5,826,596	5,084,782	6,107,297	5,260,043
Currency	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Euro	19,513,236	15,672,324	20,163,463	15,744,874
Other currencies	1,846	-	2,088	-
Payment status	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Payment normality	18,824,638	15,558,535	19,235,732	15,606,856
Other situations	690,444	113,789	929,819	138,018
Average residual period to maturity	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Up to 10 years	2,547,022	1,826,748	2,726,453	1,929,909
More than 10 years and up to 20 years	7,362,897	6,270,273	7,402,721	6,174,767
More than 20 years and up to 30 years	8,949,357	7,221,455	8,914,821	6,897,928
More than 30 years	655,806	353,848	1,121,556	742,270
Interest rate	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Fixed interest rate	156,439	75,462	135,984	59,763
Variable interest rate	17,431,077	14,052,888	18,520,574	14,490,121
Mixed interest rate	1,927,566	1,543,974	1,508,993	1,194,990
Holders	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Legal entities and individual entrepreneurs (business activities)	2,717,982	1,254,242	3,097,908	1,372,245
Of which: real estate construction and development (including land)	*1,132,046*	*266,928*	*1,316,248*	*292,666*
Other household	16,797,100	14,418,082	17,067,643	14,372,629
Type of collateral	**19,515,082**	**15,672,324**	**20,165,551**	**15,744,874**
Finished assets/buildings	18,777,153	15,347,661	19,314,007	15,394,792
Homes	18,091,717	14,896,076	18,539,543	14,890,977
Of which: state-subsidised housing	*1,223,772*	*1,145,526*	*1,390,668*	*1,295,392*
Offices and commercial premises	336,552	240,021	388,633	264,558
Other buildings and constructions	348,884	211,564	385,831	239,257
Assets/buildings under construction	352,045	187,679	391,409	198,093
Homes	67,461	2,063	94,033	3,273
Of which: state-subsidised housing	*2,029*	*1,046*	*3,197*	*1,196*
Offices and commercial premises	-	-	-	-
Other buildings and constructions	284,584	185,616	297,376	194,820
Land	385,884	136,984	460,135	151,989
Consolidated urban land	150,640	2,117	192,372	1,493
Other land	235,244	134,867	267,763	150,496

- Nominal value of mortgage covered bonds issued by the Company:

	Thousands of euros	
	Nominal value	
	2020	2019
Mortgage covered bonds (Note 19.4)	**3,000,000**	**3,900,000**
Ibercaja April II 2010	-	100,000
Ibercaja September 2012	-	800,000
Ibercaja October 2016	500,000	500,000
Ibercaja September 2018 I	750,000	750,000
Ibercaja September 2018 II	750,000	750,000
Ibercaja December 2018	1,000,000	1,000,000
AYT mortgage covered bonds (Note 19.3)	**825,470**	**1,042,137**
AYT 9 Single Covered Bond (15 years)	-	216,667
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	225,000	225,000
AYT Global 2022 Single Covered Bond Series III	19,444	19,444
AYT Cajas Global 2023 Covered Bond Series X	75,000	75,000
AYT Cajas Global 2027 Covered Bond Series XIII	165,000	165,000
TDA mortgage covered bonds (Note 19.3)	**800,000**	**800,000**
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000
TDA Single Covered Bond Series A4	300,000	300,000

- Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	2020		2019	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	-	-	-	-
Of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**4,625,470**	-	**5,742,137**	-
Of which: recognised under liabilities	*2,125,470*	-	*2,552,137*	-
Debt securities. Issued through public offering	-	-	-	-
Debt securities. Other issues (Note 19.4)	3,000,000	-	3,900,000	-
Residual maturity up to one year	-	-	900,000	-
Residual maturity greater than one year and up to two years	750,000	-	-	-
Residual maturity greater than two years and up to three years	500,000	-	750,000	-
Residual maturity greater than three years and up to five years	750,000	-	1,250,000	-
Residual maturity greater than five years and up to ten years	1,000,000	-	1,000,000	-
Residual maturity greater than ten years	-	-	-	-
Deposits	1,625,470	-	1,842,137	-
Residual maturity up to one year	525,000	-	216,667	-
Residual maturity greater than one year and up to two years	19,444	-	525,000	-
Residual maturity greater than two years and up to three years	75,000	-	19,444	-
Residual maturity greater than three years and up to five years	841,026	-	75,000	-
Residual maturity greater than five years and up to ten years	165,000	-	1,006,026	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**995,475**	**88**	**1,139,991**	**99**
Issued through public offering	-	-	-	-
Other issues	995,475	88	1,139,991	99
Mortgage transfer certificates issued	**1,445,955**	**102**	**1,606,253**	**114**
Issued through public offering	-	-	-	-
Other issues	1,445,955	102	1,606,253	114

None of the issues has been made through a public offering and all are denominated in euros. The Company does not issue mortgage bonds and nor does it have replacement assets assigned to them.

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias) (eligible and non-eligible):

	Thousands of euros			
	2020		2019	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance	**15,744,874**	**4,420,677**	**16,396,385**	**5,012,268**
Write-offs in the year	**1,411,541**	**848,548**	**1,691,972**	**989,843**
Due principal received in cash	926,654	546,507	867,698	462,768
Repaid early	399,653	230,607	406,513	194,630
Subrogated by other entities	9,236	129	1,665	635
Other write-offs	75,998	71,305	416,096	331,810
Additions in the year	**1,338,991**	**270,629**	**1,040,461**	**398,252**
Originated by the Entity	992,397	237,174	804,708	354,343
Subrogated from other entities	451	-	1,429	-
Other additions	346,143	33,455	234,324	43,909
Closing balance	**15,672,324**	**3,842,758**	**15,744,874**	**4,420,677**

- Information on mortgage loans backing the issue of mortgage bonds (bonos hipotecarios) and secured mortgage covered bonds (cédulas hipotecarias). Available balances:

	Thousands of euros	
	2020	2019
Total	**506,587**	**645,714**
Potentially eligible	487,222	624,197
Non-eligible	19,365	21,517

At 31 December 2020 and 2019, the Company had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

44.2 Customer service

As it does every year, the Ibercaja Group's Customer Service Department prepares a report in compliance with the requirement of article 17.1 of Order ECO/734/2004 of 11 March on Customer Service Departments and Services and the Customer Ombudsman of Financial Institutions and the requirement of article 25 of the Regulations for the Defence of the Ibercaja Group's Customers. This annual report is presented and submitted for the consideration of the Board of Directors and contains a summary of its activity throughout the year, a statistical analysis of the complaints, claims and suggestions dealt with and the decisions adopted, as well as a number of recommendations and suggestions arising from its study and analysis and from its work within the group as one of the units responsible for ensuring adequate risk control, compliance with laws, regulations and the requirements of supervisors and the internal policies and procedures of the Institution, as well as a unit that promotes prudent business conduct in the Ibercaja Group.

For these purposes, the Ibercaja Group comprises the following entities: Ibercaja Banco, S.A.; Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Gestión, Sociedad Gestora de Instituciones de Inversión Colectiva, S.A; Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U.; Ibercaja Pensión, Sociedad Gestora de Fondos de Pensiones, S.A.; and Ibercaja Mediación de Seguros, S.A.U.

In accordance with the regulations and law just discussed, the Customer Service at the Ibercaja Group will present a statistical report to the Board of Directors of Ibercaja Banco S.A. regarding complaints and claims handled, the decisions taken, the general criteria followed when reaching these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a) Claims processed

In 2020, the Customer Care Service (CCS) of the Ibercaja Group handled a total of 15,615 cases, which can be classified into two groups:

- Claims and grievances regarding mortgage arrangement costs and other clauses included in mortgage loan contracts: 6.340.

- Other claims, grievances and suggestions: 9,275, divided into 5,546 claims, 3,687 complaints and 42 suggestions.

b) Special out-of-court procedure for resolving claims relating to interest rate floor clauses under the terms of Royal Legislative Decree 1 of 20 January 2018

Since February 2017, the Ibercaja Group's Customer Care Service has also been responsible for resolving claims regarding interest rate floor clauses within the framework of Royal Decree Law 1 of 20 January 2017, through the Floor Clause Claims Service (SERS). This service is voluntary for consumers and compulsory for Ibercaja, and consumer customers who do not use this procedure and go to court are not entitled to legal costs if Ibercaja agrees to their claims before the response to the lawsuit. In 2020, a total of 622 complaints were handled, about 14% of which were favourable.

The average time taken to resolve complaints and claims in 2020 was around 21 days for both procedures, which is within the current regulations. The service's efforts to resolve all complaints and claims within the set deadlines are evident.

General criteria contained in the decisions

The decisions have been issued with the utmost regard for good corporate governance and banking practices, transparency and consumer protection, taking into account the views formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. Moreover, all decisions were reached on the basis of the contractual documents signed with the customers.

45. Financial statements of Ibercaja Banco, S.A. for the years ended 31 December 2020 and 2019

Set out below are the balance sheets at 31 December 2020 and 2019, together with the income statements, statements of recognised income and expense, total statements of changes in equity and statements of cash flow of the parent entity for the years ended 31 December 2020 and 2019, all such statements drawn up in accordance with Bank of Spain Circular 4/2017, as discussed in Note 1.2 to the individual annual accounts of Ibercaja Banco at 31 December 2020.

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

ASSETS	31/12/2020	31/12/2019
Cash and cash balances at central banks and other demand deposits	**7,387,451**	**3,710,877**
Financial assets held for trading	**4,953**	**6,097**
Derivatives	4,953	6,097
Debt securities	-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**1,542**	**22,547**
Equity instruments	-	-
Debt securities	-	10,350
Loans and advances	1,542	12,197
Customers	*1,542*	*12,197*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through profit or loss	**-**	**-**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income	**437,288**	**1,053,432**
Equity instruments	311,733	360,456
Debt securities	125,555	692,976
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*71,059*	*561,476*
Financial assets at amortised cost	**39,858,274**	**39,937,627**
Debt securities	8,386,550	7,124,375
Loans and advances	31,471,724	32,813,252
Credit institutions	*282,362*	*579,467*
Customers	*31,189,362*	*32,233,785*
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*3,126,292*	*4,967,409*
Derivatives - Hedge accounting	**142,020**	**137,210**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**-**	**-**
Investments in subsidiaries, joint ventures and associates	**899,019**	**995,891**
Subsidiaries	807,964	903,175
Joint ventures	38,226	38,226
Associates	52,829	54,490
Tangible assets	**758,550**	**783,263**
Property, plant and equipment	561,217	567,677
For own use	*561,217*	*567,677*
Assigned under operating lease	-	-
Investment property	197,333	215,586
Of which: assigned under operating lease	*40,616*	*32,342*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**130,224**	**118,531**
Goodwill	38,420	51,226
Other intangible assets	91,804	67,305
Tax assets	**1,301,762**	**1,275,150**
Current tax assets	6,046	6,168
Deferred tax assets	1,295,716	1,268,982
Other assets	**192,998**	**218,648**
Insurance contracts linked to pensions	92,310	98,470
Inventories	338	820
Rest of other assets	100,350	119,358
Non-current assets and disposal groups classified as held for sale	**62,245**	**64,898**
TOTAL ASSETS	**51,176,326**	**48,324,171**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

LIABILITIES	31/12/2020	31/12/2019
Financial liabilities held for trading	**3,729**	**4,888**
Derivatives	3,729	4,888
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**47,061,417**	**44,238,959**
Deposits	45,213,080	41,901,746
Central banks	*5,371,202*	*1,628,990*
Credit institutions	*1,207,848*	*4,305,679*
Customers	*38,634,030*	*35,967,077*
Debt securities issued	1,021,094	1,232,325
Other financial liabilities	827,243	1,104,888
Memorandum items: subordinated liabilities	*510,326*	*508,997*
Derivatives - Hedge accounting	**216,202**	**233,888**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**37,593**	**37,617**
Provisions	**369,532**	**295,053**
Pensions and other post-employment defined benefit obligations	99,268	105,622
Other long-term employee remuneration	122	466
Lawsuits and litigation for outstanding taxes	6,235	6,385
Commitments and guarantees given	19,523	22,727
Other provisions	244,384	159,853
Tax liabilities	**143,546**	**146,321**
Current tax liabilities	-	-
Deferred tax liabilities	143,546	146,321
Other liabilities	**183,383**	**181,841**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**48,015,402**	**45,138,567**

IBERCAJA BANCO, S.A.

BALANCE SHEETS AT 31 DECEMBER 2020 AND 2019
(Thousands of euros)

EQUITY	31/12/2020	31/12/2019
Shareholders' equity	**3,126,166**	**3,115,698**
Capital	214,428	214,428
Paid-in capital	*214,428*	*214,428*
Called-up capital	-	-
Memorandum items: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	350,000	350,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	*350,000*	*350,000*
Other equity items	-	-
Retained earnings	562,518	507,825
Revaluation reserves	2,327	2,327
Other reserves	1,988,922	1,968,925
(Treasury shares)	-	-
Profit/(loss) for the year	7,971	72,193
(Interim dividends)	-	
Other accumulated comprehensive income	**34,758**	**69,906**
Items that will not be reclassified to profit or loss	24,571	63,651
Actuarial gains/(losses) on defined benefit pension plans	*(5,802)*	(6,870)
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*30,373*	*70,521*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	10,187	6,255
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*8,551*	*8,524*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*1,636*	*(2,269)*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,160,924**	**3,185,604**
TOTAL EQUITY AND LIABILITIES	**51,176,326**	**48,324,171**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,780,315**	**3,509,793**
Financial guarantees granted	**94,627**	**77,200**
Other commitments given	**798,930**	**859,952**

IBERCAJA BANCO, S.A.

INCOME STATEMENTS FOR
THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(Thousands of euros)

	2020	2019
Interest income	**499,320**	**531,276**
Financial assets at fair value through other comprehensive income	2,501	9,658
Financial assets at amortised cost	460,154	511,482
Other	36,665	10,136
(Interest expense)	**84,632**	**110,047**
(Expenses on share capital repayable on demand)	**-**	**-**
INTEREST MARGIN	**414,688**	**421,229**
Dividend income	**144,539**	**197,270**
Fee and commission income	**274,203**	**305,063**
(Fee and commission expenses)	**10,137**	**11,419**
Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**127,534**	**5,281**
(Financial assets at amortised cost)	125,366	(22,178)
(Remaining financial assets and liabilities)	2,168	27,459
Net gains or (-) losses on financial assets and liabilities held for trading	**1,148**	**1,220**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	1,148	1,220
Gains/(losses) on non-trading financial assets valued mandatorily at fair value through profit or loss, net	**(10,364)**	**(3,189)**
(Reclassification of financial assets from fair value through other comprehensive income)	-	-
(Reclassification of financial assets from amortised cost)	-	-
(Other gains or (-) losses)	(10,364)	(3,189)
Gains/(losses) on financial assets and liabilities at fair value through profit or loss, net	**-**	**-**
Net gains or (-) losses) from hedge accounting	**(364)**	**567**
Net exchange differences	**852**	**1,104**
Other operating income	**45,379**	**50,074**
(Other operating expenses)	**71,902**	**66,746**
GROSS INCOME	**915,576**	**900,454**
(Administration expenses)	**627,778**	**504,717**
(Staff expenses)	490,353	349,058
(Other administration expenses)	137,425	155,659
(Amortisation and depreciation)	**68,410**	**72,692**
(Provisions or (-) reversal of provisions)	**(15,399)**	**36,496**
(Impairment or (-) reversal of impairment on financial assets not measured fair value through profit or loss or (-) net gain on change)	**209,387**	**122,981**
(Financial assets at fair value through other comprehensive income)	(164)	(197)
(Financial assets at amortised cost)	209,551	123,178
(Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures and associates)	**32,600**	**(681)**
(Impairment or (-) reversal of impairment on non-financial assets)	**506**	**301**
(Tangible assets)	388	298
(Intangible assets)	-	-
(Other)	118	3
Gains/(losses) on derecognition of non-financial assets, net	**(3,735)**	**(11,597)**
Negative goodwill recognised in profit or loss	**-**	**-**
Profit or (-) loss on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	**(2,158)**	**(2,003)**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(13,599)**	**150,348**
Expense or (-) income from taxes on income from continuing operations	**(21,570)**	**78,155**
PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**7,971**	**72,193**
Profit/(loss) after tax from discontinued activities	**-**	**-**
PROFIT/(LOSS) FOR THE YEAR	**7,971**	**72,193**

IBERCAJA BANCO, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019
(Thousands of euros)

	2020	2019
PROFIT/(LOSS) FOR THE YEAR	**7,971**	**72,193**
OTHER COMPREHENSIVE INCOME	**142**	**6,252**
Items that will not be reclassified to profit or loss	**(3,790)**	**20,362**
Actuarial gains/(losses) on defined benefit pension plans	1,525	(13,860)
Non-current assets and disposal groups of items held for sale	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(8,854)	35,894
Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Corporation tax relating to items not to be reclassified	3,539	(1,672)
Items that may be reclassified to profit or loss	**3,932**	**(14,110)**
Hedges of net investment in foreign operations (effective portion)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Currency translation	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	39	(1,091)
Valuation gains/(losses) taken to equity	*39*	*(1,091)*
Transferred to the income statement	-	-
Transferred to initial carrying amount of hedge items		
Other reclassifications	-	-
	-	-
Hedging instruments (undesignated items)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications		
Debt instruments at fair value through other comprehensive income	5,578	(19,066)
Valuation gains/(losses) taken to equity	*17,111*	*1,276*
Transferred to the income statement	*(11,533)*	*(20,342)*
Other reclassifications	-	-
Non-current assets and disposal groups of items held for sale	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
Corporation tax relating to items that may be reclassified to profit or loss	(1,685)	6,047
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**8,113**	**78,445**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020
(Thousands of euros)

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit/(loss) for the year	(Interim dividends)	Other accumulated comprehensive income	Total
I. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,971**	**-**	**142**	**8,113**
Other changes in equity	**-**	**-**	**-**	**-**	**54,693**	**-**	**19,997**	**-**	**(72,193)**	**-**	**(35,290)**	**(32,793)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	72,193	-	35,290	-	(72,193)	-	(35,290)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(15,293)	-	-	-	-	(15,293)
III. Closing balance at 31/12/2020	**214,428**	**-**	**350,000**	**-**	**562,518**	**2,327**	**1,988,922**	**-**	**7,971**	**-**	**34,758**	**3,160,924**

IBERCAJA BANCO, S.A.

STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Thousands of euros)

	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit/(loss) for the year	(Interim dividends)	Other accumulated comprehensive income	Total
	Thousands of euros											
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**72,193**	**-**	**6,252**	**78,445**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**238,280**	**-**	**1,910,772**	**-**	**(255,780)**	**-**	**1,706**	**(34,870)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments (Note 20)	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction (Note 20)	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-
Dividends (or other shareholder remuneration) (Note 4)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	255,780	-	(1,706)	-	(255,780)	-	1,706	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(17,370)	-	-	-	-	(17,370)
III. Closing balance at 31/12/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,968,925**	**-**	**72,193**	**-**	**69,906**	**3,185,604**

IBERCAJA BANCO, S.A.

STATEMENTS OF CASH FLOWS FOR THE THE YEARS ENDED 31 DECEMBER 2020 AND 2019

(Thousands of euros)

	2020	2019
H) CASH FLOWS FROM OPERATING ACTIVITIES	**3,726,127**	**2,936,079**
Profit/(loss) for the year	**7,971**	**72,193**
Adjustments to obtain cash flows from operating activities	**368,547**	**293,178**
Amortisation and depreciation	68,410	72,692
Other adjustments	300,137	220,486
Net increase/decrease in operating assets	**326,277**	**383,942**
Financial assets held for trading	1,144	(465)
Non-trading financial assets mandatorily measured at fair value with with changes through profit or loss	10,655	10,737
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	529,297	835,180
Financial assets at amortised cost	(174,352)	(489,244)
Other operating assets	(40,467)	27,734
Net increase/(decrease) in operating liabilities	**2,966,270**	**2,063,978**
Financial liabilities held for trading	(1,159)	(259)
Financial liabilities at fair value through profit or loss		-
Financial liabilities at amortised cost	2,840,293	2,176,501
Other operating liabilities	127,136	(112,264)
Corporation tax credit/(payments)	**57,062**	**122,788**
I) CASH FLOWS FROM INVESTING ACTIVITIES	**(7,228)**	**(10,607)**
Payments	**(84,680)**	**(54,214)**
Tangible assets	(50,895)	(30,076)
Intangible assets	(32,456)	(23,098)
Investments in subsidiaries, joint ventures and associates	-	(81)
Other business units	-	-
Non-current assets and liabilities classified as held for sale	(1,329)	(959)
Other payments related to investing activities	-	-
Receipts	**77,452**	**43,607**
Tangible assets	22,446	42,030
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	1,671	33
Other business units	-	-
Non-current assets and liabilities classified as held for sale	53	1,544
Other receipts related to investing activities	53,282	-
J) CASH FLOWS FROM FINANCING ACTIVITIES	**(42,000)**	**(123,805)**
Payments	**(542,000)**	**(123,805)**
Dividends	(17,500)	(17,500)
Subordinated liabilities	(500,000)	(81,805)
Redemption of own equity instruments	-	-
Acquisition of own equity instruments	-	-
Other payments related to financing activities	(24,500)	(24,500)
Receipts	500,000	**-**
Subordinated liabilities	500,000	-
Issuance of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other receipts related to financing activities	-	-
K) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
L) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**3,676,899**	**2,801,667**
M) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**3,700,577**	**898,909**
N) CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,377,476**	**3,700,576**
MEMORANDUM ITEMS		
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Cash	239,018	227,232
Cash equivalents at central banks	7,079,491	3,444,265
Other financial assets	58,967	29,079
Less: bank overdrafts repayable on demand	-	-

APPENDIX I

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

Group companies:

Company	Address	Country of residence	Shareholding (%) 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
Badajoz Siglo XXI, S.A.	Pº Fluvial, 15, Badajoz	Spain	100.00%	-	100.00%	-
CAI Inmuebles, S.A. (in liquidation)	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Cerro Goya, S.L.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	98.70%	1.30%	98.70%	1.30%
Cerro Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	99.77%	0.23%	99.77%	0.23%
Ibercaja Gestión de Inmuebles, S.A.	Pº Constitución, 10, entlo. izda., Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Gestión, S.G.I.I.C., S.A.	Pº Constitución, 4, 3ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Leasing y Financiación, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Pº Constitución, 4, 1ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Pensión, E.G.F.P., S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Vida, S.A.	Pº Constitución, 4, 8ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Cajaragón, S.A.U.	Pza. Basilio Paraíso, 2, Zaragoza	Spain	100.00%	-	100.00%	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	-	100.00%	-	100.00%
Residencial Murillo, S.A.	Pº Constitución, 4, 5ª planta, Zaragoza	Spain	100.00%	-	100.00%	-
Ibercaja Connect, S.L.	C/ Bari, 49, Zaragoza	Spain	95.00%	5.00%	95.00%	5.00%

Jointly-controlled entities:

Company	Address	Country of residence	Shareholding (%) 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
Aramón Montañas de Aragón, S.A.	Pza. Aragón, 1, Zaragoza	Spain	50.00%	-	50.00%	-
Ciudad del Corredor, S.L. (*)	C/ Gran Vía, 15, Of. 1-3, Madrid	Spain	-	-	-	50.00%
Corredor del Iregua, S.L.	Avda. Pío XXI, 1, Bajo, Logroño	Spain	-	50.00%	-	50.00%
Montis Locare, S.L. (*)	Pza. Aragón, 11, Zaragoza	Spain	-	-	47.73%	-

(*) Write-offs due to dissolution and/or liquidation.

Associates:

Company	Address	Country of residence	Shareholding (%) 2020 Direct	2020 Indirect	2019 Direct	2019 Indirect
C y E Badajoz Servicios Sociosanitarios, S.A.	Avda. Juan Carlos I, 17, entpta., Badajoz	Spain	33.00%	-	33.00%	-
Centro de Transportes Aduana de Burgos, S.A.	Ctra. Madrid-Irún (Villafría), (KM 245), Burgos	Spain	25.45%	-	25.45%	-
Cerro de Mahí, S.L.	Pza. Roma, F-1, 1ª planta, of. 5, Zaragoza	Spain	-	33.33%	-	33.33%
Concessia Cartera y Gestión de Infraest., S.A.	C/ Severo Ochoa, 3, of 4B, Las Rozas Madrid	Spain	30.15%	-	30.15%	-
Districlima Zaragoza, S.L.	Avda. Ranillas, 107, Zaragoza	Spain	35.00%	-	35.00%	-
Henneo (formerly Grupo Heraldo)	Pº Independencia, 29, Zaragoza	Spain	39.94%	-	39.94%	-
Northwind Finco, S.L	C/ Vía de los Poblados, 3, Ed.1, Parque Empresarial Cristalia, Madrid	Spain	-	20.00%	-	20.00%
Nuevos Materiales de Construcción, S.A.	C/ San Norberto, 26, Madrid	Spain	21.93%	-	21.93%	-
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Camino Molinos, 32, Zaragoza	Spain	31.29%	-	31.29%	-
Rioja Nueva Economía, S.A.	Gran Vía Rey Juan Carlos I, 9, Logroño	Spain	43.20%	-	43.20%	-
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Pol. Ind. Los Llanos, s/n, Teruel	Spain	23.42%	-	23.42%	-
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	C/ Los Enebros, 74, Teruel	Spain	22.17%	-	22.17%	-
Solavanti, S.L.	Avda. Academia Gral. Militar, 52, Zaragoza	Spain	-	20.00%	-	20.00%
Turolense del Viento, S.L.(*)	C/ Los Enebros, 74, Ed. Galileo, 2ª planta, Teruel	Spain	-	-	-	20.00%
Viacajas, S.L.	C/ Alcalá, 27, Madrid	Spain	16.13%	-	16.13%	-

(*) Write-offs due to dissolution and/or liquidation.

APPENDIX II

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

Group companies:

Company	Date of financial statements	Contribution to consolidated earnings		Contribution to consolidated reserves		Non-controlling interests	
		2020	2019	2020	2019	2020	2019
Badajoz Siglo XXI	Dec-20	(907)	(1,387)	(17,912)	(16,530)	-	-
CAI Inmuebles, S.A. (in liquidation)	Dec-20	3	1,813	(10,633)	(12,440)	-	-
Cerro Goya, S.L.	Dec-20	(937)	(341)	(770)	(2,706)	-	-
Cerro Murillo, S.A.	Dec-20	(59,668)	(91,181)	183,356	286,058	-	-
Ibercaja Cajaragón, S.A.U.	Dec-20	(2)	(500)	4,564	5,178	-	-
Ibercaja Banco, S.A.	Dec-20	(47,304)	57,749	2,129,848	1,931,000	-	-
Ibercaja Gestión, S.A.	Dec-20	27,985	22,240	10,339	10,358	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec-20	25	22	262	240	-	-
Ibercaja Leasing y Financiación, S.A.	Dec-20	3,235	3,332	26,274	22,975	-	-
Ibercaja Mediación de Seguros, S.A.	Dec-20	35,619	25,679	2,189	9,370	-	-
Ibercaja Pensión, S.A.	Dec-20	10,695	11,130	9,528	9,461	-	-
Ibercaja Vida, S.A.	Dec-20	61,753	74,883	201,304	202,763	-	-
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-20	859	1,998	35,991	34,189	-	-
Residencial Murillo, S.A.	Dec-20	(8,355)	(21,933)	31,760	53,675	-	-
Ibercaja Connect, S.L.	Dec-20	22	54	103	98	-	-

Company	Date of financial statements	Financial information					
		2020			2019		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val. adj.	Profit/(loss)
Badajoz Siglo XXI	Dec-20	40,950	(4,261)	(907)	40,950	(2,880)	(1,382)
CAI Inmuebles, S.A. (in liquidation)	Dec-20	64	(10,630)	2	64	(13,005)	2,375
Cerro Goya, S.L.	Dec-20	2,748	(4)	(835)	5,024	(1,917)	(363)
Cerro Murillo, S.A.	Dec-20	206,385	(35,591)	(57,272)	206,385	10	(35,600)
Espacio Industrial Cronos, S.A.	-	-	-	-	-	88	(88)
Ibercaja Cajaragón, S.A.U.	Dec-20	58,041	5,247	700	58,041	6,030	(783)
Ibercaja Banco, S.A.	Dec-20	214,428	2,588,525	7,971	214,428	2,898,983	72,193
Ibercaja Gestión, S.A.	Dec-20	2,705	(13,575)	27,902	2,705	(7,987)	22,176
Ibercaja Gestión de Inmuebles, S.A.	Dec-20	120	264	25	120	242	22
Ibercaja Leasing y Financiación, S.A.	Dec-20	3,006	26,524	2,982	3,006	25,954	5,331
Ibercaja Mediación de Seguros, S.A.	Dec-20	60	(33,370)	35,598	60	(13,653)	25,693
Ibercaja Pensión, S.A.	Dec-20	11,010	843	10,841	11,010	416	11,209
Ibercaja Vida, S.A.	Dec-20	135,065	184,718	57,449	135,065	178,444	70,388
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-20	40,051	29,478	746	40,051	27,719	1,970
Residencial Murillo, S.A.	Dec-20	197,306	(7,756)	(29,133)	197,306	15,400	(23,155)
Ibercaja Connect, S.L.	Dec-20	480	103	22	480	98	54

Jointly-controlled entities:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2020	2019	2020	2019	2020	2019
Aramón Montañas de Aragón, S.A. (*)	1,398	418	(28,852)	(29,416)	29,705	28,161
Other companies	-	(719)	-	(11,000)	-	-

	Thousands of euros			
	Financial information			
	2020		2019	
Company	Aramon, Montañas de Aragón, S.A. (*)	Other	Aramon, Montañas de Aragón, S.A. (*)	Other
Current assets	3,906	-	3,709	-
Non-current assets	118,140	-	118,585	-
Cash and cash equivalents	4,300	-	400	-
Current liabilities	12,340	-	11,587	-
Non-current liabilities	31,685	-	32,285	-
Current financial liabilities	3,050	-	4,734	-
Non-current financial liabilities	28,329	-	29,624	-
Ordinary income	46,100	-	42,871	-
Dividends paid	-	-	-	-
Total recognised income and expense	2,143	-	275	(1,437)
Profit/(loss) from ordinary activities	*2,143*	-	*275*	*(1,437)*
Profit/(loss) after tax from discontinued operations	-	-	-	-
Other recognised income and expense	-	-	-	-
Depreciation	1,703	-	626	-
Amortisation and depreciation	10,507	-	10,552	-
Interest income	2	-	-	-
Interest expense	1,384	-	1,619	-
Corporation tax expense/(income)	4,006	-	50	-

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

Associates:

Company	Contribution to consolidated earnings		Contribution to consolidated reserves		Value of shareholding	
	2020	2019	2020	2019	2020	2019
Concessia Cartera y Gestión de Infraestructuras, S.A. (*)	(84)	712	145	37	5,268	5,955
Henneo (formerly Grupo Heraldo) (*)	(2,716)	(582)	(522)	259	28,181	31,097
Other companies	1,981	602	(4,374)	(2,969)	43,371	44,602

	Thousands of euros					
	Financial information					
	2020			2019		
Company	Concessia Cartera y Gestión de Infra. , S.A. (*)	Henneo (formerly Grupo Heraldo)(*)	Other	Concessia Cartera y Gestión de Infra. , S.A. (*)	Henneo (formerly Grupo Heraldo)(*)	Other
Current assets	4,177	56,137	-	7,201	56,022	-
Non-current assets	14,478	44,995	-	13,730	44,942	-
Current liabilities	171	31,581	-	112	31,585	-
Non-current liabilities	1,027	16,043	-	1,027	11,950	-
Ordinary income	461	92,763	-	64	98,491	-
Dividends paid	-	-	-	-	-	-
Total recognised income and expense	(308)	4,712	3,158	2,269	-	12,986
Profit/(loss) from ordinary activities	*(308)*	*4,712*	*3,158*	*2,269*	*2,290*	*12,986*
Profit/(loss) after tax from discontinued operations	-	-	-	-	-	-
Other recognised income and expense	-	-	-	-	-	-

(*) The financial information corresponding to these companies is based on the most recent data available (actual or estimated) at the time of preparation of the notes to these financial statements.

APPENDIX III

INFORMATION ON HOLDINGS IN COMPANIES AND INVESTMENT AND PENSION FUNDS MANAGED BY THE GROUP ITSELF

	Shareholding (%)			
	2020		2019	
	Not related to Unit Linked schemes	Related to Unit Linked schemes	Not related to Unit Linked schemes	Related to Unit Linked schemes
IBERCAJA ALL STAR FI	0.00%	6.27%	0.00%	2.05%
IBERCAJA ALPHA FI	0.48%	0.09%	0.22%	2.94%
IBERCAJA BEST IDEAS FI	0.00%	12.14%	0.00%	6.04%
IBERCAJA BOLSA ESPAÑA FI	0.00%	11.22%	0.00%	10.86%
IBERCAJA BOLSA EUROPA FI	1.47%	2.26%	0.00%	2.30%
IBERCAJA BOLSA INTERNACIONAL FI	1.55%	31.63%	0.03%	13.66%
IBERCAJA BOLSA USA FI	0.00%	1.54%	0.00%	1.36%
IBERCAJA BP HIGH YIELD 2023, FI	3.33%	0.00%	0.44%	0.00%
IBERCAJA BP RENTA FIJA FI	0.00%	9.92%	0.00%	3.06%
IBERCAJA CAPITAL GARANTIZADO FI	0.00%	1.44%	0.00%	1.42%
IBERCAJA COLECTIVOS FONDO DE PENSIONES	0.00%	0.86%	0.00%	0.90%
IBERCAJA CONSERVADOR 1 FI	-	-	0.01%	1.90%
IBERCAJA CRECIMIENTO DINAMICO FI	0.00%	8.22%	0.00%	2.76%
IBERCAJA DEUDA CORPORATIVA 2024 FI	0.05%	0.00%	-	-
IBERCAJA DIVIDENDO FI	0.20%	1.55%	0.20%	0.86%
IBERCAJA DOLAR FI	0.00%	2.99%	0.00%	0.97%
IBERCAJA EMERGENTES FI	1.74%	6.14%	0.00%	2.49%
IBERCAJA EMERGING BONDS FI	0.00%	14.14%	0.00%	3.28%
IBERCAJA EUROPA STAR FI	0.01%	21.11%	0.00%	9.70%
IBERCAJA FINANCIERO FI	0.00%	0.78%	0.00%	0.29%
IBERCAJA FLEXIBLE EUROPA 50 80 FI	0.00%	0.29%	0.00%	0.25%
IBERCAJA FONDTESORO CORTO PLAZO FI	-	-	0.00%	0.14%
IBERCAJA GESTION EQUILIBRADA FI	0.03%	0.00%	0.04%	0.00%
IBERCAJA GLOBAL BRANDS FI	0.67%	8.78%	0.00%	3.72%
IBERCAJA HIGH YIELD FI	0.00%	8.72%	0.00%	2.78%
IBERCAJA HORIZONTE FI	0.00%	2.73%	0.00%	3.30%
IBERCAJA JAPON FI	0.00%	0.18%	0.00%	0.70%
IBERCAJA MEGATRENDS FI	0.00%	8.49%	0.00%	5.07%
IBERCAJA MIXTO FLEXIBLE 15 FI	0.14%	5.49%	0.00%	0.95%
IBERCAJA OBJETIVO 2026 FI	0.00%	0.00%	0.00%	0.00%
IBERCAJA OBJETIVO 2028 FI	0.83%	0.00%	-	-
IBERCAJA OPORTUNIDAD RENTA FIJA FI	0.00%	16.08%	0.00%	5.32%
IBERCAJA PETROQUIMICO FI	0.00%	0.37%	0.00%	0.26%
IBERCAJA PLUS FI	0.00%	0.42%	0.00%	0.37%
IBERCAJA RENTA FIJA 2026 FI	0.13%	0.00%	-	-
IBERCAJA SANIDAD FI	0.40%	5.08%	0.00%	1.95%
IBERCAJA SECTOR INMOBILIARIO FI	0.00%	0.00%	0.00%	0.25%
IBERCAJA SELECCION RENTA FIJA FI	0.00%	0.88%	0.00%	0.94%
IBERCAJA SMALL CAPS FI	0.01%	7.78%	0.01%	1.46%
IBERCAJA TECNOLOGICO FI	0.60%	5.14%	0.00%	0.33%
IBERCAJA UTILITIES FI	0.00%	0.00%	0.00%	0.00%
INVERSIONES FAJERO 2010 SICAV SA	0.05%	0.00%	0.05%	0.00%

APPENDIX IV

ANNUAL BANKING REPORT

On 27 June 2014, the Official State Gazette published Act 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with Article 87 and Transitional Provision 12 of Act 10/2014, credit institutions are required to publish, as an appendix to their audited financial statements and for each country in which they operate, the following information on a consolidated basis for the last completed financial year:

a) Name, nature and geographical location of the activity
b) Business volume
c) Number of equivalent full-time employees
d) Gross profit/(loss) before tax
e) Corporate income tax
f) Grants and public aid received

Accordingly, all this information is set out below.

a) Name, nature and geographical location of the activity

Ibercaja Banco is a credit institution. Its registered office is located at Plaza de Basilio Paraíso 2 and it is filed at the Companies Registry of Zaragoza at volume 3865, book 0, sheet 1, page Z-52186, entry 1. It is also entered on the Bank of Spain Special Register under number 2085. Its corporate webpage (electronic headquarters) is www.ibercaja.es, where its bylaws and other public information can be viewed.

Ibercaja Banco, S.A. engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and that, together with it, make up the Ibercaja Banco Group. The Bank is therefore required to draw up the Group's consolidated annul accounts, as well as its own individual annual accounts.

The consolidated Group carries out all its activity in Spain.

b) Business volume

Information on consolidated business volume is as follows, by country. Business volume for these purposes means gross income, as shown on the Group's consolidated income statement at the end of 2020.

	Thousands of euros
	31/12/2020
Spain	1,001,822
	1,001,822

c) Number of equivalent full-time employees

Equivalent full time employees by country were as follows at year-end 2020:

	Thousands of euros
	31/12/2020
Spain	5,307
	5,307

d) Gross profit/(loss) before tax

	Thousands of euros
	31/12/2020
Spain	53,470
	53,470

e) Corporate income tax

	Thousands of euros
	31/12/2020
Spain	29,868
	29,868

f) Grants and public aid received

No grants or public aid were received by Ibercaja Banco, S.A. or any Group company in 2020.

Other information

The return on the Group's assets during the year, calculated as net profit divided by the total balance sheet, was 0.04%.

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CONSOLIDATED DIRECTORS' REPORT
FOR 2020

Ibercaja Banco, S.A. and subsidiaries

EL BANCO DEL vamos

CONTENTS

1 LETTER FROM THE CHAIRMAN AND CEO

Letter from the Chairman and CEO

102-2, 102-4, 102-5, 102-6, 102-9, 102-14, 102-15, 102-3, 103-1, 103-2

In 2020, COVID-19 **pandemic caused** an unprecedented upset **to the international economy and financial markets** never before witnessed in recent history. Firstly, the drastic widespread halt in non-essential activity in March, April and May, and then the restrictions on mobility and the concentration of people decreed to check successive outbreaks subsequently caused a very severe recession in most of the advanced economies.

In particular, the **Spanish economy**, with a specific higher weight of the sectors most affected by this crisis (tourism, hospitality, passenger transport and leisure) saw its GDP shrink by 11% in one year, as compared with an average of 6.8% in the eurozone. Of the leading global powers, only China ended the year with an aggregate positive GDP.

Governments and **central banks**, faced with the exceptional nature of this situation and unlike the 2008-2012 crisis, acted quickly and decisively. In the **monetary aspect**, the liquidity injections and the interest rate reductions facilitated the availability of financing for all economic players, at costs even negative for the public authorities. On the **tax front**, the design of public expenditure programmes, transfers to vulnerable homes, employment protection mechanisms at companies with drastic falls in billings and public guarantees for loans to companies, SMEs and self-employed workers has considerably cushioned the impact of the crisis on the income of families and companies.

Therefore, the **Spanish banking sector** has faced a highly adverse context, with the responsibility of protecting the health and safety of employees and customers, while still providing a service considered to be essential and thereby ensuring the continuity of economic activities and the finances of individuals and companies in our country. Also the sector has been highly actively involved in the implementation of actions, many of them in public-private collaboration, to support more vulnerable groups during the pandemic.

Despite the severity of this recession, the banking sector has much more robust levels of **solvency and risk and liquidity quality** than those of the previous recession. However, the sector's profitability challenge is still pending, since the pressure on margins in a negative interest rate climate is accompanied by the need to recognise provisions faced with the abrupt deterioration of the economic climate and its potential effect on the quality of loan portfolios, based on the expected rise in the non-payments of receivables (individuals and, especially, companies).

In this unprecedented scenario, in 2020, Ibercaja focused its management on **three main procedural planes.**

Firstly, the Bank has continued to attend to its customers at all times as an **essential service**, keeping virtually all its branches open, even during the strict lockdown period, and keeping its automatic ATM network operative without interruptions and reinforcing its *call centre*. All of the foregoing, of course, while implementing the most rigorous prevention recommendations to protect the health of customers and employees as an unrenounceable priority. Likewise, the Bank has introduced new functions in its digital assets, such as the Start-up Mode in the APP and the recent renewal of digital banks for individuals and companies, offering an adequate response to the growing use of these digital channels by customers.

Likewise, Ibercaja has deployed an ample range of **measures to protect the most vulnerable groups** during the pandemic. Furthermore, it applied moratoria (public and sectoral) on loans to families whose earnings were affected by the paralysation of the economy, brought forward retirement and unemployment benefits and, lastly, arranged financing for SMEs and self-employed workers in the form of Spanish Official Credit Institute COVID loans (liquidity and investment) partially guaranteed by the State. Furthermore, the “Let's go” solidarity platforms were promoted in different autonomous communities and provinces with the mobilisation of donations totalling almost 1 million euros.

Secondly, faced with the scale of the crisis, the Bank strengthened its **financial soundness**, increasing the CET 1 *fully loaded* capital ratio to 12.6%, recognising 90 million euros in provisions due to the crisis caused by the pandemic, reducing the default rate to 3.2% and individually monitoring, on an on-going basis, the loan transactions affected by the crisis in terms of the ability of customers (individuals and companies) to meet their payment obligations.

Alongside this, the Bank achieved **significant commercial achievements** in the priority growth segments, particularly in asset management, with the volume administered in investment funds already exceeding 5.5% of the Spanish market share at year-end.

Thirdly, Ibercaja completed the **2018 – 2020 strategic cycle**, attaining the goals set in the solvency areas (the reduction of non-performing assets, digitalisation, people management models, institutional projection and progress in geographical growth pledges (Madrid and the Mediterranean Arc) and customer segments (business banking, personal banking and private banking).

With such a complicated scenario in all areas, Ibercaja's **corporate purpose** (“Help people build their life story because it will be our story”) has acquired an even more pragmatic meaning. Undoubtedly, the banking and social function being exercised by the Bank for the last 145 years is being revalidated and reinforced during this pandemic and, likewise, it will continue to be in force to contribute to the most speedy and integrating economic and social recovery possible.

In order to crystallise and systematise this firm rooted commitment to society, in December Ibercaja's Board of Directors approved the Bank's **Sustainability Policy**. The challenge that Ibercaja has thus taken on is to ensure that its business objectives promote sustainable development, mitigating climate change and promoting a more just and inclusive society. In the coming years, these principles of economic, social and environmental sustainability will be deployed in all areas of the Bank's management, among others, in the setting up of business strategies, governance and global risk management.

Despite the difficulties, the Bank will continue to move towards the future with a clear defined roadmap, which will take form in the new **2021 – 2023 Strategic Plan**, the reference guide to reinforce Ibercaja's competitiveness as an independent retail banking project, with a profitable sustainable business model and a distinguishing utility for people, companies, institutions and society as a whole.

José Luis Aguirre Loaso
CHAIRMAN

Víctor Iglesias Ruiz
CHIEF EXECUTIVE OFFICER

2 MAIN FIGURES: ECONOMIC, SOCIAL AND SUSTAINABILITY IMPACT

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EL BANCO DEL Vamos

ECONOMIC IMPACT
IBERCAJA 2020

RELEVANT FIGURES
ENTITY'S RESULTS

Solvency and Liquidity

12.6% (+124 bp)
FULLY LOADED CET1

17.3% (+181 bp)
FULLY LOADED TOTAL CAPITAL

25.6%
AVAILABLE LIQUIDITY/TOTAL ASSETS

Asset Quality

-21.7%
NON-PERFORMING ASSETS

3.2% (-76 bp)
CREDIT DELINQUENCY RATE

5.1% (-71 bp)
NPA RATIO

62.2%
COVERAGE OF PROBLEM ASSETS

Commercial Activity

+7.9%
RETAIL RESOURCES

+4.9%
ASSET MANAGEMENT AND INSURANCE

+18.2%
CREDIT CONTRACTS

Results

€24 million
NET RESULT

€90 million
COVID PROVISIONS

€143 million (+11.5%)
PBT EX COVID-19

€341 million (-0.2%)
RECURRING INCOME BEFORE WRITE-DOWNS

-5.4% vs. 2019
RECURRING OPERATING EXPENSES

NATIONAL DIMENSION

€58,401 million
TOTAL ASSETS

1,031
BRANCH OFFICES

5,307 (5,055 parent)
EMPLOYEES

1,287
ATMs

€1.6 million
CARDS

842,486
DIGITAL CUSTOMERS

76%
DIGITAL TRANSACTIONS

2.5%
SHARE OF CREDIT AND HOUSEHOLDS

3.5%
SHARE OF CUSTOMER RESOURCES

5.0%
ASSET MANAGEMENT AND INSURANCE SHARE

Intermediary market shares

7 POSITION	5.5%	INVESTMENT FUNDS
5 POSITION	5.9%	PENSION PLANS
7 POSITION	3.6%	LIFE INSURANCE
10 POSITION	2.8%	LEASING OUTSTANDING INVESTMENT

RECOGNITION

AENOR Gestión Ambiental

Asesoramiento Patrimonio Personal AENOR conform

AENOR EXCELENCIA EN EL SERVICIO 3

efr

EMPRESA RSA+ 2021

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SOCIAL IMPACT
IBERCAJA 2020

WE CONTRIBUTE TO SOCIETY AND OUR ENVIRONMENT

+€12.5 million
INVESTMENT IN SOCIAL ACTION
by Fundación Ibercaja

Almost 1 million
BENEFICIARIES
of social action

136
LOCATIONS SERVED
by Ibercaja as the only entity present

WE ARE A FAMILY RESPONSIBLE COMPANY

5,307
EMPLOYEES
in the Ibercaja Group

Certification
efr

30%
MANAGERIAL POSITIONS HELD BY WOMEN

192
UNIVERSITY STUDENTS
carried out internships in Ibercaja Banco

WE ADVANCE IN INNOVATION AND DIGITALISATION

76%
TRANSACTIONS
through digital banking

RECOGNITION

Sello de EMPRESA RSA+ 2021

WE STAY CLOSE TO OUR CUSTOMERS: FAMILIES AND BUSINESSES

1,031
BRANCH OFFICES
on national territory

+350,000
SMES AND THE SELF-EMPLOYED
trust Ibercaja

216
MANAGERS
who specialise in companies
Customer rating 9.6/10

1 in 4
BRANCH OFFICES
in municipalities of less than 1,000 residents

WE LOOK AFTER THE ENVIRONMENT

Objective:
CARBON NEUTRAL IN 2020

100%
GREEN ENERGY
at the Headquarters

9,138 Tn
CO_2 AVOIDED
by purchasing green energy

ISO 14001
CERTIFICATION
in environmental management

AENOR Gestión Ambiental

1,714.29 Tn
CO_2 OFFSET
with our sustainable products

WE ARE COMMITTED TO SUSTAINABILITY

Global Compact — We are signatories of the United Nations Global Compact

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING — We are signatories to the United Nations Principles for Responsible Banking

TCFD — Adherence to TCFD recommendations

€5,795.38 million
MANAGED UNDER
socially responsible INVESTMENT

Committed to sustainability and the
OBJETIVOS SUSTAINABLE DEVELOPMENT

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3 KEYS TO THIS DOCUMENT

EL BANCO DEL Vamos

Keys to this document

102-21, 102-4, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-54

THIS CONSOLIDATED DIRECTORS' REPORT INCLUDES THE MOST SIGNIFICANT INFORMATION REGARDING IBERCAJA BANCO AND ITS SUBSIDIARIES IN 2020.

SCOPE

*Our intention is to provide stakeholders with more **enhanced and more complete information** in a **transparent** manner.*

For the first time, the Consolidated Directors' Report includes, in a single document, all **significant financial and non-financial information on the Ibercaja Group**, encompassing what used to be included in the Directors' Report and the Annual Report. Accordingly, our intention is to provide stakeholders with more enhanced and more complete information in a transparent manner and in a single document. This report, as a whole, presents a global vision of the Bank's strategic lines, activities, business model, financial results and sustainable commitment (environmental, social and staff-related, human rights, corruption and bribery issues). Its contents are made public with free access on the corporate web page *(www.ibercaja.com).*

The **Appendix *"Requirements of Law 11/2018 on non-financial information and diversity"*** includes information pursuant to **Law 11/2018** amending the Spanish Commercial Code, the consolidated Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Law 22/2015, of 20 July, in relation to **non-financial information and diversity**. This **statement** has been prepared taking into account the **European Commission** guidelines on non-financial reporting and their supplement **on climate-related information**, as well as the recommendations provided by the CNMV to the Bank. The contents identified in this Appendix form the Consolidated Statement of Non-financial Information.

The **reporting scope** coincides with that of the consolidated financial statements, which is 100% of the consolidation scope of the Ibercaja Banco Group, except for those aspects indicated in the final table of the "Requirements of Law 11/2018 on Non-Financial Information and Diversity" Appendix.

The objective of this Report is also to address those aspects necessary for its consideration as a **Sustainability Report**, according to the criteria of the **Global Reporting Initiative (GRI)**, in line with the **"essential"** conformity option, whose directives have oriented Ibercaja's annual reports since 2005 and, in turn, serve as a **"Progress Report"**, in accordance with the reporting requirements of the **Global Compact,** relating to the 10 Principles of the United Nations Global Compact. It also includes the first **implementation report** of the **United Nations Responsible Banking Principles**, signed by the Bank in 2019, together with the progress made in the report **on climate-related information**, in line with the recommendations of the **TCFD** (Task Force on Climate-Related Financial Disclosures), of which Ibercaja Banco became a member in August 2019.

MATERIALITY

Ibercaja performs a **materiality study** to identify the priority financial, economic, social and environmental matters for its stakeholders and for its business and thereby determine what information must be reported and its correct dimensioning. Significant aspects are deemed to be those matters that have a high probability of generating a significant impact, both at the business and in the valuations and decisions of the stakeholders.

> In accordance with the Global Reporting Initiative *"Materiality is the principle that determines which matters are sufficiently important for it to be essential to report on them. Significant matters are those that may reasonably be considered important to reflect the organisation's economic, environmental and social impacts or influence the decisions of stakeholders".*

With this approach, in 2015 the first materiality study was drawn up to **identify those aspects that influence the ability to create value for Ibercaja** and that are of interest to the people and/or groups with which it is related. This materiality analysis was valid during the 2015-2017 Strategic Plan, ending with the 2017 Annual Report.

In 2018, coinciding with the launch of the 2018-2020 Strategic Plan, a thorough review of the materiality analysis was conducted, to identify the material issues to be included, in line with this strategic cycle.

This analysis has made it possible to create a **new materiality matrix** in which the most relevant aspects are identified, both for Ibercaja Banco and for its stakeholders and which, therefore, are an essential part of this report.

METHODOLOGY

THE REVIEW OF THE MATERIALITY MATRIX WAS CARRIED OUT IN 4 PHASES:

1. Review of material issues

Based on the material issues identified in the previous matrix, a **review** was conducted, performing an inventory **of all those aspects that require this rating for Ibercaja** and which have served as a starting point to consult the stakeholders.

The following points have been taken into account for this review:

- Entity's internal documentation: strengths, contents of the Strategic Plan, former materiality, previous annual reports, etc.
- Legislation/Regulations: analysis of regulatory requirements and recommendations.
- External documentation: relevant issues in the financial sector, international standards, trend reports, Sustainable Development Goals, etc.

The material issues identified after this analysis were as follows:

1) Corporate governance of the Entity
2) Solvency/ profitability/ financial strength
3) Ethical conduct and integrity
4) Risk management and compliance
5) Transparency in customer relations and communication
6) Business model and customer support
7) IT security and data protection
8) Digital transformation and multichannel
9) Respect for Human Rights
10) Diversity and work-life balance
11) Talent attraction and retention
12) Social action / community support projects
13) Financial products with high social and/or environmental value
14) Environmental management
15) Relations with suppliers and collaborators

2. Assessment of material issues

Once the material issues had been identified, **internal and external enquiries** were made, through personalised on-line surveys, to determine those aspects that are most important for the main stakeholders and for Ibercaja, and which will be the basis of the materiality matrix.

3. Preparation of the materiality matrix

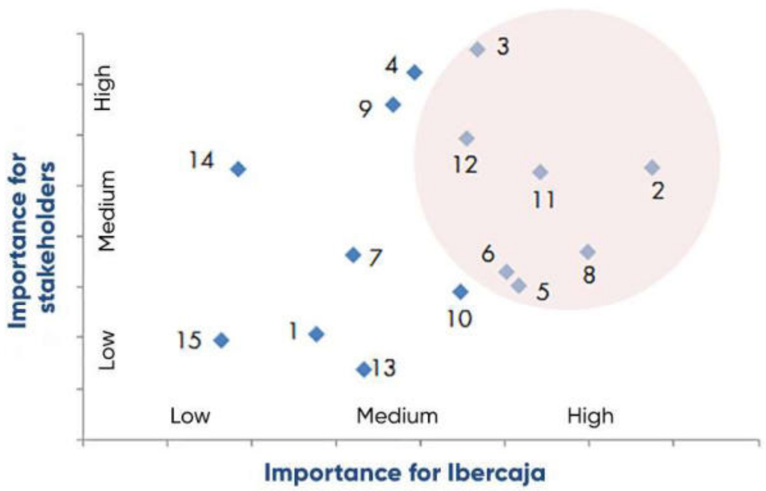
The **results obtained** in the previous point **were transferred to a matrix**, to **identify those matters that are most important for the stakeholders and for Ibercaja**; these aspects focus the contents of this Annual Report, with the aim of responding in an appropriate manner to the requests of the stakeholders consulted.

4. Interrelation with GRI standards

As a last step, **the relationship between material issues and the GRI Standards** was identified, so as to determine the content needed to address each matter.

RESULTS OF THE MATERIALITY MATRIX

1	The Entity's Corporate Governance policy
2	Solvency/profitability/financial strength
3	Ethical conduct and integrity
4	Risk management and regulatory compliance
5	Transparency in customer relations and communication
6	Business model and customer advice
7	Computer security and data protection
8	Digital transformation and multichannel
9	Respect for Human Rights
10	Diversity and work-life balance
11	Attracting and retaining talent
12	Social action/community support projects
13	Financial products with high social and / or environmental value
14	Environmental management
15	Relations with suppliers and collaborators



RELATIONSHIP WITH GRI STANDARDS AND IDENTIFICATION OF MATERIAL ISSUES

MATERIAL ISSUES IDENTIFIED	RELATED GRI STANDARDS
The Entity's Corporate Governance policy	Governance strategy
Solvency/profitability/financial strength	Economic performance Market presence
Ethical conduct and integrity	Ethics and integrity Governance Unfair competition Anti-corruption Audit
Risk management and regulatory compliance	Governance Anti-corruption Strategy Socio-economic compliance
Transparency in customer relations and communication	Organisation profile Customer privacy Customer health and safety Marketing and labelling
Business model and customer advice	Customer health and safety Customer privacy Marketing and labelling Product portfolio
Computer security and data protection	Customer privacy Customer health and safety
Digital transformation and multichannel	Strategy
Respect for Human Rights	Evaluation of human rights
Diversity and work-life balance	Diversity and equal opportunities Labour/management relations
Attracting and retaining talent	Employment Labour/management relations Teaching and training Occupational health and safety
Social action/community support projects	Local communities Socio-economic compliance Evaluation of human rights
Financial products with high social and / or environmental value	Local communities Organisation profile Environmental dimension
Environmental management	Materials; Energy; Waters, Emissions; Effluents and Waste Environmental compliance
Relations with suppliers and collaborators	Social evaluation of suppliers Environmental evaluation of suppliers Procurement practices Participation of stakeholders

As reflected in the materiality matrix, the following **material issues** were identified, which form the basis of this Report:

- **Solvency/profitability/financial strength**
- **Ethical conduct and integrity**
- **Transparency in customer relations and communication**
- **Business model and customer advice**
- **Digital transformation and multichannel**
- **Attracting and retaining talent**
- **Social action/community support projects**

The materiality matrix remained in force during the 2018-2020 Strategic Plan and communication channels with stakeholders remain open to meet their expectations.

RIGOUR

Throughout the process of compiling and presenting the information, **Ibercaja has had in mind the principles of balance, precision, clarity, periodicity and reliability**, necessary to guarantee the maximum quality of the information contained therein.

EXTERNAL REVIEW BY THE AUDITOR

The contents of the Consolidated Directors' Report 2020 have been subject to an independent external review process by the auditor, PricewaterhouseCoopers Auditores, S.L. as follows:

- PricewaterhouseCoopers Auditores, S.L. has issued an independent verification report, with a limited assurance scope, on the non-financial information and diversity indicators that comply with Law 11/2018, and on the indicators that comply with the GRI Standards in line with the "essential" conformity option, and with the Financial Services Sectoral Supplement of Guide G4 of the GRI. This Report is included in the "Independent Verification Report" Appendix of this document.

  PricewaterhouseCoopers Auditores, S.L. has issued an Auditor's Report on Information related to the Internal Control over Financial Reporting (ICFR) System, which is included as an Appendix to the Annual Corporate Governance Report.

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4 | PRESENTATION OF THE GROUP AND ITS CONTEXT

EL BANCO DEL vamos

4.1 Description, shareholding and organisational structure

102-1, 102-2, 102-3, 102-5, 102-45

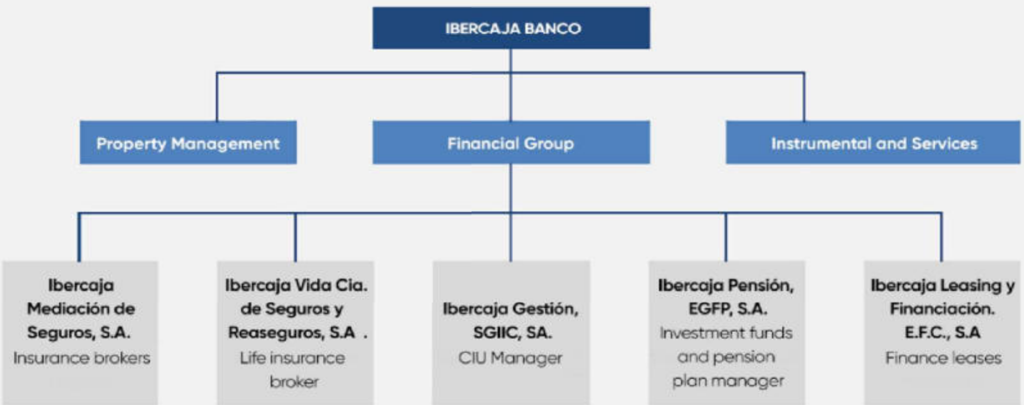
IBERCAJA IS A NATIONAL BANKING ENTITY SPECIALISED IN THE BUSINESS OF INDIVIDUALS AND COMPANIES, WHOSE OBJECTIVE IS TO GENERATE VALUE FOR ITS CUSTOMERS, SHAREHOLDERS AND SOCIETY IN GENERAL.

The **Group primarily engages in retail banking and carries out practically all of its business in Spain**. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

The majority shareholder of Ibercaja Banco is Fundación Bancaria Ibercaja, which owns 88.04% of its capital. As a result of the acquisition in June 2013 of Banco Grupo Caja3, the following are also shareholders of Ibercaja: **Fundación Caja Inmaculada** (4.73%), **Fundación Caja Badajoz** (3.90%) and **Fundación Bancaria Caja Círculo** (3.33%).

From an organisational standpoint, **the Bank is the parent of a group of subsidiaries,** the most notable of which-due to their wide range of banking products and high levels of profitability- belong to the Financial Group, which comprises companies specialising in investment funds, pension plans, bancassurance and leasings and rentals.

THE KEY COMPANIES THAT MAKE UP THE SCOPE OF CONSOLIDATION ARE:



4.2 Purpose, mission, vision and values

102-2, 102-16, 102-40, 102-42

IBERCAJA IS AN ENTITY GUIDED BY ITS PURPOSE. THE BANK'S MISSION, VISION AND VALUES CONSTITUTE THE AXIS ON WHICH ITS CORPORATE PURPOSE IS BASED, SETTING THE ENTITY'S COURSE SINCE ITS FOUNDATION. THESE AXES FORM THE BASE OF ITS CORPORATE CULTURE, ITS WORK PHILOSOPHY, THE WAY OF RELATING TO CUSTOMERS, EMPLOYEES, INVESTORS AND SOCIETY IN GENERAL.

Corporate purpose

Ibercaja's corporate purpose is the Bank's reason for being, the Organisation's guide, that which gives meaning to the daily work of its employees and impregnates its strategy. It is summarised **in "Helping people to build the story of their lives, because it will be our story"**, that is, working by and for people, helping and supporting them in all their decisions throughout their life, building their life stories and walking together, with a mutual commitment.

This purpose is reflected in the Bank's mission and vision, which are based on the corporate values that have set the Entity's course since its foundation. They set the axes of its strategy and business model, enabling it to establish a strong relationship with customers, employees, investors and society in general.

Ibercaja continues to work on **"activating" its Purpose** (defined in 2018), to make it visible, known, shared and internalised by the whole Organisation, and which fulfils its function of mobilising action.

Mission

Ibercaja's mission reflects how the Institution should act in order to achieve its Purpose: **to improve the lives of families and companies**, helping them to manage their finances with the objective of providing the client with an efficient service and personalized and quality advice, which will help them to achieve their own objectives.

MISSION

CONTRIBUTE **TO IMPROVE THE LIFE** OF FAMILIES AND COMPANIES, **HELPING THEM TO MANAGE** THEIR FINANCES BY OFFERING A **PERSONALISED GLOBAL FINANCIAL SERVICE** SO THEY CAN ATTAIN THEIR OWN OBJECTIVES

Since its origins, Ibercaja has been committed to society and works on generating resources that are partly returned to society through shareholder foundations.

Ibercaja understands that, in the carrying out its activity, its contribution to society and the environment makes the company stronger and more sustainable. Therefore, it accepts the triple challenge of generating business, social and environmental benefits so as to drive the transition towards a more sustainable economy.

Vision

The **vision** directs the Entity's steps towards the future, towards what we want to be, towards **our goal**: **To be an excellent bank.** Our commitment with our stakeholders and with the transition towards a more sustainable, social and environmental economy is the centre of the daily work of Ibercaja.

Values

Ibercaja's corporate values define its business culture and have guided its path since the beginning. They are the basis of the entity's ethical commitments, which are reflected in its **Code of Ethics**.

Corporate Brand

The **brand** the Bank's internal and external identification is one of Ibercaja's most valuable intangible assets: it represents our identity, our values and our corporate purpose, and makes them visible at every point of contact with customers and society.

The **communication concept: *"El Banco del vamos"***, (the "let's go" bank) created in 2018, responds to our brand DNA, the result of our 145 years of history, and helps to convey our Corporate Purpose.

This concept is developed in all institutional and commercial actions, our positioning and communication style. It helps us to show ourselves as a Bank that is close, transparent, honest in the information we offer, proactive, committed and dynamic, that will always have people and the important moments of their lives as the centre of its attention.

Let's go is always going together

In 2020, following the end of the State of Alarm, an **institutional campaign** was carried out under the slogan ***"Let's go is always going together"***, to notify the different stakeholders of the measures implemented from the Bank to help customers and the Company to overcome the difficult situation caused by the pandemic, grouped into five main lines:

1. **Let's go is helping you with your loans and payments**
2. **Let's go is helping you to receive an advance on your earnings**
3. **Let's go is being where you are**
4. **Let's go is helping you to know more to decide better**
5. **Let's go is helping those that most need it**

Ibercaja sustainable

To support our **positioning in sustainability** and grant greater possible visibility to the project, both internally and externally, a **specific brand image** was designed with its own identity, tied to the Ibercaja brand:

A symbol that represents:

- **UNIVERSALITY.** The circle is the absolute symbol of unity. It also represents the Circular Economy.
- **SDG.** The symbology of sustainability par excellence.
- **THE PLANET.** The place that includes everything: people, peace, equality, hope and the objectives to ensure a better place full of equilibrium.
- **DIVERSITY.** The different colours, aside from referring to the 17 SDG, remind us that we are diverse and that we must join together to achieve a better world.

This image will help to make **Ibercaja's effort and pledge** for sustainability more visible, in the conviction that, in our way of doing banking, we can help to achieve a better world for future generations.

4.3 Economic and financial environment

103-1

COVID-19 HAS CAUSED AN HISTORICAL RECESSION OF THE SPANISH ECONOMY, WHICH FACES ITS RECOVERY IN A CLIMATE MARKED BY UNCERTAINTY.

World economic scenario

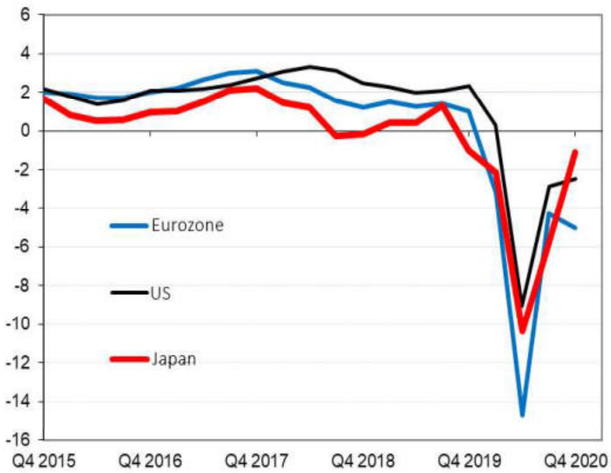
The **global economy** has suffered an historical contraction due to the measures to restrict mobility and non-essential activities to contain the expansion of COVID-19. The IMF considers that **the GDP at global level could dip to 4.3%.** The recovery of the economic cycle is tied to the rate and effectiveness of the vaccination commenced in the last few days of the year. In any case, it does not seem that pre-COVID levels can be attained quickly and the reactivation will be asymmetrical by country and sector.

The main economies have experienced severe drops, depending on their economic structure, public aid and effective health control. **China**, where the pandemic began, is the exception, with **year-on-year growth of 2.3%** which, although it is the lowest in decades, exceeds the most optimistic forecasts.

The **reduction in the Japanese GDP** for the whole of the fiscal year is estimated at around **5%**, dragged down by consumption and private investment, while exports displayed the best rate. The Bank of Japan adopted a very flexible monetary policy and the Government maintains almost unlimited tax stimulation, while it undertakes reforms in immigration and natality to favour growth.

The fall in the US economy, **3.5%**, is lower than that of the eurozone, in a shaky year in the healthcare and political arena, following the end of the Republican Administration in a climate of unprecedented tension. The employment market, although it has recovered part of the jobs destroyed, shows worrying signs and a new package of fiscal stimulation will be required to reactivate the economy.

GDP TRENDS BY COUNTRY (YEAR-ON-YEAR % RATE)



The **contraction of the GDP in the eurozone amounted to** **6.8%**, with a marked dispersion among countries. Those of the South are more affected, due to their dependence on the tertiary sector, especially in the tourism and leisure sector. The second wave of cases, from October, has once again depressed economic activity and made the prospects of recovery go cold. This was accompanied by a delay in the Brexit agreement as a factor of uncertainty at the end of the year. Hopes, aside from vaccination campaigns, are pinned on the European Recovery Fund, amounting to 750,000 million euros, encompassed within the 2021-2027 budget, which will be channelled through transfers and loans to Governments, mainly to finance investment related to digital and ecological transformation.

Monetary policy and financial markets

At its meeting on 10 December, the **ECB** stated its intention **to maintain financial conditions** enabling governments to implement **expansive policies** and for **credit to flow to the real economy**. Noteworthy among the measures adopted in the year were **the extension of the PEPP** to 1.85 billion euros, with a timescale set for March 2022, and the announcement of **new rounds of liquidity** for banks through TLTROs III.

Following the March crash, **stock markets** **have reacted unevenly**. In Europe, the German Dax managed to end the year positively (+3.6%), while the French CAC 40 (-7.1%), el FTSE 100 in the United Kingdom (-14.3%) and the Spanish Ibex 35 (-15.5%) closed in the red. The US indexes reached historical maximums, as a result of the high weight of the technological sector, whose demand for services was strengthened by the crisis. Gains totalled 43.6% and 16.3% on the Nasdaq and the S&P 500, respectively.

Public debt was significantly strained during the outset of the pandemic, a tendency which was reversed following the commitment to support the economy of central banks. The IRR of the 10-year Spanish bond was close to 0% and the **12-month Euribor** hit **minimum lows of less than -0.50%.**

The Spanish economy

The **drop in the Spanish GDP, 11%**, is more marked than that of our surrounding countries. This was due to an initial more severe lockdown, faced with the uncontrolled expansion of the virus, the high contribution to the GDP of the sectors related with leisure and tourism, the high rate of structural unemployment, which limits consumption, and a fragmented production fabric, with low productivity and which was more vulnerable faced with shocks of this type.

Domestic demand drains 9.1 p.p. from growth. Household consumption fell by 12.6% on 2019 and investment shrunk by 12.4%, with construction being especially affected, and only the progress of public expenditure (4.5%) acted as a counterweight. In turn, the **foreign sector axed 1.9 p.p.** from growth, due to the important fall-off in the exportation of tourism-related services.

GDP TREND IN SPAIN (YEAR-ON-YEAR % RATE)

On the **employment market**, following the significant destruction of jobs in March and April, unemployment reached **16.1%** according to the LFS of the fourth quarter. The number of unemployed workers stood at 3.7 million and the number of temporarily laid off workers brushed 800.000.

The performance of **inflation** has been conditioned by the drop in the price of oil, weak demand, the strength of the euro and the changes in the consumption patterns caused by mobility restrictions. The y-o-y variation in the HCPI (-0.3% on average in the year) was negative.

The key to overcoming the delicate year-end situation is to improve the epidemiological situation, through prevention and vaccines, to the extent that it is possible to gradually normalise the activities most affected while waiting for the European recovery funds to begin to flow from the second half of 2021.

Banking and regulatory environment

The soundness **of the Spanish banking system** has significantly improved since the 2008 crisis. The quality of its balance sheet and the solvency levels, significantly higher than the regulatory requirements, means that, with the support of the Government and the regulatory authorities, it has become a key player in responding to the economic crisis, **playing an essential role in the containment of the negative effects of the pandemic and the recovery of activity**. The channelling of the credit flow towards economic players and the payment moratoria in the mortgage and consumer loan instalments, together with other campaigns in which banks participate, is preventing a solvency crisis at companies and individuals.

For the first time since 2008, **loans to households and companies in the system** accounted for **year-on-year growth of 2.4%**, due to the acceleration of that granted to production activities (+8.1), under the protection of the Spanish Official Credit Institute (ICO) facilities, partially backed by the State and created to provide liquidity to the companies most affected by the pandemic. On the contrary, household loans reported a contraction of 1.2%, due to the fall in housing (-1.3%) and consumption (-2.7%).

The system's **retail deposits rose by 9.2%** in the last twelve months. The significant progression affects both homes (+7.4%) and companies (+15.0%). The uncertainty generated by the healthcare crisis has boosted the savings rate of families and, in turn, companies have stored up liquidity to face the consequences of a drop in activity and a decline in demand. The **investment funds** have overcome the market collapse in March, recovering their net worth and reporting positive net contributions for the whole of the year.

Doubtful assets maintained their downward trend reporting a fall of 2.7% until November. The ratio of non-performing loans to the private sector of deposit institutions as a whole stood at 4.50% (-29 bp vs. December 2019). The deterioration of the economic situation does not translate into an increase in the index, due to support measures: moratoriums and liquidity lines guaranteed by the State. However, **the increased asset impairment provisions**, anticipating the negative impact of the pandemic on the credit rating, **led to a notable drop in banking sector earnings**.

In the **regulatory area**, the ECB adopted an **ample package of measures** so that the credit institutions under its supervision provide financing to the real economy that helps to mitigate the economic effects of the coronavirus. Noteworthy, among others, was the relaxation of solvency and liquidity demands, the flexibilisation of the handling of doubtful loans backed by public guarantees or affected by the moratoria granted in the context of COVID-19, and the review of the capital requirements banking regulations, known as *Quick Fix.*

4.4 Corporate governance

102-15, 102-16, 102-17, 102-18, 102-19, 102-20, 102-22, 102-23, 102-24, 102-25, 102-26, 102-28, 102-30, 102-31, 102-32, 102-35, 102-36, 103-1, 103-2, 103-3, 405-1

IBERCAJA'S GOVERNANCE STRUCTURE CARRIES OUT ITS FUNCTIONS EFFICIENTLY GUIDED BY THE RULES AND CODES OF GOOD CORPORATE GOVERNANCE.

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

The Ibercaja Group's governing bodies, along with their composition and their internal rules, are governed by the **Bylaws** and the **Regulations of the Board of Directors**, the contents of which are compliant, among other regulations, with the law on the organisation, supervision and solvency of credit institutions, the Corporate Enterprises Act, the Audit Act, the guidelines issued by international bodies such as the EBA or the ESMA, and the Code of Good Governance of Listed Companies, which is taken as a benchmark of best practices in this field.

The **composition, independence** and manner of action of the governing bodies, the **codes of conduct and internal rules** of mandatory compliance, the established **monitoring systems**, the **communication policy and transparency**, the fight against fraud and corruption and confidentiality in the handling of information all form the **basis of Ibercaja's corporate governance**.

GENERAL SHAREHOLDERS' MEETING

The **General Shareholders**' Meeting is the most senior decision-making body at the Bank and its resolutions are binding on the Board of Directors. The General Meeting has the broadest of authorities to govern the Bank and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Bank's own Bylaws.

BOARD OF DIRECTORS

Meanwhile, the **Board of Directors has the broadest of authorities to manage, administer and represent the Bank** and, except for those matters reserved for the General Shareholders' Meeting, it is the supreme decision-making body at the Bank. The Board has six committees: Executive Committee, Nominations Committee, Remuneration Committee, Audit and Compliance Committee, Large Risk and Solvency Committee and Strategy Committee.

THE COMPOSITION OF THE BOARD OF DIRECTORS AT 31 DECEMBER 2020 WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
First Deputy Chairman	Mr. Jesús Máximo Bueno Arrese	Proprietary
CEO	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Ms. Gabriela González-Bueno Lillo	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary
Member	Mr Vicente Cóndor López	Independent
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Luis Enrique Arrufat Guerra	Proprietary
Member	Ms. Maria Pilar Segura Bas	Other external directors

9.09	36.37	45.45	9.09	17
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

EXECUTIVE COMMITTEE

The **powers delegated** by the Board of Directors to the Executive Committee are expressly set out in the **Board of Directors' Regulations**:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions which, under the Policies and Procedures Manual to manage lending risk approved by the Board of Directors, fall within its competencies. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.

- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.), except in those cases in which the decision falls to the CEO or to the plenary Board of Directors' Meeting, since it involves employees that report directly to the CEO.

- Shall hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.

- When appropriate, shall grant the authority that is necessary or advisable to execute the resolutions adopted.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE EXECUTIVE COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
Member	Mr Vicente Cóndor López	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr Víctor Manuel Iglesias Ruiz	Executive
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary

16.67	50.00	33.33	0.00	23
% of Executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for **proposing nominations** to the Board of Directors. In particular, it is responsible for: assessing the suitability of directors, establishing a representation target for the under-represented sex on the Board, making proposals to the Shareholders' Meeting for the appointment, re-election or removal of independent directors, reporting on proposals for the appointment and removal of senior managers and persons with key functions and the basic terms of their contracts, and examining and organizing the succession of the Chairman and Chief Executive Officer.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE NOMINATIONS COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Ms. Maria Pilar Segura Bas	Other External Directors
Member	Ms. Gabriela González-Bueno Lillo	Independent

0.00	**0.00**	**75.00**	**25.00**	**2**
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

REMUNERATION COMMITTEE

The Remuneration Committee has the duty of **reporting, advising and proposing matters regarding compensation for directors,** general managers and similar personnel, as well as for the persons whose professional activity has a significant impact on the Bank’s risk profile.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE REMUNERATION COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Ms. Maria Pilar Segura Bas	Other External Directors
Member	Ms. Gabriela González-Bueno Lillo	Independent

0.00	**0.00**	**75.00**	**25.00**	**1**
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

AUDIT AND COMPLIANCE COMMITTEE

The committee's duties are expressly stipulated in the Regulations of the Board of Directors. In particular: to report to the General Shareholders' Meeting on issues raised by shareholders on matters within its competence, to **supervise the effectiveness of the Entity's internal control, internal audit and risk management systems**, including tax risks, to supervise the process of preparation and presentation of regulated financial information, to propose the appointment or re-election of the auditor, to establish appropriate relations with the external auditor to receive information on matters relating to its independence and to receive annual written confirmation from the external auditor of its independence vis-à-vis the Entity or its Group, issuing the corresponding report.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE ENTITY'S AUDIT AND COMPLIANCE COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Emilio Jiménez Labrador	Proprietary
Member	Mr Vicente Cóndor López	Independent

0.00	**40.00**	**60.00**	**0.00**	**12**
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

LARGE RISK AND SOLVENCY COMMITTEE

The Committee has the primary duty of advising **the Board as to the overall current and future risk appetite** of the Bank and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by the senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE LARGE RISK AND SOLVENCY COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr Vicente Cóndor López	Independent
Member	Mr. Jesús Tejel Giménez	Independent
Member	Mr. Jesús Máximo Bueno Arrese	Proprietary
Member	Ms. Maria Pilar Segura Bas	Other External Directors
Member	Mr. Jesús Solchaga Loitegui	Independent

0.00	**20.00**	**60.00**	**20.00**	**13**
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

STRATEGY COMMITTEE

The Strategy Committee has the core function of reporting to the Board of Directors on the Company's strategic policy while ensuring there is specific organisation in place for implementing this strategy. The committee regularly **evaluated the Strategic Plan** approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented **quarterly follow-up measures regarding the development of the budget** and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

AT 31 DECEMBER 2020, THE COMPOSITION OF THE STRATEGY COMMITTEE WAS AS FOLLOWS:

POSITION	DIRECTOR	CATEGORY
Chairman	Mr. José Luis Aguirre Loaso	Proprietary
Member	Mr. Jesús Solchaga Loitegui	Independent
Member	Mr. Félix Santiago Longás Lafuente	Independent
Member	Mr. Luis Enrique Arrufat Guerra	Proprietary
Member	Mr. Emilio Jiménez Labrador	Proprietary

0.00	**60.00**	**40.00**	**0.00**	**10**
% of executive Directors	% of proprietary Directors	% of independent Directors	% of other external Directors	Number of meetings

Information on the **composition of the different governing bodies** and the **remuneration policy** is disclosed in the **Annual Corporate Governance Report** and which is available on the website of the Bank under the section titled "Shareholders and investors - Corporate Governance and Remuneration Policy".

Likewise, Ibercaja has a management team comprising the following people at 31 December 2020:

CEO	Mr Victor Iglesias	
General Secretariat and Control Directorate	Mr Francisco Serrano	Assistant General Manager
Real Estate Area Division	Mr Luis Miguel Carrasco	Assistant General Manager
Branch Network Area Division	Mr José Ignacio Oto	Deputy General Manager
Finance Area Division	Mr Antonio Martínez	Deputy General Manager
Credit Risk Area Division	Ms Raquel Martínez	Deputy General Manager
Resources Area Division	Ms José Palma	Deputy General Manager
People Area Division	Ms Teresa Fernández	Deputy General Manager
Marketing and Digital Strategy Area Division	Mr Ignacio Torre	Deputy Manager
Finance Group Area Division	Mr Rodrigo Galán	Deputy General Manager
Corporate Information and Management Analysis Area Division	Ms Ana Jesús Sangrós	Deputy Manager
Internal Audit Division (Reports to the Audit and Compliance Committee)	Ms Ángel Carlos Serrano	Deputy General Manager

Suitability of the members of the Board of Directors

All members of the Board of Directors must **meet** requirements in order to be appointed and hold the position of director, in line with **current regulations** and those included in the **Entity's internal governance rules**.

Ibercaja has a **policy to assess the suitability and diversity** of the members of the Board of Directors and key function holders at the Bank, in keeping with EBA/GL/2017/12 Guidelines and European Central Bank (ECB) Guidelines, on the assessment of suitability, establishing the criteria and systems that will be taken into account to assess the suitability of the members of the Board of Directors, general or similar managers, heads of internal control and other key function holders for the Entity's day-to-day operations.

To **assess the suitability of the aforementioned key posts** and positions which, in any case, must take place prior to their appointment, the following will be taken into account:

- Their commercial and professional repute
- Their knowledge and experience
- In the case of Board members, good governance aspects will also be considered, using indicators such as the ability to devote the amount of time required, independence of mind and the absence of significant conflicts of interest

Care shall likewise be taken to ensure that the selection criteria take into **account the diversity** of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular, on the grounds of gender, ethnic origin, age or disability). In particular, the Entity will ensure that the selection processes are not implicitly biased so as to hinder the selection of women aimed at including women that meet the sought-after professional profiles among the potential candidates.

In the event that during the performance of their respective functions any of the persons subject to the scope of the Policy is affected by a situation that modifies the criteria taken into account for the favourable assessment of their suitability for the performance of the position, the Entity will adopt the appropriate measures and notify the competent supervisory authority within a maximum period of 15 working days.

Nevertheless, the Entity periodically promotes **training sessions** aimed at the members of the Board of Directors, whose content in various areas is determined according to the training needs of the directors, regulatory developments affecting credit institutions and relevant economic and social issues.

Performance assessment - self-assessment of the Board and committees

Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions assigns responsibility to the **Board of Directors** for the **oversight, control and periodic assessment of the effectiveness of the corporate governance system**. The European Banking Authority (EBA) Guidelines on internal governance (EBA/GL/2017/11) and the Bank of Spain's guidelines on the internal capital adequacy assessment process at credit institutions provide for the management body to periodically assess the individual and collective efficiency and effectiveness of its corporate governance activities, practices and procedures, as well as the functioning of the delegated committees. This obligation is stipulated in the Corporate Enterprises Act for listed companies and in the CNMV'S Code of Good Governance. These legal obligations and good practices are included in the Bank's Board of Directors' Regulations, which stipulate that one of the Board's duties is to annually prepare a self-assessment report of its performance and that of its internal committees Every three years said performance assessment is performed by an external party.

Remuneration of Governing Bodies and Senior Management

The **position of member** of the Board of Directors is **remunerated**, in accordance with article 34 of the Bylaws.

The maximum amount of the annual remuneration of all the directors is approved by the General Shareholders' Meeting and remains in force until their modification is approved. Unless otherwise agreed by the General Shareholders' Meeting, the distribution of the remuneration among the directors will be established by agreement of the Board of Directors, following a favourable report from the internal committee of the Board with competence in terms of remuneration, taking into consideration the functions and responsibilities attributed to each director.

In particular, the **Board of Directors shall determine the CEO's remuneration** and the terms and conditions of his or her contract with the Entity, in accordance with the current regulations and this remuneration policy.

The remuneration policy of the members of the Board of Directors and senior management staff (Management Committee) is aimed at establishing a remuneration scheme **appropriate to the dedication and responsibility assumed**, all in accordance with the provisions of current legislation, and promoting sound and effective risk management, which does not imply an assumption of excessive risks.

The setting of the global and specific objectives of the variable remuneration (which, in no case, can exceed 40% of the fixed remuneration) is linked to prudent risk management, with the following being some of its **main characteristics** in relation to the *ex ante* adjustments:

- **Depends on and is adapted to the individual performance** of employees and the results of the Entity, considering the impact of the underlying economic cycle and the present and future risks.
- **Flexibility and alignment with the Entity's strategic interests,** without limiting its ability to reinforce its solvency.
- **Setting of certain upper and lower limits** that clearly mitigate risks associated with their potential impact on the income statement and on the Entity's own funds.

The quantitative data on remuneration of directors and those of Senior Management are provided in the Annual Corporate Governance Report (sections C.1.6 and C.1.7).

Conflicts of interest of the administrative, management and supervisory bodies

The members of the administrative, management and supervisory bodies of Ibercaja Banco **comply with the requirements established in the Corporate Enterprises Act**, and no conflicts of interest have been disclosed between persons, their private interests and other duties, and their activity at the Entity.

No conflicts of interest of the Entity's directors that could affect the performance of their position as provided in article 229 of the Corporate Enterprises Act have been reported. In those specific situations in which a director considers that a potential conflict of interest could be involved, the director has refrained from intervening in the deliberations and participating in the voting.

Internal Rules and Control Bodies

103-1, 103-2, 103-3, 417-1

Ibercaja has established internal rules and control bodies to ensure full and rigorous compliance **with the Entity's good governance measures**, including **the following**:

- **Internal Code of Conduct** for security market activities applicable to the governing bodies, management and employees of the Entity that operate or whose professional activities are related with the securities market or can have access to significant Company information.
- **Body to report suspicious activities** involving market abuse.
- Ibercaja Group **Customer Protection Rules**.
- **Code of ethics**, which include a memorandum of operating conduct and security that affects all the Bank's employees.
- **Style Manual for customer service**, which contains general customer services criteria.
- **Retail savings product marketing manual**, in accordance with MiFID regulations.
- **Conflicts of interest policy**, prepared in accordance with MiFID regulations, whose purpose is to objectively manage conflicts of interest that may arise between the Ibercaja Group and its customers.
- **Anti-money Laundering and Counter-Terrorism Financing Prevention Committee** (Internal Control Body-ICB) that has been commissioned the functions established in the anti-money laundering and counter-terrorism financing regulations.
- **Data Processing Officer** (DPO) of the Group and Privacy Office, whose duty is to ensure compliance with the personal data protection regulations.
- **Control body for the criminal risk prevention system.**

Control functions

The Group has an internal control system in place to oversee the financial and operational risks inherent in its business activities. The **General Secretary's Office and Control area** brings together the **second line of defence**, formed by the Risk Control Department and the Regulatory Compliance Department. The General Secretary of the Bank is also the Chief Risk Officer.

The **Risk Control Department** verifies compliance with the risk limits approved by the Board of Directors and the **Regulatory Compliance Department** supervises observance of the laws that govern the Group's business activities. Ibercaja also has an **Internal Audit Department** that reviews the proper functioning of the risk control systems, while verifying compliance with established policies, procedures and standards. The Board of Directors' **Audit and Compliance Committee** checks the effectiveness of the internal audit and control and of the risk management systems.

The head of the Risk Control Department reports regularly to the Large Risk and Solvency Committee, while the heads of the Regulatory Compliance Department and the Internal Audit Department report regularly to the Audit and Compliance Committee. The chairmen of the committees, as well as the CRO, report to the plenary session of the Board of Directors within the scope of their respective areas of concern.

Commitment to privacy

103-1, 103-2, 103-3

All processes and actions of the Ibercaja Group are conducted with the utmost possible respect and protection for the privacy and security of personal data.

The Ibercaja Group's Privacy Office and Data Protection Officer (corporate DPO) promote **maximum respect for privacy**, above general standards, with a medium-term view aimed at anticipating future regulatory duties. Some of the key milestones that have been achieved are:

- **The necessary regulatory modifications to ensure maximum respect for the protection of the personal data** of our customers, employees and suppliers.
- **Establishment of mandatory lines of action** to ensure that only the data essential for each transaction are processed.
- **Strengthening the protection of minors**.
- **Adapting the privacy policy to legal requirements and the Spanish Data Protection Agency's mandates,** giving every person the maximum control over the data that the Bank has or collects from them.
- **Promoting the privacy of all people who make up the Group,** implementing new controls, verifying that monitoring systems at work are in line with the most stringent privacy standards, approving a specific privacy policy for employees and making them aware of their rights.
- **Implementation of new procedures for the exercise of GDPR** rights that improve efficiency and resource allocation.
- **Establishing a strict procedure for the approval of suppliers that may have access to personal data.**

4.5 Business Model and Strategic Plan

103-3

IBERCAJA'S BUSINESS MODEL, WITH A STRONG RETAIL PROFILE, COMBINES UNIVERSALITY WITH SPECIALISATION BY SEGMENTS.

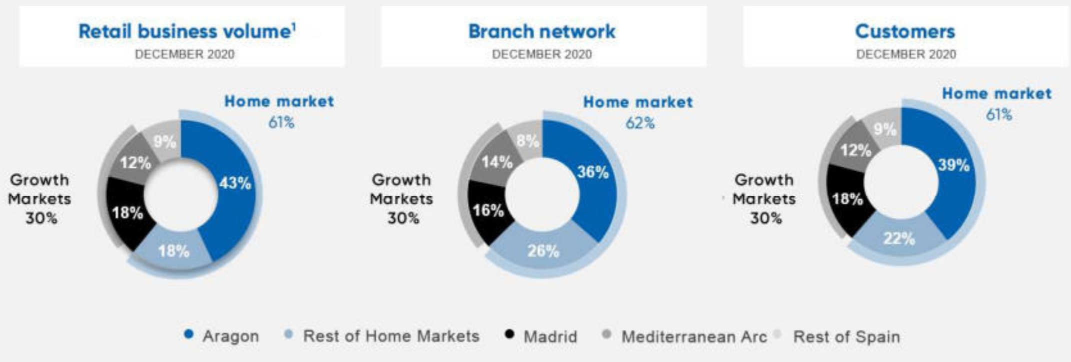
4.5.1 Business positioning and markets in which it operates

102-2, 102-4, 102-6, 103-1, 103-2

The Group, with a balance sheet of **58,401 million euros**, is the **tenth largest in terms of asset volume in the Spanish banking system**. It primarily engages in retail banking**,** focusing on the financing of households, particularly first home mortgages and SMEs, savings management and other financial services. The eminently retail nature of the business is reflected in the structure of the balance sheet, where loans to individuals and small and medium-size enterprises account for almost 90% of loans and advances to customers, and retail deposits 78.4% of borrowings. At the national level, it has a market share of **2.5% in loans to households and non-financial companies**, reaching 3.8% in the home purchase segment for individuals (source: Bank of Spain), and **3.5% in customer funds** (source: Bank of Spain, INVERCO and ICEA).

The Bank has a **leadership position in its traditional area of operation** (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), where **61% of customers are concentrated** and **where it obtains 61% of retail turnover**. The market share in this territory, 30% in private sector deposits and 23% in credit, reaches 42% and 32% in Aragón, respectively (source: Bank of Spain). It also has a **significant presence in other areas of major economic significance such as Madrid and the Mediterranean coast** (Catalonia and Valencia), which account for 18% and 12% of the Bank's customers and 18% and 12% of its revenue.

DISTRIBUTION OF BUSINESS MODEL, NETWORK AND CUSTOMERS BY AREA OF OPERATION



[1]RETAIL BUSINESS VOLUME IN NORMAL SITUATION: LOANS AND ADVANCES TO CUSTOMERS EX REVERSE REPURCHASE AGREEMENTS AND DOUBTFUL ASSETS + RETAIL DEPOSITS + ASSET MANAGEMENT AND INSURANCE

At December 2020, the **Bank** had **1,031 branches**, 4.5% of the Spanish banking system, of which 280 are rural. Two branches were opened and 55 were closed during the year. Their closure, in line with a policy of economic streamlining, was compatible in every case with the commitment to guarantee business continuity, conserve customer proximity and maintain the Bank's presence in small towns and villages.

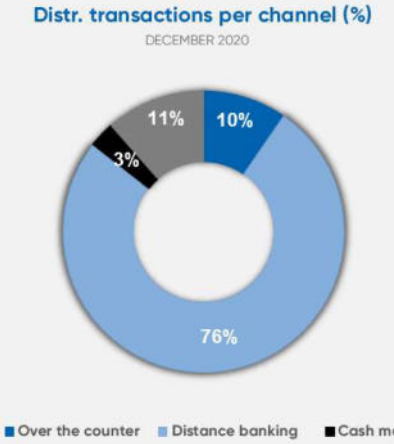
The **distribution of branches by Autonomous Community is as follows**: 375 points of sale in Aragón, 160 in the Community of Madrid, 94 in Extremadura, 64 in La Rioja, 78 in Castilla y León, 88 in Cataluña, 59 in Castilla-La Mancha, 53 in the Community of Valencia, 29 in Andalucía and 31 in other Autonomous Communities.

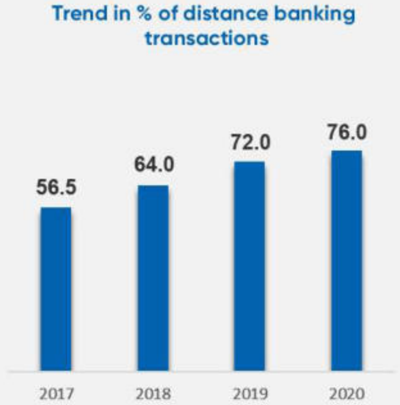
DISTRIBUTION OF IBERCAJA BANCO'S BRANCH NETWORK

The **Group** has a total of **5,307 employees (5,055 at the parent).** In December 2020, Management of Ibercaja Banco and the employee's representatives, as part of a redundancy programme enforceable until 30 June 2022, reached an agreement that envisaged a compensated lay-off plan. It affected a maximum of 750 employees, establishing voluntary participation as a preferential selection criteria, either due to age or due to the closure of the centre of employment. Employee terminations will take place on a staggered basis.

The branch network is complemented by remote channels so that customers can carry out transactions in the most practical and simple remote environment, whether over the Internet or by mobile phone. The situation created by the healthcare crisis has accelerated the use of virtual services and digital assets. The digitalisation strategy being deployed by Ibercaja in recent years has enabled it to respond to the greater demand for *online* services, at the same time maintaining the quality service. **Digital banking accounted for 76% of transactions performed in 2020, as compared with 72% in 2019**. The **number of digital banking customers** that have used any of the various channels in the last month totalled **842,486**, with growth of over 10% since December 2019.

DISTRIBUTION OF THE NUMBER OF TRANSACTIONS PER CHANNEL AND PERFORMANCE OF DISTANCE BANKING





4.5.2 Goals and Strategies

102-2, 102-9

In the last three years, the Bank has used the **“Plan+ 2020 Strategic Plan”** as a guideline, whose objective is to make Ibercaja the best financial institution in the country in terms of satisfied customers and commercial efficiency, anticipating the needs of its stakeholders and supporting the transition towards a sustainable economy.

*To address this challenge, **THREE MAJOR PROGRAMMES** were defined: **Customer, Value and Transformation** Drivers with the guidelines to compete successfully in an environment of rapid changes in consumer habits, technology, the economic and business context and the regulatory framework.*

THE BALANCE OF THE PLAN+ 2020 THAT HAS JUST ENDED IS HIGHLY SATISFACTORY.

A **high percentage of the financial and operating targets** established for 2020 **were fully attained**, mainly those related to the strength of the balance sheet and the increased solvency. Profitability goals were especially affected by the COVID-19 crisis, leading to an increase in the cost of risk and a negative rates climate (the 12-month Euribor during the 2020 Plan was 0.67%).

	2017	OBJECTIVE 2020	REAL 2020	
SOLVENCY				
CET1 fully loaded	10.5%	>11.5%	12.6%	✓
Total capital fully loaded	12.7%	>15.0%	17.3%	✓
PROFITABILITY				
ROTE	5.3%	>9.0%	0.9%	✗
RORWA	0.6%	1.2%	0.1%	✗
Recurring cost-to-income ratio	69.8%	<55.0%	62.5%	✗
ASSET QUALITY				
Cost of risk	70 bp	35 bp	71 bp	✗
Non-performing assets ratio	11.9%	6.5%	5.1%	✓
Texas Ratio	86%	<55%	42%	✓
Coverage ratio	52%	54%	62%	✓

The **stock market flotation**, goal of the Strategic Plan for 2020, **had to be postponed as a result of the impact of the health crisis on financial markets.** As part of the measures to reduce the economic consequences of the pandemic, the modification to the Savings Bank and Banking Foundations Law was approved, extending the period until December 2022, so that the latter comply with the divestment target envisaged by Law.

CUSTOMER PROGRAMME

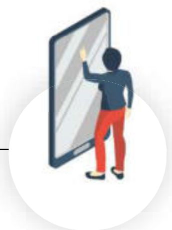
Within the **Customer programme**, cornerstone of the_business model transformation, different initiatives have been **implemented**:

- **Deployment throughout the network of the Commercial and Management System,** which will contribute to the simplified integrated management of customers focused on attraction.
- **Promotion of remote channels,** including new features into mobile banking (Digital On Boarding, payment service through Apple Pay, Samsung Pay and Google Pay and the aggregation of accounts from other banks). Furthermore, the web page was renewed www.ibercaja.es, to offer solutions that are better suited to the financial needs of individuals, and the new digital banking for Individuals and Companies was implemented.
- **Reform of the office network organisational model** with three main measures:
    - *Grouping together of head and satellite branches*. The head office is responsible for supervision and control functions and tasks, in addition to the management of small businesses, professionals and the self-employed. Meanwhile, the satellite branch is focused on other commercial tasks. The new organisation will make it possible to increase levels of specialisation, optimise staffing, share services, encourage support between branches, and improve commercial capacity and control levels, among other benefits.
    - *Implementation of the remote-digital management model*. The 48 digital personal banking managers provide a virtual personalised service to almost 29,000 customers.
    - *Start-up of the mobile branch*. Created initially in La Rioja, it serves the rural areas effectively and prevents the financial exclusion of small towns. It is located on a bus, providing the same technical support as the rest of the network, which makes frequent routes in 27 La Rioja towns, giving customers the same service as any other branch.

VALUE PROGRAMME

The **Value programme** seeks to ensure that our business is geared towards the most profitable opportunities. It relates to the reduction of unproductive assets, the development of risk management processes, the more efficient allocation of prices and capital and the optimisation of information systems, all with a view to increasing the Bank's profitability and solvency. The most important **achievements** are summarised as:

- During the term of the Plan+ 2020, **important steps were taken to reduce non-performing assets**. Accordingly, a new model was implemented to recover irregular investment and the SIREC tool was developed, which allows tasks to be identified that make debt recovery more efficient. Also, in the wholesale area, three portfolios were sold, both doubtful receivables and foreclosed properties, amounting to 1,248 million euros. The improvement in internal processes combined with wholesale sales allowed the NPA ratio to drop by almost seven percentage points in three years.
- **Deployment in the management of the RAROC methodology** to set prices based on risk-adjusted returns and capital consumption.
- **Progress in the design of the internal IRB models** with the objectives of achieving an integrated management of the organization's risks, improving the Bank's competitive position and allowing sectorial comparison in standardised terms.
- The quality of the information supports the Bank's credibility before the regulators, rating agencies and investors. To optimise it, **information systems** were strengthened and the Data Governance framework was established, which involves a modification of organisational structure, the definition of roles, responsibilities, data policies and principles and the adaptation of technological architecture.



TRANSFORMATION DRIVERS PROGRAMME

The **Transformation Driver programme**, the third pillar of the Plan, encompasses technology, processes and people.

- The **technology** at the heart of most initiatives, taken to facilitate internal processes, boost efficiency, opens up business opportunities and improve the customer experience. At the same time, significant progress was made in the cybersecurity and risk management area and in the renewal of technological infrastructure to provide the Entity with new capacity.
- The **optimisation of processes**, with the aim of streamlining less profitable tasks and concentrating efforts on tasks that have an impact on the customer, has had four main lines of action: reorganisation of administrative processes, simplification of operational processes, digitalisation and self-service plan.

- The **people**, their capacity and commitment are crucial in any project. The People Area has worked to encourage professional and personal growth of Group employees, with measures to promote the development of talent and boost skills. The following are of note:
    - The *roll-out of the Inspirational Leadership Model*, a framework for people who lead teams to exercise a uniform and consistent leadership aligned with Ibercaja's strategy.
    - The Bank has obtained the *Family Responsible Company (FRC) Certification*, which endorses the organisation's involvement in generating a culture based on efficiency, flexibility and commitment to people. With this achievement, Ibercaja takes an important step forward in terms of equality and balance of personal, family and professional life.

*Ibercaja made progress in a series of projects that evidence the **Group's commitment to sustainable development** and **value creation** through its activity.*

In 2019, the Bank formed a **cross-cutting Sustainable Finance team**, involving all business areas, to work on the Bank's **Sustainability Roadmap** and incorporate ESG aspects into strategy, decision-making and risk management. Likewise, it has signed the United Nations Principles for Responsible Banking and the New Deal for Europe "CEO's call to action" initiative, together with the recommendations of the Task Force for Climate-Related Financial Disclosures (TCFD). Likewise, on 11 December 2020, the Board of Directors approved the **Sustainability Policy**, which establishes the Bank's procedural framework in the area of sustainability.

The **new Strategic Plan with a 2023 horizon** is already under way and its main **challenge is to improve profitability**. The management objectives for the current period are framed within two major programmes: "Customer" and "Productivity and Efficiency". The Plan will be presented in the first half of 2021.

4.5.3 Impact of the COVID-19 crisis

On 11 March 2020, the World Health Organisation classified COVID-19 as an international pandemic. To cope with this situation in Spain, under Royal Decree 463/2020, of 14 March. a State of Alarm was declared, with diverse restrictions on mobility and on the exercise of non-essential activities, which was extended until 22 June. In light of a new outbreak, in October, pursuant to Royal Decree 926/2020, of 25 October, a State of Alarm was once again declared, which is expected to end in May 2021.

In this context of a healthcare crisis, global and Spanish economic activity was severely affected. Through different Royal Decrees, the **Government** has established **legislative moratoria** for individuals and professionals which, under certain requirements, temporarily suspend payment commitments as receivables. Likewise, **credit facilities** were implemented, partially guaranteed by the State, through the ICO, to guarantee company liquidity and production. **Member banks of the Confederación Española de Cajas de Ahorro (CECA)** provided a **sectoral moratoria**, in which Ibercaja participated to extend the scope of the mortgage moratoria approved by the Government. In turn, the **ECB** adopted **measures to grant liquidity to the system, to favour credit and to make an expansive tax policy possible for European governments**. The **EU** approved the **European Recovery Fund** which, through transfers and loans, will support the economies most affected during the coming years.

Below are details of the **most relevant impacts of the crisis** on strategic guidance, objectives, activities and results of the Bank, the support provided to customers, as well as other organisational and management measures.

IMPACT ON STRATEGIC ORIENTATION AND OBJECTIVES

Since the Bank is in the last year of the Plan+ 2020, the year that has just ended has consolidated the initiatives launched in 2018, hence **a strategic reorientation was not required.**

The Bank Transformation Roadmap established in the Plan+ 2020 to comply with the main milestones defined therein have enabled Ibercaja to have the necessary means and resources to face this crisis in much more favourable conditions than the previous crisis in 2008.

Among the **15 strategic initiatives** of the Plan+ 2020, those that were priority for the Bank's transformation (IRB models, pricing, data governance, digital transformation and IT governance and architecture), have continued to be developed, focusing more efforts and resources on them so that they can be completed in the periods envisaged despite the circumstances.

The Bank has exceeded in its objectives of strengthening solvency and those related with asset quality, both with regard to the reduction of non-performing assets and to the hedging rates, set in the Strategic Plan. However, the attainment of profitability indicators and the cost of the risk were affected by the outbreak of the pandemic, which altered the macro-economic framework and the negative interest rate climate, removed from that envisaged in the Plan+ 2020.

ORGANISATIONAL MEASURES ADOPTED BY IBERCAJA TO MITIGATE THE EFFECTS OF COVID-19

Ibercaja has **endeavoured**, at all times, **to guarantee the continuity** of customer care, **protect the health of employees and customers** and decisively back individuals, companies and, in general, the most vulnerable groups.

Ibercaja has ***protected the health of employees and customers.***

Following the approval on 14 March of Royal Decree 463/2020, the Bank implemented various procedures and protocols within its continuity strategy. The bodies were activated that intervene in the Business Continuity Plan, together with the Pandemic Contingency Plan to achieve the best possible isolation of staff and preserve the Bank's critical functions.

HEALTH AND SAFETY MEASURES:

- Certification of healthcare and informative management processes.
- Creation of a database to manage and centralise information relating to the health crisis.
- Reinforcement of the medical service.
- Distribution to all employees of individual protection equipment.
- Testing for the detection of the virus.
- COVID enquiry and psychological support lines for employees.
- Care and individual monitoring of the evolution of employees affected by coronavirus.
- Disinfection of work centres in certain circumstances.

ORGANISATIONAL MEASURES:

- Implementation of teleworking for most employees at central services.
- Reduction, at the worst moments of the crisis, through rotations of 50% of the workforce of the branch network in face-to-face work and redistribution of spaces and limited capacity.
- Fitting out of the Cogullada Data Processing Centre as a centre earmarked to separate critical teams that, due to their specific operations, require additional means aside from remote working.
- Reinforcement during the State of Alarm of a team of professionals from Ibercaja Connect's telephone service, a company committed to giving support to digital banking, attending to the demand for information on the Bank and to accompanying customers in the digitalisation process. The number of calls received in 2020 exceeded 928,000, up 51% on 2019. In 2020, this *call centre* renewed the Aenor certification, in line with the UNE-EN ISO 18295 Standard, which it obtained in 2019, and it was the first centre belonging to a financial entity in Spain to achieve it.
- Launch of Ibercaja Próxima aimed at individuals. This service has the accompaniment of a digital adviser that helps the customer to perform any transaction, providing them with savings and investment advice and providing them with information on Ibercaja products, taking out the transactions in virtually all cases. The 48 digital personal banking managers provide a virtual personalised service to almost 29,000 customers.
- Admission of leave and working day reduction requests, due to COVID-19, and the adoption of flexible timetable measures, to facilitate a work-life balance.
- Suspension of all trips, displacement and face-to-face events, promoting remote meetings.
- Holding of virtual internal events that were scheduled in 2020.

REMOTE WORK AND RIGHT TO DISCONNECT:

One of the measures implemented by Ibercaja to protect the health of employees with respect to Coronavirus was to reduce physical attendance at the work place. At year-end, **65% of the central services workforce continued to work from home**. Basing itself on the evolution of the pandemic, the Continuity Committee will decide the schedule for employees to physically rejoin, complying at all times with the security measures and recommendations of the health authorities.

The remote working regulations are included in Royal Decree 28/2020, of 22 September 2020, and in the Collective Bargaining Agreement signed on 30 September 2020 (Spanish Official State Gazette of 3 December 2020), by the CECA and the trade union organisations, representing the companies included and the personnel employed, respectively. Also, the Agreement enacts the **right to digital disconnection in the workplace**. The aforementioned remote working legislation is pending implementation by Ibercaja through an agreement between trade union representatives and the Bank.

CYBERSECURITY:

The extension of tele-working at most companies has led cyber delinquents to increase their attacks. Aware of this new reality, **existing cybersecurity controls have been reinforced to detect and prevent threats** and **new training measures** and awareness raising for employees have been implemented. The recommendations published have helped to detect cyber-attacks and adequately protect sensitive information and Bank devices.

FAMILY AND COMPANY PROTECTION MEASURES

> *Ibercaja has placed its **organisation at the service of the customer**, trying to be of **use** to it **and helping it to** perform all its **dealings**.*

The Bank is processing the **public moratoria** requests in the payment of lending transactions for debtors in a situation of economic vulnerability as quickly as possible. At year-end, 7.695 moratoria had been arranged under Royal Decree-Law 8/2020, of 17 March 2020, on extraordinary urgent measures to address the economic and social impact of COVID-19. With the firm will to support families affected economically by the crisis but that cannot avail themselves of the public moratoria, Ibercaja launched a **private moratoria**, encompassed within a sectoral agreement, of which 3.645 files were executed. The transfer from the public to the private moratoria was also expected, hence those that have availed themselves of the former, once the maximum period has elapsed, can access the private moratoria by complying with the requirements marked thereby.

Ibercaja actively participates in the processing of loan **transactions within the ICO Liquidity and Investment facilities,** with a public guarantee established in Royal Decree Law 8/2020, of 17 March, and in Royal Decree Law 25/2020, of 3 July, to support companies and self-employed workers affected by the economic consequences of the crisis. At year-end, 17,082 transactions were arranged for an aggregate amount of 1,830 million euros, 82% of which are earmarked to SMEs and self-employed workers.

Aimed at companies and self-employed workers, improvements have been implemented to help **extend working capital loan products** close to maturity. Faced with increased **POS requests**, due to health recommendations to avoid cash payments, instructions were handed down to advise customers on the most adequate rate and the payment of monthly instalments was excluded at establishments forced to close during the State of Alarm.

The Bank designed measures to facilitate the **payment of insurance**, offering the possibility of instalments without a surcharge on the receipts, and of establishing payment deferrals and discounts for customers experiencing economic difficulties due to the crisis. In **pension plans**, a response has been given to the legislative measures to extend the assumptions of availability of the plans: unemployment of employees and cessation of activity of self-employed workers due to COVID-19.

Related with **payment methods**, the Bank has ensured the availability of cash at ATMs and increased the contactless card limits to avoid typing the PIN. As a balance, at the end of 2020, almost 130 million purchase transactions had been performed using Ibercaja cards at company or third-party ATMs. Likewise, incentives have been provided for the use of digital channels, so that the number of transactions made through them represents 76.0% as opposed to 72.0% in December 2019. Likewise, advances on **pensions and unemployment benefits were made,** amounting to 4,056 million euros and 635 million euros, respectively.

In March, Ibercaja launched the **"Let's go is always going together" campaign** and the **"Let's go"** solidarity platform to help the most vulnerable. The campaign has the support of the Bank's shareholder Foundations, and of the different public and private institutions and entities that have collaborated with their own donations. The total amount collected totalled **almost one million euros**.

IMPACT ON THE GROUP'S ACTIVITY, RESULTS AND FINANCIAL CONDITION

*The most significant effect of the crisis on Group results was the **extraordinary provision due to credit risk amounting to 90 million euros.***

The **impact of COVID-19 on the Group's** commercial activities **was limited**. Following the effects of the second quarter, the "recurring" commercial dynamism recovered in the third and fourth quarter.

The **loan portfolio** was aimed at protecting the customers most affected by the economic consequences of the pandemic. New loan transactions totalled 6,424 million euros, 18.2% more than in 2019. Most of them, 4,273 million, were earmarked to companies and self-employed workers through ICO facilities. Meanwhile, mortgage loans amounted to 1,440 million euros.

Borrowing activities of customers performed very well. Customer deposits rose by 10.4% in the year. The rise occurred both at companies, on depositing part of their liquidity to meet the effects of the pandemic, and at homes, which increased their tendency to save out of caution. **Asset management activities**, following the shock of the market crash in March, recovered their force. The investment funds administered by Ibercaja Gestión posted positive net contributions exceeding 1,000 million euros in the year and managed assets rose by 9.1%. The market share (5.52%) reached an historical record for the Bank.

In relation with the **quality of the loan portfolio**, no signs of impairment have been noticed to date. Doubtful assets maintained their downward trend, more marked than that of the sector (-21.7% vs. -2.7%), and additions of real estate assets in the balance sheet dropped by 1.9%, although a certain slowdown in sales was observed. However, the Group performed on ongoing monitoring of the main indicators to anticipate possible negative effects.

The Group held a **sound solvency position, which was reinforced in the year**. The CET1 phased in ratio, 13.62%, presented an excess of 5.49 percentage points on the minimum requirements notified by the supervisor for 2020. Likewise, the CET1 fully loaded ratio, 12.59%, exceeded the average of the Spanish companies supervised by the ECB by over 50 basis points (12.0% at September 2020). The **available liquidity** at year-end exceeded 14,959 million euros, representing 25.6% of the balance sheet and enabling debt maturities to be easily covered. These robust levels of solvency and liquidity, a diversified business model, in which 37% of recurrent revenues comes from asset management and insurance) and a credit portfolio highly focused on mortgages to individuals, with a low relative exposure to the sectors most affected by the crisis, enabled Ibercaja to meet the change of economic cycle suffered by our country with guarantees.

The most significant impact of the crisis on the Group's results is the **extraordinary provision for credit risk** of 90 million euros to cover a shrinkage in the repayment capacity of the loans that increase the entry flow of doubtful assets. It was determined using the macroeconomic projections, mainly those published by the Bank of Spain and taking into account the type of portfolio of the Bank. This provision, tied to other extraordinary expenses aimed at improving the Bank's future profitability, took results for the year to 24 million euros, below that envisaged in the budget and Plan+ 2020.

TENDENCIES EXPECTED IN ACTIVITIES AND RESULTS

The effects of COVID-19 on activities and future returns are subject to significant **uncertainty**. There are no close precedents that may serve as a base to determine them accurately, and they are tied to the time taken to control the health situation and the effectiveness of the measures to support the economy that have been adopted until now. Hence, when authorising for issue the financial statements, it is difficult to perform a valuation or quantification of the **possible future impacts** of COVID-19 on the Group.

A gradual recovery of the most pressured earnings is expected over the coming months (fees, insurance activities, results of entities accounted for using the equity method, etc.), in line with the gradual normalisation expected of economic activities. However, it cannot be ruled out that a worsening of the macroeconomic framework leads to a fall in lending activities and higher losses due to the impairment of assets that drags down business profitability in the short term. Expenditure control, efficient management and service quality will be decisive to mitigate the adverse consequences of the pandemic.

iberCaja

EL BANCO DEL Vamos

COVID-19 MEASURES

CONTINUITY PLAN

Service maintenance

100%
OPERATIONAL BRANCHES

100%
ATMS

Human capital

65%
PEOPLE TELEWORKING IN CENTRAL SERVICES

ROTATION OF EQUIPMENT IN NETWORK DURING FIRST STATE OF ALARM

Boosting digital channels

842,486
DIGITAL USERS

76.0% vs. 72.0% in 2019
DIGITAL TRANSACTIONS

48 MANAGERS
IBERCAJA PRÓXIMA LAUNCH

Call centre reinforcement
IBERCAJA CONNECT

"Startup Mode" in app

New DIGITAL BANKING FOR BUSINESSES AND INDIVIDUALS

GLOBAL SYSTEM OF SECURITIES
Online broker

WE SUPPORT OUR CUSTOMERS

Households

Moratoriums

8,664
NO. TRANSACTIONS GRANTED

€741 million
AMOUNT GRANTED

MORTGAGE LOANS
93%

€366 million
OUTSTANDING BALANCE

MORTGAGE LOANS
€340 million

CONSUMER LOANS AND OTHER OPERATIONS
€26 million

Advance payment of pension and unemployment benefit

€4,056 million
ADVANCE PAYMENT OF PENSION

€635 million
ADVANCE PAYMENT OF PENSION AND UNEMPLOYMENT BENEFIT

Other measures

Suspension of fees for cash withdrawals at ATMs of other Spanish banks.

Splitting the bill for life insurance.

Relaxation of conditions of the Vamos Account.

Redeeming the pension plans of customers affected by COVID-19.

Strengthening relationship channels with our customers.

Companies

COVID-19 ICO Lines

17,082
NO. TRANSACTIONS GRANTED

€1,830 million
FINANCING AMOUNT
82% SMEs and self-employed

SUPPORTING SOCIETY

~ €1 million million
PRIVATE DONATION PLAN

#LET'SGO
EsIrSiempreJuntos

Data at 31 December 2020

4.5.4 Lines of the Group's Business Model

102-2, 102-4, 102-6, 102-9, 103-1, 103-2, 103-3, 417-1, FS6, FS14

Ibercaja pledges for a **universal banking model**, focused on the retail business and based on advisory services, service quality and innovation. It serves a **stable base of 1.8 million customers** (management units): families, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services, other complements, such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group, whose companies it owns in full.

*We pledge for a **model based** on **advisory services**, **quality service** and on **innovation**.*

IN IBERCAJA'S BUSINESS MODEL, THERE ARE THREE MAIN AREAS DEPENDING ON THE COMMERCIAL STRATEGY DEFINED FOR EACH TYPE OF CUSTOMER:

PRIVATE BANKING
Households
Personal banking
Private Banking

BUSINESSES AND INSTITUTIONS
Companies business
Stores
Institutions

OTHER LINES OF BUSINESS
Financial markets
Business shareholdings

RETAIL BANKING

*The Bank manages **1.7 million customers who contribute more than 80% of the retail turnover**. It concentrates 70% of credit and 85% of retail customer loans. Their high level of engagement with the Bank can be seen in the average age of 20 years, and in the average number of products or services arranged, 6.9. **Private banking includes the household, personal and private banking segments**.*

HOUSEHOLDS

Households **provide the largest number of customers, 1.4 million, and the highest percentages of managed funds (22%) and loan portfolios (57%)**. The management of the branch network in this segment focuses on capturing new customers and consolidating the loyalty of existing ones. The Bank carries out its mission through proposals adapted to personal needs, depending on the risk profile and available income.

Activity in the year was governed by the outbreak of the health crisis. The priority of commercial management has been to be close to the customer, to guarantee security and service continuity and to transmit the Group's social sensitivity. In particular, pensions and unemployment benefits were paid in advance and public, sectoral and in-house aid has been made available to the customers most affected by COVID-19, endeavouring the find the best solution for each customer in a situation of vulnerability. Faced with a change in habits and social conduct, the business model with the customer has been adapted, prioritising the fact that all procedures can be conducted through the Bank's digital channels.

Ibercaja boosted the asset and liability products, launched the previous year, linked to the “Banco del Vamos” advertising concept. The “Cuenta Vamos” and the mortgage offering has favoured the attraction and loyalty building of new individual customers. With regard to the loan portfolio, Ibercaja has historically specialised in **housing financing**, with an extensive range of products. 22% of new financing was allocated for this purpose, with fixed-rate mortgages being of special note. Furthermore, the arrangement of products through real estate portals rose significantly, in a decisive boost towards the digitalisation of processes. **Retail customer loans** in this segment rose by 6%, in line with the increase in the savings rates of households.

Noteworthy among the digitalisation-related projects deployed in the year were the **new digital banking products for individuals**, encompassed within the guidelines of the 2018-2020 Strategic Plan to place Ibercaja at the forefront of digital banking in Spain. The application facilitates the performance of all manner of transactions for customers in any easy intuitive manner from any device. Furthermore, the **latest version of the on-line broker** was included in all digital channels. This new functionality provides improvements to information, such as those relating to corporate finance transactions, shareholders' meetings, capital increases, dividends, etc., as well as access, not only to equity securities but also to international fixed income assets.

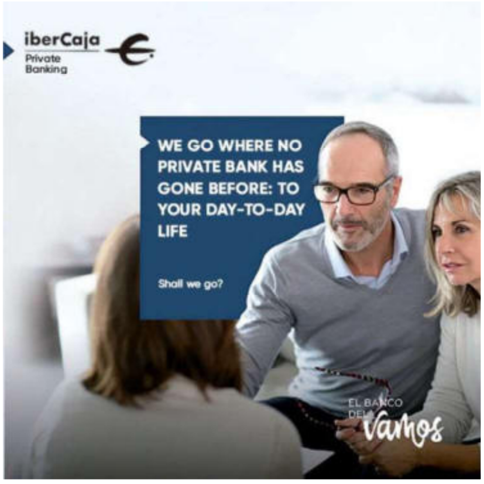
PERSONAL BANKING

Personal banking encompasses over 290,000 customers with a **savings balance of more than 100,000 euros or 75,000 euros outside the Home Market.** This segment contributes over 50% of the Group's retail customer loans with a *mix*, in which almost 50% relates to asset management and insurance. The customer care model for this group is based on a personal manager who proposes the best investment strategy for the customer's profile and preferences. The **451 specialised managers**, based on their knowledge of the customer, offer them investment alternatives, mainly funds, pension plans and insurance, adapted to their risk profile, objectives and experience in financial products.

In the last year, **digital personal banking** has gained ground, a new form of working, whereby the customer, through a digital banking adviser, receives, on a virtual basis, the same attention that they would receive at their branch. The current team of **48 advisers**, which provides a service to nearly 29,000 customers, will be extended insofar as the project devised in Aragón is progressively implemented in other communities.

In 2020, Ibercaja has obtained the **service excellence management certification in the Personal Banking segment**, granted by Aenor, becoming the first Spanish entity to receive it. This stamp reinforces the Bank's leadership in professional advisory services in terms of customer savings management and is accompanied by the **personal asset management advisory services certification**, also granted by Aenor, held by the Bank since 2012.

PRIVATE BANKING



Private banking is aimed at **customers or household management units with financial wealth in excess of 500,000 euros (300,000 euros in Extremadura).** The over 10,000 customers are assisted by a private banking manager who analyses their needs and provides them with the best investment alternatives and financial-tax planning. The range of financial assets available to the private banking group is very broad: securities listed on national and international markets, investment funds both from Ibercaja and external providers, SICAVs, structured deposits, etc. The average number of products contracted by each client exceeds 21, and 80% of the resources managed correspond to asset management and insurance.

The work team assigned to the private banking services is made up of **80 people**, distributed among the branches of Madrid, Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz, as well as the customer service offices of Huesca, Teruel and Pamplona.

In a context of economic uncertainty and great market volatility, emphasis was placed on **improving the information to help the customer to take decisions**. In this regard, we have the daily market report, the weekly analysis of the performance of different assets and the investment keys, the monthly funds, plans and markets report and the new services related with tax optimisation and inheritance planning.

Investment products with a socially responsible profile have been well received by savers. Socially responsible investment, implemented through the Ibercaja Sustainable and Solidarity and Ibercaja Megatrends funds, accumulates **contributions in the year exceeding 165 million euros**. In pension plans, Ibercaja Pensión incorporated the Sustainable Trust Plan into its catalogue, which complements the already existing Sustainable Europe and Sustainable Solidarity Pension Plans.

The **main strategic challenges and trends that will mark the activity of Retail Banking in the near future are:** to foster customer loyalty by improving the customer experience and enhancing digital channels, consolidate the progress of the personal and private banking lines, relying on personalised advice as a differentiating factor, and expand the range of investment and financing products with ESG criteria.

BUSINESSES AND INSTITUTIONS

*This area comprises more than **176,000 customers** (management units), companies, retailers, institutions and others, and contributes around **18% of retail business volume.***

COMPANIES

Within this group, **76,000 customers** form part of the **strategic business group of companies (management units)**. Microenterprises and SMEs, with a turnover of less than 50 million euros, provide more than 80% of our business volume with this segment. The companies with the highest turnover and most complex operations, numbering approximately 39,000, are served by 219 specialised managers, supported by 368 office directors. In 2020, 124 business commercial managers were appointed, a new figure whose task is to manage the Bank's relations with companies that bill less than 2 million euros.

During the Plan+ 2020, the foundations were laid to ensure that Ibercaja becomes a benchmark entity in the business world, capable of providing an agile, individual response to customer demands.

The arrangement of loans and credits aimed at financing business activities, 4,273 million euros, represents 67% of new transactions performed by the Entity in 2020. As a result of the pandemic, Ibercaja has been highly active in the marketing of **ICO Liquidity and ICO Investment lines**, executing **17,082 transactions with a volume exceeding 1,830 million euros**.

The sales offering was completed in 2020 with products such as **EasyPay**, which enables the most common payments to be comfortably financed through any channel, the **SEPA confirming** and **employment plans designed for SMEs**. We are also working on new developments: foreign currency loans and international confirming.

The **business centre of companies inaugurated in the Basque Country** was linked to those already existing in Zaragoza, Madrid (3), Barcelona, Valencia and Alicante. These centres are responsible for managing customers with a turnover of more than 6 million or 10 million euros, depending on the area of operation, and which require a greater degree of specialisation.

The **new digital business banking**, as part of the Strategic Plan's digital transformation, is a leading platform. It enables the user to browse on any device, can be customised to the customer's taste and allows all company transactions to be carried out easily and efficiently.

The **Ecosystem+ Companies initiative**, promoted by Ibercaja and its Foundation, is an innovation platform and meeting point to make economic activity more dynamic, improve competitiveness, exchange knowledge and generate business value. It has almost 4,000 members that may access programmes, reports, solutions and a wide range of business contacts. To consolidate the Entity's positioning in the area of entrepreneurs and start-ups at the beginning of 2021, **Ibercaja Start-up** will be presented, which aspires to provide a response to the training and financial needs of this group.

COMMERCIAL

The **15,000 stores**, customers of Ibercaja, generate significant business opportunities in the area of financing, insurance and collection and payment services. The range of products and services adapted to the needs of small and medium-sized businesses is very broad: daily cash management, aid for the internationalisation of the business, point-of-sale terminals with the latest technology and, for those who make their sales through online channels, virtual devices that guarantee the security of the transaction and the control of the activity through the Internet.

To encourage the attraction of new customers the Cuenta Vamos has continued to be marketed for stores. Together with the advantages of this account, a free guidance and legal assistance service was included for one year.

In 2020, Ibercaja implemented the **Retail Trade Support Plan**, aimed at helping local stores, one of the sectors most affected by the health crisis, boosting its business and facilitating the adaptation to changes in consumer habits. The Plan envisages financial solutions, management aid and free training and digital contents on matters of interest. The Bank participates in different initiatives implemented in recent months to reactivate the sector, holding, in most provinces and autonomous communities, especially in their original territories (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), alliances, agreements and sponsorship with different sectoral organisations to provide its affiliates with financial services in preferential terms.

The main strategic challenges and trends that will mark the activity of Negocios e Instituciones in the near future are: consolidate the implementation of Ibercaja within the business segment growing in market share, raise awareness of the new digital banking and its functionalities, intensify the participation of professionals and companies in the “Ecosistema+ Empresas” and “Ibercaja Emprende” initiatives, as well as offer specialised solutions for retailers, businesses and the agricultural sector.

OTHER LINES OF BUSINESS

The Group's **Financial Markets area activity** has focused on ensuring the availability of liquid funds on the balance sheet, managing portfolios of fixed-income and equity instruments, planning placements and buy-backs of securities and hedging structured and other deposits.

Ibercaja holds business holdings in various sectors: **Investment in investees** aims to support the **production fabric, preferably SMEs, in projects that contribute to creating wealth and jobs in areas in which the Bank operates**. Hence, the economic benefit that may be provided to the Bank is added to the social advantages. Ibercaja encourages investments in sustainable projects with environmental value and in those companies with high levels of corporate social responsibility.

Under the guidelines of the 2018-2020 Plan, an **active policy of disposals of non-strategic business interests has been implemented**, as well as in those consolidated projects that have reached a sufficient degree of development and autonomy. All of the foregoing, without ruling out the possibility of investing in initiatives that meet the criteria required by the Bank (profitability, sustainability and the promotion of development). In 2020, 14 divestments took place, 8 of them total and 6 partial, with a carrying amount of almost 59 million euros, which generated profits and freed the use of own funds. Investment during the year centred on business projects considered strategic and on development capital funds.

PROGRESS IN DIGITAL TRANSFORMATION AND MULTICHANNELLING

The **Digital Transformation** project, one of the main milestones of the 2018-2020 Strategic Plan, has included the **most advanced technological solutions** into the Entity's business, providing a service aligned with each client's digital capabilities and needs.

The impact of COVID-19 has put the robustness of the Bank's digital channels to the test. Digitalisation has been a fundamental tool to speedily respond to customer needs in this period. The Company's guaranteed service continuity, information management and the channelling of solidarity have been the three axes that have guided activity during the peak months of the crisis.

The Strategic Plan **comes to an end having complied with the main objectives** in the area of digital transformation, both in terms of the use of channels, and due to the level of satisfaction generated, in accordance with the latest study by Inmark 2020.

TRANSFORMATION OF THE RELATIONSHIP MODEL DUE TO COVID-19

- **Continuity of service:** expansion of the Contact Center team to guide the customer through the digitisation process.
- Launch of **Ibercaja Próxima**.
- Channelling of the company's solidarity through the donations platform for crowdfunding vulnerable groups **Vamos Challenges**.
- Communication on the Public Website of **the measures adopted by the Bank to manage COVID-19**.

RELATIONSHIP MANAGEMENT

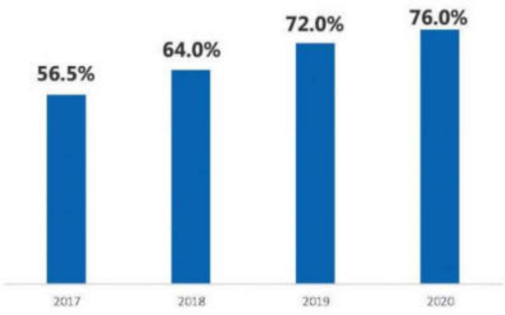
- **"My Manager":** allows individuals and companies to converse, exchange documentation and arrange appointments easily and securely, both in digital and mobile banking.
- **Digital managers:** serve digital customers who need to engage with financial experts.

DIGITAL BANKING

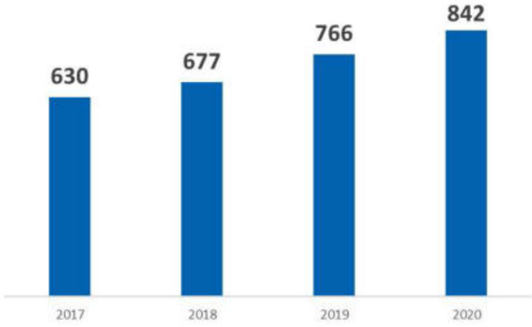
In the last three years, the Bank has renewed its main channels (Private Digital Banking, Company Digital Banking, Mobile Banking, ATMs and Public Website) and it has implemented an advanced design system to guarantee an agile uniform performance of all of them. The most relevant developments in 2020 are:

- **"Starter Mode" in the App:** facilitates accessibility to the Entity's digital assets to anyone regardless of their technical capabilities or financial knowledge.
- **Digital banking For companies and individuals.**
- **Global Securities System.**
- **"Consíguelo":** sales platform, with the possibility of financing, of non-banking products.

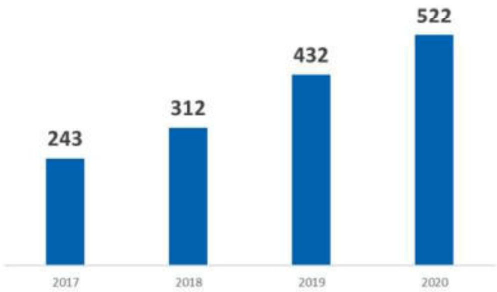
% TRANSACTIONS CARRIED OUT BY REMOTE BANKING



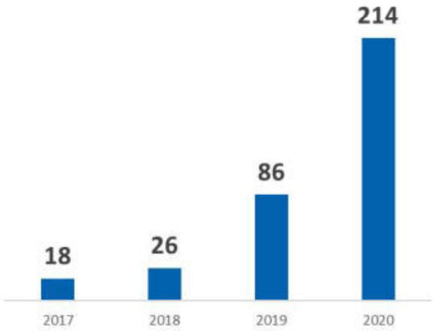
ACTIVE DIGITAL BANKING USERS PER MONTH (THOUSANDS)



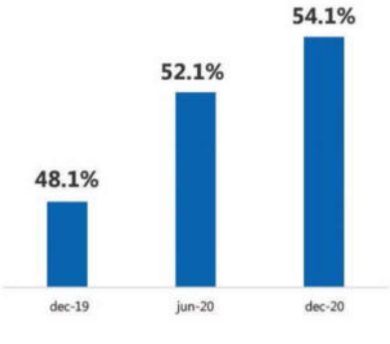
ACTIVE MOBILE BANKING USERS PER MONTH (THOUSANDS)



ACTIVE MOBILE PAYMENT USERS PER MONTH (THOUSANDS)



% DIGITAL CUSTOMERS



PROMOTION OF VIRTUAL SALES

The improvement in virtual sales processes has meant they are made through digital channels:

- 8.5% of **non-subrogated mortgage loans taken out since April**.
- 75% of **consumer loan transactions**.
- The **arrangement of non-life risk insurance.**

BUSINESS MODEL AND SUSTAINABILITY

Since it was formed 145 years ago, the Bank has maintained a **sustainability commitment**, which is reflected in the social, economic and environmental approach of its activities. The Group is aware that financial institutions have a key role in sustainable development, mobilising the necessary capital flows and integrating environmental, social and corporate governance risks and opportunities into management. This purpose was reinforced by the healthcare and economic crisis lived in the last year. In 2019, the Bank created a **cross-cutting Sustainable Finance team**, involving all business areas, to work on the **Sustainability Roadmap** and incorporate ESG aspects into its strategy, decision-making and risk management. In December 2020, the Board of Directors approved the **Group's Sustainability Policy**, including the commitment to sustainable growth and establishing the global sustainability procedural framework.

Ibercaja incorporates sustainability into its business model through different channels, including most notably:

- **Offer of financial products** that contribute to achieving sustainable development by reducing the carbon footprint and mitigating the effects of economic activity on the climate: catalog of investment funds and pension plans managed with ESG criteria, financing of renewable energy projects, financing for companies committed to sustainability and the environment, zero-emission vehicle leasing, etc.
- Environmental care in **energy and property management**: central headquarters recognised as a green building in line with ISO 14001.
- The **Organisation's commitment to the Sustainable Development Goals** of the 2030 Agenda; signing of the United Nations Principles for Responsible Banking, together with the Bank's inclusion in the New Deal for Europe "CEO's call to action" initiative and the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD).
- **Commitment to employees:** development of their capabilities, Family Responsible Company Seal, training in sustainable finance, corporate volunteering, etc.

- **Commitment to society:** our social awareness is inherent in our daily activities and in the obtaining of resources that revert to society through the creation of wealth and welfare and through the social action of the Bank's shareholder foundations

Sections 2 and 6 of this document explain in further depth and quantify the aspects related to sustainability.

FACTORS AND TRENDS THAT MAY AFFECT THE FUTURE PERFORMANCE OF THE GROUP

The tendencies for 2021 are encompassed within a context in which the health crisis has generated a profound economic recession. It is expected that in 2021, the pandemic will be controlled and that the hardest hit sectors will begin to reactivate themselves, and that a decisive fiscal policy will be essential to support the recovery and that the arrival of the NGEU European Funds will enable investments to be undertaken in the area of infrastructures, digitalisation and environment to modernise and relaunch the economy.

In the banking area, the situation of negative interest rates, which pressures income from loans, will be prolonged over time. In this scenario, **the Group's objectives and strategies focus on boosting the profitable growth of loans**, in particular, those aimed at companies, maintaining the pledge for other alternative income sources which, in turn, provide the customer with value-added products and services, such as investment funds and pension plans, accelerating the growth in risk insurance at the same time. The reduction in non-performing assets and of the risk cost, together with the surveillance of default, are priority at a time in which bad debt, contained due to the positive impact of the ICO loans and moratoria, may increase in the most punished sectors of the economy. The reduction in costs constitutes a permanent objective, given the narrowing of margins, competence between companies and a growing offer of financial services by new players.

The pandemic has accelerated changes in the manner of working and socialising. Digitalisation in all areas of business must continue to progress to boost digital proximity with the customer, to make their relationship with the Bank easier and more efficient and to foster efficiency and productivity. Lastly, it is necessary to favour the transition towards a sustainable economy by developing the guidelines expressed in the Sustainability Policy approved by the Board of Directors.

The **specific strategic challenges of each of the business areas** in the short and medium term are described above in the relevant sections.

4.5.5 Financial Group

102-5, 102-45, 103-1, 103-2, 103-3, FS6

THE GROUP IS A SOURCE OF BUSINESS DIVERSIFICATION AND GENERATION OF RECURRING REVENUES. IT PROVIDES THE BRANCH NETWORK WITH FINANCIAL PRODUCTS OF RECOGNISED PRESTIGE AND EXPERT SUPPORT TO STRENGTHEN THE COMMERCIAL RELATIONSHIP WITH CUSTOMERS.

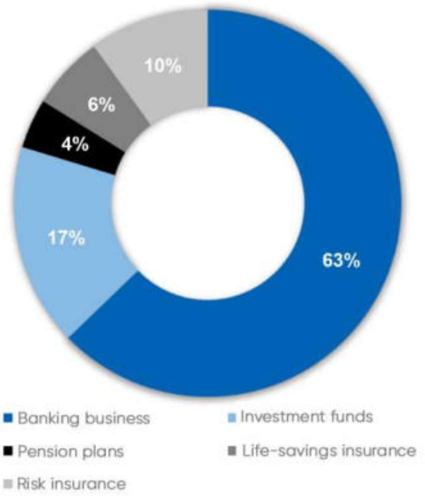
Created in 1988 and wholly owned by Ibercaja, the division is made up of **companies specialising in investment funds, savings and pension plans, bancassurance and leasing.** Its products, targeted at both individuals and businesses, are marketed and sold through the branch network and supplement the Bank's extensive range of banking services.

Innovative capacity *and* ***specialised offerings*** *place the Financial Group in a* ***prominent position among Spanish financial*** *institutions.*

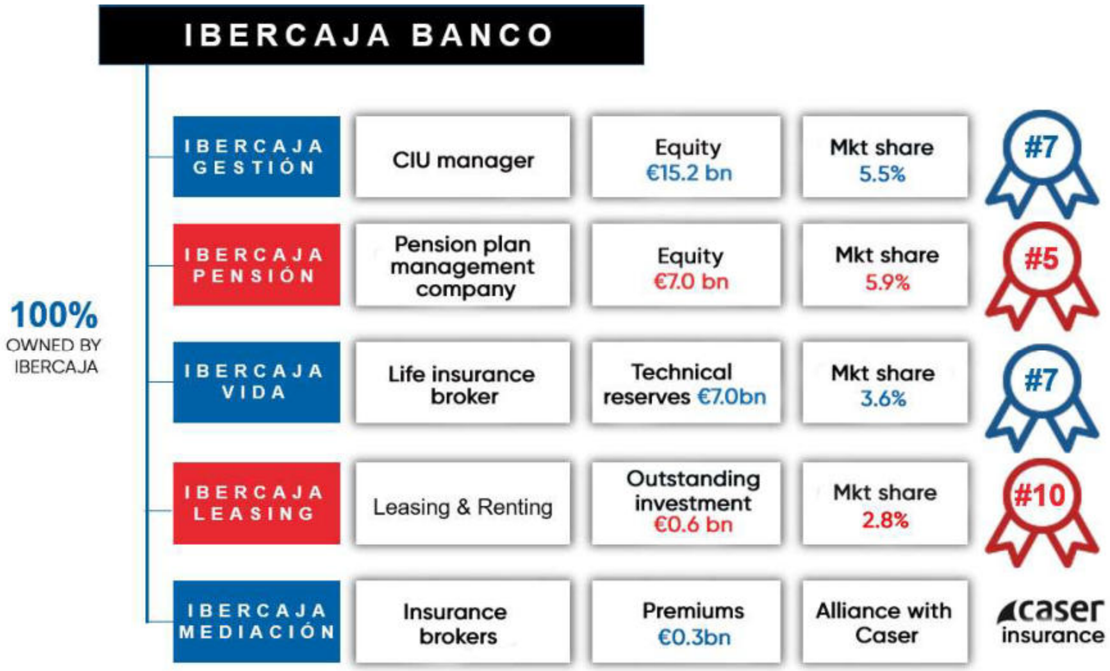
The Financial Group **has an ESG Committee**, whose objective is to promote the implementation of responsible asset management investment strategies. It also **forms part of the Sustainable Finance Team created by Ibercaja Banco** to design and implement the sustainability roadmap, facilitating the Group's adaptation to the regulatory environment, to a greater demand for sustainable products and assuming the Bank's in-house objectives and values.

CONTRIBUTION TO RECURRING REVENUES:

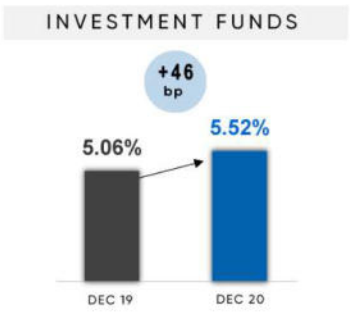
Managed assets and insurance provide **37% of the Group's recurring revenues and 45% of retail customer loans** administered by the Bank, which represents one of the most diversified savings *mixes* of the Spanish national banking sector.

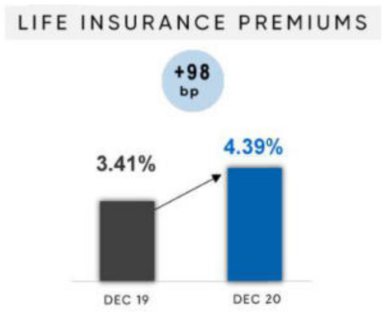


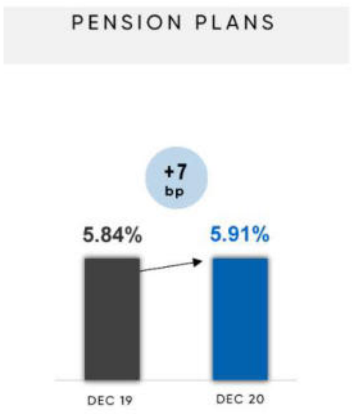
THE COMPANIES THAT FORM PART OF THE FINANCIAL GROUP ARE:

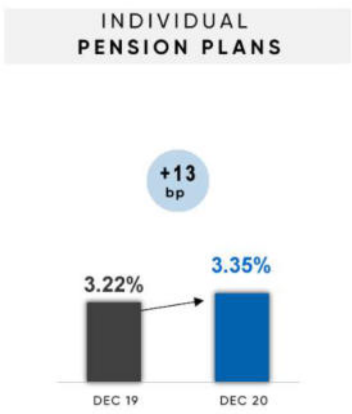


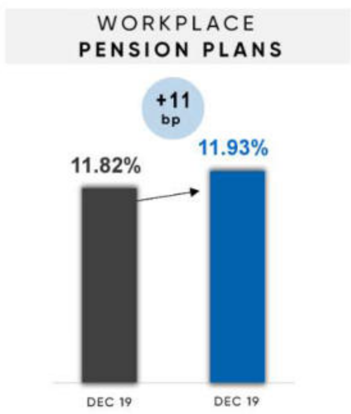
DESPITE THE COMPLICATED BACKDROP, IBERCAJA GAINED MARKET SHARE IN KEY SEGMENTS:











MANAGEMENT OF COLLECTIVE INVESTMENT UNDERTAKINGS

Ibercaja Gestión, SGIIC, S.A. is the company tasked with managing the Group's investment funds.

The **assets managed by Ibercaja Gestión** **(15,248 million euros)** were up by 9.1% vs. 0% sector. This progress, the second among the ten largest managers of our country, has been fueled by the Bank's commercial activity and the rapid recovery of fund portfolios, following the significant falls experienced on markets in March.

- **Net contributions** (1.167 million euros), are up by more than 50% on those of 2019, constituting the second leading bank with the best attraction figures in Spain in 2020.
- **Weighted average returns** were 1.80%, as compared with a sector average of 1.04%. 70% of the funds administered by Ibercaja Gestión ended the year with gains.

The **market share**, **5.52%** (source: INVERCO), reached a new record high, adding **46 basis points** since the previous December. In the past five years, the management company's market share in the investment fund industry has increased by 159 basis points. The Company consolidated its **seventh position in the sectoral ranking.**

TRENDS IN ASSETS AND MARKET SHARE IN INVESTMENT FUNDS:

Ibercaja Gestión has 100 investment funds tailored to each investor and capable of obtaining returns in any market situation. It also manages 11 SICAVs in Spain with a volume of 63 million euros and one Ibercaja Global Internacional, registered in Luxembourg, with assets of almost 40 million euros, for private banking customers.

The **commitment to socially responsible investment** is reflected in the **net inflows of more than 165 million euros** received by the Ibercaja Sostenible y Solidario and Ibercaja Megatrends funds. Aside from providing significant returns to the unitholders, it converts them into fund investors that consider social, environmental and governance criteria in the selection of assets and promote the best business practices.

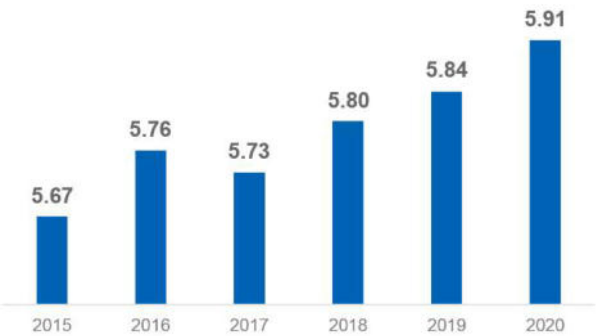
In the 2020 edition of the **Expansión-AllFunds Bank** prizes, Ibercaja Gestión was the finalist in the "Best National Manager", "Best Fixed Income Manager", "Best Asset Allocation Manager" and the "Best Equity Manager".

PENSION PLAN MANAGEMENT

Ibercaja Pensión, EGFP, S.A. is the Group company engaged in managing different kinds of pension plans. The company is a signatory of the United Nations Principles for Responsible Investment and a founding member of Spainsif, the Spanish forum for Socially Responsible Investment.

The **assets managed** at year-end, **7,010 million euros**, were 3.2% up on 2019 (sector 1.8%). The **market share** reached an all-time high of **5.91%**, after **gaining 7 basis points** during the year, and the Gestora retained its **fifth position** in the sector ranking (source: INVERCO).

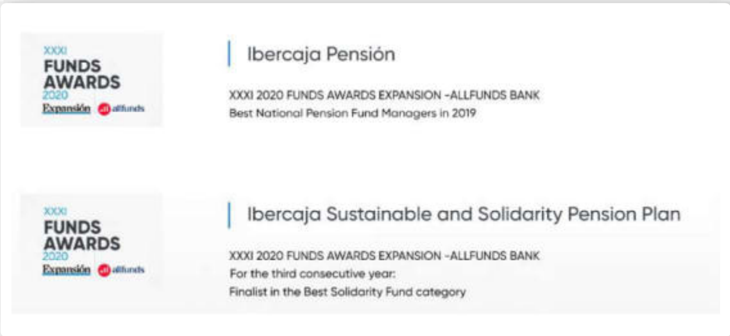
TREND IN PENSION PLAN MARKET SHARE:



Savings managed in **individual system pension plans** increased by 6.9% to 2,751 million euros, greatly above the variation experienced by the sector (+2.7%). Customer contributions totalled 176 million euros, up 10.9% on 2019, exceeding the increase of the industry as a whole, which stood at 6.8%. **Market share**, **3.35%**, advanced **13 basis points** since December 2019, moving the company up to **seventh position in the sector ranking** (source: INVERCO). The number of customers with individual plans increased by 6,361 to a total of 204,826.

Assets managed in **employment plans** amounted to 4.258 million euros, up 0.9% on 2019 (sector -0.1%). The **market share**, **11.93%**, added **11 basis points** and the Company consolidates its position in **third place** among Spanish fund managers (source: INVERCO). This system comprises 69,000 unitholders through 15 plans. Ibercaja Pensión administers two of the ten largest plans in the country.

The growing concern of the Company for a **more sustainable future** acquired special significance as a result of the pandemic. Ibercaja Pensión, committed to sustainable development, **extended the range of products of this profile, with the** inclusion of the new mixed fixed income PIP Confianza Sostenible, which accompanies the already existing PIP Europa Sostenible (equity) and PIP Sostenible y Solidario (mixed equity). **This category of plans concentrates 26% of yearly contributions and 12% of assets in individual plans**.



Ibercaja Pensión has been awarded the prize for the **best national pension fund manager** for the fourth time by **Expansión-AllFunds Bank**. Likewise, the PIP Sostenible and Solidario was chosen as finalist in the "Best Solidarity Fund" category.

INSURANCE BUSINESS

The Group's insurance business is carried on through **two companies operating in the life and non-life lines**, providing products and specialised support to Ibercaja Banco's branch network:

- **Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U.** is a life insurance company that has specialised in the bancassurance business since 1996. The Bank markets life-savings and life-risk insurance, brokeraged through Ibercaja Mediación, distributing it through the Ibercaja Banco commercial network.

- **Ibercaja Mediación de Seguros, S.A.U.** is engaged in general insurance brokerage. It markets, through the Bank's branch network, risk and retirement savings insurance for individuals and companies. The Bank has a strategic alliance with Caser in the non-life insurance area.

LIFE-SAVINGS INSURANCE

Life-savings insurance provisions, **6,863 million euros**, fell by 5.6% due to low interest rates. Systematic savings insurance, 3,417 million euros, represents 50% of the volume managed. Life and temporary annuities, which accounted for 30% of the total, amounted to 2,074 million euros. To make savings profitable in the current interest rate environment and to maintain the tax advantages associated with PIAS, at the end of 2018 PIAS LINK was launched: four investment baskets with different weights of equity. The current balance stood at 850 million euros, up 536 million euros in the year.

RISK INSURANCE

Risk insurance premiums, **276 million euros**, were similar to those of the previous year.

- **Non-life insurance premiums**, **200 million euros**, increased by 0.9% and the number of policies rose to 627,158. The boost to the activity is the outcome of the commercial effort and the alliance with Caser for distribution through the network of offices of this type of insurance. The market share in non-life insurance premiums, 0.54%, remains stable compared to 2019 (source: in-house based on data published by ICEA).

  The most significant progress by insurance type relates to death insurance (+3.0%), multi-risks (+2.2%) and health (+2.1%). In 2020, the "Car 4 Car" insurance policy began to be marketed, which replaces the insured vehicle with another of similar characteristics in the event of a total loss, and the rental insurance, aimed at protecting the interests of home owners.

  In 2020, the distribution agreement signed with Caser was novated, whereby a new business plan was set for 2020-2029.

- The **life-risk insurance premiums** dropped by 2.7% to **76 million euros**. Ibercaja Vida is the main support for this type of insurance within the "Risk Project". The Group's market share in accrued premiums amounted to 2.05%. (source: in-house based on data published by ICEA).

Ibercaja Vida's effort in an exceptionally complicated year meant that the **premiums accrued in the total life insurance policies amounted to 958 million euros**. The increase (+2.1%) contrasts with the significant fall suffered by sector (-20.7%). As a result, market share rose from 3.41% in December 2019 to 4.39% today, moving up to fourth place in the sector ranking (source: ICEA).

The **solvency ratio of Ibercaja Vida** stood at **220.5%,** amply exceeding the legal limit set of 100%.

LEASING AND RENTING

Ibercaja Leasing y Financiación S.A. specialises in financing productive activities through leasing and renting. It provides the branch network with products for SMEs, professionals and individuals to finance their investments in fixed assets and access goods under operating leases.

The **outstanding risk**, **561 million**, dropped by 9.3% (sector -9.4%). **Market share**, **2.85%**, adds **1 basis point** (source: Spanish Leasing Association). The **amount of the executions** is **186 million euros** and their **share** with respect to the sector was **3.47%**. Of the global volume of new transactions, 55% were earmarked to the financing of non-industrial vehicles, 22% to industrial vehicles, 16% to machinery, 3% to IT equipment and the remainder (4%) to property, furniture and other facilities. It must be highlighted that approximately **four out of ten transactions arranged corresponded to the vehicle renting business.**

The NPL ratio of Ibercaja Leasing y Financiación S.A. of 2.65% was far lower than the average for credit institutions (6.64% in November). In turn, the coverage ratio stood at 68% of doubtful balances.

The Company's commitment to take care of the environment was revealed through the financing of solar plates, through operations involving finance leases and means of transport that encourage sustainable mobility, such as electrical and hybrid vehicles and electrical scooters. The **rental vehicle fleet** was **4,303 units**, of which more than 55% were considered to be ecological due to their low CO_2 emissions.

5 SIGNIFICANT INFORMATION OF THE IBERCAJA GROUP: KEY FIGURES

5.1 Highlights for the period at the Ibercaja Group

102-10, 103-1, 103-2

IN A CONTEXT DOMINATED BY THE COVID-19 PANDEMIC AND ITS ECONOMIC CONSEQUENCES, THE GROUP'S STRENGTH AND ITS COMMITMENT TO SOCIETY WERE BROUGHT TO LIGHT.

Ibercaja achieved a high level of commercial activity, overcoming the difficulties of the surroundings. Noteworthy is the growth in key segments for the bank's business strategy, such as investment funds and pension plans, whose market shares scale to historical highs.

- Growth in the management of assets and life insurance of 4.9%, despite the complicated market environment, tied to that of deposits (+10.4%), enables **retail customer funds** to grow by **7.9%.**
- **Net attractions in investment funds**, 1,167 million euros, increased the market share to 5.52%, up **46 basis points** on last December. Likewise, in **pension plans,** the market share, 5.91%, rose by **7 basis points.** The combined market share in asset management and life insurance was 5.0%.
- **Arrangements of loans**, **6,424 million euros**, increased notably by 18.2% on those of 2019. Those aimed at **non-real estate productive assets**, 3,762 million euros, rise by **32.0%**, in response to the lending needs of SMEs and self-employed workers. The new operations to **acquire homes** also maintain a **good rate**, with progress of **25.6%**, which has enabled the Bank to earn a market share in this segment.
- The **digitalisation strategy** has been decisive in the exceptional circumstances of the year making customer care possible without reducing service quality. Total **digital customers** grew by 10.0% in the year, to 842,486, thanks to the increase in users of the mobile App (+20.7%) and of Ibercaja Pay (+148.4%), and **76% of the transactions** are now made by digital channels, as opposed to 72% at the end of 2019. In turn, 8.5% of the mortgages signed from the second quarter and 75% of consumer loans were made on digital devices.

The generation of earnings has been conditioned by negative interest rates, the provisions to cover the potential economic impact of the pandemic on the loan portfolio and the extraordinary expenses associated with the layoff plan agreed with the trade union representatives.

- The **interest margin** was hit by the **repricing of the loan portfolio,** due to the fall in the rates curve and the **lower contribution of the debt portfolio**. Meanwhile, **fees** decreased due to the economic recession and the performance of financial markets.
- **Operating costs without extraordinary costs** fell by **5.4%,** as a result of the decline in staff costs and other general administration costs, the result of the effort being made by the Bank in the digitalisation and streamlining of processes.
- In December, Ibercaja signed a layoff plan with **workers' representatives** which could be availed of by up to a maximum of 750 people. Employee departures will be scaled until June 2022. Paid redundancies have meant an **extraordinary expense of 151 million euros**. This initiative intended to streamline overheads is encompassed within a strategic objective of improving the Group's efficiency and productivity.
- The Bank provisioned **90 million euros** in the year, due to the credit risk, aimed at covering possible economic contingencies arising from COVID-19. The **cost of the risk** reached **71 basis points** and, isolating the extraordinary write-down, it was reduced to **43 basis points**.
- Without considering the extraordinary provision for COVID-19, profit before tax amounted to 143 million euros, up 11.5% on 2019.

The reduction in non-performing assets has continued to improve the Group's risk profile which, together with the strengthening of the solvency ratios, places Ibercaja in a favourable position to successfully face the unexpected change in the economic scenario.

- **Doubtful assets** dropped by **21.7%, as opposed to 2.7% of the sector** (last information at November), with the default rate falling by 76 basis points to **3.2%**.
- The **aggregate of problem exposure, doubtful and foreclosed assets** was reduced by 286 million euros. The **problem asset rate**, **5.1%,** has fallen by 71 basis points since December last year. The **coverage ratio** of these assets, **62.2%,** rose by 10.6 percentage points due to the extraordinary provisions recognised in the year.
- The **CET1 fully loaded ratio**, 12.59%, **rose 124 basis points**, while the total capital ratio rose to 17.26% (+181 bp vs. December 2019), comfortably exceeding, in both cases, the SREP 2020 requirements.

- The Bank has attained the strategic objectives relating to solvency ratios, the reduction of NPAs and the coverage ratio of problem assets set out in the 2018-2020 Strategic Plan.
- The Group has a **sound funding structure** based on the deposits of retail customers that account for **78.4%** of external funding, so the retail loan-to-deposit (LTD) ratio is below 100%. The **Group's liquid assets** represent **25.6% of the balance sheet** and comfortably cover all wholesale debt maturities.

Key indicators

FIGURES ROUNDED TO MILLION EUROS AND %

BALANCE SHEET	31/12/2020	31/12/2019	Var. %
Total assets	58,401	55,422	5.4
Gross loans and advances to customers	31,590	32,563	(3.0)
Performing loan portfolio exc. reverse repurchase agreements	28,956	29,654	(2.4)
Total retail resources	65,411	60,643	7.9
Equity	3,218	3,241	(0.7)
Retail turnover	94,367	90,297	4.5

RESULTS	31/12/2020	31/12/2019	Var. %
Net interest income	534	547	(2.5)
Gross income	1,002	927	8.1
Income before write-offs	283	326	(13.2)
Profit/(loss) attributable to the Parent	24	84	(71.9)

EFFICIENCY AND PROFITABILITY	31/12/2020	31/12/2019	Change
Recurring cost-to-income (ordinary expenses/recurring revenues)	62.5	63.7	(1.2) pp
ROA (profit attributable to the parent company/total average assets)	0.04	0.16	(0.12) pp
RORWA (profit attributable to the parent company/APR)	0.1	0.4	(0.3) pp
ROE (profit attributable to the parent company/average own funds)	0.8	3.0	(2.2) pp
ROTE (profit attributable to the parent company/average tangible own funds)	0.9	3.2	(2.3) pp

RISK MANAGEMENT	31/12/2020	31/12/2019	Change
Non-performing balances (loans and advances to customers)	1,013	1,293	(21.7%)
Non-performance rate of loans and advances to customers (%)	3.2	4.0	(0.8) pp
Ratio of Problem assets (%)	5.1	5.8	(0.7) pp
Coverage of doubtful risks	647	644	0.5%
Nonperforming loans coverage ratio (%)	63.9	49.8	14.1 pp
Coverage of exposure to distressed assets (%)	62.2	51.6	10.6 pp

LIQUIDITY	31/12/2020	31/12/2019	Change
Liquid assets / Total assets	25.6	20.7	4.9 pp
Loan-to-deposit ratio (LtD)	81.1	92.5	(11.4) pp
LCR ratio (%)	468.1	307.1	161.0 pp
NSFR ratio (%)	151.5	131.4	20.1 pp

SOLVENCY	31/12/2020	31/12/2019	Change
CET1, phase-in (%)	13.62	12.27	1.35 pp
Solvency ratio, phase-in (%)	18.27	16.36	1.91 pp
Leverage ratio, phase-in (%)	6.26	5.85	0.41 pp
CET1 - fully loaded (%)	12.59	11.35	1.24 pp
Total capital, fully loaded (%)	17.26	15.45	1.81 pp
Leverage ratio, fully loaded (%)	5.85	5.48	0.37 pp

ADDITIONAL INFORMATION	31/12/2020	31/12/2019	Var. %
No. Group employees	5,307	5,304	0.1
No. of offices	1,031	1,084	(4.9)

5.2 Analysis of the main balance sheet figures

102-7, 103-1, 103-2

SIGNIFICANT PROGRESS OF RETAIL CUSTOMER FUNDS WHILE ASSET QUALITY INDICATORS WERE REINFORCED IN A CRISIS SCENARIO.

Key figures on the consolidated balance sheet:

FIGURES ROUNDED TO MILLION EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Cash and credit institutions	7,884	4,573	3,311	72.4
Loans and advances to customers	30,942	31,919	(977)	(3.1)
Securities portfolio	16,465	15,787	678	4.3
Tangible assets	961	984	(23)	(2.3)
Intangible assets	237	213	25	11.5
Other assets	1,911	1,947	(36)	(1.8)
Total assets	**58,401**	**55,422**	**2,979**	**5.4**
Deposits from credit institutions and central banks	6,579	5,933	646	10.9
Customer deposits	37,881	34,925	2,957	8.5
Debt securities issued	1,341	1,480	(140)	(9.4)
Liabilities under insurance contracts	7,522	7,785	(263)	(3.4)
Provisions	393	316	77	24.5
Other liabilities	1,466	1,742	(276)	(15.8)
Total liabilities	**55,182**	**52,181**	**3,001**	**5.8**
Equity	**3,218**	**3,241**	**(23)**	**(0.7)**
Total equity and liabilities	**58,401**	**55,422**	**2,979**	**5.4**

Assets

Total assets on the consolidated balance sheet came to **58,401 million euros**, 5.4% more than at year-end 2019.

Loans and advances to customers recognised as financial assets at amortised cost and financial assets not held for trading which must be measured at fair value through profit or loss came to **30,942 million euros**, 3.1% less than at year-end 2019. In gross terms, i.e., without value adjustments for impairment of assets and other impairments, the loan portfolio amounted to 31,590 million euros. Sound investment, excluding non-performing assets and the temporary acquisition of assets, 28,956 million euros, fell by 2.4%.

The **arrangement of loans and credits** **totalled 6,424 million euros**, up 18.2% on 2019, with a clear prominence of financing for non-real estate productive activities (+32.0%), which represented 59% of the total, boosted by the granting of ICO credit facilities guaranteed by the State. Private home purchase loans totalled 22% of new production, with a rise of 25.6% in the year. In this housing segment, noteworthy was the granting of fixed-rate mortgages, which accounted for little more than 40% of the total in 2019 to 80% at present. This jump is the result of an attractive offer which has enabled 78 basis points of market share of new production to be won in 12 months. By geographical markets, the Home Markets and Madrid accounted for 37% and 30%, respectively, of lending in the year, while 18% was for the Mediterranean Basin. Additionally, **the arrangement of working capital loans** for companies generated **6,441 million euros**.

DISTRIBUTION OF LOANS AND ADVANCES TO CUSTOMERS BY PURPOSE:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Loans to households	20,383	20,524	(141)	(0.7)
Housing	18,615	18,932	(317)	(1.7)
Consumer loans and other	1,768	1,592	176	11.1
Loans to companies	7,498	7,718	(221)	(2.9)
Real estate development	941	1,058	(117)	(11.1)
Non-real estate productive activities	6,557	6,661	(104)	(1.6)
Public sector and other	1,075	1,412	(337)	(23.9)
Gross loans, ex impairments and reverse repos	**28,956**	**29,654**	**(699)**	**(2.4)**
Reverse repurchase agreement	1,621	1,616	5	0.3
Impaired assets	1,013	1,293	(280)	(21.7)
Loans and advances to customers, gross	**31,590**	**32,563**	**(974)**	**(3.0)**
Impairment losses and others	(647)	(644)	(3)	(0.5)
Loans and advances to customers	**30,942**	**31,919**	**(977)**	**(3.1)**

Performing **loans allocated to productive activities** amounted to 7,498 million euros, representing a decrease of 2.9%. Within this segment, the **funding of non-real estate productive assets** dropped by 1.6%, due to the loss, in the fourth quarter, of the initial promotion of ICO loans, and to the contraction of working capital loans and leasing, as a result of the fall in activities and of investment at a large number of companies. **Home loans** fell by 0.7%. Its main component, **home loans**, dipped by 1.7%. The significant increase in new production of 25.6% was insufficient to counteract the natural portfolio maturities. In turn, consumer and other home loans, with a limited weight with respect to total investment, rose by 11.1%, due to the effect of advance payments for pensioners, while consumer loans fell.

Asset **quality indicators performed well**. Impaired loans and advances to customers, 1,013 million euros, fell by 21.7%, due to the reduced rate of additions with respect to 2019. This contraction was considerably greater than that of the sector (-2.7% with the latest Bank of Spain information from November). The default rate, 3.2%, fell by 76 basis points on 2019 year-end. The home acquisition rate, the highest exposure within the Group's portfolio, was 2.3%, and its doubtful assets, with a lower expected loss due to the associated collateral, represented 43% of total impaired assets, as opposed to 29% in the sector. The coverage ratio of non-performing exposure rose by over 14 percentage points to 63.9%.

ASSET QUALITY INDICATORS (DOUBTFUL ASSETS, FORECLOSED ASSETS AND COVERAGE):

MILLIONS OF EUROS AND %

	31/12/2020	31/12/2019
Non-performing loans and advances to customers	1,013	1,293
Loans and advances to customers (gross)	31,590	32,563
Non-performance rate of loans and advances to customers (%)	**3.2**	**4.0**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,632	1,918
Exposure (loans and advances to customers + repossessed assets)	32,209	33,188
Problem asset ratio (%)	**5.1**	**5.8**
Non-performing loans and advances to customers	1,013	1,293
Coverage of non-performing exposures	647	644
Coverage of non-performing risks (%)	**63.9**	**49.8**
Foreclosed assets (gross carrying amount)	620	625
Coverage of foreclosed assets	367	346
Coverage ratio of foreclosed assets (%)	**59.3**	**55.4**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,632	1,918
Coverage of Problem assets	1,014	990
Coverage rate of Problem assets (%)	**62.2**	**51.6**
Distressed assets (non-performing loans and advances to customers + repossessions)	1,632	1,918
Equity and problem asset coverage	3,875	3,812
Texas Ratio (%)	**42.1**	**50.3**

The **portfolio of foreclosed properties** recorded under the balance sheet captions "Investment property", "Inventories" and "Non-current assets held for sale", totals **620 million euros** gross, down 0.9% on 2019 year-end. Although additions fell (-1.9%), sales dipped due to the paralysation of the economy and the housing market. Coverage of these real estate assets was up by almost 4 percentage points to 59.3%, climbing to almost 65.8% in the case of land. The net value of foreclosed properties stood at 252 million euros, representing just 0.4% of the balance sheet.

Problem assets, amounting to **1,632 million euros**, the sum of non-performing loans and advances to customers and foreclosed properties, fell 286 million euros or 14.9% in relative terms. After deducting coverage, they account for 1.1% of assets. The ratio of problem assets, 5.1%, fell by 71 basis points and the coverage ratio amounted to 62.2%, up 10.5 percentage points on December 2019. The Texas ratio, which relates problem assets to equity and coverage, decreased to 42.1%, thus improving by 8.2 percentage points in the last 12 months.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. **Refinanced loans** amounted to **737 million euros**, down 25.5% on year-end 2019 and accounting for 2.3% of gross loans and advances to customers. 67.5% of refinanced loans are classified as non-performing and their coverage is 38.4%.

The **portfolio of fixed income securities, shares and other equity interests in Group companies** amounted to **16,465 million euros**, of which 7,556 million euros relate to the insurance activity.

The **banking activity portfolio**, 8,909 million euros, rose by 637 million euros in the year.

- The ALCO portfolio administered by the Parent, 8,439 million euros, rose by 714 million. It is made up of low-risk bonds, mainly Spanish government debt (63%) and Sareb bonds (20%), with an average duration, including coverage, of 3.9 years. The objective here is to soundly manage balance sheet interest rate risk, generate recurring earnings to strengthen interest margins and help maintain comfortable levels of liquidity. According to the accounting classification, almost 99% of these financial assets are classified at amortised cost. In 2020, the Bank sold national public debt securities, classified at amortised cost, for a nominal value of 1,382 million euros. The result obtained and booked under "Result from financial transactions" amounted to 115 million euros. This sale was made in response to the extraordinary circumstances of the COVID-19 pandemic and the unusual scale of the challenges involved.

- Equity, 430 million euros, comprised investments in unlisted companies in strategic sectors for the Bank or intended for the territorial development of the regions in which the Bank operates, together with listed shares of domestic and foreign companies. In the year, it fell by 50 million euros, mainly due to the sale of a holding in 4.45% of Caser's capital.

The **insurance activity portfolio** amounted to 7,556 million euros, with a rise of 41 million euros.

- Fixed income, 6,702 million euros, mainly formed by Spanish public debt and bank borrowings, fell by 501 million euros. These assets are mainly classified as “Financial assets at fair value through other comprehensive income”.

- Equity, 855 million euros, rose by 542 million euros, owing to Ibercaja Vida's increased investment in units in investment funds that are managed jointly with liabilities under insurance contracts (unit-linked) measured at fair value.

DETAILS OF SECURITIES PORTFOLIO:

BY ACCOUNTING CLASSIFICATION	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**852**	**364**	**488**	**134.3**
Debt securities	28	79	(51)	(64.4)
Equity instruments	824	285	539	189.3
Financial assets at fair value through profit or loss	**9**	**9**	**0**	**(3.8)**
Debt securities	9	9	0	(3.8)
Financial assets at fair value through other comprehensive income	**7,023**	**8,086**	**(1,063)**	**(13.1)**
Debt securities	6,669	7,689	(1,019)	(13.3)
Equity instruments	354	398	(44)	(11.0)
Financial assets at amortised cost	**8,474**	**7,218**	**1,256**	**17.4**
Investments in joint ventures and associates	**107**	**110**	**(3)**	**(3.0)**
Total securities portfolio	**16,465**	**15,787**	**678**	**4.3**

BY ACTIVITY AREA	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Banking business	**8,909**	**8,272**	**637**	**7.7**
From which fixed income / ALCO portfolio	8,439	7,725	714	9.3
From which equity	430	480	(50)	(10.5)
Insurance business	**7,556**	**7,515**	**41**	**0.5**
From which fixed income portfolio	6,702	7,203	(501)	(7.0)
From which equity	855	312	542	173.7
Total securities portfolio	**16,465**	**15,787**	**678**	**4.3**

The **balance of assets at central banks and credit institutions and in cash**, **7,884 million euros**, increased by 3,311 million euros, and mainly concentrated in cash balances at central banks. This increase is due to the financing obtained from the ECB, after participating in the TLTRO III, and to the increased liquidity arising from the growth of retail deposits.

The **liability-side positions facing central banks and credit entities** amounted to **6,579 million euros**, 646 million euros more than in 2019. The **financing from the ECB**, 5,371 million euros, rose by 3,742 million euros, a movement that is explained by the maturity of financing relating to the TLTRO II programme (1,650 million euros) and the awarding of 5,400 million euros in the TLTRO III auction in June 2020. The deposits of credit institutions, 1,208 million euros, fell by 3,096 million euros, mainly as a result of the maturity of short-term operations on the monetary market performed in December 2019.

BREAKDOWN OF CASH AND ASSETS AT CREDIT INSTITUTIONS AND DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Cash and cash balances at central banks and other demand deposits	7,573	3,929	3,643	92.7
Credit institutions (financial assets at amortised cost)	312	644	(332)	(51.6)
Cash and credit institutions	**7,884**	**4,573**	**3,311**	**72.4**
Central bank deposits	5,371	1,629	3,742	229.7
Deposits from credit entities	1,208	4,304	(3,096)	(71.9)
Deposits from credit institutions and central banks	**6,579**	**5,933**	**646**	**10.9**

Tangible assets total led **961 million euros**, with a decrease in the year of 2.3%, largely on account of the reduction in investment property and property, plant and equipment for own use. **Intangibles assets**, **237 million euros**, comprise goodwill, other items generated from the acquisition of Caja3 and computer software. The increase of 11.5% year-on-year relates to the investment in strategic projects derived from the Plan+ 2020.

Tax assets total **1,345 million euros** and, within this heading, monetisable assets, whose recoverability does not depend on future tax earnings, amounted to 629 million euros.

Equity and liabilities

Customer deposits, **37,881 million** euros, increased by 2,957 million euros or 8.5% in relative terms. Minority deposits, demand savings and traditional time deposits without mortgage-backed bonds or repos grow by 10.4% year-on-year, amply offsetting maturity, 217 million euros of singular mortgage bonds. The uncertainty generated by the healthcare crisis and the contraction of consumption boosted family savings. In turn, taking advantage of ICO guarantee facilities, companies have stored up liquidity, to face the consequences of a halt in activity and a decline in demand. The most liquid deposits, demand accounts, rose by 4,505 million euros or 15.8%, as a result of the increased savings tendency and the transfer (in the amount of 1,112 million euros) from traditional time deposits, which fell by 26.1%, due to low profitability in line with the performance of market interest rates.

Debt securities issued, **1,341 million euros**, dropped by 140 million euros, due to the maturity of mortgage-backed bonds (87 million euros in nominal value) and securitisation liabilities (51 million euros in nominal value). In January, Ibercaja made a repo offer to holders of the subordinated debt emission performed in 2015. At the same time, it made a new emission of 500 million euros, expected to mature on 23 July 2030 at an initial cost, 2.75%, lower than that of the 2015 emission. The new bonds count as level 2 (Tier 2) capital instruments, for the purposes of shareholder equity requirements, in line with Regulation (EU) 575/2013, of 26 June 2013, on the prudential requirements of credit institutions and investment companies.

Liabilities **under insurance or reinsurance contracts**, **7,522 million euros**, fall 3.4% as a result of the negative impact of low interest rates on the performance of savings-life insurance.

Retail customer loans increased by 7.9% to **65,411 million euros**. The growth in minority deposits indicated previously was accompanied by that of safe assets under management, which accounted for 45% of the total, grew 4.9%, driven by the Bank's policy of directing savings towards products with greater expectations of returns for the customer and by the capital gains accumulated during the year.

DETAILS OF TOTAL RETAIL CUSTOMER FUNDS:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Retail deposits	36,165	32,772	3,393	10.4
Demand deposits	33,014	28,509	4,505	15.8
Term deposits (exc. mortgage-backed bonds)	3,151	4,263	(1,112)	(26.1)
Asset management and insurance	29,246	27,870	1,375	4.9
Total retail customer loans	**65,411**	**60,643**	**4,768**	**7.9**

Provisions on the liability side of the balance sheet, **393 million euros**, comprise funds for pensions and similar commitments, outstanding labour costs and other provisions. The new provisions recognised (mainly the employment cost associated with the layoff plan agreed with a majority of the workers' representatives in December), the use of balances from previous years and the reversion due to the prescription of contingencies associated with employment costs gave rise to a net variation in the balance of 77 million euros.

Equity totalled **3,218 million euros,** representing 23 million euros less than at 2019 year-end. The growth in Shareholders' equity of 22 million euros only partially offsets the reduction by 44 million euros "under" Other accumulated comprehensive income", due to the decrease in unrealised gains tied to equity instruments and debt securities.

5.3 Income statement

103-1, 103-2

IBERCAJA EARMARKS 90 MILLION TO COVER POSSIBLE CONTINGENCIES ARISING FROM COVID-19.

Main headings of the income statement:

	ROUNDED FIGURES IN MILLIONS OF EUROS			CHANGE	% ATA (*)	
	31/12/2020	31/12/2019	CHANGE	(%)	DEC-20	DEC-19
Net interest income	**534**	**547**	**(14)**	**(2.5)**	**0.96**	**1.04**
Net commissions and exchange differences	375	395	(20)	(5.0)	0.68	0.75
Gains/(losses) on financial assets and liabilities	119	7	112	-	0.21	0.01
Other operating profit/(loss)	(26)	(23)	(3)	(15.1)	(0.05)	(0.04)
Other operating income/expense	(32)	(36)	4	10.9	(0.06)	(0.07)
Dividends	5	13	(7)	(58.8)	0.01	0.02
Earnings at equity-accounted entities	1	0	0	34.3	0.00	0.00
Gross income	**1,002**	**927**	**75**	**8.1**	**1.81**	**1.76**
Operating expenses	719	600	118	19.7	1.30	1.14
. of which: recurring expenses	567	600	(33)	(5.4)	1.02	1.14
Profit before write-downs	**283**	**326**	**(43)**	**(13.2)**	**0.51**	**0.62**
Provisions, impairments and other write-offs	226	185	41	22.4	0.41	0.35
. of which: COVID-19 write-downs	90	-	90	-	0.16	-
Other gains and losses	(4)	(13)	9	69.8	(0.01)	(0.03)
Profit/(loss) before tax	**53**	**129**	**(75)**	**(58.4)**	**0.10**	**0.24**
Taxes	30	45	(15)	(33.1)	0.05	0.08
Consolidated profit/(loss) for the year	**24**	**84**	**(60)**	**(71.9)**	**0.04**	**0.16**
Profit/(loss) attributable to the Parent	**24**	**84**	**(60)**	**(71.9)**	**0.04**	**0.16**
(*) AVERAGE TOTAL ASSETS	**55,479**	**52,780**	**2,699**	**5.1**		

The **interest margin**, **534 million euros**, fell by 2.5% year-on-year, due to the fall in loan income, the lower contribution of the fixed-income portfolio and the lower contribution of the Group's insurance business. Part of these negative impacts were counteracted by the lower cost of retail and wholesale financing, the favourable conditions of the loan obtained from the ECB in response to the crisis and the saving of finance costs originated by the measures adopted by the ECB in October 2019, increasing the excess liquidity with respect to the cash ratio not penalised at negative rates.

Loan **income** dropped by 8.4%, due to the fall-off in the volume of the portfolio and the lower unitary returns. The average rate, 1.36%, shrunk by 9 basis points in a year, as a consequence of the reappreciation of the mortgage loan portfolio following the drop in the 12-month Euribor (8 bp average in the year) and the arrangement of ICO loans at reduced rates. In turn, the **retail saving cost** fell due to the lower balance and the rate of term deposits and the collection, in certain circumstances, of payable balances into company sight accounts. The **customer spread**, 1.37%, fell by 6 basis points in the year.

The **return on the fixed-income portfolio**, **57 million euros**, represents 8.9% of total finance income. The y-o-y decrease of 18% is due to the rate reduction (0.66% vs. 0.97% in 2019), due to the portfolio rotation offset partially by the higher average balance.

The **cost of wholesale issues** **53 million euros**, fell by 20.0% as a result of the repurchase and repayment of wholesale subordinated debt issued in 2015 and the subsequent issue of 500 million euros at a lower rate, together with the maturity of unrenewed mortgage-backed bonds.

The **spread on the Group's balance sheet was** **0.96%**, representing 8 basis points below that recognised in 2019.

BREAKDOWN OF INTEREST MARGIN:

	YEAR 2020			YEAR 2019			CHANGE 20/19		
(FIGURES ROUNDED TO MILLIONS OF EUROS)	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	BALANCE AVERAGE	RETURN / COST	RETURN / COST (%)	EFFECT VOLUME	EFFECT RATE	CHANGE NET
Financial intermediaries	6,234	38	0.60	3,868	14	0.36	9	15	24
Loans and advances to customers (a)	29,400	399	1.36	29,919	435	1.45	(8)	(28)	(36)
Fixed income portfolio	8,526	57	0.66	7,115	69	0.97	14	(26)	(12)
Income from insurance activity	7,634	138	1.81	7,511	145	1.92	2	(9)	(7)
Other assets	3,685	1	---	4,367	1	---	0	0	0
ASSETS (c)	**55,479**	**633**	**1.14**	**52,780**	**664**	**1.26**	**34**	**(65)**	**(31)**
Financial intermediaries	5,085	13	0.26	4,211	10	0.24	2	1	3
Retail deposits (b)	34,333	(3)	(0,01)	31,688	5	0.02	0	(8)	(8)
Wholesale issues	3,254	53	1.61	3,877	66	1.69	(10)	(3)	(13)
Costs of insurance activity	7,632	32	0.41	7,765	32	0.41	0	0	0
Other liabilities	5,175	4	---	5,239	4	---	0	0	1
LIABILITIES (d)	**55,479**	**99**	**0.18**	**52,780**	**116**	**0.22**	**6**	**(23)**	**(17)**
Customer spread (a-b)			**1.37**			**1.43**			
Balance sheet spread (c-d)			**0.96**			**1.04**			

Note: In accordance with accounting standards, income from application of negative interest rates is recognised by nature. "Financial intermediaries" on the assets side includes the negative interest on the financial intermediaries' balances on the liabilities side, the most significant of which is the income from TLTRO II. Symmetrically, "Financial intermediaries" on the liabilities side includes negative interest on the balances of financial intermediaries on the assets side.

The **net fees and exchange differences** total **375 million euros**, down 5.0% on 2019. Those arising from the marketing and management of assets fell by 5.3%, due to the reduction of contingent fees due to market performance. Fees arising from banking activities decreased by 4.7%, directly affected mainly by the decline in payment methods on reducing store activity, ATM transactions and card payments in foreign currency as a result of the health crisis.

BREAKDOWN OF NET FEES:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Fees for contingent liabilities and commitments	12	14	(2)	(12.7)
Collection and payment services fees	113	118	(5)	(3.8)
Securities services fees	39	62	(23)	(36.6)
Non-bank financial product marketing fees	207	195	11	5.7
Other fees	20	24	(4)	(16.1)
Fees received	**391**	**412**	**(22)**	**(5.2)**
Fees paid	**17**	**19**	**(2)**	**(10.7)**
Exchange differences	**1**	**1**	**0**	**(22.7)**
Net fees and commissions and exchange differences	**375**	**395**	**(20)**	**(5.0)**
Fees for marketing and asset management	230	243	(13)	(5.3)
Banking fees and commissions	145	152	(7)	(4.7)

Recurring revenues, the aggregation of interest margins and net fees, **909 million euros**, dipped by 3.5%, affected basically by the fluctuations in the rates curve, lower fees tied to market performance and the repercussion on commercial transactions of the reduced economic activities as a result of the pandemic.

Dividend income amounted to **5 million euros**. The drop of 7 million euros in the year is due to the absence of that arising from Caser, following the partial sale of the holding.

Gains **from lending transactions** stood at **119 million euros**. This heading basically includes the gains arising from the sale of a Spanish public debt securities portfolio (115 million euros) and the positive impact of the disposal of a written-off loans portfolio (3 million euros).

The **net amount of other operating income and expenses** reduced the gross margin by **32 million euros**, down 4 million on 2019. This heading includes, among others, income and expenses covered by insurance or reinsurance contracts, income and expenses from non-financial activities and contributions to the Deposit Guarantee Fund (53.3 million euros), the National Resolution Fund (11.1 million euros) and the expense of the provision to convert deferred tax assets into an account receivable from the Spanish tax authorities (3.4 million euros). It also includes the initial recognition of 15 million euros, as part of the 70 million euros already received by Ibercaja Mediación, for the signing of the novation agreement modifying Caser's non-life insurance distribution contract.

After adding the share of profit or loss at entities accounted for using the equity method, the **gross margin** totalled **1,002 million euros**, up 8.1% on 2019.

Operating costs, **719 million euros**, rose by 19.7% in the year, due to the expenses incurred from the lay-off plan agreed upon with trade union representatives in December. Excluding this impact, the drop would be 5.4%, in line with the strategic objective of cost containment and improved efficiency. Staff costs without extraordinary expenses fell by 2.6%, while all other general administrative expenses and amortisation dropped by 9.7%, mainly due to the maintenance saving and the lease of buildings, communications and displacements, advertising and publicity, and the amortisation charges following the modification of the software's useful life.

BREAKDOWN OF OPERATING EXPENSES:

ROUNDED FIGURES IN MILLIONS OF EUROS

	31/12/2020	31/12/2019	CHANGE	CHANGE (%)
Wages and salaries	264	270	(6)	(2.3)
Social security contributions	69	71	(2)	(3.3)
Contribution to pension funds and insurance policies	18	17	0	2.6
Severance payments	151	-	-	-
Other staff costs	1	3	(1)	(53.2)
Personnel expenses	**503**	**361**	**142**	**39.2**
Buildings, installations and office equipment	26	31	(4)	(13.9)
Systems maintenance, licences, IT development and software	22	22	0	2.1
Communications	11	12	(1)	(10.2)
Advertising and publicity	5	6	(1)	(22.9)
Charges and taxes	20	20	0	2.3
Other management and administration expenses	68	81	(13)	(15.8)
Other general administrative expenses	**153**	**172**	**(19)**	**(11,0)**
Depreciation and amortisation	**63**	**67**	**(4)**	**(6.4)**
Operating expenses	**719**	**600**	**118**	**19.7**
Operating expenses without workforce adjustment costs	**567**	**600**	**(33)**	**(5.4)**
Staff costs ex WAP costs	352	361	(9)	(2.6)
Other general administrative expenses + amortisation	216	239	(23)	(9.7)

The **cost-to-income ratio**, defined as the quotient of recurring operating expenses and gross income, stood at **56.6%**. The **recurring cost-to-income ratio**, measured as recurring expenses over recurring revenues, **62.5%**, improved by 125 basis points from one year earlier.

Recurring income before write-downs, defined as the net interest margin and fees less operating expenses, came to **341 million euros**, a very similar level to one year earlier (-0.2%).

All provisions and write-downs recognised in impairment losses on financial assets, non-financial assets, non-current assets on sale and period provisions, 226 million euros, totalled 22.4% more than in December 2019. The **write-downs of loans and foreclosed properties**, **233 million euros**, rose by 99 million euros on 2019, on recognising a provision for credit risk of 90 million euros, aimed to cover the potential impact of the economic effects associated with COVID-19. The **cost of the Group's risk**, calculated as the percentage of impairments on loans and real estate in relation to average exposure, is **71 basis points**. Excluding the extraordinary provision, it would be reduced by **43 basis points**, slightly up on 2019 (40 basis points), although to a level in line with the new economic framework.

Under **"Provisions",** which includes provisions for pensions, litigation, pending tax disputes, commitments and guarantees granted and other provisions, **a release of 14 million euros** was recognised. It essentially relates to the net result of a contingency provision related with land clauses, the reversal of provisions recognised in 2019 associated with the repurchases of subordinated bonds and the prescription of a contingency tied to employment costs.

"Other gains and losses" include the results of the sale of property, plant and equipment and business interests, as well as the payment of fees for the marketing of foreclosed properties. Under this heading, earnings fell by **4 million euros**, compared to 13 million euros last year, mainly due to the improved earnings on the sale of property for own use and the reduction of the fees paid for the marketing of real estate assets.

The Group's **profit before tax amounted to** **53 million euros**. After deducting the corporate income tax expense, **the net profit attributable to the Parent** was **24 million euros**.

5.4 Funding and liquidity structure

THE GROUP'S COMFORTABLE LIQUIDITY POSITION IMPROVED DURING THE CURRENT CRISIS SITUATION.

*Ibercaja stands out due to its **diversified**, **prudent** and **balanced** liquidity management.*

Ibercaja has traditionally employed a **conservative liquidity policy**, as it seeks to finance the growth of its lending activity with retail customer funds. The Bank prudently manages its liquidity and ensures that its sources of financing are balanced and well-diversified, anticipating fund needs so as to honour its obligations as these fall due without conditioning its investment activity to the climate of wholesale financing markets.

The basic principles governing its **strategy** are: active management through a **continuous control system** based on internal limits and indicators documented in the Liquidity Manual, establishment of **measures and actions in crisis scenarios** (Contingency Plan), taking advantage of the different **alternatives offered by the market** to diversify the investment both in terms and in instruments of maximum liquidity, and maintaining a significant **buffer of collateral at the ECB** to face possible tensions.

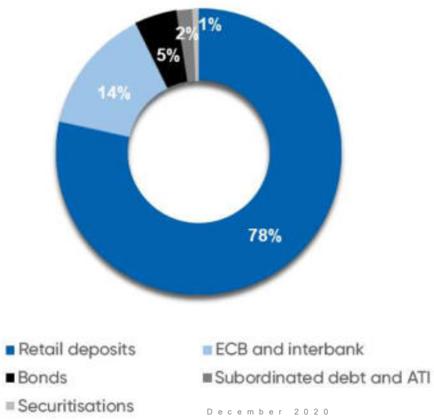
Liquidity risk is measured by taking into account the **estimated cash flows from assets and liabilities,** as well as any **additional collateral or instruments** that may be needed to ensure alternative sources of liquidity. **Short, medium and long-term outlooks** are prepared in order to gauge financing needs and comply with limits. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown in the balance sheet, as well as contingent liabilities and derivative products. Liquidity risk is also controlled by establishing **exposure limits**, within ranges that are compatible with the approved policies.

Note 3.8. to the 2020 financial statements provides a more detailed explanation of the Bank's strategy and policies to manage liquidity risk, as well as the associated measurement and control procedures.

BREAKDOWN OF FINANCING STRUCTURE:

Retail customer deposits are the **main source of external funding, accounting for 78.4% of the total**. The loan to deposit ratio (LTD) stands at 81.1%. In 2020, it dropped by more than 11 percentage points, as a result of the rise in deposits of 10.4%, due to an increased savings tendency since the start of the crisis.

Wholesale financing complements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.



Deposits from central banks, **5,371 million euros**, rose by 3,742 million euros. In June, the outstanding amount of the TLTRO II matured and 5,400 million euros were taken in the TLTRO III auction, long-term financing established by the ECB to maintain favourable bank loan conditions and a fluid transmission of monetary policy. Hence, its weight in the whole of external funding rose from 3.8% in December 2019 to 11.70% at 2020 year-end.

Deposits from credit institutions, **1,208 million euros**, represent 2.6% of external financing, as compared with 10.1% at the end of 2019. The decrease, of 3,096 million euros, was due to the maturity of short-term transactions on the monetary market performed in December 2019.

Customer deposits, which account for 82.2% of total financing (81.9% in 2019), rose 8.5% from 34,925 million euros in December 2019 to **37,881 million euros** at 2020 year-end. The growth in retail deposits, 10.4% y-o-y, offset the maturity of single mortgage-backed bonds (217 million euros in nominal terms).

Debt securities issued, **1,341 million euros**, fell 9.4%, representing 2.9% of external financing (3.5% in 2019). The reduction relates to the maturity of mortgage-backed bonds (87 million euros) and securitisation liabilities (51 million euros). In 2020, a new subordinated debt emission was carried out for a nominal amount of 500 million euros, to refinance the issue made for the same amount in 2015, from which 359.60 million euros were repurchased over the first semester of 2020 and the rest was repaid in July.

COMPOSITION OF EXTERNAL FUNDING:

ROUNDED FIGURES IN MILLIONS OF EUROS Y %.	31/12/2020		31/12/2019		Change	
	BALANCE	%	BALANCE	%	BALANCE	%
Central bank deposits	5,371	11.7	1,629	3.8	3,742	229.7
Deposits from credit institutions	1,208	2.6	4,304	10.1	(3,096)	(71.9)
Customer deposits	37,881	82.2	34,925	81.9	2,957	8.5
Of which: retail deposits	36,165	78.4	32,772	76.8	3,393	10.4
Debt securities issued	1,341	2.9	1,480	3.5	(140)	(9.4)
AT1 issue	300	0.7	317	0.7	(17)	(5.4)
Outside Funding	**46,101**	**100,0**	**42,656**	**100.0**	**3,446**	**8.1**
Retail financing	36,165	78.4	32,772	76.8	3,393	10.4
Wholesale financing	9,936	21.6	9,883	23.2	53	0.5

Available liquidity, **14,959 million euros**, increased by 3,492 million euros to account for 25.6% of assets. Virtually all of these assets are eligible as collateral with the ECB. Meanwhile, the Bank's capacity to issue mortgage-backed bonds and public sector-backed bonds was 8,380 million euros, **bringing total fund availability** to **23,339 million euros**.

The **LCR**, which measures the level of high quality liquid assets free from charges to overcome a 30-day liquidity stress scenario, stood at **468.1%,** extremely above the 100% threshold demanded by the regulations and 161 percentage points above the 2019 year-end figure. In turn, the **NSFR** ratio stood at **151.5%,** above the regulatory minimum of 100% required from June 2021. This indicator expresses the proportion of financing at one year covered with stable liabilities and intends to ensure a balanced structure of the balance sheet, limiting the excessive dependency on short-term wholesaler financing.

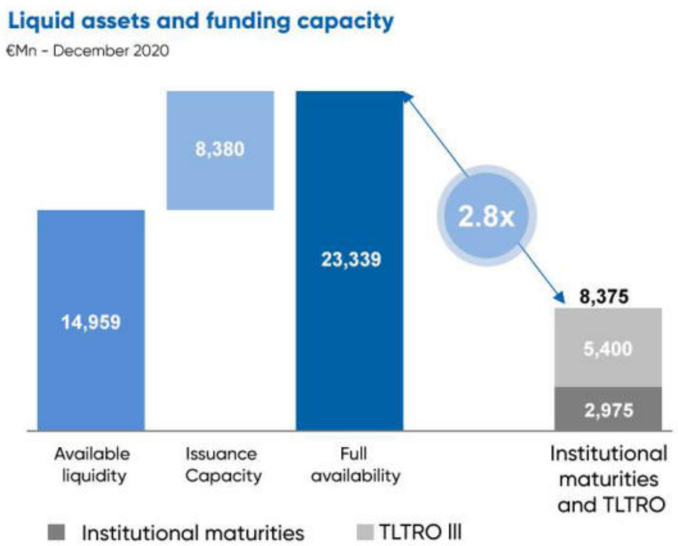
LIQUIDITY INDICATORS:

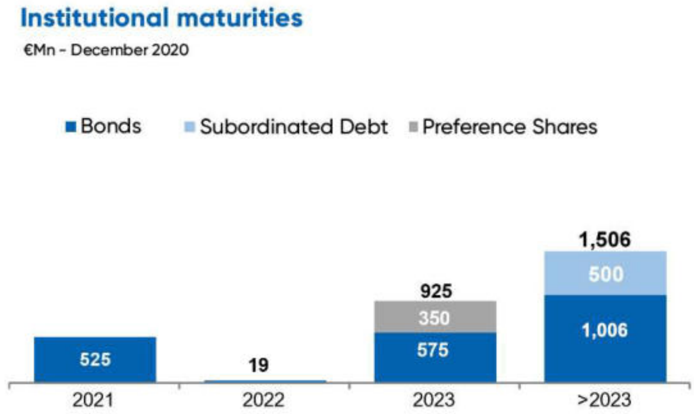
ROUNDED FIGURES IN MILLIONS OF EUROS Y %.	31/12/2020	31/12/2019
Cash and central banks	7,320	3,671
Available in policy	892	4,983
Eligible off-policy assets	6,421	2,432
Other assets not eligible for ECB	327	381
Available liquidity	**14,959**	**11,468**
Issuance capacity for mortgage covered and public sector mortgage-backed bonds	8,380	7,307
Total availability of liquidity	**23,339**	**18,775**

Available liquidity / total assets (%)	25.6	20.7
Loan-to-deposit ratio (%)	81.1	92.5
LCR (%)	468.1	307.1
NSFR (%)	151.5	131.4

The amount of the ECB policy available is 892 million euros, following the drawdown of 5,400 million TLTROs III in the June auction. Almost all of the Bank's other eligible assets not pledged under ECB facilities are Spanish public debt and would allow the Bank to obtain further liquidity immediately if needed.

The **maturities of wholesale market issuances** present a staggered redemption schedule through to 2027. The total liquidity available, 23,339 million euros, covers 2.8 times the debt maturities and the amount taken in the TLTROs III auction.





EXPECTED TENDENCIES AND FLUCTUATION WITH RESPECT TO LIQUIDITY:

Following the impact of the coronavirus crisis, the tension caused on markets at the outset was normalised as a result of the measures adopted by the Central Banks. The ECB made extraordinary liquidity facilities available to banks, together with other support, such as the possibility of operating by relaxing regulatory limits. Also, the retail customer deposit base was increased alongside the reduction in consumption and the increase in the savings tendency. In this scenario, **the Group has adequate short- and medium-term liquidity levels, in line both with the internal management and regulatory limits**. Likewise, it is necessary to take into account the high weight of retail financing, the scant significance of wholesale emissions and their staggered maturity. However, if, due to the uncertainties arising from the Coronavirus crisis, liquidity tensions rise or the loan market contracts, which affects liquidity and the deposit base, the Group, aside from its current comfortable liquidity position, has various financing sources (issuance of senior debt and mortgage-backed bonds, and the recourse to ECB financing through the pledge of fixed income, own issues and asset securitisation) and, where appropriate, it would implement the specific Contingency Plan established for crisis situations.

5.5 Capital management

SOLVENCY RATIOS FAR EXCEED REGULATORY REQUIREMENTS.

Ibercaja seeks to maintain an adequate relationship between ***risk profile*** *and* ***own funds.***

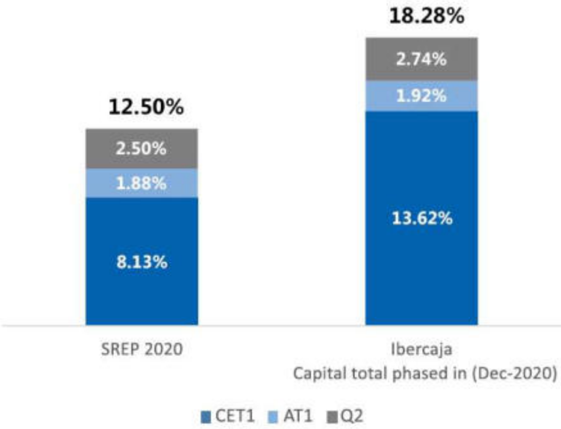
The **Group's capital management** is designed to ensure **that regulatory requirements are fulfilled at all times and to maintain an adequate relationship between the risk profile and own funds**. Capital adequacy is self-assessed by the Bank on a regular basis through processes to identify, measure and aggregate risks in order to determine the capital needed to cover them. Above and beyond minimum regulatory capital requirements, the Group sets itself a capital target that exceeds actual needs and it forecasts capital sources and consumption on the basis of business performance and expected results in the mid term.

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, Ibercaja Banco will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11/2015 of 18 June 2015, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity.

The ECB has temporarily relaxed the capital and operating requirements of the credit entities in response to the situation caused by the pandemic. In this regard, the banks can partially use capital instruments not classified as ordinary level 1 capital (CET1) to comply with Pillar 2 requirements (P2R). In this regard, a measure was brought forward that was initially envisaged to enter into force in January 2021, as part of the latest review of the Capital Requirement Directive (CRD V). On 8 April, the ECB notified Ibercaja of its decision to modify the prudential requirements established as part of the Supervisory Review and Evaluation Process (SREP) of 25 November 2019.

On the basis of the foregoing, the Bank must maintain a **Common Equity Tier 1 (CET1) ratio** of **8.125%** and a **total capital ratio** of. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (1.125% for CET1 and 2% for total capital) and the capital conservation buffer (2.5%).

CAPITAL BUFFERS



The new Bank Recovery and Resolution Directive (BRRD2), which entered into force in December 2020, establishes 1 January 2024 as the date to comply with the **MREL requirements** and with an intermediate requirement that must be met on 1 January 2022. Both must be expressed as a percentage of the assets weighted by risk and of the exposure to the leverage ratio. **From 1 January 2024**, the Group must have a percentage of shareholders' equity and admissible assets of **18.42% of RWAs (20.93% including the combined capital buffer requirement)**. The requirement **in terms of leverage ratio was 5.24%**. The intermediate requirement at 1 January 2022 is 15.38% with respect to RWAs (17.88% including the combined capital buffer requirement) and 5.24% in terms of leverage ratio. The MREL ratio of the Ibercaja Group at 2020 year-end amounted to **18.27%** of the risk-weighted assets and to **7.36%** of the exposure to the leverage ratio, **levels among those demanded for 2022**. The requirements established for 1 January 2024 are aligned with the Bank's financing and capital plan.

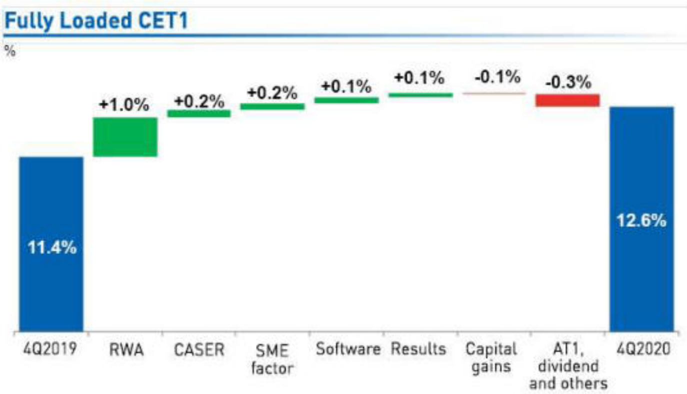
Total eligible own funds came to 3,335 million euros and represent a **solvency ratio** of **18.27%,** with an increase of 191 basis points in the year. The **CET1 phased in ratio**, which measures the relationship between Tier 1 capital and risk-weighted assets, was **13.62%,** increasing 135 basis points in the year. These capital levels imply, based on the SREP requirements communicated by the Supervisor, an excess of CET1 and total Capital of 5.49 and 5.77 percentage points, respectively.

SOLVENCY PERFORMANCE AND KEY INDICES:

(MILLIONS OF EUROS AND %)	PHASED IN		FULLY LOADED	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Tier 1 capital	2,835	2,848	2,640	2,656
Common Equity Tier 1	2,485	2,498	2,290	2,306
Additional Tier 1 capital	350	350	350	350
Tier 2 capital	500	483	500	483
Eligible own funds	3,335	3,331	3,140	3,138
Risk-weighted assets	18,248	20,363	18,191	20,312
RWA density (RWAs/total assets)	31.25	36.74	---	---
CET1 (%)	**13.62**	**12.27**	**12.59**	**11.35**
AT1 (%)	**1.92**	**1.72**	**1.92**	**1.72**
Tier I (%)	**15.53**	**13.99**	**14.51**	**13,07**
Tier II (%)	**2.74**	**2.37**	**2.75**	**2.38**
Solvency ratio (%)	**18.27**	**16.36**	**17.26**	**15.45**
Leverage ratio (%)	**6.26**	**5.85**	**5.85**	**5.48**
Ratio MREL to RWAs (%)	**18.27**			
Ratio MREL to LRE (%)	**7.36**			

In fully loaded, the total capital ratio **amounts to** 181 basis points up to **17.26%,** while the **CET1** amounts to **12.59%,** which represents a growth of 124 basis points in the year. This increase in the CET1 ratio is explained mainly by the fall in weighted risk assets, caused by the changes in credit and the financing backed by the State, the sale of the holding in Caser, the application of the new regulations on the capital weighting of the loans earmarked to SMEs, the entry into force of the prudential treatment of software and the organic generation of capital via results.

BREAKDOWN OF THE CET1 FULLY LOADED RATIO



The **fully loaded leverage ratio**, **5.85%**, is well above the benchmark requirements. In 2020, in line with the *Quick Fix* regulations, the exemption is applied to calculate the exposure of deposits at central banks.

In accordance with the definition of distributable items in the CRR regulations, the balance of these items at Ibercaja Banco individually, at 31 December 2020, amounted to **324 million euros**.

6 COMMITMENT TO SUSTAINABILITY: PROGRESS IN ITS MANAGEMENT

6.1 Sustainability strategy

102-12, 102-15, 102-16, 102-19, 102-20, 102-21, 102-26, 102-28, 102-30, 102-31, 102-32, 102-43, 102-44, 103-1, 103-2, 103-3

THE CHALLENGE THAT IBERCAJA HAS TAKEN ON IS TO ENSURE THAT THE BUSINESS OBJECTIVES PROMOTE SUSTAINABLE DEVELOPMENT, PRESERVING NATURAL RESOURCES AND PROMOTING A MORE JUST AND INCLUSIVE SOCIETY.

In recent years there has been an unprecedented institutional, social and business mobilisation to respond to the major sustainability challenges: environmental, social and good governance (ESG).

The global adoption in 2015 of the **Paris Agreement on Climate Change** and the UN **Sustainable Development Goals** aims to move towards a more sustainable economy, which improves the future of our planet and of future generations. To support these goals, the European Union, through the **European Green Deal**, sets the goal of making Europe the first carbon-neutral continent by 2050 and expects the financial sector to play an active and relevant role in this transition, as established in the **Action Plan for Financing Sustainable Growth**.

*Ibercaja is aware of the **challenge** of **sustainability**:*
"Consider environmental impact (including climate and biodiversity), social, human and economic impact in business decisions to achieve long-term sustainable value creation."

Since the start, Ibercaja has been an entity with a clear social commitment to the development of its activity, focused on supporting the country, the business fabric and the most vulnerable groups. Along these lines, it continues moving forward to respond to the growing sustainability-related needs.

Corporate purpose
"Help people build their life story because it will be our story"

In the course of its financial activity, Ibercaja considers that its actions should promote a balance between economic growth, social cohesion and the preservation of the environment, in accordance with its **corporate purpose**: "*To help people build the story of their lives*". For this reason, Ibercaja is firmly committed to the Sustainable Development Goals of the 2030 Agenda, and it is a signatory of the **United Nations Principles for Responsible Banking** to advance in the setting up of a sustainable banking system.

The **challenge** that Ibercaja has taken on is to ensure that the business objectives promote sustainable development, preserving natural resources and promoting a more just and inclusive society. To do this, it is progressing with the integration of ESG (environmental, social and good governance) aspects in the strategy and in decision-making.

IBERCAJA'S SUSTAINABILITY STRATEGY IS BASED ON FIVE PILLARS:

1. **ESG RISKS:** identification and management for their gradual integration into the Entity's global risk analysis.

2. **SUSTAINABLE BUSINESS:** analyzing needs and identifying opportunities for business development to accompany clients in the transition to a sustainable economy, including climate change.

3. **PEOPLE:** comprehensive development of employees, providing them with the necessary training for the new context, and promoting a balance of work, personal and family life.

4. **TRANSPARENCY** for all its stakeholders, promoting communication of both financial and non-financial aspects of the business.

5. **PROTECTION OF THE ENVIRONMENT** and its resources, mitigating climate change and favouring the development of a more inclusive and egalitarian **society**.

On 11 December, the Board of Directors approved the **Sustainability Policy**, as a declaration of its firm desire to contribute to the development of a more sustainable economy and financial activity, aligned with the principles, guidelines and current regulations on the matter. This policy demonstrates and formalises the Group's **commitment** to sustainable development and value creation through its activity. Furthermore, it establishes the global **action framework** for the Group in matters of **sustainability**, containing the commitments voluntarily assumed by Ibercaja with its stakeholders to promote long-term sustainable, inclusive and environmentally-friendly growth.

Principles of sustainability

SUSTAINABLE DEVELOPMENT IS BASED ON CERTAIN **PRINCIPLES OF ACTION** THAT COVER ANY TYPE OF ACTIVITY OR DECISION TO BE ADDRESSED:

- Maximum respect for and promotion of **ethics and good governance**.
- Promotion of the **Sustainable Development Goals of the 2030 Agenda**, promoting the goals they pursue through its business activity.
- **Defence of human rights** in line with the UN Global Compact.
- Promotion of the **personal and professional development** of employees.
- Prudent and global management of all **financial and non-financial risks**.
- Defence of **transparency**, promoting clear, complete and truthful communication.
- Contribution to **social integration**.
- **Defence of the environment**, contributing to the decarbonisation of the economy and promoting sustainable activities, aligned with the objectives of the Paris Agreement and the European Green Deal.

IBERCAJA HAS CREATED A GOVERNANCE STRUCTURE ENABLING IT TO ADEQUATELY MANAGE SUSTAINABILITY

Additionally, the following **Committees and Working Groups have been set up**:

- **The Sustainability Communication Working Group**, with a cross-cutting function, aims to define messages and plan contents and channels to achieve a greater scope and effectiveness of said communication.
- **Environment Team**, comprising volunteer employees from various areas and departments, who are asked to come up with actions for raising awareness and promoting the best environmental practices across the Group.
- **Family Responsible Company Committee**, responsible for implementing the frc plan to ensure a healthy balance between the personal, family and working lives of employees. Ibercaja has earned the FRC (Family Responsible Company) badge, which certifies its proactive commitment to ensuring a suitable work-life balance.

Ibercaja is also a signatory of the **UN Principles of Responsible Banking**, as a framework for action of a financial system that acts as a lever for sustainable development.

THE PRINCIPLES TO WHICH WE ARE COMMITTED ARE:

1. **Alignment** of our commercial strategy with SDGs.
2. **Impact:** increase our positive impacts and reduce negative impacts; manage ESG risks.
3. **Customers:** acting responsibly and promoting sustainable practices and activities.
4. **Stakeholders:** active listening, participation and collaboration with stakeholders to achieve ESG objectives.
5. **Corporate governance and goal setting:** effective corporate governance and responsible banking culture; ambitious targets for our impacts.
6. **Transparency and Accountability:** Review our implementation of the Principles and be transparent in reporting on our positive and negative impacts and our contribution to society.

The Bank also forms part of the UNEP-FI **United Nations Environment Programme Finance Initiative**, which seeks to mobilise private sector financing for sustainable development by fostering a financial sector that generates positive impacts for people and the planet.

Ibercaja's objective with such initiatives is that they serve as a lever to continue improving our impact on the environment and our contribution to society.

In 2019, Ibercaja abided by the recommendations of the **Task Force on Climate Related Financial Disclosures (TCFD)**, as a guide for the preparation of climate-related information.

There is a growing demand from organisations to understand, in order to properly assess and report on climate-related risks. Therefore, the Financial Stability Board promoted these recommendations with the aim of publishing consistent, reliable, comparable and clear climate-related financial information that will enable investors to take into account climate-related risks and help adapt to climate change. Hence, Ibercaja will progress in this area by providing information in the four areas recommended by the TCFD.

Other sustainability commitments

IBERCAJA HAS ADHERED, AMONG OTHERS, TO THE FOLLOWING INITIATIVES REFLECTING ITS COMMITMENT TO SUSTAINABILITY:

- Since 2005, Ibercaja has prepared its Annual Report in line with the GRI **(Global Reporting Initiative)** standards, providing true information on financial and non-financial aspects.
- Ibercaja Banco has been a signatory of the **United Nations Global Compact** since 2006, confirming that the activity carried out is performed in accordance with the principles established by this initiative, with the Bank reporting annually on its involvement.
- It participates in the **Sectoral Sustainable Finance Group and in the Sustainability Observatory**, coordinated by CECABank, in which legislative progress and supervisory expectations in the area of sustainability are analysed to identify the applicable requirements and to provide a response through action plans.
- It works in alignment with the **Sustainable Development Goals** of the 2030 Agenda, also supporting their internal and external distribution.
- In 2019, Ibercaja Banco became part of the **Business Commitment for a Fair Transition**, promoted by the CEOE, which was presented at the United Nations Climate Action Summit held in New York in October of that year.
- In 2019, Ibercaja's CEO included the Bank in the **New Deal For Europe, "CEOs call to action"** initiative, which shows the commitment of European companies to sustainability.
- Ibercaja signed the **Alliance #CEOPorLaDiversidad**, led by the Adecco Foundation and the CEOE Foundation, which reinforces the inclusive model that the Bank works on.
- **Collective Commitment to Climate Action**: In December 2019, Ibercaja signed the Spanish financial sector's climate commitment within the framework of COP25, promoted by the AEB, CECA and ICO. The agreement specifies the collective commitment of the main Spanish banks to measure the carbon footprint of their balance sheets and reduce the climate impact of their financial activity.
- Ibercaja has been awarded the **RSA and RSA+seals** by the Aragón Government since 2017 (year in which they were created), thereby acknowledging those companies in the Autonomous Community that are committed to corporate social responsibility.
- In 2019, the Bank obtained the **frc certificate as a family responsible company,** granted by the More Family Foundation. This certification recognises companies committed to the well-being of their employees and promotes the active management of work-life balance and equality.

  Ibercaja Pensión has been a signatory of the UNPRI (United Nations Principles for Responsible Investment) since 2011, and has published its Socially Responsible Investment Policy on its webpage (www.ibercaja.es).

6.2 Our contribution to the Sustainable Development Goals

THE 2030 AGENDA OF THE UNITED NATIONS AIMS TO ACHIEVE A BETTER FAIRER AND MORE INCLUSIVE WORLD FOR ALL THROUGH ITS SUSTAINABLE DEVELOPMENT GOALS.

In 2015, the United Nations 2030 Agenda was adopted, according to which 193 countries committed ourselves to the **Sustainable Development Goals** by 2030. These are seventeen ambitious goals to achieve a better planet: reducing inequalities, eradicating poverty and combating climate change.

In order to achieve these objectives, the collaboration of all is necessary: society and the public and private sectors. Agenda 2030 is a **call to action** for businesses around the world, to achieve a new model of development whose success would mean a move towards a global economy that is much more responsible and inclusive for people and the planet.

The business strategy of companies must also take into account social, environmental and good governance aspects, to achieve *"sustainable development for all that meets the needs of the present, without compromising the requirements of future generations"*.

In this line, financial institutions have to play a very important role, among other areas, in the mobilisation of the capital flows needed to finance sustainable development.

> ***Ibercaja** is firmly **committed to the SDGs** to move in this direction.*

The SDG serve as a guide at the Entity to progress in sustainability matters and carry out specific actions, focusing specifically on those in which our contribution can be greater. Sustainable action is part and parcel of the Bank's internal management model and inspires all of the Bank's business activities.

In order to achieve maximum effectiveness, efforts are aligned especially with those Objectives more directly linked to financial activity and the activities of the Shareholder Foundations.

In 2018, Ibercaja carried out a **materiality analysis of the SDGs**, to detect those SDGs in which Ibercaja has the greatest capacity to expand its impact and to launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. The result was a **graph that shows the importance of the Goals and visibilises those SDGs that are most relevant to Ibercaja,** in which we can make the greatest contribution.

THE FOLLOWING GOALS ARE PRIORITISED AS A RESULT OF THIS REFLECTION

THE MAIN **PROJECTS CARRIED OUT AT IBERCAJA** IN 2020 AND THAT HAVE MOST CONTRIBUTED TO ACHIEVING THESE GOALS ARE AS FOLLOWS:

3 GOOD HEALTH AND WELL-BEING

- **frc/efr certification** as a family responsible company.
- Social benefits and work-life balance measures for the people who make up the Entity.
- Promotion and awareness of **healthy living habits**, both internally and externally.
- Sports sponsorship and the organisation of popular and specialised sporting trials, which promote the **most** extensive participation possible.
- Strengthening the participation of employees therein, reinforcing the values of effort and teamwork, along with the benefits for **health**.
- Creation of the internal communication channel **Ibercaja with you**, from which healthy habits and information in this area are promoted.

4 QUALITY EDUCATION

- **In-house training** for the largest number of professionals in both financial and sustainability matters, actively contributing to the development of internal talent.
- Organisation of talks, conferences and seminars and **educational activities** for companies and society in general.
- ***"Educa Initiative"***, developed by the Ibercaja Foundation, focused on parents and educators, placing at their disposal proposals that contribute to completing the education of youngsters and actively promoting their development.
- ***"Basic Finance Programme"***, aimed at people of all ages, to promote financial education.

5 GENDER EQUALITY

- Linking the **principle of equality** to all people management policies.
- **Promotion of the on-going development** of skills and abilities, managing talent, which does not discriminate against gender.
- **Plan Leader**, a programme that promotes female leadership at the Entity, eliminating barriers to achieving gender equality.
- **Work-life balance measures** that allow all employees to achieve a balance between their personal, family and work life.

8 DECENT WORK AND ECONOMIC GROWTH

- Approval of **Ibercaja's** Sustainability Policy.
- Promoting the inspiring **leadership model**, which encourages communication and participation, creating an appealing environment to attract and retain talent.
- Partnership agreements with Special Employment Centres and entities that promote **the inclusion on the labour market** of people with disabilities or at risk of exclusion.
- Internship programme for university students with the Human Age Institute Foundation focused on **disabled students**.
- Boosting growth in their territories of action, participating in the main projects and developing programmes to promote **entrepreneurs**.
- ***Ecosystem + Company*** Meeting and inspiration point for entrepreneurs and companies, where they can learn and share the latest trends.
- Training to companies in essential management aspects.

- **Technological transformation**, the main lever for change in business models.
- **Ibercaja Mobile Banking**, the main digital pledge in the area of individual customers.
- **Ibercaja Pay**: payment via cell phone. Ibercaja customers can now register their cards with the main payment platforms.
- ***Mobility City Project*** on new mobility in cities and the transformation of companies and services in the sector.
- Adaptations at ATMs and websites to improve **universal accessibility** to financial services.

- **Ibercaja's environmental policy**, implemented at the organisation to minimise the negative impacts of our activity on the environment.
- **Environmental Management System** implemented and certified pursuant to ISO Standard 14001-2015.
- **WITHOUT PLASTICS team,** formed by professionals of the entity, which promotes a better use of plastic, reducing and using recycled and recyclable materials.
- **Internal and external environmental** awareness-raising campaigns.
- Internal **environmental suggestions mailbox** to channel the concerns of our people.
- Development of **SRI products** with ESG criteria.

- Active collaboration through agreements with the main economic and social players of the territories in which it operates.
- Alliances that favour significant progress in **sustainability** and socially responsible investment.
- The **main initiatives** of which Ibercaja forms part are:

6.3 Commitment to customers

102-6, 102-7, 102-43, 102-44, 103-1, 103-2, 103-3

CUSTOMERS ARE THE HEART OF THE ENTITY'S STRATEGY, WITH SERVICE QUALITY AND ADVICE BEING ITS HALLMARKS.

Hence, Ibercaja's Sustainability Policy includes the following **commitments** assumed by the Bank **with its customers**:

- Work on **getting to know each customer in depth**, to always offer them the products, services and information they need, adapted to their expectations and requirements.
- Align business strategy with the **United Nations Principles of Responsible Banking:**
    - Identifying **impacts and needs** derived from sustainable development.
    - **Adapting the offer** to respond to these new needs, which promote sustainable business models and practices.
    - **Sensitising** our customers in the necessary transition towards a decarbonised economy, also **identifying** their **sustainability preferences**.
- Helping our customers to optimise the management of their finances, in a simple way, with the best **advice, tools and information**, thereby promoting their financial education.
- Paying special attention to **transparency in the communication and marketing of products**, providing the necessary information for the customer to be able to make informed advised decisions, avoiding information manipulation and protecting their integrity and honour.
- Always protecting the **confidentiality** of customer data, maintaining the highest security standards.
- Establishing efficient **dialogue channels** that allow us to listen to our customers, as a basis for long-term mutual commitment, offering the **highest quality of service**.
- Providing maximum diligence to **prevent and avoid the financing of illegal practices**, complying with the Regulations for the Prevention of Money Laundering and Terrorist Financing.

IMPACT ANALYSIS

To provide a response to the commitment of aligning its commercial strategy with the Principles of Responsible Banking, in 2020, the Bank commenced an **analysis of both the physical and transition impacts that climate risks** may have in Spain, focusing this analysis on its main areas of action and on those economic sectors in which it has the greatest presence.

The study was conducted by economic sectors (with a focus on agricultural and industrial segments and services), analysing their exposure to climate change risks (physical and transition), with the objectives of:

- Identifying sectors potentially most affected by climate change
- Identify new needs for adaptation to climate change
- Identify potential risks
- Identify related business opportunities

To assess risk exposure, the Bank is also working on **a geographical distribution analysis** of its investments with collateral, using the reports prepared by ESPON (European Spatial Planning Observation Network).

The analysis on the impact of physical risk on different sectors considered **the importance of the sector on the economy**, through its contribution to the GDP, and its participation in Ibercaja's risk portfolio structure.

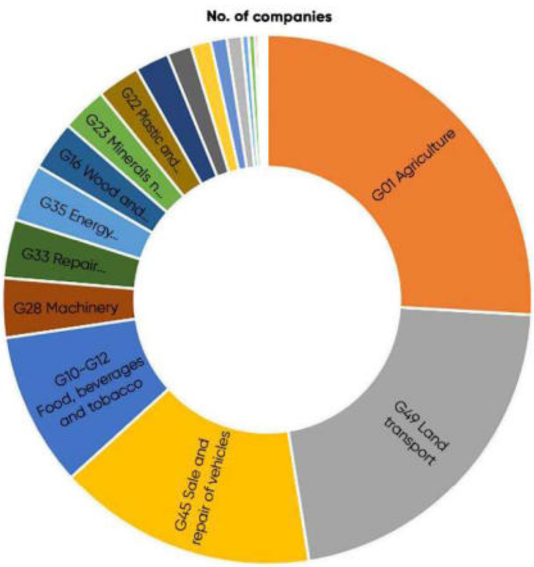
*The **objective** is to make progress in the **identification of the climate change impact on our business environment**.*

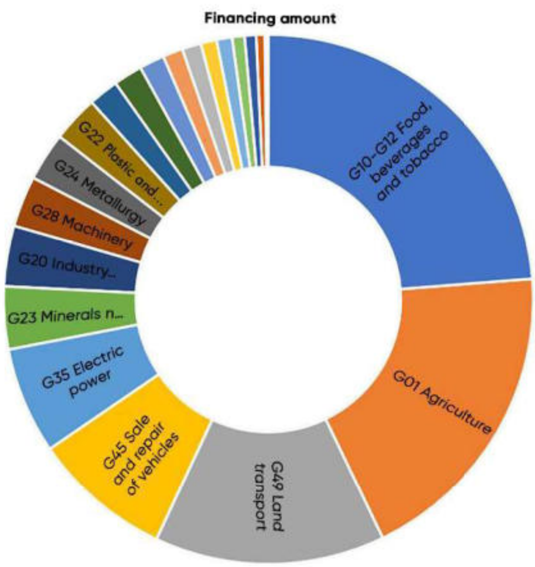
Furthermore, an initial **mapping of corporate loan portfolios was made**, in accordance with the branches of activity potentially more affected by transition climate change (according to a study published by the Bank of Spain).

It focuses on the transition risks, since they could affect the credit rating of that exposure that is potentially more affected:

- most polluting sectors
- exposed to technological changes
- exposed to changes in consumer preferences

We analyse the portfolio by activity sector, so that once the more important sectors have been identified, we can focus on customers with the greatest weight, seeking the 80/20 rule to obtain the best effect from the actions that may be taken.





This **impact analysis** has served to **detect the needs of each of the sectors** analysed and to examine a series of alternatives and solutions that the Entity may propose to its customers.

The solutions and opportunities identified are based on advisory services, supported in the Bank's distribution network and in business partnership projects promoted by the Bank, such as ***Ecosystem+Companies***, until defining new products and services that may be included in the commercial offering, which help the customer to resolve the needs considered and facilitate the launch of new financing products to aid access to the solutions examined.

CUSTOMER ANALYSIS

To succeed in defining a **commercial offering adapted to customer needs**, an initial analysis was commenced of customers that have already taken out sustainable investment products, obtaining interesting conclusions that will help in the definition of new products to complete the sustainable range, which is set up both from an investment and a financial viewpoint.

Sustainable investment products have been very well received among savers. In investment funds, the Bank has **Ibercaja Sostenible y Solidario** and **Ibercaja Megatrends** which, after identifying three trends (technology, environment and sustainability and demography), channels savings by investing, under these criteria, in companies all over the world. In pension plans, the Bank launched the **Ibercaja Trust Sustainable** plan, extending the offering of its ESG range to three plans, within its commitment to sustainable investment. The new plan is therefore linked to the **Solidarity and Sustainable Pensions Plan** and to the **Sustainable Europe Pension Plan**.

In terms of financing, the Bank has worked on the development of new products that will be included in its commercial offering to be able to help customers on the road towards sustainability. On most occasions, the improvement of efficiency requires an investment and a common factor of these products will be access to **special financing conditions** when addressing the following aims:

- Improved **energy efficiency** in buildings (property owners' associations and individuals)
- Acquisition of **homes with a high energy rating**
- Purchase or renting of vehicles for **sustainable mobility**

Furthermore, the Bank is working with different public authorities at local, autonomous community and national level on projects to provide access to financing in special conditions to improve the energy efficiency of buildings, especially aimed at individuals and property owners' associations.

Ibercaja has created a **new department** in the Marketing Division, **Sustainable Finance**, to align the commercial strategy with the Principles of Responsible Banking signed and to work to contribute to the attainment of **Sustainable Development Goals** promoted by the United Nations.

To attain the goals intended, it is necessary to **include all Bank employees** and to ensure the involvement of customers and of the population in the area in which activities are performed. **Alliances with companies** from different sectors will be fostered, which help to offer customers sustainable solutions for energy consumption, displacements and economic activities, etc.

UNIVERSAL ACCESSIBILITY

At the end of 2019, the **Service for Deaf People** was launched to support accessibility to financial products for people with hearing disabilities. It is available to all the Entity's customers and is provided in person at the Main Office in Zaragoza.

In response to its commitment to ***promote universal accessibility*** *to financial services, Ibercaja has implemented various improvements* ***to its customer service channels****.*

In the first quarter of the year, considering those with visual impairment, **new ATMs included a high contrast screen** to enable information to be more easily viewed.

In the same line, a new mobile banking function was implemented, known as **Voice Over**, which enables **those with visual impairment**, “to hear” the fields and data presented on the screen and the interactions made by them.

Mobile banking App initiation mode: in summer Ibercaja launched this new service that allows those customers who have never used online banking to familiarise themselves with it in a simple way. Users of this new tool will benefit from the professional advisory services of experts, which will help them to resolve any queries. Especially aimed at older people, this project has been developed based on an Innovative Boost initiative (which favours innovation through Bank employee proposals), with the collaboration of COAPEMA (Aragón Board for the Elderly).

CUSTOMER SERVICES

To facilitate **communication with its customers**, Ibercaja has established the **Customer Services Department** so that they can submit their complaints, claims, suggestions and proposals for improvement. A total of 16.237 requests were processed during the year. Details of the data and variations with respect to 2019 are included below:

REQUESTS ATTENDED TO BY CUSTOMER SERVICES

TYPES	2019	2020	VAR. 20/19
Floor clauses	596	622	4.3%
Arrangement fees	3,738	6,340	41%
Claims and complaints	7,139	9,233	29.3%
Suggestions	36	42	16.6%
Total (*)	**11,509**	**16,237**	**41%**

(*) Total 2019 figures do not coincide that those contributed in the 2019 Directors' Report, since the Personal Data Protection rights are no longer dealt with by this Service and have not been included.

Increased claims regarding arrangement expenses are due to the changes in case law and to the use of out-of-court claims by the legal defence department of certain customers,–as a strategy to interrupt the prescription of procedures, especially in the last month of the year.

As to the so-called “floor clauses”, recent figures reflect the Bank's work in recent years to resolve this type of claim.

It must also be highlighted that 286 complaints were made in relation to COVID-19 in 2020.

The **average time to resolve complaints and claims** is around **21 days**, both at the Customer Services Department (17 days in 2019) and in the special floor clause service (22 days in 2019), both within the prevailing legislation. At 31 December 2020, the Customer Services Department had managed **82.2%** of all claims received (95.2% in 2019). The reason for the drop in this ratio is the huge number of claims in December, which were managed in subsequent weeks.

The most significant novelty in this year was the performance by Customer Services of a new procedure to pay mortgage loan arrangement expenses to avoid these claims becoming legal complaints, both if the claim comes from a solicitor and if it is made by the customer directly to achieve a saving in legal costs for the Bank, from August of this year, following the rulings of the CJEU of16 July 2020 and of the SC 457/2020 of 24 July.

Ibercaja did not halt Customer Service activities during the State of Alarm

Of note was the **non-interruption of Customer Services activities** during a single day during the State of Alarm, in its evident necessary function of resolving complaints and claims in the periods stipulated by the applicable regulations, both standard claims and those relating to COVID-19. Furthermore, it resolved multiple enquiries from branches and customers, especially in the first few days when the uncertainty was at its highest level.

Also worthy of mention is its boosting role in adapting Ibercaja to the new criteria established by the Bank of Spain in its annual report to improve procedures in the collection of expenses arising from claims for debtor positions and in management fees for the testamentary report.

6.4 Commitment to our employees

102-7, 102-8, 102-10, 102-12, 102-35, 102-36, 102-43, 102-44, 103-1, 103-2, 103-3, 401-2

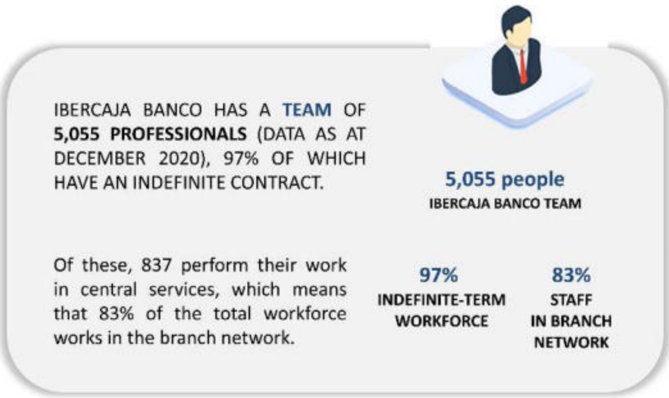
THE DEDICATION AND PROFESSIONALISM OF THE PEOPLE WHO WORK AT IBERCAJA AND THEIR INVOLVEMENT AND COMMITMENT TO THE PROJECT MAKE THEM THE MAIN AMBASSADORS OF THE BRAND.

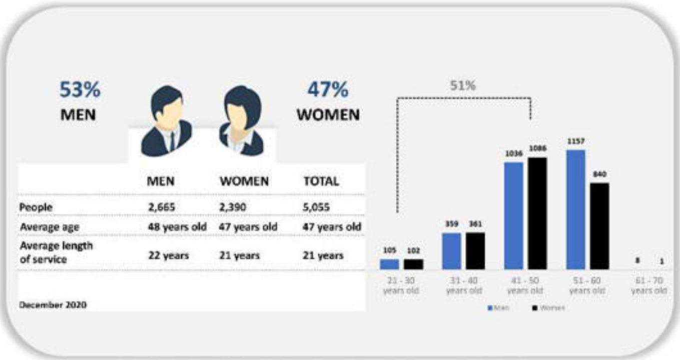
*The **people** who work at Ibercaja are the **fundamental pillar** on which the Bank consolidates its project.*

As an organisation that knows the value of people and with the aim of shaping an efficient organisation with the capacity to respond to future challenges, Ibercaja takes on the commitments **with its people with gratitude**:

- Ensuring that all Ibercaja employees act under principles and standards of ethical and responsible conduct, complying with the Bank's **Code of Ethics**.
- Encouraging the **balance of personal, family and professional life**, applying flexibility measures to balance employee and company needs.
- Promoting the **continuous development of their abilities** and skills, identifying and responding to current and future training needs and enabling access to knowledge.
- Promoting a **sustainability culture** in Ibercaja employees, raising awareness of social and environmental problems and providing the necessary training so that they integrate it in the performance of their functions and their daily activity.
- Preserving the safety and protection of its employees, actively promoting their **overall health and well-being**.
- Promoting **diversity** among its professionals, rejecting all forms of discrimination and promoting **equal opportunities**.
- Maintaining **open and transparent communication**, establishing the necessary channels and tools and promoting ascending and descending communication channels that encourage active participation.
- Fostering **open and transparent dialogue** with employee representatives, as the fundamental base of labour relations.
- Promoting **corporate volunteer work** in order to actively contribute to society and reinforce the pride of belonging to the Group.

The Group has **5,307 employees**, of which 5,055 work for the **parent**. **97%** of the Ibercaja Banco workforce have **permanent contracts**, the average length of service stands at 21 years and the average age is 47 years. The employees of Ibercaja Banco are fully covered by the collective agreement.





Women currently account for **47%**, of the workforce, having increased significantly in recent years (37% in 2005, 44% in 2014, 45% in 2015, 46% in 2016) and remaining stable in the last three years (48% in 2018 and 2019). In the under-50 age bracket, **51%** of employees were female; this means that the percentage of women in the Bank's average age is one point higher than that of men.

People management in 2020. Writing the future…

2020 was characterised by the management of the health crisis caused by COVID-19. A year that will undoubtedly mark the before and after of people management. Never before, have we been so close to the feeling of cooperation, mainstreaming, mutual assistance…

*In 2020 we have learned to put what is **important** first health and well-being of people.*

Taking care of **health**, **communication** and **resilience** were the **pillars to succeed in moving forward,** despite the difficulties caused by working under pandemic conditions, being an essential service for the Company.

But we have also been capable of reinventing ourselves and continuing our roadmap by adapting to a new reality. We have been innovative, mainstream, collaborative, flexible, we have progressed along the path of **digitalisation** and we have also included **new working systems**, such as remote working, mobility or flexible timetables.

The social distance imposed required an **extra dose of leadership** and "virtual proximity", discovering a new connectivity among people that goes beyond technology.

And now what…? Now is the time to write the future, a future full of uncertainties but also of opportunities. At the People Area Division we have the **challenge** of being catalysts of change, involving our professionals in feeling, now more than ever, the purpose of our organisation:

Our purpose

"Help people build their life story because it will be our story"

MANAGEMENT OF THE HEALTH CRISIS CAUSED BY COVID-19

As a result of the pandemic caused by COVID-19, we have had to face an unprecedented crisis, which evidenced the importance of **management focused on overseeing the health and well-being of people**, without forgetting **to guarantee the viability of the business project**.

To be able to minimise the impact of the crisis and be capable of reacting quickly, the **main actions** performed from the People Area Department as a response to this crisis, are grouped together into **three main blocks**:

HEALTH AND SAFETY

With the objective always set on the **health protection** of both our employees and of our customers, the Bank's Prevention Service has managed the health crisis from **four areas**:

Ibercaja has been an example of preventive management thanks to the team created ad hoc and to the collaborative work to control the crisis.

1. **Prevention.**
2. **Early detection.**
3. **Reduced impact.**
4. **Ongoing monitoring.**

BASED ON THESE OBJECTIVES THE FOLLOWING MEASURES HAVE BEEN ADOPTED:

- **Certification** of all healthcare and informative management processes.
- Reinforcement of the **Medical Service,** increasing the team by up to 4 people in the most critical phases of the crisis. Currently, the service has been reinforced with one additional doctor and a nurse during the whole working day from Monday to Friday.

- From the People Area, we have individually **dealt with and monitored** the performance of colleagues infected by coronavirus.
- Management of Group and individual **preventive protection equipment supplies** to all employees and taking of temperature at the Central Building.
- Creation of a **database** to manage and centralise all information relating to the management of the health crisis.
- Management of the **closure and disinfection** of work centres affected by Covid-19.
- Customer care line **COVID-19 enquiries** in which Bank employees will be attended to directly by the medical team 24 hours/7 days a week.
- **Psychological support** line for employees.
- **Performance of virus detection tests**. Ibercaja has succeeded in becoming the leading company in Aragón with administrative authorisation to perform private tests on its employees. With this objective, it was possible to bring forward detection times.
- **Flu vaccinations** for all employees that request them.

DISTRIBUTED PPE	**84,498**
VIRUS DETECTION TESTS (PCR, ANTI-BODY TESTS, ETC.).	**377**
FLU VACCINES	**950**

NEW WORKING SCHEMES

In 2020, the Bank instrumentalised a series of measures that enabled us to continue our professional activities, at the same time as **new work environments** were implemented, enabling us to shorten distances between colleagues, conduct meetings efficiently or cooperate in a mainstream manner in different projects.

The COVID-19 pandemic has also been a catalyst for new ways of working, accelerating our transformation process.

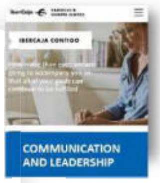
MEASURES ADOPTED:

- Implementation **telework** in over 1,300 posts (80% CS).
- **Rotative shifts** at branches (up to 50%).
- **Flexible working hours**, both entry and departure.
- Implementation of resources and **new mobility tools** (Teams, Office 365, etc.). All posts have collaborative tools.
- Appointment of **48 Digital Personal Banking Managers**, charged with the personalised advisory services of customers that operate remotely.
- Sitting of **on-line exams** to obtain the LCCI (Real Estate Loan Contract Law) certificate by over 1600 colleagues.
- **Virtual meetings** to hold different internal events scheduled in 2020.

COMMUNICATION AND ACCOMPANIMENT

Moments in which it was crucial to generate **new internal communication routes** that keep us permanently connected with our colleagues, accompanying them in their day-to-day matters at home and at the office.

Internal communication has played a key role in the COVID-19 crisis.



OPERATING COMMUNICATION:

Creation of COVID-19 space in regulations for the daily publication of measures related with the pandemic.

EMOTIONAL COMMUNICATION:

- ***Weekly letter of the CEO*** addressed to each employee, explaining the Bank's situation, measures being taken, messages of encouragement and recognition of the important work of Ibercaja's professionals as an essential service for the Company.
- ***Ibercaja with you***. Blog designed to maintain close, empathic and useful contact with colleagues. Articles of interest, Prevention recommendations, Tips to work from home, Solidarity initiatives, Health and well-being tips, Didactic resources, Weekly training, Provision contents to this new channel.
- ***Weekly newsletter*** in which we inform of the most significant milestones of the week.

2020. END OF STRATEGIC CYCLE

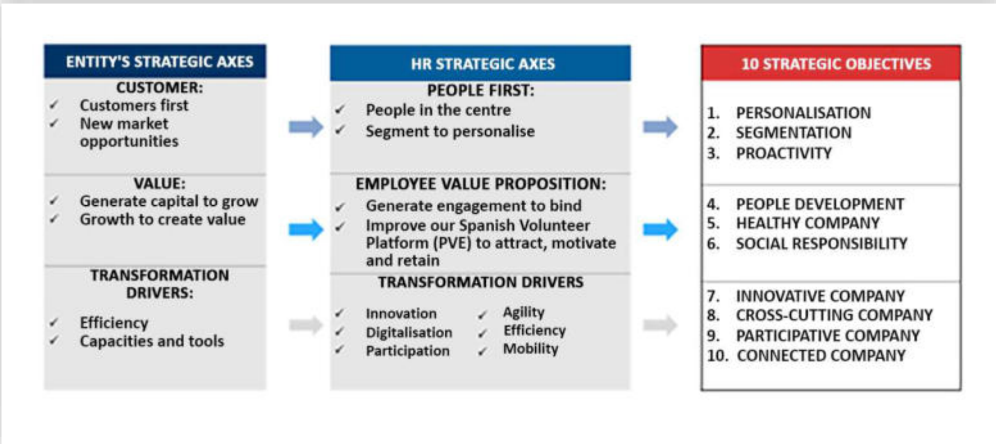
The focus on People Management at Ibercaja for the current 2018-2020 Strategic Cycle is based on the conviction that the consolidation of the management model defined in the previous strategic plan (*Personalised Management, Talent Development, Inspiring Leadership, 360º Communication*), must be made compatible with the **alignment and promotion** of new lines of work that reflect the axes of the Strategic Plan, creating levers **to continue promoting change.**

The effort to make the health crisis management compatible with the Bank's strategic road map was considerable in 2020.

Our goal for 2020

"Form a dynamic, efficient, committed team that works through and for the customer (internal and external) in a positive environment that facilitates the personal and professional development of people".

ALIGNMENT WITH THE ENTITY'S STRATEGIC AXES



STRATEGIC OBJECTIVES OF THE PEOPLE AREA

SIX TRANSFORMING MILESTONES IN 2020

COMPETENCY-BASED ASSESSMENT

1

The **Competency Assessment** enables us to identify people's capabilities, based on a series of behaviour previously established by the organisation, observed and measured objectively.

At Ibercaja we understand **COMPETENCIES** as the sum of three concepts:

"Knowledge and ability add up, but attitude multiplies"

(Knowledge + Skills) * **Attitude**

When we talk of assessing competencies we refer to the communication process between the Head and the Collaborator that enables us to **EMPHASISE WHAT and HOW** we have performed our work.

This reflection is important because it enables us to:

- **To learn of** and develop our potential and latent abilities
- **To analyse** the causes that may affect our performance and motivation
- **To reinforce** our strong points
- To establish action plans that enable us to improve

At Ibercaja, we value **three types of competencies**:

INSTITUTIONAL COMPETENCIES. Those that all professionals require to perform our work at Ibercaja, regardless of the post we hold.

LEADERSHIP COMPETENCIES. Those that, together with the foregoing, must be developed by all those that manage teams, in accordance with our Leadership Model.

DIGITAL COMPETENCIES. Those that all Ibercaja professionals, to a greater or lesser extent, require to develop to be able to adapt to the digital change.

After carrying out the evaluations, there is an **ENCOUNTER BETWEEN THE LEADER AND THE COLLABORATOR**, in which both reflect on the main aspects of the work performed and establish the mutual commitments to improve with respect to the coming year.

> *"If you treat an individual how they are, they will continue to be what they are. But if you treat them how they could be, they will become what they could be"*
>
> **Goethe** (POET AND PLAYWRIGHT)

TALENT DAY

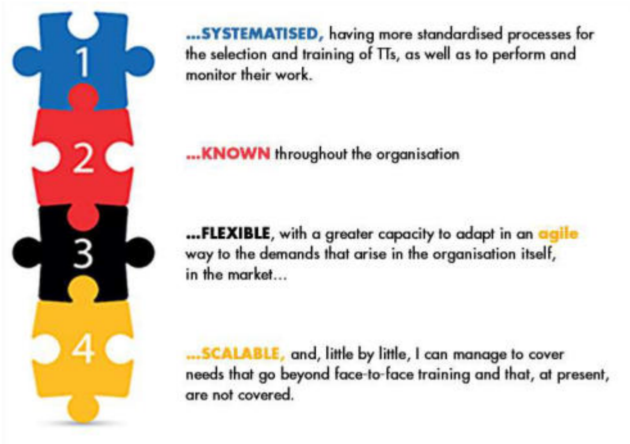
2

At the beginning of 2020, the first **Talent Day** was held, an annual encounter with the community of Talent Transmitters (internal trainers), which served as a debut and launch of the new TDT model at Ibercaja.

The model has been built as **a reference framework for the transmission of knowledge**, **skills**, **competences**, etc., focusing on the community of internal trainers, a group that has grown considerably in recent years, now exceeding **210 professionals** that do their best every day to support the various strategic, organisational and regulatory projects that the entity faces.

To this end, in 2020, the **Talent Transmitters team** has provided <u>support in different strategic projects</u>: *Commercial Systematics, Network Footprint, New Ways of Working, Pricing, etc., supported by a systematised, differentiating and key model for the future*.

TDT MODEL KEYS



LEADERA PLAN (WEEK INFEMENINE) 3

To celebrate **International Women's Day**, the *"1st Week inFemenine"* was held from 3-10 March, an initiative encompassed within the **frc Plan** to raise the awareness of employees, customers and society regarding the importance of building diverse and egalitarian workforces, notifying the objectives of our **LeaderA Plan.**

The **LeaderA Plan** seeks to make further progress in Ibercaja's new **Inspiring Leadership** model, placing the focus on the **access of women to executive posts**, by improving their aspirations, flexibility, support for mentors and ambassadors and assessment and objectification to ensure progress.

*At Ibercaja, we have proposed an **objective**:*
Increase by at least 10% the percentage of female executives at Ibercaja in the coming three years.

To achieve this, it is necessary to knock down barriers and accelerate change, implementing initiatives that promote the access of women with potential to executive posts.

Throughout the "Week inFemenine", different inspiring voices participated in different activities, acting **as ambassadors of the LeaderA Plan.**

*Do not place a gender on it, **place talent on it***

GOODHABITZ 4

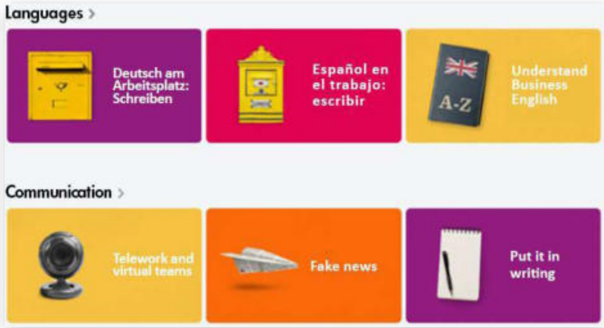
Ibercaja obtained in 2019 the efr seal for its commitment to the well-being of people and coinciding with the period of confinement, Ibercaja has relied on GoodHabitz with a clear **objective**: **to inspire people to be better every day.**

*The new **platform** to boost **talent** and **well-being** of employees...*

With this initiative, Ibercaja wants to continue investing in the **personal and professional growth** of people through a revolutionary e-learning training method: at their own pace, how and when they want, from mobile, Tablet or from their own computer.

The new platform offers a catalogue with over 80 courses, adding titles each month, providing employees with the possibility of focusing on that which most arouses passion in them, in their talent or in that they would like to improve in a fun different manner. Furthermore, all courses are available in various languages.

- Communication skills
- Personal skills
- Leadership
- Languages
- Team management
- Health and safety,...



MOBILITY AND COLLABORATION

5

The progress of **new technologies** has completely modified the habits of our customers, who are increasingly demanding regarding the services provided by their Bank, impacting on the new way of working of employees.

Inspiring people
to be ***better*** *each day…*

Mobile devices also have **collaborative work tools**, allowing distances to be shortened between colleagues, work meetings to be held in a decentralised manner, knowledge to be shared or cooperation in different projects.

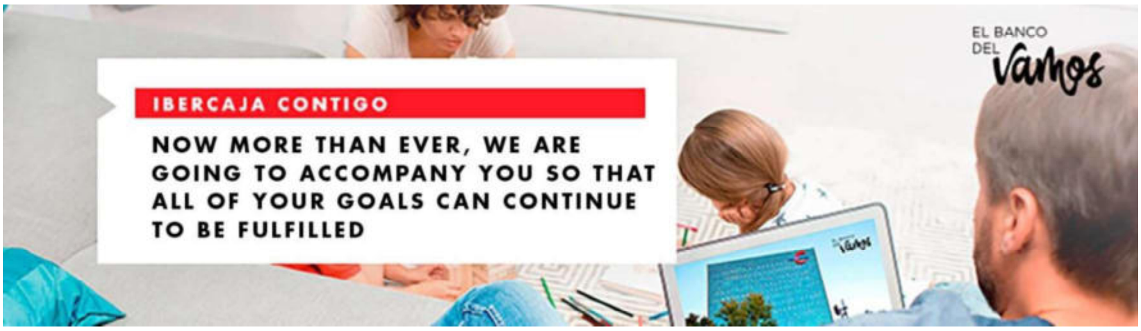
2020 has represented the definitive consolidation of the **Mobility project** which has come to stay:

- Over 10% of the workforce has **worked from home** (80% of CS).
- At the end of 2020, all CS and Branch Network employees had **collaborative tools** (Teams, Office 365, etc.) in their devices.

NEW COMMUNICATION TOOLS

2020 was a special year, in which it was crucial to generate new internal communication routes that keep us permanently connected with our colleagues, accompanying them in their day-to-day matters at home and at the office.

Hence, at the beginning of April, we implemented our Blog **"Ibercaja with you",** with new contents adapted to the new situation, with which we intend to **keep in daily** close**,** empathic and useful **contact with you**, with our colleagues and their families.



Letters from our CEO, Articles of interest, Prevention recommendations, Solutions to specific queries, Practical tips for professionals that work from home, Solidarity initiatives in which we can all participate, Tips with the best health and well-being advice, Didactic resources to continue to progress in our development, weekly training to be able to carry out from home, provide content to the new Blog.

*This initiative received a **"Special Mention"** in the **2020 Ocare Prizes** as Best CSR Communication Practice aimed at the internal public.*

OTHER MILESTONES

ALSO, IN 2020, WE HAVE CONTINUED TO PROGRESS IN DIFFERENT PROJECTS PLACING THE FOCUS ON INITIATIVES THAT RESPOND TO THE FOLLOWING QUESTION...

WHAT DOES IBERCAJA OF THE FUTURE NEED?

PEOPLE ANALYTICS

In 2019, a specialised team was set up within the People Area, whose **mission** is to provide the area with a **methodology and an integrated data analysis process, which will have an impact on improving the quality of the decisions made about the people**. This function is crucial to be able to carry out personalised segmented proposals, based on the needs and expectations of people.

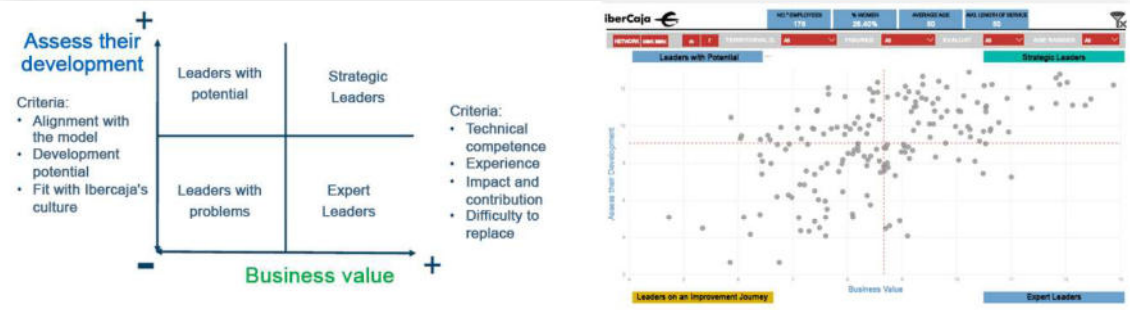
In 2020, the project evolved by integrating and analysing different internal and external data sources to respond to business questions related to human capital, to be able to act accordingly.

In a first phase simple indicators were worked, building the Scoreboard from the People Area, with recurring reports and an initial level of synthetic more complex indicators, in which the correlation between them has been calculated through mathematical algorithms verifying their robustness.

LEADER MATRIX

To consolidate the **Leadership Model,** an initial Leadership Matrix was developed that is permitting us **to analyse** the **degree of alignment** of our leaders with the model, the impact of its function on the **business** and the **development of its teams.**

The results of this first analysis will allow us to develop specific actions based on objective criteria based on objective criteria such as: degree of alignment with the model, development potential, fit with Ibercaja's culture, business impact, etc.

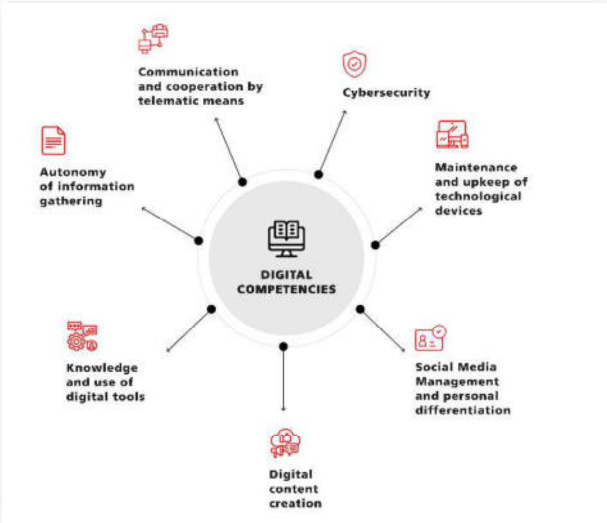


TRAINING IN DIGITAL COMPETENCIES

At Ibercaja we are convinced that the process of digital transformation in which we are immersed will be a success if we, the **people** that make up the organisation, are a **lever of change** to make it possible.

Hence, in 2019, the **Digital Competencies Map** was designed, which includes the competences that Ibercaja considers necessary to allow us to adapt to the digital change. To trace the roadmap to be followed, an initial diagnosis was conducted that enabled us to discover the starting point or the current degree of digitisation of each employee and identify the organisation's degree of digital maturity.

In 2020, we continued to progress in the **Digital Accompaniment Plan** with the launch of a new **interactive dynamic catalogue**, which groups together the different training resources to which we have access to continue to progress in our level of digitalisation.



Among its “virtual pages” you can consult more than 170 resources available on various topics: Social Networks, Collaborative Work, Cybersecurity, Digital Tools,... which are hosted on the Paraninfo talent platform, on the Paraninfo TV channel and through the GoodHabitz platform.

PARTICIPATION AND INNOVATION

This opening to disruptive change touches down at Ibercaja hand in hand with **INNOVATIVE IMPULSE**. A system of **challenges based on innovation and collaborative participation,** which seeks to resolve between everyone all needs of customers and the Bank through transforming ideas, seeking the direct involvement of the workforce in the Bank's strategy.

In 2020, noteworthy was the real start-up of **three winning initiatives** of the first challenge posed, which sought solutions to help our elderly population to become familiar with Ibercaja's Digital Assets, facilitating their digital inclusion. Thus, a new service has been developed in the Ibercaja App that has as its origin two of the winning ideas of the first edition of ImPulso Innovador: **Iberfácil and Botón Estamos Contigo.** In addition, the "Yo te Ayudo" programme has also been successfully implemented in selected offices.

With its start-up, we make our **proposal** of **allowing employees to participate come true** in certain innovation and transformation processes of the Bank, contributing to generate a better experience for our customers.

The **"Let's Go Savings Card"** was the winning idea of the 2nd innovation challenge, in which new products or services were sought that provide added value to customers or potential customers and allow us to obtain new sources of business.

To solve this 2nd challenge, a total of 96 ideas have been received, with the participation of 26 teams and 110 intra-entrepreneurs.

The conclusions obtained in these internal crowdsourcing processes are being decisive when it comes to **anticipating innovative solutions that will continue to drive our transformation process**.

ENGAGEMENT

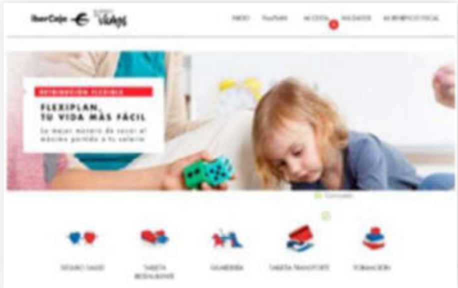
FlexiPLAN, the Flexible Compensation Plan, responds to this objective and represents a new element of fully customised salary pay.

In 2020, employees could receive all the benefits of the FlexiPLAN by voluntarily allocating part of their remuneration to the arrangement of certain products, achieving an increase in his/her net salary as a result of the tax treatment of these products.

Retaining and attracting talented professionals *with talent is the key to successful companies. That is why at Ibercaja we consider introducing new motivating elements into our* ***remuneration system to be crucial****.*

In addition to health insurance, employees can access a range of products and services tailored to their needs: childcare, restaurant card, travel card and training.

To facilitate the management of the Flexible Remuneration Plan, since 2019, a mobile App has been available on the **Compensation Portal**. From the App, simulations can be made of the different products, and new products can be renewed and arranged, and employees can access their salary information and consult all the benefits that Ibercaja offers to reward them for their commitment to the organisation. In 2020, 3,269 colleagues benefited from this initiative.



3,467 EMPLOYEES OBTAIN LCCI CERTIFICATION

2020 witnessed the end of the professional accreditation process in the LCCI (Real Estate Credit Contract Act) programme. In this year, given the circumstances, over **1,500 colleagues** opted for **LCCI certification**, for the first time, through a virtual examination, and were able to accompany its preparation with a few weeks of highly complicated work, obtaining a high number of passes.

Overall, throughout 2019 and 2020, 12 sittings were held at different headquarters, four of which were carried out virtually.

Hence, at our Bank, we already have a total of **3,711 colleagues certified** to market this type of products and services, **with a pass rate of 99.7%,** evidencing the high level of commitment, professionalism and excellence of our workforce.

MIFID-QUALIFIED PROFESSIONALS
92.9% To Advise and Inform
98.4% To Advise

99.1% PROFESSIONALS WITH LCCI CERTIFICATION

Also, our Entity already has 98.4% of professionals accredited to inform/advise on the MIFID regulations.

FRC MANAGEMENT MODEL

After one year as a frc, in September, **we passed** the **maintenance audit** for this first cycle of certification (2019-2020), obtaining a valuation.

This recognition supports the work performed and also implies the implementation of a management model based on the improvement of efficiency, flexibility and responsibility, which facilitates a work-life balance for people in all areas of their lives.

efr

*Obtaining this certification reinforces **Ibercaja's commitment to the people** who form part of the organisation, in accordance with our purpose and corporate values.*

At Ibercaja we currently have **more than 100 efr measures** grouped into 6 categories: *quality in employment, temporal and spatial flexibility, family support, professional and personal development, equal opportunities, leadership and management styles*.

Of note was the launch of the frc action plan for 2020-2022 with specific measurable objectives, including the implementation of new flexible forms of work or new measures to further progress towards building a more diverse and equal workforce through the LeaderA Plan.

In this same line, a working group was set up to progress in the regulation of the timetable flexibility measures and digital disconnection, to define specific objectives to enable an authentic personal, family and employment balance.

INSPIRATIONAL LEADERSHIP

The adoption of this model, together with the "efr" project, are the **key to Ibercaja's cultural transformation**: more agile, more flexible, more innovative and focused on people.

*Ibercaja's **Inspirational Leadership Model** is a reference framework so that those that lead teams can exercise **uniform and coherent influence, aligned** with Ibercaja's strategy.*

In 2020, the **Leadership Model** was formed as a fundamental component faced with the complicated situation facing us, where the management of emotions has been a key factor **to guide and get the best out of our teams**:

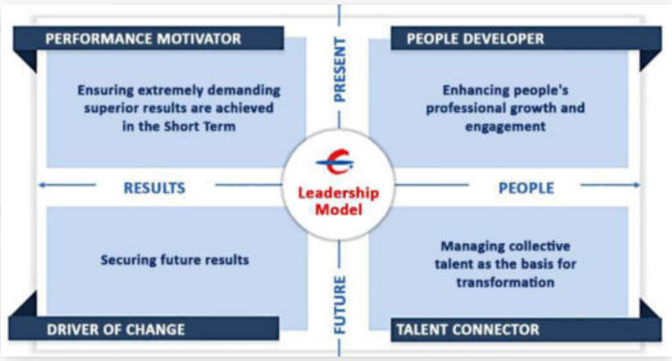
- **LEADERS IN MOTIVATING RESULTS.** A workforce that has provided a service from day one on the front line must feel the proximity of its leader, sharing viewpoints, challenges, concerns and actively listening to the difficulties of its employees. To help in this situation as an essential service for society, the leaders have gotten the best out of their teams.

- **LEADERS IN DEVELOPING PEOPLE.** The crisis has also been the perfect time for people to develop their full potential: learning to work and interact with colleagues and customers in new work environments.

- **LEADERS IN DRIVING CHANGE.** 2020 has posed technological and operating challenges that it has been necessary to address immediately. The leaders have faced the difficult task of accelerating change and innovation, boosting new digital environments and agile work methodologies.

- **LEADERS IN CONNECTING TALENT.** Collaboration has been crucial in 2020. Breaking organisational silos and creating cross-cutting work teams to develop solutions to complex problems has undoubtedly contributed to maintaining our competitiveness during the pandemic.

Now more than ever we have emphasised our ***Inspiring Leadership Model***



FIRST SCHOOL OF INSPIRING LEADERSHIP

In 2020, Ibercaja, together with the Institute of Youth of the Extremadura Council, has promoted the creation of the **first School of Inspiring Leadership** for young students in the Region.

It is a project designed to **promote the development of skills among young people,** such as communication, teamwork, commitment or entrepreneurship, inspired by the leadership model deployed by Ibercaja four years ago among its leaders from the culture of example.

The inspirational leadership school aims to serve as a platform for future leaders by contributing to achieving the sustainable development goals of the 2030 agenda: sustainability, inclusive growth or youth employment, among others.

Fernando Planelles, Territorial Director, together with Victoria Mera, People Area Representative in Extremadura during the signing of the Partnership Agreement with the Extremadura Council

CULTURE OF RECOGNITION

Within the framework **of the improvement of the Employee Experience**, in 2020, 503 professionals were acknowledged through two programmes:

- **"Excellent Teams".** It involves the acknowledgement of professionals that have obtained the best results in the previous year. On this occasion, 147 colleagues stood out due to their effort, work and attitude.

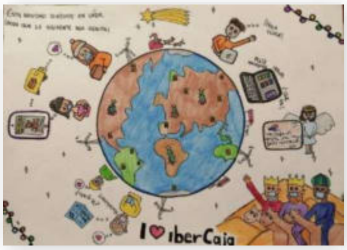
- **"25 and 40 years saying Let's go together".** A new concept based on emotional incentive, with the aim of thanking those colleagues who celebrate 25 and 40 years work at our Bank. In this especially difficult year, we did not want to let this celebration pass by and the whole team got behind the organisation of a "different act", adapted to the new reality, but equally emotive, with the presence of our CEO and of the Director of the People Area. The "virtual gala" was attended by four promotions that have built their life trajectory alongside Ibercaja, to whom we acknowledged their dedication and commitment to the Bank.

DRAW IBERCAJA IN YOUR CHRISTMAS

To bring our children closer to Ibercaja, the "**Draw Ibercaja in your Christmas**" campaign was launched once again this year.

In this edition, our young artists expressed Ibercaja's commitment to the Sustainable Development Goals (SDG) through their drawings.

One year more, aside from participating with their drawings, the children participated in the **Unicef Blue Gift**, choosing a solidarity kit to send to other children in those parts of the world that most needed it.

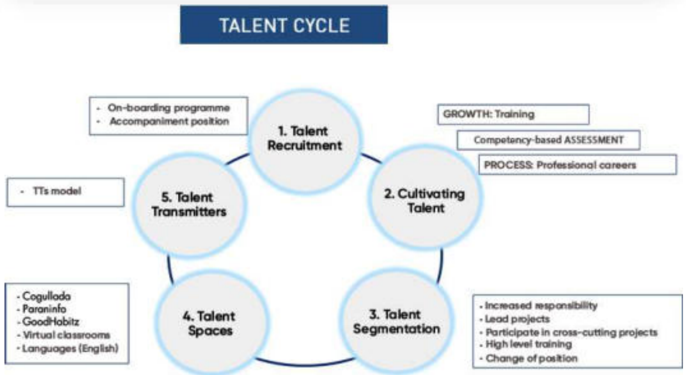


CULTIVATING TALENT

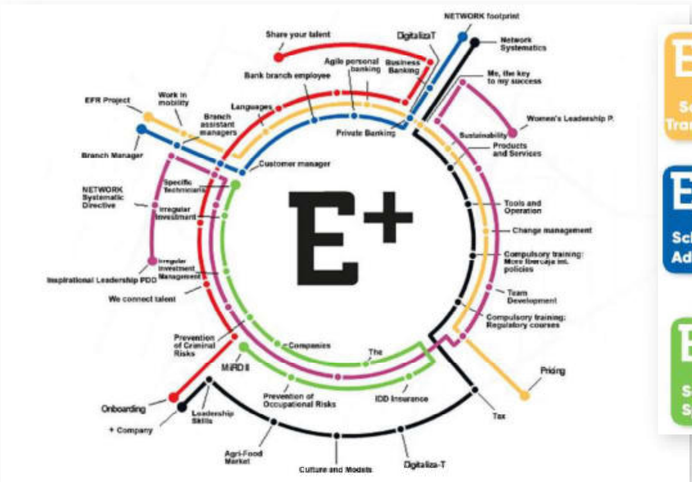
103-1, 103-2, 103-3, 404-1, 404-2

This involves obtaining the maximum return on the talent existing at Ibercaja, providing a personalised management that favours professional growth to obtain better results and a greater commitment to the Company, in response to the dynamism required to carry on the Bank's activities in line with the expectations and requirements of the surroundings.

> *Ibercaja considers the **professional and personal development** of employees to be **a strategic objective** within the framework of People Management.*



Also, through the **Career Development Plan,** we promote the continuous development of the abilities and skills of our employees, identifying and responding to the current and future training needs of the Bank's different Groups. We align the training programmes and needs with the Bank's strategy, actively participating in the transmission of our culture, values, knowledge and experience.



EL BANCO DEL Vamos

The Entity encourages **talent development** through training programs and internal promotion for the highest number of employees possible. In **2020, 711 people** received professional promotions through the application of the criteria defined in each of the professional career plans, length of service, unrestricted designations and office classifications. There are professional career plans for all central service departments and for the strategic company and personal and private banking segments. The total number of professionals pertaining to these promotion plans was **1,249**.

The aim of the training programmes is to **promote professional development,** meeting the needs that arise in an environment as dynamic environment as banking. Among the main training programs undertaken are those related to tools and operations, products and services, standards/regulation, taxation, development of attitude and personal motivation, digital environment and new trends.

The number of hours of classroom training amounted to **17,332** and those given through distance channels amounted to **379,388**, distributed by professional category as follows:

Professional category	Training hours 2020	Training hours 2019
Managers	77,194	71,124
Middle managers	97,264	78,229
Technicians	124,164	98,865
Administrative	98,099	86,674
Total	**396,720**	**334,892**

The average number of training hours per employee in 2020 was 78 hours (18% more than in 2019)

Sustainability training.

In 2020, **specific sustainability training** was commenced, aimed at the employees most directly involved in the integration of ESG aspects at Ibercaja. Within the 2021 Career Development Plan, a specific **Sustainable Finance** line was also implemented, aimed at all people that work at the Bank, to accompany them in the training required in this process. It is expected to begin in 2021, with the launch of an obligatory global training programme, aimed at the entire workforce.

Employee Communication and Experience.

The Bank has **open** and **transparent** communication with people, providing information on actions led from the People area, disclosing general interest topics among the workforce, providing and **promoting channels** and **means** of guaranteeing adequate notification to employees and encouraging their participation.

THE MAIN INTERNAL COMMUNICATION RESOURCES INCLUDE:

Employee Experience surveys	Upstream communication channel to know how employees live and feel their relationship with Ibercaja at key moments in their professional cycle.
"Chronicle of Transformation"	Digital magazine that aims to make the Bank's transformation strategy familiar to the entire organisation. Through dynamic, audiovisual, modern and interactive content, employees are invited to travel the path of transformation of the Bank. This channel is available in web and app format for IOS and Android mobiles.
Mailbox "HR Director Responds"	Through the Employee Portal, you can contact Personnel Management and ask questions, make suggestions, notify concerns, etc.
EFR external channel	The mailbox efr@ibercaja.es has been set up so that employees can send in their proposals or suggestions for improvement and/or send in their complaints or claims related to EFR.
EFR internal channel	As a Family Responsible Company, Ibercaja's employees have a confidential communication channel with **Fundación Más Familia** regarding the EFR model. www.masfamilia.org
Cultural and Recreational Group	Where ludic activities are promoted that favour participation and social relationships among employees.
Ibercaja Chronicle	Human Resources collaborates in each issue of the magazine "Ibercaja Chronicle" by publishing articles of interest in the Personnel area.
Employee Portal	Another of the main channels of communication with employees, favouring the flow of upstream and downstream communication.
Regulatory-Daily Information	Main downstream communication channels that allow information to be provided at all times regarding the news related to Human Resources (Tenders, Appointments, Employment Agreements, Legislative News, Administrative Procedures, etc.)
All this is for you	Digital and interactive publication which, with a modern, close at hand and familiar image, shows the advantages and benefits that can be enjoyed by Ibercaja employees.
ImPULSE Platform	Participation channel based on a system of challenges that aims to involve staff in the search for ideas and solutions to the challenges that are periodically proposed. Two types of challenges exist: solidarity and innovation.

Internal Communication Plan in Sustainability.

Also, in 2020, an **Internal Communication Plan in Sustainability** was implemented, whose purpose is **to accompany** the Bank's Sustainability Project,helping Ibercaja's objectives in this area to be **known** and **interiorised**, and to promote a new "**sustainability**" **culture.**

In 2018, for the first time, the **ENPS (Employee Net Promotor Score)** index was devised. It is a parallel indicator to the NPS used in Customer Experience, which tells us about the degree of commitment of employees to the Ibercaja brand, responding to the question "Would you recommend Ibercaja as a place to work?" and obtaining an excellent score of **25.9.**

*Ibercaja thus reinforces the **Employee Experience,** as **a basis for the People Management Model** implemented in the previous strategic cycle.*

Furthermore, the traditional Employment Environment survey has evolved towards a perception study, which we call **Employee Experience Measurement**, in order to identify that which most satisfies employees in their day-to-day procedures, together with the aspects that may slow down their professional and personal growth, to adapt the improvement drives at all times.

In 2020, an employee experience survey was conducted, adapted to the special situation of the time.

Image and Pride of Belonging

Do you feel that through your work you have been able to help other people?	YES: 75%	NO: 7%	Sometimes: 18%
Do you think we are maintaining a good level of service?	YES: 81%	NO: 4%	Sometimes: 14%
Have you ever felt the pride of belonging to a company that cares about people?	YES: 68%	NO: 9%	Sometimes: 23%

In general, how would you rate Ibercaja's performance in the face of the crisis generated by this pandemic?

7.57

In this context of on-going listening, in 2020, a joint reflection was made of all that lived in recent months, which enabled us to have valuable information on the concerns and worries of the workforce and improvement suggestions to be able to plan new actions that contribute to facilitate the on-going performance of our daily work in the current coordinates.

***Ibercaja actively promotes equal opportunities**, rejecting any form of discrimination, and it is committed to the work-life balance of its professionals that work at the Entity.*

DIVERSITY, EQUALITY AND WORK-LIFE BALANCE

103-1, 103-2, 103-3, 405-1

Ibercaja has **over 100 work-life balance and equality measures for its employees** (which exceed that included in the applicable legislation in force) in the categories stipulated in the frc/efr 1000-1, and it has implemented the **frc/efr Plan** for the first certification cycle (2019-2021). Alongside this, Ibercaja **updates the Equality Plan** which promotes equal opportunities between the genders and a work-life balance so as to contribute to the welfare of our employees and their families.

The positioning of women in posts of responsibility is continually gaining ground. In 2020 around 34% of Bank Manager positions, 60% of Assistant Manager positions and 57% of Personal Banking Manager positions have been awarded to women. Women obtained 55.3% of promotions in 2020.

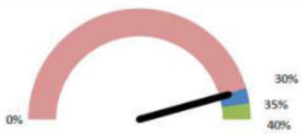
Also, Ibercaja's employees can opt for work-life balance measures such as leave, a reduced working day and an extended leave of absence, some of which extend or improve those set out in the prevailing legislation and in the collective bargaining agreements. During the year, 175 people availed themselves of these measures (133 reductions in working hours, 35 extended leave of absence periods for childcare motives and 7 extended leave of absence periods to care for family members).

Nº EFR MEASURES IN FORCE THAT IB OFFERS	
Family support	16
Quality in employment	42
Professional and personal development	20
Space and Time Flexibility	4
Equal opportunities	6
Leadership and Leadership Styles	16
TOTAL EFR MEASURES	**104**

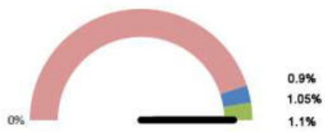
EFR INDICATORS	2019	Dec/2020
STABILITY IN EMPLOYMENT % of permanent contracts as a percentage of total contracts	95.20%	97.31%
SPACE FLEXIBILITY % of companies that can benefit from some measure of space flex.	6.25%	24.23%
MATERNITY % mothers with children under 12 years of age in executive positions as a % of total women in managerial positions	43.96%	39.84%
MATERNITY % mothers with children under 12 years old and under 35 years old separated compared to Total separations	0.36%	0.00%
FEMALE PRESENCE % of women in the workforce as a percentage of the average total number of employees	47.76%	47.28%
EQUALITY IN ACCESS TO EMPLOYMENT % women hired in the last year vs. NO New Hires	54.55%	31.11%

INVESTMENT IN EFR CONCILIATION IN 2020	15,113,672
% INVESTMENT IN CONCILIATION (EFR) VS FIXED SALARY (2020 DATA)	6.44%

efr 2021 STRATEGIC OBJECTIVES



% FEMALE EXECUTIVES 2018	30%
% FEMALE EXECUTIVES TODAY	30%
% FEMALE EXECUTIVES TARGET 2022	40%



% FUNCTIONAL DIVERSITY 2018	0.93%
% FUNCTIONAL DIVERSITY TODAY	1.13%
% FUNCTIONAL DIVERSITY TARGET	1.10%

In relation to the **integration of people with disabilities**, Ibercaja, in addition to complying with the General Disability Law, promotes the participation of disabled people through agreements with social entities and awareness-raising through training and volunteer actions. Currently, 57 people with varying capacities work at the Bank (up 14% on 2019), thereby achieving one of the main objectives of our frc management model.

The Bank has protocols in place for dealing with any type of discrimination, including cases of sexual harassment and harassment for reasons of gender.

*Through our Representatives Network in the different territories we are performing a personalised people management. Our **objective** is **to know each person**, manage their needs individually, identify their level of commitment and oversee the development plans and adequate progress for each individual.*

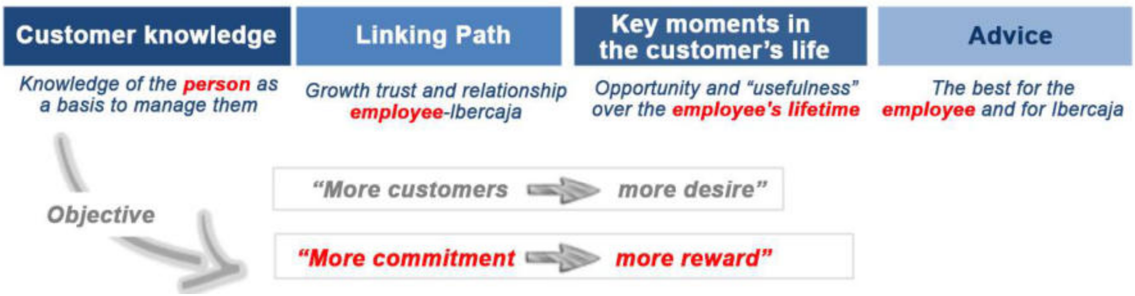
LEADERSHIP AND COMMITMENT MANAGEMENT

Since 2017, at Ibercaja we continue to have a network of seven representatives that provide coverage to all Territorial Divisions, as well as the Representative that works at Central Services.

We want the employee to **and accompanied at key moments in his or her professional life** at key moments in their professional life cycle: when starting a new position, an appointment, a transfer, the assessment of competencies or when facing a personal problem.

To this end, the delegates have a series of tools to help deploy this project: management protocols for support at key moments; employee files to support management and a new method for assessing the employee's professional expectations.

Our **relationship model with the employee** replicates the **Commercial Management Model with customers**.



REMUNERATION POLICY

103-1, 103-2, 103-3, 202-1

Staff **salaries** comprise fixed remuneration provided for in the Collective Bargaining Agreement for each professional level and for the variable remuneration received by the staff assigned to the Branch Network associated with the attainment of objectives. In addition, other amounts are paid as supplements for certain groups with specific functions and responsibilities.

The **fringe benefits** provided by Ibercaja to its employees supplement legally stipulated coverage, beyond the limits and benefits established in collective bargaining agreements. They include, among others, study grants, pension plans, grants for nurseries and children's education.

Employees have a digital and interactive environment that, with a modern, close at hand and familiar image, shows the advantages and benefits they can enjoy by being part of the Ibercaja family.

In line with the rest of Ibercaja's Human Resources policies, the Remuneration Policy is based on the principle of equality between men and women, with no type of wage differentiation between genders.

The following are details of the **average remuneration received** by the employees of Ibercaja at 31 December 2020. These remunerations are made up of fixed remuneration, salary complements and variable remuneration received in 2020.

AVERAGE TOTAL REMUNERATION BY GENDER (IN EUROS):

GENDER	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
M	53,468	1.93%	52,456
F	46,767	2.84%	45,475
Total	**50,300**	**2.37%**	**49,133**

AVERAGE TOTAL REMUNERATION BY AGE RANGE (IN EUROS):

AGE RANGES	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
21 - 30 YEARS	25,127	5.95%	23,717
31 - 40 YEARS	42,694	1.79%	41,942
41 - 50 YEARS	49,548	0.34%	49,379
51 - 60 YEARS	56,250	1.24%	55,563
61 - 70 YEARS	94,829	1.99%	92,983
Total	**50,300**	**2.37%**	**49,133**

AVERAGE TOTAL REMUNERATION BY PROFESSIONAL CATEGORY (IN EUROS):

JOB GROUPING	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
1-Executives	64,908	2.53%	63,306
2-Middle managers	53,340	3.17%	51,703
3-Technicians	46,957	2.30%	45,899
4-Clerical staff	42,619	2.47%	41,589
Total	**50,300**	**2.37%**	**49,133**

AVERAGE TOTAL REMUNERATION OF EXECUTIVES BY GENDER (IN EUROS):

GENDER	FIXED + BONUS 2020	INCR. RESP. 2019	FIXED + BONUS 2019
M	66,904	2.44%	65,314
F	60,280	2.81%	58,634
Total	**64,908**	**2.53%**	**63,306**

In relation to the so-called **salary gap**, if the base salary of the collective bargaining agreement is taken as a reference and the additional remuneration for length of service, social benefits or other benefits is excluded, the male/female wage ratio at Ibercaja is 1.

The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are performed is 119% both for men and women.

Analysing this information weighted by job grouping (executives, middle management, technical and clerical), a salary gap of 8.33% was determined in 2020.

The wage difference shown by the results is in line with the sector, mainly generated by the historical gender composition of the company, which translates into a higher average length of service of men compared to women. The proof of this is the **reduction of the gap** with **respect to 2019 of 5.76%, from 13.3% to 12.53%**.

This calculation takes into account fixed remuneration, wage complements and variable remuneration received in 2020.

This trend is partly due to the measures implemented to reduce it:

- Increase in the representation of women in management positions.
- **55%** of promotions in 2020 corresponded to **women**.

Aspects relating to the remuneration of directors

The position of member of the Board of Directors is remunerated, in accordance with article 34 of the Bylaws. Only the Chief Executive Officer and the Chairman receive a salary for the performance of their duties, as well as allowances for attending meetings of governing bodies, in accordance with the provisions of the Bylaws. The remuneration of the other directors, in their capacity as such, consists of (a) allowances for attending meetings of the Board of Directors and its committees, and (b) an annual allocation to be determined by the Board for directors with special dedication and duties (chair of the internal committees of the Board of Directors).

Hence the average remuneration of directors, including the CEO and the Chairman (9 male directors and 2 female directors), amounted to 135 thousand euros. On the other hand, the average remuneration of directors in their capacity as such is 53 thousand euros (the average remuneration of male directors is 58 thousand euros and that of female directors is 32 thousand euros).

Information on directors' remuneration is disclosed on the Bank's **corporate website** (www.ibercaja.com), in the section Corporate governance and remuneration policy and in the Annual Corporate Governance Report.

Aspects relating to the remuneration of senior management

The members of the Bank's Management Committee, comprising 11 people (8 men and 3 women) at 31 December 2020, are classified as senior management, excluding the CEO. Information on senior management remuneration includes both fixed and variable remuneration, long-term pension systems and any other payments. The average remuneration is 202 thousand euros (average remuneration of male executives of 212 thousand euros and 174 thousand euros in the case of female executives, which is mainly affected by the length of service of the officials in the Bank).

SOCIAL DIALOGUE AND ORGANISATION OF WORKING TIME

103-1, 103-2, 103-3

Labour relations are based on **open and transparent dialogue with employee representatives**. The Entity's union representation comprises 228 employees linked to five union sections.

These relationships attempt to foster mutual commitment, in order to advance in the improvement of the employment conditions for the professionals that work at Ibercaja.

Agreements reached in 2020:

- Signing of 2019-2023 Collective Bargaining Agreement
- Branch Responsibility Bonus Agreement
- Collective Company Agreement on Specific Timetables
- Agreement on the adoption of extraordinary employment measures at Ibercaja Banco S.A. as a consequence of the declaration of the State of Alarm in Spain

100% of Ibercaja Banco employees are covered by Collective Bargaining Agreements and are represented on formal committees. Ibercaja's activity is carried out entirely in Spain and its workforce is made up of people of different nationalities.

90% of employees have an intensive **timetable** (except Thursdays in winter). The Collective Agreement for the years 2019-2023 establishes an annual working time of 1.680 hours of effective work. Respecting that working day, and without prejudice to the irregular distribution thereof, in accordance with the provisions of current legislation and applicable industry regulations, the **working hours** are as follows:

- From 1 May to 30 September, the hours are Monday to Friday: 8:00 am to 3:00 pm.

- From 1 October to 30 April, the hours are Monday, Tuesday, Wednesday and Friday: 8:00 am to 3:00 pm and Thursday: 8:00 am to 2:00 pm and 4:00 pm to 7:00 pm.

In Ibercaja there are 481 employees subject to tailored schedules, requested on a voluntary basis. Of these, 87% requested three afternoons, 3% two afternoons and 10% one afternoon.

Also, the new Agreement, for the first time, enacts the right to digital disconnection in the workplace. This regulation contributes to the health of workers by reducing, among others, technological fatigue or stress, thereby improving their working environment and work quality.

OCCUPATIONAL HEALTH AND PREVENTION

103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9, 403-10

Ibercaja is committed to the **safety and protection of its employees**, to ensure **their well-being and occupational health**, by minimising risks and assigning the resources that are necessary to implement preventive actions.

Also, Ibercaja's strategic objectives include the promotion of healthy lifestyles, promoting different initiatives in this regard:

- Performance of medical check-ups.
- Promotion of sports activities through the Cultural Group, active participation in races and marathons throughout Spain in a group manner and the organisation of workshops that promote well-being (Healthy Space and Show Cooking at CoffeeWork).
- Specific section in the Ibercaja with you APP (#ContigoNosCuidamos y #ContigoEntrenando), in which healthcare recommendations are included, such as how to prevent colds, habits for a healthy heart or information on the importance of a healthy diet.
- Distribution of seasonal fruit at Ibercaja's central offices.

How does this policy apply at Ibercaja?
By having an In-house Prevention Service to provide specialised technical support to the whole organisation in the area of occupational risk prevention, occupational medicine and ergonomics, promoting healthcare, through frequent medical check-ups, vaccination campaigns and information.
The Entity makes its regular risk prevention enquiries through the arrangement of an **Occupational Health and Safety Committee**, whose main function is to verify compliance with the regulations.
Employees participate in this specific area through **"prevention officers"**. The number of those appointed by and among employee representatives stands at 13.
Through the preparation and application of the **Occupational Risk Prevention Plan** and of the related risk assessments and re-assessments.
Training and informing employees of the risks of their activities, through courses in the area of prevention and publication campaigns through different channels.

The Bank has its **own prevention service**, as it is a company with more than 500 workers. The in-house prevention service is a specific organisational unit covering two of the four prevention disciplines ("Health Surveillance" and "Ergonomics and Applied Psychosociology") provided for in Article 34 of the regulations. The preventive specialties of “Safety at Work” and “Industrial Hygiene” are outsourced to an external prevention service: MAS PREVENCIÓN.

The Bank has implemented an **occupational risk prevention plan**, with the aim of integrating preventive activity into management.

The Bank has set up a **Health and Safety Committee**, composed of 10 members: 5 of them are the Prevention Officers and the other 5 are representatives of Ibercaja. Ibercaja's Health and Safety Committee has its own internal regulations that govern its functioning.

To continue progressing in the training of the entire workforce in these matters, in 2020, 232 employees of the Ibercaja Group completed an online **Occupational Risk Prevention** course. This training course lasts two hours. Hence, 4.620 employees of the Ibercaja Group completed the training received in 2019.

Attention must be drawn to the **special training received by the workforce on COVID** to inform all employees of the measures adopted by the Bank to prevent possible cases and raise awareness of the effect of the virus in the professional environment, providing guidelines to minimise risks. It has an estimated duration of 1 hour and in 2020 5,099 people carried out this training.

Given the activity carried out by Ibercaja, no specific risk or illness for employees is identified.

In 2020, 28 **occupational accidents** occurred (8 men and 20 women), up **12% on the previous** year (although 7% less if we take into account the days not worked by employment accident), and the total number of hours of absenteeism was 470,193 (331,274 in 2019). As is the case every year, the hours of absenteeism include common illness, occupational accidents and maternity and paternity leave. But this year, as a novelty, COVID was included in the hours, with absenteeism due to Coronavirus amounting to 117,003 hours, which was a significant determining factor in the increased number of employee absences with respect to 2019.

	YEAR 2020	YEAR 2019
FREQUENCY INDEX (*)	1.3294	1.2273
SEVERITY INDEX (**)	0.1191	0.1284

Recalculation of the severity index in 2019

(*) IdF= Number of occupational accidents with sick leave (ex in itinere) *10^6

Total number of hours actually worked

(**) IdG= Number of days not worked due to an accident at work, with leave *10^3

Total number of hours actually worked

6.5 Commitment to the environment

102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31, 102-43, 102-44, 103-1, 103-2, 103-3, 301-1, 301-2, 302-1, 303-1, 303-5, 305-1, 305-2

IBERCAJA ACQUIRES THE COMMITMENT TO PROTECT THE ENVIRONMENT AND FIGHT AGAINST CLIMATE CHANGE, TAKING INTO ACCOUNT BOTH THE ENVIRONMENTAL IMPACT OF ITS OWN FACILITIES AND THAT OF ITS FINANCIAL ACTIVITY.

6.5.1 Through the banking and financial activity

*Ibercaja responds to the challenge posed by climate change and its associated regulatory requirements, working to **integrate environmental and climate aspects across the entire organisation**.*

To this end, the Entity uses the objectives of the Paris Agreement on Climate Change as a reference, and moves forward in the implementation of the recommendations of the Task Force for Climate Related Financial Disclosures (TCFD). This information is included in detail in **section 6.12. of this chapter of the Directors' Report**.

The Sustainability Policy, approved by Ibercaja's Board of Directors in December 2020, includes the Bank's **environmental commitments**:

THROUGH ITS FINANCIAL ACTIVITY, IBERCAJA UNDERTAKES TO:

- **Analyse the impact of climate change**, detecting **needs** that the transition to a decarbonised economy may present, in order to **respond with business solutions** that support environmental sustainability.
- **Analyse climatic and environmental risks**, their impact on customers and their financial activity, for their gradual integration in compliance with the regulatory requirements.
- **Transparently communicate** the advances in environmental sustainability, **raising awareness internally and externally** to promote a sense of environmental responsibility.
- Assume and endorse the primary **national and international commitments** that help to protect the environment and fight against climate change, working on their implementation.

6.5.2 Through internal environmental management

*OUR COMMITMENT TO THE ENVIRONMENT IS ALSO MATERIALISED IN THE **MANAGEMENT OF THE DIRECT IMPACTS** OF OUR ACTIVITY, AND IS DEVELOPED THROUGH THE FOLLOWING AXES:*

ENVIRONMENTAL POLICY

Approved by the Board of Directors and public: it is based on **compliance with** general **regulations**, pollution prevention in its own processes, **proper waste management**, **employee awareness** of the responsible use of resources and the **dissemination of the actions** carried out among customers and suppliers to raise their awareness.

ENVIRONMENT COMMITTEE

At executive level, this body is tasked with **ensuring its compliance,** supervising the efficiency and effectiveness of the Bank's environmental management system and **promoting awareness initiatives and environmental protection.**

ENVIRONMENTAL MANAGEMENT SYSTEM

Supervised by the Environmental Committee, it has a Coordinator and a specific budget for its correct performance, enabling the implementation of environmental initiatives proposed by the **Environmental Team**, formed by volunteers from different units, which propose, foster and promote initiatives in the environmental protection area.

TO DO SO, IBERCAJA ASSUMES THE FOLLOWING COMMITMENTS:

- Measure and publish its carbon footprint, establishing a reduction plan to achieve **emission neutrality**.
- Comply with the **applicable legal environmental requirements** and those other rules **voluntarily assumed**, adopting the necessary measures to do so.
- Apply the **principle of pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- Encourage the **responsible control and consumption of resources**, and **the proper management of waste**, minimising its generation to the extent possible, favouring the circular economy throughout the value chain.
- Ensure the integration of **continuous improvement** in the system and in environmental performance by establishing **environmental objectives**.

The Environmental Management System (EMS) has been in place at the Bank since 2007, and it is externally certified by AENOR, which verifies compliance by the head office building with the requirements of the ISO 14001:2015 standard. As a requirement of this Standard, **the risks and opportunities** arising from the system are identified, as well as the actions to be taken for each risk. The risks include the impact of climate change on financial activity.

In 2020, AENOR conducted the **Monitoring audit** on the Bank's Environmental Management System, in which it verified the implementation of the System with respect to the specific requirements in the UNE-EN ISO 14001:2015 reference standard. The strong points are **highlighted as follows**:

- State of **order and clean** facilities.
- Horizontal, vertical ascending and descending **communication channels**.
- **Thorough analysis** of the determination of the context of the organisation, and of the interested parties and their requirements.
- The **availability, aptitude and technical preparation of all the personnel involved** in the system, implication and knowledge regarding the Bank's environmental efficiency theme and culture.
- **Internal and external environmental initiatives**, and the participation of the Bank through **inclusion** and awareness-raising through symposiums for the interested parties.
- Integration of the Environmental Management System **in the business units** and the inclusion of environmental criteria in the design of the organisation's financial products.
- **Reduction of the carbon footprint.**

MAIN LINES OF ACTION IN 2020:

RESOURCE MANAGEMENT

The Bank has among its **objectives** the **efficient consumption of resources** and implements initiatives aimed at optimizing them, especially those that are material for Ibercaja: water, energy and paper. It also places special emphasis on raising awareness regarding their correct use.

*The Bank has implemented initiatives aimed at **optimising the consumption of resources***

TOTAL CONSUMPTION	2019	2020
Water consumption (m3)	41,451	37,028
Energy consumption (Gj)**	138,107.1	129,780.7
Paper consumption in Tm*	369.4	333.3

** 96% of DIN A4 paper is recycled*

***The electricity consumption of the Branch Network is calculated based on the electricity invoices of the various companies for the period from 1 December of the previous year to 30 November of the current year. This is because real calendar year data are not available until March of the following year.*

In 2020, as in previous years, in all the reforms, works and maintenance actions carried out at offices, if the facility allows it and it is necessary, the criterion of **replacing the existing lighting with LED systems** and of improving air conditioning systems with more efficient equipment, was maintained. All our measures or procedures take into account the Bank's **environmental management principles**.

CIRCULAR ECONOMY AND WASTE MANAGEMENT

The correct segregation of waste and its selective collection is a constant commitment of the Bank, ensuring the correct destination of each type to reduce its environmental impact. The Waste Coordinator is in charge of their integral management.

Awareness-raising campaigns and training help to promote the best environmental practices and to gain awareness to minimise waste generation. In 2020, efforts focused on the **continuous improvement of waste management**, highlighting the internal and external environmental awareness and information actions aligned with key global events related to recycling and environmental education, and the planning of specific training for the internal waste managers in January 2021.

EMISSIONS

Ibercaja obtained the **"I calculate/I reduce" seal** for 2019 of the (MITECO) Carbon Footprint, Offset and Carbon Dioxide Absorption Projects Register and the Spanish Climate Change Office.

*The Bank's commitment to the environment is reflected in the **Emission Reduction Plan**.*

Since 2016, Ibercaja has calculated its carbon footprint including the scope 1 and 2 emissions, demanded by the Spanish Climate Change Office, and also the indirect scope 3 emissions, specifically, those produced by car trips of employees for work reasons and those associated with documents sent by messenger.

In 2020, total emissions in Tn of CO2 eq (Scope 1 and 2) amounted to 1,285, which represents a **reduction of 85%** compared to the previous year.

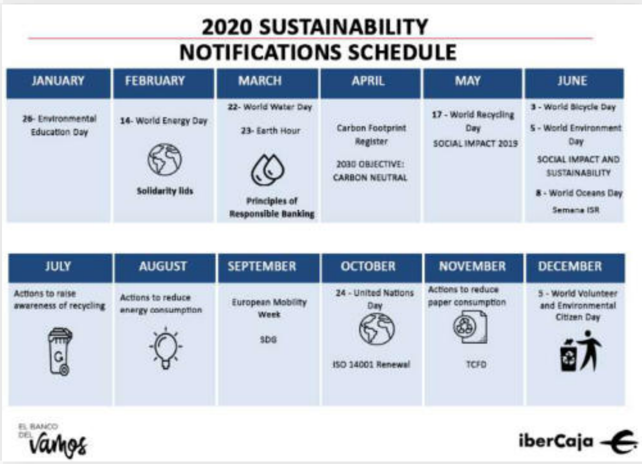
The reduction in emissions was due to the **consumption of green energy** at the central headquarters (since April 2017) and at offices (2020). All electricity supplied by Endesa originates from renewable energy, as accredited by the National Energy Commission (CNE), through its electronic headquarters.

The Bank's commitment to the environment is reflected in the **Emission Reduction Plan**. The milestone in 2021 is to offset the emissions calculated in 2020 that could not be avoided, thereby **neutralizing emissions**.

AWARENESS-RAISING AND COMMUNICATION

Awareness-raising and communication are a **key aspect for Ibercaja**, since through them, it succeeds in amplifying the impact and notifying it to its stakeholders, especially its employees and society.

Annually, **environmental procedures and contents are planned throughout the year**, aligned, when appropriate, with global awareness initiatives or days indicated in the environmental area, related with environmental preservation and the fight against climate change. Dissemination is carried out through a range of channels, both internal and external, operated by the Bank (Daily Information, Ibercaja with you APP, social networks, etc.).



Odeséate campaign *Earth Hour* *Solidarity lids*

Also this year, albeit in a different manner due to the healthcare circumstance, Ibercaja joined the **Earth Hour** initiative with the Zaragoza Central Building, the Burgos Catholic Kings Building and the XXI Century Badajoz Building, Badajoz.

Also, the **corporate web page (*https://www.ibercaja.com*)** includes Ibercaja's sustainability and environmental commitment in a specific section.

ENVIRONMENT TEAM

The Environmental Management System has a team that promotes initiatives **Environment Team,** formed by volunteers from different units, which promote, foster and implement possible measures in the environmental protection area, encouraging their implementation.

*The **Environment Team** proposes, promotes and implements possible **environmental protection** procedures.*

This year a project has been implemented to reduce and optimise the use of plastic at Ibercaja. In this regard, the **NO PLASTICS TEAM**, was formed which has worked on a voluntary basis and, in coordination with the Purchases Unit, has replaced plastic consumables with others made with recycled and recyclable materials (for example, card cases, finger notches, etc.): The water bottles at Central Headquarters were also substituted by other RPet bottles (100% recycled and recyclable), thereby transferring our environmental commitments to the value chain.

Through the environmental suggestion box created in 2019, various suggestions were received to **improve waste segregation at offices**, hence, this challenge was marked as a new objective and a plan was designed to achieve this improvement.

TRAINING

Training is a key element at Ibercaja to transfer its environmental commitment to all Bank employees and to provide them with the necessary tools, especially to those that form part of the Units most affected directly and to those linked with the environmental management system for its correct performance.

> ***Training** is a **key element** at Ibercaja to transfer its environmental commitment to all Bank employees.*

In 2020, the following **training activities** were carried out, tied to sustainability and the environment:

- Course on sustainability: a course on **Sustainability focused on environmental care** has been posted on the Habitz platform, available to all employees of the Entity.
- **Sustainable Finance**: several training sessions have been held in different areas (risks, investment, products, reporting, etc.), within CECA's working groups.
- **Principles of Responsible Banking**: sessions of the different working groups in which Ibercaja participates.

Following the Sustainability Roadmap, it is envisaged to include a sustainability line in the **2021 Career Development Plan.**

ENVIRONMENTAL ALLIANCES

Ibercaja, within the framework of the promotion of SDG 17 (alliances), promotes cooperation between entities and its participation in environmental initiatives and the fight against climate change.

> *Ibercaja promotes **cooperation among entities** and its participation in environmental initiatives*

This is part of **COEPLAN** (Coalition of Companies for the Planet), an initiative that promotes more innovative and sustainable companies.

It also participates in the **Sustainable Finance Sector Working Group** to analyse and adapt to legislative proposals supported by the European Commission in its Action Plan on Financing Sustainable Growth.

Ibercaja is part of the **#ComunidadPorElClima**, to raise awareness and disseminate good environmental practices that support the sustainability of the planet.

As part of the COP25, in 2019, the Bank signed the **"Collective Commitment to Climate Action"** of the Spanish financial sector, promoted by the United Nations Environment Programme Finance Initiative, and joined the commitment to measure and reduce the carbon footprint.

Smart Green. In 2020, the Ibercaja Foundation joined the Smart Green Movement, an initiative led by LG España in collaboration with CO2 Revolution, whose objective is to plant millions of trees throughout the country. Hence the Ibercaja Foundation joined the movement that brings together mayor firms, citizens and institutions to combat climate change, absorbing the CO2 surplus into the atmosphere through the reforestation of trees.

6.6 Commitment to shareholders and investors

102-43, 102-44

IN OUR RELATIONSHIP WITH CURRENT AND POTENTIAL SHAREHOLDERS AND INVESTORS, IT IS CRUCIAL TO CARRY OUT PROCEDURES OF INTEREST AND PROVIDE ADEQUATE INFORMATION REQUIRED FOR THEIR ASSESSMENT.

During 2020, Ibercaja has continued working to provide more in-depth knowledge of the Entity to all financial market players. The Bank has continued its pledge for **transparency** **through two main channels**:

The Bank continues to pledge for ***transparency***

- Its **corporate website**, which isIbercaja's main channel to make itself known to investors. Throughout the year, the corporate website has received **2.4 million visits.** In the coming months, the Bank expects to renew this channel with the objective of adapting it to the Bank's new corporate image and continuing to improve the available content.
- Also, the Entity has a channel to resolve queries of this group by writing to the *mail box* ***investors@ibercaja.es***. In 2020 Ibercaja managed over 325 direct contacts with investors through this channel, **up 19% on 2019**.

COMMITMENTS TO SHAREHOLDERS AND INVESTORS:

- **EQUALITY.** Guarantee equality between shareholders and investors regarding access to significant information on the Bank, avoiding asymmetry and ensuring maximum transparency so that they can obtain complete, clear and true information at all times.
- **ADEQUATE DIALOGUE**. Establish adequate dialogue channels that allow them to be attended to with agility and quality in a personalised manner.
- **CONFIDENTIALITY.** Protect, in the terms envisaged, the confidentiality of the data that may be contributed by shareholders and investors.

Additionally, and given the impossibility of maintaining face-to-face meetings due to the restrictions caused by the pandemic, **videoconference** meetings were boosted, so Ibercaja has remained close to investors and analysts in a climate of high market volatility.

Within the framework of the Bank's Sustainability Roadmap, a line of work has been identified to enhance **communication of Ibercaja's ESG commitment among investors** and rating agencies, responding to their growing interest and highlighting the Bank's progress in this area.

THE MOST SIGNIFICANT MILESTONES FOR INVESTORS DURING WERE:

- The **refinancing of the Tier II debt issue** in January. Ibercaja issued 500 million euros of Tier at 10.5 years (with a repurchase option in the year of 5.5). Investor demand amounted to 1,800 million euros, of which 70% originated from international investors. The coupon was set at 2.75%, down 45% on that recognised in the similar 2015 issue. At the same time as Ibercaja carried out this issue, the Bank repurchased 59% of the 2015 issue, set to mature in July.

- **At the end of the year, Ibercaja had met its target notified previously of reaching a Fully Loaded CET1 of 12.6%.** The Entity has generated over 100 basis points of capital in the year thanks, among other factors, to the renewal of the distribution agreement with CASER and the reduction of the holding in this company below 10%.

Ibercaja has continued **reinforcing the quality of its balance sheet**. Despite the complicated macroeconomic climate caused by the pandemic, Ibercaja reduced the balance of non-performing assets by **14.9%** in the year, at the same time as which coverage of such loans rose by more than 10 percentage points with respect to the 2019 close.

6.7 Commitment to suppliers

102-9, 102-10, 102-43, 102-44, 1031, 103-2, 103-3

IN 2020, THE SUPPLIER CODE OF CONDUCT WILL BE UPDATED, IN WHICH IBERCAJA APPLIES ITS PRINCIPLES OF RESPONSIBLE MANAGEMENT, WHERE INTERACTION AND DIALOGUE ARE KEY ASPECTS TO FAVOUR A STABLE AND ENRICHING RELATIONSHIP WITH SUPPLIERS, BASED ON ETHICS, TRANSPARENCY AND COMPLIANCE WITH THE COMMITMENTS AGREED UPON.

*Ibercaja, in its **relationship with suppliers**, demands a **level of commitment** in line with the socially responsible practices that comply with the **Bank's Code of Ethics**.*

Ibercaja assumes the following commitments with its suppliers:

- Guarantee **transparency in procurement** and the impartiality and objectivity of the Entity's employees who participate in the selection processes.
- Oversee economic relationships which, **respecting the interests of both parties**, make it possible to obtain the maximum level of quality and commitment in the products served and in the services provided.
- To promote the observance by its suppliers of sustainable practices and ensure the application of the principles of the Global Compact, complying with the **Supplier Code of Conduct** which includes the responsible commitments they must assume: maximum ethical standards in their actions, respect for human rights and labor standards, environmental protection, the fight against corruption, and confidentiality and security of information.

Hence, in order to guarantee compliance with these socially responsible practices and favour the application of the principles of the Global Compact, Ibercaja has a **Supplier Code of Conduct**, which was updated in 2020.

In Ibercaja's commercial contracts with its suppliers, the latter are obliged to assume the principles of the United Nations Global Compact on Human Rights, Labour Rights, Environmental Protection and Anti-Corruption, committing themselves to Ibercaja's organisation to adopt the measures that are conducive to compliance with these principles, and to encourage third parties with whom they enter into contract to comply with them.

Likewise, suppliers are obliged to comply with and enforce, within their sphere of influence, the regulations in force at any given time regarding environmental protection, in particular waste management, establishing and maintaining a **business policy of sustainable development**, making their best efforts to make progress in improving their environmental practices.

In November 2019, **a new supplier management tool** was launched with a more evolved and complete website, which will enable **the improvement and systematisation of the supplier risk approval and management processes**, facilitating the Bank's relations and active listening with suppliers. The new portal includes, within the documentation requirements, social and environmental standards (ISO14001, OHSAS 18001, ISO 26001), and matters relating to corporate social responsibility. As to the transparency of non-financial information, suppliers are consulted as to whether they make an annual publication in this area, whether it follows any international reporting standards (e.g. GRI) and whether such information is verified by an independent external expert.

In 2020, **the supply risk assessment** was improved, strengthening and complementing the approval process previously made. **The most significant ones have been assessed, 168** (160 in 2019), which represent a total of **85% of the total volume** (86% in 2019) of purchase volumes managed, of which **123** have renewed their certification (111 in 2019) and **41** have obtained it for the first time (48 in 2019).

Almost all positively evaluated suppliers are Spanish and their contracts are signed pursuant to Spanish legislation. Both the evaluation of suppliers and the management of contracts are part of the purchasing procedures, comply with standardised criteria and objectives and include control mechanisms to ensure compliance with the principles set out above and the commitments made.

Administrative management of these processes is conducted electronically, expediting the arrangements for payment of invoices and reducing paper consumption.

In 2020, the **new Portal** continued to be implemented, approving the supplier risk approval and management processes, facilitating the Bank's relations and active listening with suppliers.

*The new Portal facilitates **relations and the active listening** of the Bank with its suppliers.*

Within the framework of the Entity's Environmental Management System, the supervision of suppliers assigned to it is carried out from the environmental point of view, in the corresponding external audits (AENOR) for the follow-up and/or renewal of ISO 14001, which the organisation has had since 2007.

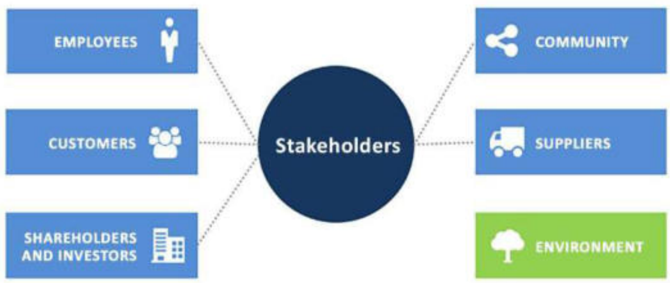
6.8 Contribution to society

102-43, 102-44, 103-1, 103-2, 103-3, 413-1

AT IBERCAJA, WE BELIEVE IN A SOCIAL BANKING MODEL, HIGHLY COMMITTED TO PEOPLE AND TERRITORY, WITH A FUTURE VISION, THEREBY PROVIDING A RESPONSE TO OUR CORPORATE PURPOSE.

*Ibercaja has a **Map of Stakeholders**, which enables them to be identified, to ascertain their needs and expectations and prioritise the actions with them.*

THE MAIN STAKEHOLDERS FOR IBERCAJA, ON WHICH THEIR COMMITMENTS ARE MADE EXPLICIT IN THE SUSTAINABILITY POLICY ARE:



Ibercaja encourages **active listening and dialogue** with its stakeholders to identify their needs and expectations and respond to them. Hence it implements specific channels and tools that favour continuous, two-way communication.

THE SUSTAINABILITY POLICY MAKES OUR COMMITMENTS TO SOCIETY EXPLICIT:

- Contribute to the **sustainable development of the territory**.
- Be sensitive to **social and environmental demands**, through its financial activities.
- Promote **financial education**.
- Assume commitments that pledge for **sustainable development**.
- Raise awareness and disseminate good practices that help in the transition towards a **sustainable economy**.
- Promote **corporate volunteering**.
- Comply with **tax responsibility**.

The Ibercaja Group is very aware of its commitment to society in all its actions, both through its **financial activities** and through its **shareholder foundations**, to which it invests a significant portion of its profits, which are allocated to actions of a social nature.

IN 2020, THE FOLLOWING PROCEDURES SHOULD BE HIGHLIGHTED:

6.8.1 Social activities

> *Ibercaja's announcements aim to generate **real opportunities of social insertion***

For yet another year, the Bank's shareholder foundations have held the **Ibercaja social project call**, which aim to improve people's employability, generate real opportunities for social and labour insertion or cover the basic needs of groups in a situation or at risk of exclusion. In its 15th edition, 578 projects have been presented and **304 initiatives** been selected from all over Spain, which will benefit **158,196 people**.

The call for proposals that the Ibercaja Foundation has launched throughout the country broadens its scope with the collaboration of the other three entities that are shareholders of the Bank (the CAI Foundation in Aragón, CB Foundation in Extremadura and the Cajacírculo Foundation in Castilla y León), becoming an example of efficiency and transparency of aid to the third sector.

#VAMOS CAMPAIGN

Ibercaja Banco and the Ibercaja Foundation promoted an initiative in 2020 that enabled the **donations** of individuals and companies, for a global amount of around 900,000 euros to be channelled, **aimed at meeting the needs of the most vulnerable people as a result of the spread of COVID-19 in Spain**.

The initiative was present in Zaragoza, Huesca, Teruel, Extremadura, Guadalajara, La Rioja, Madrid, Burgos and Seville**.** In each geographical area, this initiative was backed by prominent figures from the business world, culture, sports and communication and other public and private institutions.

Diverse partnership companies from the third sector received the contributions to help them in different areas (purchases, food, psychology, assistance, etc.) to the most needy in each city or autonomous community in which said challenges were undertaken.

In addition to providing direct aid to social projects, the Ibercaja Foundation collaborates with third sector entities in programmes and activities that provide a specific response to the needs of certain groups such as families with limited resources, the elderly, young people outside the education system or people with disabilities. The main **social programmes** with which Fundación Ibercaja has maintained its commitment in 2020 are: TOPI Catering School of Fundación Picarral, Sumando Empleo of Cáritas Autonómica de Aragón, Prevention Plan of Fundación Centro Solidaridad-Proyecto Hombre, Placement Agency of Fundación DFA, Good Citizen Practices Award with Ebrópolis and CERMI Aragón, through the painting and sculpture contest "Trazos de igualdad" (Traces of Equality).

SOLIDARITY IMPULSE

Solidarity Boost is another initiative performed this year, that allows one to experience first hand the social commitment of Ibercaja and its Foundation. This project aims **to promote active and participatory social responsibility**, in which the Group's workers themselves propose and select with their votes the social projects to support, and then become their best ambassadors. As a novelty, in 2020, two editions were launched in the year, one of them, was a **special extraordinary Covid-19 announcement** to reach the groups most affected by this illness.

LABOUR INTEGRATION AND DIVERSITY

Ibercaja supports **the labour integration of people with disabilities** to **achieve a more equal and inclusive society**. The Entity has 57 employees with recognised disabilities on its staff. In 2020, it allocated more than 235,000 euros to the contracting of Special Employment Centres for the supply of material or services, such as the CEE Fundación Juan XXIII, CEE Oliver, S.L. or CEE Sesé Integra Norte.

In addition, during the year, donations were made worth more than **200,000 euros** for Foundations whose objective is the **integration of disabled people in the workplace**. Specifically, it collaborated with the Human Age Institute Foundation, Gardenieres, the DFA Foundation or the Juan XXIII Foundation, among others.

In 2020, the Ibercaja Foundation made a new call for aid for **international cooperation** projects at development NGOs working in the fields of education, employability, health and access to drinking water and sanitation, basic elements of individual and community achievement in the most disadvantaged areas of the world.

6.8.2 Alliances

> *The objective is **to improve access to information**, training and solutions offered.*

In 2020, Ibercaja has continued to develop an intense activity of **transmission and dissemination of economic, business and financial knowledge** for families and companies throughout the country, with special emphasis on its traditional areas of operation, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies.

In addition, to **improve accessibility to information, training and solutions offered** through these initiatives, the Bank strengthened its digital assets in this area, providing them with more content, as is the case, for example, of the **Ecosystem + Company** platform.

Compliance by the Ibercaja Foundation with the UN SDG

Since it joined the United Nations Global Compact in 2018, the Ibercaja Foundation has focused its way of working to respond to the Company's challenges, currently marked by the expansion of Coronavirus and the measures adopted to detain its spread. **The Bank has included the 2030 Agenda in its strategy**, hence it acquired a double commitment. Also, **at internal level**, the Company has aligned all its activities and programmes with the SDG and their corresponding objectives. And on the other, **at external level**, it became an agent to implement the 2030 Agenda at the Company.

Faced by the situation generated by COVID-19, the Sustainable Development Goals (SDG) of the UN 2030 Agenda became an indispensable instrument to alleviate the effects that the health crisis is having on fields such as health, education, employment and social inequality. In this regard, **Fundación Ibercaja has implemented activities and programmes that have a full impact on 14 of the 17 global development goals**, prioritizing those in which it can contribute the most value and which are consistent with its mission for 144 years: to create opportunities for the whole of society.

6.8.3 Recognition

In 2020, Ibercaja obtained, for the third year running, the **RSA + Seal in Aragón**, awarded by the Aragón Social Responsibility Board and coordinated by the Aragón Government, through the Aragón Institute for Development (IAF) as recognition for its social commitment.

TO OBTAIN THIS SEAL, IBERCAJA SUCCEEDED IN THE FOUR AREAS DEFINED, HENCE RECEIVING THE RECOGNITION OF THE ARAGON GOVERNMENT:

- **Balance of personal, family and working life**, in line with the guidelines promoted by the General Equality and Family Division
- **Boosting equality** in all manner of organisations, granting precedence to equal opportunities and the principle of non-discrimination
- **Volunteer work and social action**, promoting cooperation between businesses and not-for-profit organisations, to ensure a stable relationship between both and encourage the use of the Cooperation Window
- Involvement of the organisations in the **promotion of culture** in Aragón, boosting their relationships with their surroundings.

All the commitments derived from our responsible management of the Bank are translated into specific actions aimed at our stakeholders in order to meet their needs and expectations, while favouring active listening.

6.8.4 Sponsorships

Ibercaja promotes, through its sponsorships, sports, activities for young people, culture and companies as the best vehicle for conveying its values. In 2020, it continued **to boost the social part of these sponsorships**, endeavouring to **raise awareness among the population** and demonstrating that we pledge for sustainability and healthy habits.

Ibercaja develops its sponsorship strategy with internal and external activation. At **internal activation**, employees are encouraged to practice sports and healthy habits: more and more people are joining this lifestyle. In 2020, over 500 employees were already prepared to participate in our sporting events. As a consequence of the pandemic, only those that signed up to events performed in the first two months of the year could enjoy that moment of team spirit in a different environment to their day-to-day life.

In the cultural area, employees of the Madrid Territorial Division, were able to enjoy that first spectacle of the de-escalation "The Hole", backed by Ibercaja.

In **external activation** the aim is to improve the notoriety and return rates that each event can bring to the Entity, taking into account its different characteristics:

SPORTS

The pandemic caused most sporting events to be re-directed. Work was carried out to continue maintaining the presence of the Bank despite the new circumstances.

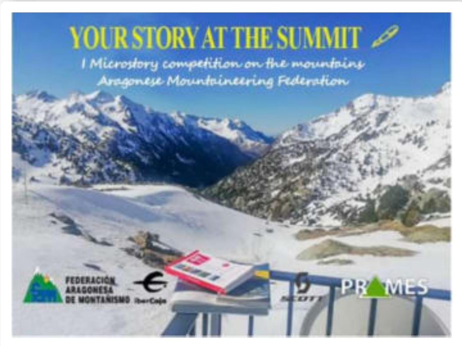
- **10K Valencia Ibercaja:** The first sponsorship of the year was the 10K Ibercaja Valencia, where there was a large participation of runners and employees, with an unprecedented success. Two world records were beaten (male 5 and 10K), 4 continental records, various national records and thousands of personal records of both professional sportsmen and women and popular and anonymous athletes. All of that provided an unprecedented media repercussion in terms of Bank sponsorship and led the International Athletics Federation to acknowledge the 10K Valencia Ibercaja as the best 10 km race on a course of all time. This year, the non-profit organisation that received the amount of the fund money raised was the Pedro Cavadas Foundation, obtaining an amount of 7,107 euros.
- **Trofeos Ibercaja Ciudad de Zaragoza:** we renewed the sponsorship agreement for a program managed by Zaragoza Deporte Municipal, which includes events of different sports disciplines. With this programme, we grant visibility to all kinds of sports, including those that are more marginal or have fewer opportunities to attract funds for their activities.
- **Madrid Marathon, Half Marathon and 10K:** after its cancellation due to the state of alarm, an action was organised through social media and the app of the event in which the participants could run 5, 10 or 20 km (real or symbolic). With this initiative, another historic record was broken: more than 10,000 participants in a virtual race (10,134). It had a two-fold objective: on the one hand, solidarity (55,000 euros of the registration fees were donated to Cáritas to help alleviate the effects of the pandemic) and, on the other hand, it succeeded in maintaining the excitement for races and provided the opportunity to continue with such activity. Aside from this event, together with MAPOMA,

on-line training sessions were organised that had great participation. The media effect of these initiatives was also notorious, demonstrating that Ibercaja remained at the side of popular sportsmen and women.

- **Bearded Vulture:** After the cancellation of the race, a 12-week indoor training plan was implemented so that everyone could complement their preparation with training at home to keep them in shape after having suffered a confinement. Each week, a new training session was included on YouTube (12 weeks in total). It was also broadcast via the QH Channel and RRSS, both of the organisation of the event and individually. It involves contents that include a very complete training programme that will last over time and which is accessible by any user.

- **Sponsorships to sports entities:** Ibercaja, aware of the difficulties that many sports organisations and entities are experiencing as a result of COVID 19, made a clear commitment to stand by their side to help them overcome the situation and strengthen mutual trust. Hence, in 2020, our commitments to different sporting federations, clubs and associations were renewed, maintaining our focus on lower categories and schools. Hence, we help to continue promoting sports among youngsters, ensuring that they acquire healthy habits from a very young age and taking advantage of the digital environment.

- **Actions during the lockdown with Sports Federations:** in the months of March to June 2020, as a consequence of the lockdown and the impossibility of carrying out activities outside the home, several proposals were devised in the digital environment to maintain the activity of the society in general. Among the actions carried out, the Aragonese Mountain Federation stood out with two major successful initiatives: first, it opened its prestigious online courses aimed at members to anyone who was interested and, second, it launched a contest of micro-stories about the mountain with 150 participations that have been collected in a book in which Ibercaja is thanked for its involvement in the project.



- **Sponsorship of School Age Sports Games (Government of Aragón):** with the suspension of competitions and training, the collaboration was redirected with the launching of a team challenge contest to encourage schoolchildren to maintain good habits, sports practice and contact with their classmates in confinement. The competition #encasahaciendodeporte was a success with 96 videos presented and around 2,400 sportsmen and women involved.

YOUTH

We continue with Ibercaja's historical pledge with the **Young European Carnet**, sponsoring the Aragón and Extremadura programmes.

ARTS AND CULTURE

Ibercaja collaborates in the **dissemination of culture** through involvement in events and its ticketing service, consolidating itself as the leading company in ticket sales in Aragón.

This year~~,~~ the numerous cancellations of events have bound the music and entertainment industry to reinvent itself, taking into account the COVID regulations. Accordingly, Ibercaja has wanted to be at the side of promoters, sites, artists and spectators to help them to continue their task. The main lines of action were:

- Co-sponsorship of the **Madrid GO UP** show, together with the Starlite Foundation, an event that was implemented by the music industry following the pandemic. Numerous leading artists wished to participate in a solidarity concert to pay homage to the victims of the pandemic and a return to face-to-face events in the musical world.

- **Sonorama Ribera:** The cancellation of the festival did not prevent music from being present in the summer period, with small concerts, but of great quality and with renowned artists in Aranda, Burgos and Valladolid. With this initiative, we reduced the negative impact, both on culture and on the economy of the area, that would have been caused as a result of the elimination of an event of such importance in the territory.

- Sponsorship of the return of the show **"The Hole"**: performed with all the mandatory health protocols and on an open-air stage, it was the first live show of the post-lockdown period. Thanks to our pledge, many of our customers (and employees) enjoyed this event in the safest conditions. The success of the event led it to be extended various weeks over time.

- **#VuelveALaCultura:** After more than three months of hiatus in terms of cultural performances, the City Council of Zaragoza carried out a project supported by Ibercaja through the ticketing service. With this, once again, summer music, theatre and cinema sessions were relaunched in July and August.

- Installation of a ticket sales system at **San Juan de la Peña monastery** to encourage internet sales. In a record time, an agreement was reached with the Aragón Tourism Board to install the equipment necessary to implement this sales system at one of the most visited tourism sites of Aragón.

AGRO INDUSTRY

In 2020, Ibercaja, in line with its support for the primary sector, for the first time became the strategic partner of the Zaragoza Exhibition for the sponsorship of **FIMA** (International Agricultural Machinery Fair) for two editions (2020 and 2022). It was a major milestone at the beginning of the year, whose media and commercial return exceeded all expectations: it turned out to be the most attended edition in history.

6.8.5 Volunteering

The Ibercaja Group encourages active and retired employees to become **corporate volunteers**, through **participation in solidarity activities,** which contribute to the development of people. It is a programme that seeks to motivate employees to contribute to equal opportunities in society, to improve the quality of life of people, preserve the natural environment or promote social cohesion and development, through its own initiatives or in collaboration with other institutions and entities.

Ibercaja volunteers has also responded to this need to adapt generated by the pandemic. After suspending the planned face-to-face activities, we sought activities that responded to two premises**: to ensure the safety of volunteers** and users and to **respond to the needs highlighted by the pandemic**.

*Volunteers are characterised by always adapting to each moment, **responding** to the **emerging needs** and withdrawing when they are covered.*

Ibercaja's volunteering work has become important, not only due to its physical presence but also through the human voice. 15 employees of different provinces Zaragoza, Madrid, Seville, Valencia and Cádiz, carried out telephone campaigns through the Adecco Foundation and the Juan XXIII Foundation, which collaborate with Ibercaja on different programmes. By telephone and their voice, volunteers are accompanying these users, making their presence known through a weekly call, and extending their relationship circle, helping them in their training and acquisition of skills.

At the end of 2020, a programme for the accompaniment of young people was implemented to improve their employability, in cooperation with the Princess of Gerona Foundation. An opportunity for volunteers to act as mentors for young people, emphasising their experience, knowledge and talent.

6.8.6 Financial education and other educational programmes

The **Financial Education Programme** entered its **seventh edition** in 2020, having become an ideal complement to augment the financial culture of the public, with basic finance workshops and days for schoolchildren and activities for the general public. Managed by the Ibercaja Foundation, the programme has, since 2013, fulfilled the Ibercaja Banco's commitment to the **National Financial Education Plan**, led by the Bank of Spain and the Spanish National Securities Market Commission (CNMV). Its objective is to promote basic financial literacy for all citizens.

*The **objective** is to promote a basic **financial literacy** for all citizens.*

This year, as a novelty, a page was launched unifying contents and grouping the activities into two sections "Financial education for you", aimed at individuals, and "Financial education for your business", aimed at entrepreneurs, professionals and self-employed workers, stores and micro-companies. The programme aims to cover a broad spectrum of the population, from Spanish 5th year primary school students to the adult population, in each case adapting both the content and the type of activity and methodology used. This year, all activities have been scheduled to be followed digitally.

Aside from financial education, the Ibercaja Foundation has, in the year, developed other **educational programmes** aimed at schoolchildren, such as **Educate for the future** (24 face-to-face activities and 4 online), **Learning to be an entrepreneur** (to bring an entrepreneurial attitude into the classroom), **"Ticvolution"** (to form profiles adapted to digital demand) and other **didactic programmes**.

6.8.7 Sustainable mobility: Mobility City

Mobility City is a strategic initiative of the Ibercaja Foundation, backed by the Aragón Regional Government, which aims to place Zaragoza and Aragón at the forefront of the new mobility and the transformation of associated sectors and industries, with the collaboration of institutions and companies that are a benchmark for our economy.

*We aspire to **place Zaragoza and Aragón** at the **forefront of new mobility** and of the transformation of the industries and associated sectors.*

In 2020, work commenced on the emblematic **Bridge Pavilion**, which will turn Mobility City into a large container dedicated to sustainable mobility. The aim is to use the central space as an exhibition centre for mobility and transport devices and solutions and for the organisation of temporary exhibitions of conceptual cars. In the two lateral wings of the Bridge Pavilion, exhibition modules will be set up to show different aspects of the smart city and sustainable mobility.

In 2020, Mobility City continued to extend its partner portfolio involved in the project. At the end of the year, several partnership agreements were signed with **Aera-Cluster Aeronáutico Aragonés, Cellnex Telecom, Tecnalia, CTAG, Cablescom**, **Connected Mobility Hub, Zaragoza Logistics Centre, Drónica Valley, Correos, CSIC** and **Blockchain Aragón**.

The **Mobility City chair** created at the end of 2018 by the Ibercaja Foundation and Zaragoza University focused its activity this year on the area of mobile and wireless communication, with the concept of connected vehicle, sustainable urban mobility and smart transport systems, together with mobility and modelling of the social behaviour of the leading players involved.

The Ibercaja Foundation has also continued its collaboration with the **"Mobility Experience" chair**, in collaboration with Universidad de San Jorge, to carry out teaching, research, knowledge generation, diffusion and the transfer of technology to the sustainability area. Among the activities envisaged by the Mobility Experience Chair are the research and prototyping of technological solutions in software and video games at the exhibition facilities of the Bridge Pavilion to define the visitor experiences, research in the development of SIG technology and the application of software for mobile devices to mobility solutions in a Smart City environment and participation in the diffusion and publication of the Mobility Project activity.

Furthermore, activities were conducted such as **Video-conference** cycles "Urban mobility and COVID-19" and "What we know about…", the **European Mobility Week** or the campaign **#yocedomicoche**, in collaboration with the Red Cross and different Aragón concessionaires to help socio-sanitary teams to meet needs arising from the pandemic.

6.8.8 Development of territories and digitalisation

The Ibercaja Foundation is open to the public through its **network of centres**, which are a sounding board for their proposals and a visible face for the people who make the task of social work possible everywhere in which the Bank has a presence. In addition to integrating the territory, these spaces are a **boost for the cultural activity of cities and regions**.

The centres closed in March due to the healthcare situation existing in the country, and they reopened their doors in June, implementing all the health protocols necessary to ensure the continuity of activities in a safe manner for users and employees.

IBERCAJA CONNECT FOUNDATION

The Ibercaja Connect Foundation was created in 2020 as the Bank's **virtual encounter space** to continue contributing to the Company's development. Its launch, due to the situation caused by the health crisis and to offer programming, services and quality contents without the need to leave home, has made it possible to generate a place for roundtables, debates, reflections and conferences on education, culture, mobility or current affairs. A space in which the most significant online activities of the Ibercaja Foundation have been broadcast live and which will also be available for subsequent viewing.

DIGITAL SERVICES

In their commitment to combat school failure and provide alternatives to young people who want to leave their studies early, the Ibercaja Foundation and Cepyme launched the digital service **Ibercaja Orienta**, which has now become **a powerful guidance tool** that allows students, families and teachers to make informed decisions about their studies or future career.

The digital service **Aula en Red (Network Classroom)** of the Ibercaja Foundation fulfils the dual objective of **introducing digital technology as a learning tool** in the classroom and of **providing teachers with educational resources** in various subjects, such as humanities, science, art or technology, to contribute to a quality education. Aula en red is the complement to the work of the teacher in the classroom and a tool to access a wide range of training that enables them to refresh their knowledge on a permanent basis.

The **Ibercaja Digital Challenge Programme** commenced at the end of 2017 with the firm purpose of **reducing the digital gap between generations** and extending technological literacy to all layers of society. The programme encompasses courses and workshops that provide a response to the training needs of the different groups of age and other social players.

6.8.9 Employment and business

IBERCAJA BUSINESS DEVELOPMENT CAMPUS

Situated in an ideal setting for learning, such as Monasterio de Cogullada, close to the companies of Valle del Ebro, we can find the best **programmes in learning and permanent development**. Thanks to its network of alliances with entities, companies and professionals, it offers training programmes and specialised services at its facilities, while **promoting initiatives and events that support the transformation, innovation and growth of the business fabric**.

EMPLEA-T Y EMPRENDE PROGRAMME

The Emplea-t y Emprende (Employ yourself and be an Entrepreneur) programme offers a **complete guide** so that creativity and **entrepreneurial drive** do not cease in a society that increasingly demands new sources of work, innovation, products and services on a daily basis. It has a method endorsed by its excellent results, consisting of practical and experiential training given by entrepreneurs with extensive experience and background and with access to a team of top-level mentors to work individually on the development of each initiative. The programme is strengthened by its presence in **acceleration and coworking spaces** in all the provinces in which it is imparted.

HEALTHY COMPANIES

In 2020, Ibercaja Foundation, in collaboration with Quirón Salud, continued the **“Por ti” (For you) programme** and initiative that aims to **improve the physical and mental wellbeing of workers** and implement healthy habits both in and out of the workplace. In this initiative, the key role is played by employees of the participating companies themselves, who have to raise awareness throughout the organisation. It is a programme aligned with SDGs 3, 8 and 17 and is part of the CSR of the participating companies.

ECOSISTEMA + COMPANY

This is an initiative of Ibercaja and the Ibercaja Foundation to **promote innovation in companies**. It is a **point of meeting and interaction between entrepreneurs, professionals and managers** from both startups and large companies whose aim is to create a more innovative and active business environment based on the premise that knowledge sharing and collaboration help companies to go further. In 2020, its scope of action has been expanded, defining six verticals on which to focus its activity and help build the “Company 2025” through innovation, digitalisation, sustainability, cultural transformation, diversity and entrepreneurship. During the pandemic, Ibercaja's Ecosistema Más Empresa moved its activity to the online environment to continue working with companies, start-ups, managers and entrepreneurs who are part of it, and who now number 3,900 users.

6.8.10 Culture

Ibercaja, through its Foundation, promotes culture in all the territories in which it is present, as a strategic line of action. Especially noteworthy are the following projects:

*The **objective** is to promote **culture** in all territories*

GOYA MUSEUM

The **Goya Colección Ibercaja Museum-Camón Aznar Museum** is a reference point for those who are passionate about art and the work of Francisco de Goya. In addition to the **permanent collection**, which is made up of works by the painter, some of his complete series of engravings and works by earlier, contemporary and later artists related to the genius of painting, there are also **temporary exhibitions** of different periods and styles. As Fundación Ibercaja's commitment to culture highlights, various **complementary activities** have been scheduled in addition to all the exhibitions held over the last year, activities that involve great professionals from the world of culture and art to bring these disciplines closer to all audiences.

Since the reopening of the Museum after the lockdown caused by the pandemic, the Ibercaja Foundation has worked to implement all the health protocols to ensure that visits to the museum facilities are safe for the public and for workers. In this sense, the museum has incorporated QR codes on all its floors, replacing mobile terminals, which allow for a documented and secure tour 290 works in Spanish, French and English. In addition, on the second floor, in the gallery leading to the Goya room, a large screen has been installed with an audiovisual presentation on the painter's work in Aragón.

IBERCAJA PATIO DE LA INFANTA

This **exhibition and congress centre** is a space open to citizens, organisations and companies interested in the fields of culture and knowledge. Inside is the courtyard that gives its name to the space, a jewel of the Zaragoza Renaissance recovered by Ibercaja for Zaragoza in 1980. In 2020, a number of temporary exhibitions and videoconference cycles were carried out.

FUNDACIÓN EXCELENTIA

This, year, the Fundación Ibercaja also renewed its collaboration with the Fundación Excelentia to organise the 2019/2021 concert season in Zaragoza and Madrid. The new season of **Excelentia Concerts** offers the public of the Auditorio de Zaragoza fifteen performances with top tier orchestras including “The Music of Morricone, Zimmer and John Williams”, “La Traviata” or “Pop & Cinema Collection”.

6.8.11 Tax information

201-4, 103-1, 103-2, 103-3, 207-1, 207-2, 207-3, 207-4

The Group achieved a **pre-tax profit of 53,470 thousand euros** (128,637 thousand euros in 2019). **Corporate income tax** amounted to **29,868 thousand euros** (44,648 thousand euros in 2019) (estimated corporate income tax expense for 2020).

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a **Corporate Income Tax Consolidated Group** (No. 579/11). Since 2012, the other Group companies that could join the tax group have been included and therefore corporate income tax is assessed on a consolidated basis.

As a result of the securities exchange in July 2013 in which Ibercaja Banco acquired control over Banco Grupo Cajatres, as from the tax period starting 1 January 2014, Banco Grupo Cajatres and its investees that met the relevant requirements were included in the consolidated tax group.

Fundación Bancaria Ibercaja is also the parent entity of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to join.

The Group and its companies are subject to inspection by the tax authorities for corporate income tax for 2013 and subsequent years; in terms of other taxes, they are subject to inspection for periods from December 2016 onwards. In this respect, in July 2020, tax audits were initiated in relation to the tax years 2013 to 2017, both inclusive, for the corporate income tax of the Tax Group and several of its companies, as well as for the periods between July 2016 and December 2017, both inclusive, for value added tax and withholdings and payments on account on income from employment, professional activities and income from movable capital. These proceedings are ongoing.

Furthermore, in relation to the Corporate Income Tax of the tax consolidation group of Banco Grupo Cajatrés, a company absorbed by Ibercaja Banco in 2013, and of several of its companies, in July 2020 notification was received that inspection proceedings were commencing regarding supplementary tax returns and requests for rectification filed for 2011 to 2013. These proceedings are currently underway.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group’s Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

In 2020, work has proceeded on developing a **Tax Policy** which sets out the essential principles and guidelines which, in accordance with the applicable regulations and best tax practices, will govern Ibercaja's tax strategy and which is expected to be approved shortly by the governing bodies.

In 2020, Ibercaja again joined the **"Empresa Solidaria"** initiative in 2020, allocating 0.7% of corporate income tax to social purposes. These funds help finance government programmes to move towards a more egalitarian, inclusive and just society, and support the achievement of the Sustainable Development Goals of the United Nations 2030 Agenda.

During the year Ibercaja Banco and the Group companies did not receive any public subsidies or aid.

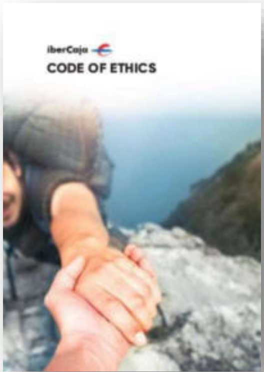
6.9 Human Rights

102-16, 103-1, 103-2, 103-3

IBERCAJA PROMOTES RESPECT FOR HUMAN RIGHTS, IN LINE WITH THE SUSTAINABLE DEVELOPMENT GOALS OF THE 2030 AGENDA OF THE UNITED NATIONS, AND CONVEYS THIS COMMITMENT TO THE PEOPLE, COMPANIES AND INSTITUTIONS WITH WHICH IT DEALS.

Ibercaja conducts its banking business **responsibly, respecting and encouraging human rights** in accordance with prevailing legislation and international standards: The Bank is always mindful of the UN Universal Declaration of Human Rights, and **it has been a signatory to the UN Global Compact** since 2006, so its activities are carried out in accordance with the principles enshrined in this initiative.

One of the guiding principles of the **Ibercaja Sustainability Policy** approved this year by the Board of Directors is defending human rights, a principle which covers the entire organisation and all its members. This is reflected in the Bank's **Code of Ethics**, approved by the Board of Directors, as a key element that reinforces the corporate culture and ethical approach of the Bank's management. The Code **contains the Bank's ethical commitments and the principles of action** that must be present in the day-to-day work of the people who make up Ibercaja, so as to make its corporate values tangible.



The key principles of conduct that define us and shape our ethical culture are:

- We are **rigorous**: we are aware of and comply with standards
- We are **honest and trustworthy**
- For us, **the customer takes centre stage**
- We are **role models**
- **We take care of the** Bank's reputation and look after information
- We take **care in the use** of the Entity's media
- We are **committed to our environment**

Employees have a **Whistleblower Channel** to communicate possible violations of the Code or doubts about its interpretation.

Also included on the corporate website www.ibercaja.com is an e-mail address(rsc@ibercaja.es) to which anyone can send queries about the Bank's Code of Ethics.

Employees have an ***Whistleblower Channel*** *to report any violations of the Code of Ethics.*

Ibercaja also promotes respect for human rights, **in line with the SDGs of the 2030 Agenda**, conveying this commitment to the people, companies and institutions with which it relates, incorporating the safeguarding of these rights in investment and project financing decisions, and in its relations with customers and suppliers. To strengthen this bond, it has a **Supplier Code of Conduct** that specifies the values that are fostered responsible contracting, many of which are related to human rights.

It should be noted that the institution has not been involved in any incidents involving violation of human rights.

6.10 Anti-corruption and bribery

102-16, 103-1, 103-2, 103-3

6.10.1 Measures to combat corruption and bribery

DURING THE YEAR, THERE WERE NO COMMUNICATIONS NOR WERE ANY CONDUCTS DETECTED THAT COULD CONSTITUTE THE CRIME OF CORRUPTION OR BRIBERY.

The Bank has a **criminal risk prevention system**, the purpose of which is to mitigate the risk of commission of actions by members of the organisation that may constitute crimes. The system has express policies and procedures in place to avoid corruption and bribery in its business, which are understood to be the offer, promise, request or acceptance of an unjustified benefit or advantage of any nature as compensation for unduly favouring others in commercial relationships.

For the establishment of the crime prevention system within the Bank:

i) The **activities** carried out by the Bank in which criminal risks (including corruption and bribery) may occur have been identified;

ii) The Entity's most relevant **policies, procedures manuals and controls** have been reviewed and identified;

iii) **Appropriate adjustments** have been made to manuals, procedures and controls to promote the effective prevention of criminal risks, as well as the proper custody of the evidence supporting the controls;

iv) A **specific committee** ("Control Body") has been designated as responsible for the implementation, monitoring and updating of the Entity's criminal risk prevention model. The Audit and Compliance Committee of the Board of Directors is also regularly informed of the functioning of the system;

v) The criminal risk prevention model is reviewed in **internal audit** processes;

vi) A training and awareness-raising plan for employees on criminal risks, including corruption and bribery, has been put in place;

vii) A **process** has been established for notification of possible breaches or violations of conduct, which allows the Entity to be aware of and react to any illegal situations (whistleblowing channel);

viii) The Entity has a **disciplinary procedure** in the event of non-compliance with the obligations required of employees, with the People Area Division being responsible for handling disciplinary proceedings based on the findings of any investigations carried out by the Internal Audit Department.

The criminal risk prevention system is set out in a **manual** that consists of two parts:

The General Part, which defines the structure of the organisational model, supervision, verification, monitoring and general procedures and controls that the Entity has in place to prevent the commission of criminal risks that, being susceptible to generate criminal liability for legal persons under the Criminal Code, may hypothetically occur due to the activities carried out by the Entity.

The Special Part details each of the criminal risks identified, set out in appendices, one for each type or group of offences (e.g. money laundering offences, business corruption, stock exchange offences, tax offences, subsidy fraud, etc.). The list of criminal risks identified in the Special Part does not imply that the materialisation of such risks has been detected, but rather that they are identified as activities carried out by the Entity that are connected with conduct which, if it were to occur, could constitute a criminal offence.

The criminal risk control system is based on the **theory of the three lines of defence**: in the first line of defence are the business units, which have "ownership" of the risk and are aware of and manage the risks they incur in the course of their activities. The second line of defence is the internal control framework, which aims to ensure adequate risk control, prudent business conduct, reliability of information (financial and non-financial) and compliance with internal regulations and policies and procedures of the institution and, in particular, the Control Body. This second line of defence includes the risk control and management function, the legal department (both proactive and reactive) and the regulatory compliance function. The third line of defence is internal audit. All of them, within the scope of their respective activities and functions, must ensure adequate risk management in general, and criminal legal risk in particular.

*Principle of **"zero tolerance"** and fostering of **ethical and responsible behaviour**.*

Thus, the system is based on and constitutes a formal statement of the intention of the Board of Directors and senior management of the Bank to establish and uphold, as one of its basic values, that the actions of all members of the organisation shall always comply with the legal system in general and with criminal law, in particular, by fostering a culture of preventive compliance, based on the principle of **"zero tolerance"** with the commission of unlawful acts (including bribery), and promoting ethical and responsible conduct. This intention is also included in Ibercaja's Code of Ethics, as approved by the Board of Directors.

93% of Ibercaja Banco's current workforce has **received training in criminal risk prevention,** including the crime of corruption and bribery.

6.10.2 Measures to combat money laundering

DURING THE YEAR, 201 FILES WERE OPENED FOR THE ANALYSIS OF TRANSACTIONS SUSPECTED OF BEING RELATED TO MONEY LAUNDERING OR THE FINANCING OF TERRORISM. SEPBLAC WAS INFORMED OF 110 CASES WHERE SPECIFIC ANALYSIS SUGGESTED THERE WAS EVIDENCE TO BE FURTHER EXAMINED.

Ibercaja Banco has the status of **"reporting Bank"** under anti-money laundering and counter-terrorism financing regulation (AML/CTF) and, therefore, it must apply the measures to prevent the Bank from being used for this purpose. To this end, it has adequate internal control and communication procedures and bodies in order to uncover, impede and prevent the carrying out of transactions that may be related to money laundering or the financing of terrorist activities.

These procedures and bodies, which are described in the corresponding Manual, as well as their organisation, meet the **principles of swiftness, security, efficiency, quality and coordination**, both in the internal transmission and in the analysis and reporting to the competent authorities of the relevant information pursuant to regulations on the prevention of suspicious transactions.

A basic pillar of the PBC & FT system are the due diligence measures referred to in Law 10/2010 and the precepts of Royal Decree 304/2014 that develop it: identification of the formal and real holder of the customer, as well as knowledge of the customer's activity, which will include knowing the origin of the funds with which the customer seeks to operate with the Entity.

Consequently, and in line with the risk prevention and management model based on **three lines of defence implemented in the Bank**, the first filter of the AML/CTF system is the establishment of the relationship with customers, and this relationship is the responsibility of the business units that act as the **first line** of defence against the risk of money laundering and the financing of terrorism.

In the **second line** of defence, in addition to the risk control function, there is the regulatory compliance function performed by the Regulatory Compliance Department, which includes the AML/CTF Unit which, as a technical unit specialised in this field, has an essential (although not exclusive) role in the application, supervision and monitoring of the internal procedures established by AML/CTF, with the Internal Audit Department assuming the functions of the **third line** of defence.

Such AML/CTF procedures and measures are applied with a risk-based approach, so that in cases in which there is a greater risk that the Bank may be used for money laundering or terrorist financing, these measures are applied with a greater degree of intensity.

6.10.3 Contributions to foundations and not-for-profit entities

To the extent that contributions of economic nature by the Bank to foundations and not-for-profit entities are made through accounts held in Ibercaja, the entities benefiting from these contributions are subject to the same **controls for prevention of money laundering and financing of terrorism** as other customers. In addition, given that due to their very nature, such entities are categorised as medium risk customers, in addition to the application of due diligence measures that are carried out in each customer registration or monitoring of the business relationship (e.g. check against blacklists), the Bank adopts additional control measures for the adequate management of the risk of money laundering or financing of terrorism.

The figure for investment in social action can be found in the “Ibercaja 2020 Social Impact” infographic included in Chapter 2 of this document.

6.11 Implementation of the Principles for Responsible Banking UNEP-FI

102-15, 102-30, 102-31

In November 2019, Ibercaja signed up to the **United Nations Principles for Responsible Banking**, becoming part of a global coalition of banks whose aim is to promote and encourage the sustainable development of the economy.

By signing these Principles **we commit to driving sustainability**, aligning strategy with long-term goals that integrate social and environmental challenges, and identifying our greatest potential contribution.

Among the commitments we have made is to report on the Entity's progress in implementing the Principles. The following is the report on the first year after signature, according to the model established by UNEP-FI.

REPORTING AND SELF-ASSESSMENT REQUIREMENTS	HIGH-LEVEL SUMMARY OF BANK'S RESPONSE (LIMITED ASSURANCE REQUIRED FOR RESPONSES TO HIGHLIGHTED ITEMS)	REFERENCE(S)/LINK (S) TO BANK'S FULL RESPONSE/ RELEVANT INFORMATION
Principle 1: Alignment **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	Ibercaja Banco is a national banking institution specialised in the **business of individuals and companies** and whose objective is to generate value for its customers, shareholders and society in general, guided by its **corporate purpose: "To help people build the story of their lives, because it will be our story".** It maintains in its DNA its social and territorial commitment, trying to maximise the benefit for its shareholder foundations: 88.04% of its capital, by Fundación Bancaria Ibercaja (88.04%), Fundación Caja Inmaculada (4.73%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.33%). It carries on all its business in **Spain** and its corporate purpose is to carry out all kinds of activities, transactions, acts, contracts and services related to the banking business in general. The Bank is the head of a group of subsidiaries, the most important of which are those of the Financial Group, comprising companies specialising in unit trusts, savings and pension plans, insurance banking and leasing/renting. Ibercaja Banco, with 55,422 million euros, is the tenth largest in terms of asset volume in the Spanish banking system. Its business model focuses on the retail market with a special focus on individuals and small and medium-sized enterprises. On a national scale, the Group has a market share of 2.6% in loans and of 3.5% in customer funds and 2.8% in deposits. The Bank is has a leadership position in **its traditional locations (Aragón, La Rioja, Guadalajara, Burgos and Badajoz),** which account for 61% of its network and more than 61% of its business volume. It has a significant presence in other areas of great economic importance: Madrid and the Mediterranean Arc.	See section 4 chapter this Directors' Report See GRI indicators: 102-1 102-2 102-3 102-4 102-6 102-7

EL BANCO DEL Vamos

1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	As shown in its **Sustainability Policy**, Ibercaja firmly believes that its plans and actions should help ensure well-balanced economic growth, social cohesion and environmental protection, pursuant to its corporate purpose. For this reason, the Bank is **firmly committed** to the **Sustainable Development Goals of the 2030 Agenda, and it is a signatory of the United Nations Principles for Responsible Banking.** Ibercaja has carried out a **materiality analysis of the SDGs** with the aim of detecting those where it has the greatest capacity to expand its impact and to launch new projects. Establishing the purpose of each ODS for the Bank, we identified the actions already underway at the Bank, and assessed their trajectory and scope. As a result, 7 SDGs have been prioritised to focus on their progress and align their business strategy: 3.4.5.8.9.13 and 17. The Entity is also aligned with the objectives of the Paris Agreements, and is a signatory to the Spanish financial sector's **Collective Commitment to Climate Action**. It is therefore working to make progress in measuring the carbon footprint of its portfolio and to reduce the climate impact of its financial activity. Among the ESG objectives, Ibercaja is currently **focusing on climate change, financial inclusion and the promotion of diversity, focusing efforts on gender equality and access to the labour market for people with disabilities.** Thus, as part of its FRC (family-responsible company) Plan, the entity launched the **Lider A Plan**, for the access of women to management positions, through the improvement of their aspirations, flexibility, the support of mentors and ambassadors and the measurement and targeting to ensure progress. Ibercaja carries out **extensive social action** through both its own programmes and through its shareholder Foundations. In 2020, one highlight was the creation of the **solidarity platform #Vamos**, to channel donations from individuals and companies to meet the needs of the most vulnerable people as a result of the spread of Covid-19 in Spain. Also noteworthy is the **Smart Green Project**, which aims to plant trees to offset the carbon footprint. The **Impulso Solidario** Initiative was also organised to support social projects proposed and selected by Ibercaja Group employees themselves. This year there were two calls for proposals, one of them aimed at vulnerable groups most affected by the pandemic.	See chapter 6.1. “Sustainability Strategy” of this Directors' Report. See chapter 6.2. “Our contribution to Sustainabl e Development Goals” of this Directors' Report. See chapter 6.4. “Commitment to our employees” in this Directors' Report See chapter 6.8. “Contribution to Society” in this Directors' Report. See GRI indicator: 102-14

Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services to this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact analysis:

***Show* that your bank has identified the areas in which it has its most significant positive and negative (potential) impact through an impact analysis that meets the following elements:**

a) Scope: The main business areas, products / services of the bank in the main geographies in which the bank operates have been as described in 1.1. have been considered in the scope of the analysis.

b) Exposure scale: when identifying its areas of most significant impact, the bank has considered where its core business / core activities are in terms of industries, technologies and geographies.

c) Context and relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries / regions in which it operates.

d) Scale and intensity / significance of impact: when identifying its areas of most significant impact, the bank has considered the scale and intensity/significance of the (potential) social, economic and environmental impacts resulting from the bank's activities and the provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has:

- **Identified and disclosed its areas of most significant (potential) positive and negative impact**
- **Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts.**

Ibercaja initiated in 2020 an **impact analysis** starting with a focus on climate change (physical and transition risks) in Spain, centring the analysis on our area of action and on economic sectors that contribute most to the Bank's business volume.

To assess risk exposure, the Bank is working on a geographical distribution analysis of its investments with collateral, using the reports prepared by ESPON (European Spatial Planning Observation Network).

In the **impact analysis by sector** identifies the most important risks, the needs they generate in companies in the sector and an initial list of opportunities where Ibercaja can offer help to meet each need.

The analysis on the impact of physical risk on different sectors considered the importance of the sector on the economy, through its contribution to the GDP, and its participation in Ibercaja's risk portfolio structure.

The **climate risks** The most relevant risks are related to the following sectors: agriculture and livestock, energy, automobiles, tourism, construction and land transportation.

Furthermore, an initial mapping of corporate loan portfolios was made, in accordance with the branches of activity potentially more affected by transition climate change (according to a study published by the Bank of Spain).

The **objective** is twofold: to identify the main sectors potentially affected by climate change and to analyse the portfolio by sector to estimate its carbon footprint.

This is an **initial exploratory analysis** to be deepened on the basis of the initial conclusions drawn, using other technical criteria (incorporation of new variables linked to physical risk and transition, market environment, regulatory framework).

The **opportunities** detected are based on advisory services, supported in the bank's distribution network and in business partnership projects promoted by the bank, until defining new products and services that we may include in our commercial offering that help the customer to resolve the needs considered and the launch of new financing products to aid access to the solutions examined.

See chapter 6.3. “Commitment to our customers” in this Directors' Report

See chapter 6.12. “TCFD recommendations”

See GRI indicator: 102-15

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

An initial impact analysis has been carried out, identifying the most significant risks and weighting their importance according to the weight of the activity in our customer portfolio. The analysis will continue to be completed, going down to a more detailed level with the incorporation of technical criteria, in order to identify specific customer needs and propose solutions specific to their situation.

2.2 Target Setting **Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.** **Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.** **Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximise the net positive impact of the set targets.**	A first approximation has been made in the impact analysis, which has allowed for progress in the identification of the potentially most impacted sectors. However, this analysis will be completed in 2021 in more detail by sector, in order to set concrete targets derived from it. Based on the diagnosis of the 2020 situation, we will establish objectives aligned with the following goals: Increase in the volume of investment under ESG criteria over the total resources managed. Sustainable business financing: • Increase in the volume of funding granted to business activities aligned with the taxonomy. • Ensure that funding for non-aligned activities does not go to activities that may undermine the achievement of any of the SDGs. • Reduction in the volume of issues in the financed portfolio Financing energy efficiency improvements in housing: • Increasing the volume of financing for sustainable house purchases • Increase in the volume of financing for the improvement of the energy efficiency of built housing. Carbon offsets: • Offsetting Ibercaja Banco's direct emissions to become carbon neutral. • Increased offsetting of our customers' emissions, achieved with the support of actions promoted by the entity.	See chapter 6.5. "Commitment to the environment" in this Directors' Report See GRI indicator: 102-15

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

The objectives defined derive from an analysis of the situation which we consider should be completed and updated in the coming years, and we therefore consider that new targets should be incorporated. In addition, the baseline situation and the capacity to generate results must be accurately determined in order to quantify the proposed targets.

2.3 Plans for target implementation and monitoring **Show that your bank has defined actions and milestones to meet the set targets.** **Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.**	Ibercaja has created a **new department in the Marketing Division, Sustainable Finance,** with the aim of aligning the Bank's commercial strategy with the Responsible Banking Principles it has signed. Among its functions is the monitoring of key indicators for the achievement of objectives. Once the objectives have been set and approved, these indicators will be identified and presented to the Sustainability Committee at management level. The Entity has a **Brand, Reputation and Sustainability Division** which defines, proposes and coordinates the Sustainability Strategy and monitors all indicators of the lines of action of the Sustainability Roadmap.	See chapter 6.1. “Sustainability strategy” of this Directors' Report.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

An initial set of targets and a series of actions to achieve them have been identified. Once the targets to be achieved have been quantified, monitoring indicators and a timetable will be established to track their achievement. This monitoring may lead to new requirements and actions to be taken, which will be incorporated in more detail in future reports.

2.4 Progress on implementing targets <u>**For each target separately**</u>**:** **Show that your bank has implemented the actions it had previously defined to meet the set target.** **Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.** **Report on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)**	In the first quarter of 2021, the bank will launch its new Strategic Plan 21-23, which includes a cross-cutting sustainability initiative, with the aim of ensuring that business objectives drive sustainable development. The definition of this initiative will include the list of challenges, strategy for their achievement, actions, concrete targets and corresponding monitoring indicators, based on the baseline situation of 2020.	

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.

So far, the entity has followed the process of analysis and initial setting of targets to be included in its new Strategic Plan 21-23. Work has begun to implement actions to achieve the targets, but it is too early to analyse progress.

Principle 3: Customers (goods and services) We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.		
3.1 Provide an **overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof**	The range of **SRI product offerings** is being expanded, as is the design of new **financing** products to respond to the needs of our customers in terms of sustainability. A **Sustainability Communication Plan** has been designed to create a permanent and continuous communication framework over time to accompany customers on this path towards a more sustainable society. Communication with customers follows the supporting line: we explain what the SDGs are and why Ibercaja is committed to advancing towards them, and we ask them to join us. On our blog, we provide information about sustainable finance and promote financial literacy to help customers make sound decisions. **In response to the pandemic**, Ibercaja has implemented a multitude of measures to help its customers cope with the difficult times they are going through: help with loans and payments, income advances or remote service availability. All this has been conveyed under the slogan **"Vamos es ir siempre juntos" (Let's always go together).** The **programme "Vamos juntos hacia la sostenibilidad"** (Together towards sustainability) has been developed by the Ibercaja Foundation and Ibercaja Banco, which will be offered to client companies to channel efforts aligned with the SDGs in social or environmental programmes. An initial pilot is currently being defined. The **Ecosistema+ Empresa** (Ecosystem+ Company) initiative, developed by Ibercaja Banco and Fundación Ibercaja, aims to improve the companies' competitiveness in order to contribute to the improvement of society. It incorporates a specific **Sustainability** programme to help companies develop it in their businesses. The **Bank's corporate website** has also been updated, making public the commitments with stakeholders contained in its Sustainability Policy.	See chapter 6.3. "Commitment to our customers" in this Directors' Report See section 4.5.3 chapter this Directors' Report. See chapter 6.4. "Commitment to our employees" in this Directors' Report.
3.2 Describe **how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.**	We are going to work to identify our customers' behaviour in relation to sustainability and their interest in achieving the SDGs and propose actions so that we can achieve them together. We have started with an initial analysis of customers who have already taken out sustainable investment products and reached interesting conclusions that will help us to define new products to complete our range of sustainable products. In 2021, we have begun to market two new ESG investment funds In most cases, improving efficiency requires investment. We will incorporate new products into our commercial offering to help customers on the road to sustainability, starting with financing products. The Bank is working with different public authorities at local, autonomous community and national level on projects to provide access to financing in special conditions to improve the energy efficiency of buildings.	See chapter 6.3. "Commitment to our customers" in this Directors' Report

EL BANCO DEL Vamos

Principle 4: stakeholders We will proactively and responsibly consult, engage and partner with significant stakeholders to achieve society's goals.		
4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	It has a **Map of Stakeholders**, which analyses the expectations and interests of each of them, classifies them and priorities them to help the institution to actively listen to and engage with them. We have drawn up two materiality studies (in 2016 and 2018), consulting with the main stakeholders (customer, employees, community, providers and Key Opinion Leaders) for feedback on aspects they influence in Ibercaja's capacity to create economic, social and environmental value. In 2020 Ibercaja collaborated with **Forética**, a national association to promote corporate responsibility, leading the Social Impact Cluster, a business meeting point for leadership, knowledge, exchange and dialogue on internal and external social impacts. Hence, it participates actively in the exchange of experiences and best practices linked to sustainability with companies from the same and other productive sectors. Ibercaja is also a member of **DIRSE** (Spanish Association of Social Responsibility Executives) and actively participates with **Corporate Excellence**, a think tank that promotes the management of intangible assets in companies as a source of differentiation and progress necessary to build responsible and sustainable business practices. Ibercaja forms part of and actively promotes the COEPLAN ('Coalition of Companies for the Planet') initiative, which was created to advance sustainable practices and drive the circular economy. Thus, the Ibercaja Foundation has established a partnership agreement on sustainability training for companies and society at its Ibercide centre. Ibercaja signed in December 2019 the **Collective Commitment to Climate Action** together with the **principal Spanish banks**, with the aim of measuring the carbon footprint of their balance sheets and reducing the climate impact of their financial activity. Together with **AEB, CECA and ICO** and the other member financial institutions, possible methodologies are being analysed in order to make progress towards this objective. We have given notice of our adherence to the **protocol of the Institute for Energy Diversification** (IDAE and Saving, part of MITECO, Ministry for Ecological Transition and the Demographic Challenge) to facilitate the financing of actions in buildings, with an aid programme for the energy rehabilitation of buildings associated with this protocol. In 2020, Ibercaja carried on intense activity of transmission and dissemination of economic, business and financial knowledge for families and companies throughout the country, with special emphasis on its traditional areas of operation, with a focus on proximity and adaptation to the needs of each territory and group. Ibercaja relied on alliances with public bodies (regional	See chapter 6.1. “Sustainability strategy” of this Directors' Report. See chapter 6.2. “Our contribution to Sustainable Development Goals” of this Directors' Report. See GRI indicators: 102-40 102-42 102-43 102-44

	governments, provincial councils, town halls, etc.), private entities (business and trade union organisations, Chambers of Commerce and Industry, clusters, etc.) and private companies.	
Principle 5: Governance and culture **We will implement our commitment to these Principles through effective governance and a culture of responsible banking.**		
5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	For sustainability management and to support the effective implementation of the PRB, the Entity has developed the following **governance structure**: • **Brand, Reputation and Sustainability Division**, reporting directly to the CEO, is tasked with promoting, defining and coordinating the sustainability strategy of Ibercaja Banco while collaborating with the areas involved in implementing that strategy. It should report on the implementation of the Principles of Responsible Banking (PRB). • **Reputation and Sustainability Committee**, operating at senior management level and chaired by the CEO, is responsible for validating and supervising the bank's Sustainability Strategy, as well as progress in the implementation of the PRB. It relays to the **Strategy Committee** all relevant matters to be approved by the **Board of Directors.** • Other committees have specific working groups to carry out sustainability functions.	See chapter 6.1. “Sustainability strategy” of this Directors' Report.
	Ibercaja has approved the following relevant pieces to **develop a culture of responsible banking**: • **Sustainability Policy** approved by the Board of Directors in December 2020, establishes sustainability principles and the Bank's commitments to its main stakeholders. • **Corporate Purpose:** is the reason for the entity's existence, the basis of the strategy, which aligns efforts, inspires and mobilises action. It follows a humanistic approach and is people-centric. Our purpose: **“To help people build the story of their lives”** (approved by the Board of Directors). • **Ethical Management Model:** consists of the **Entity's Code of Ethics** the **Ethics Management Manual** with the structure and functions necessary in the entity to put the Code into practice; and the Ethics Channel. **Ethics Channel**, an independent communication channel for reporting possible breaches of the Code (approved by the Board of Directors). • **Suppliers:** the Entity has revised its **Code of Conduct for suppliers**, in order to convey its commitment to sustainability and involve them in its progress. • **Environmental Policy:** explains the Bank's environmental commitments and fosters good practices (signed by the CEO). • **efr plan:** conciliation **conciliation plan** which contains the actions to be developed to promote the balance between personal, family and professional life, according to the proactive	See chapter 4.2. “Purpose, Mission, Vision and Values” of this Directors' Report. See chapter 6.7. “Commitment to the Suppliers” in this Directors' Report See GRI indicators: 102-18 102-19

EL BANCO DEL Vamos

	management and continuous improvement that defines the Socially Responsible Company seal. Ibercaja Banco has been a **signatory of the United Nations Global Compact since 2006**, showing that its business activities are carried out in accordance with the principles established by this initiative. The Bank reports annually on its performance.	102-20 102-22 102-27
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	The progress of sustainability at the Institution is led by the CEO, who is convinced of the importance of Ibercaja's commitment to sustainability, is backed by the Board of Directors and has the engagement of the entire Management Committee. In order to advance in the integration of sustainability in the corporate culture, a strategy has been designed to activate the corporate Purpose, which will be implemented as one of the challenges of the Strategic Plan 21-23. In addition, an **Internal Sustainability Communication Plan** has been set up to help make Ibercaja's sustainability objectives known and internalised, thus seeking to foster a new "sustainability culture". A **new brand image**, **"Ibercaja Sostenible"** has been designed to make the project visible and facilitate the involvement and participation of all employees in it. The sustainability project and the implementation of the PRB is accompanied by a substantial **employee training** strategy. To this end, a specific line of **training in sustainability has been developed within the Entity's Professional Development Plan,** starting with a **Sustainable Finance Programme** for professionals involved in the sustainability project, and which will continue with **mandatory training** for all staff in sustainability, which includes (training pill). The remuneration policy is expected to include a reference to its alignment with the sustainability progress to be made in the Bank.	See chapter 6.4. "Commitment to our employees" in this Directors' Report See chapter 4.2. "Purpose, Mission, Vision and Values" See GRI indicators: 102-16 102-26 102-35
5.3 Governance structure for implementation of the principles **Show that your bank has a governance structure in place for the implementation of the PRB, including:** **a) target-setting and actions to achieve targets set** **b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.**	The **Reputation and Sustainability Committee** is responsible for overseeing the progress of the Sustainability Roadmap and the actions to be taken, and for approving the KPIs for monitoring progress. In June 2020, the **Sustainability Roadmap** was approved, for the definition of which the implementation of the PRB was taken as one of the guidelines. Since then, follow-up meetings have been held (approximately every 1.5 months), where the Reputation and Sustainability Committee has monitored and driven progress. The **Sustainable Finance Team**, of a transversal nature, made up of professionals from the main business areas and the Financial Group's companies, is in charge of the operational implementation of the PRB and is coordinated by the Brand, Reputation and Sustainability Department. The new Strategic Plan 21-23 will establish the milestones to be achieved, the specific targets and the indicators necessary for effective monitoring, with a focus on continuous improvement.	See chapter 6.1. "Sustainability strategy" of this Directors' Report.

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Ibercaja has made decisive advances in sustainability governance, which will oversee implementation of the Principles of Responsible Banking. The sustainability governance structure has been bolstered with the engagement of the Board of Directors and the effective participation of the business areas. We will continue to move forward with the allocation and formalisation of roles and responsibilities.

Principle 6: Transparency & accountability **We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**		
6.1 Progress on implementing the principles for responsible banking **Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).** **Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.** **Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.**	• A **Sustainability Policy** has been developed and approved that establishes the principles, commitments and framework for action in sustainability for the Ibercaja Group • Work has started on the development of the **impact analysis and the study of our loan portfolio** with the aim of setting concrete and measurable targets to improve the main impacts and **align our portfolio with the Paris agreements**. • Work has begun to identify climate risks, with the aim of progressively including ESG risks in the Ibercaja Group's overall risk management. • A **benchmark** has been devised to identify good practices and possible sustainability trends to be included in the design of our business strategy. • Ibercaja has **adhered to the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)** so as to make sure its reporting is fully compliant with those recommendations. • To strengthen and improve its reporting of extra-financial information, the Bank is currently undertaking a **project to "systematise non-financial information"** so as to make it more reliable and traceable and place it on a par with the Bank's financial information. • An **FCR work-life balance plan** has been developed, with projects such as Plan LiderA or Ibercaja Saludable, aimed at improving the experience of employees and advancing social aspects within Ibercaja. • **Internal and external communication** has been boosted to also ensure support from Ibercaja in **achieving the SDGs**, in addition to education and **training in sustainability** of Ibercaja's staff to engage them in the project.	See chapter 6.1. "Sustainability strategy" of this Directors' Report. See chapter 6.12. "TCFD recommendations" See chapter 6.4. "Commitment to our employees" in this Directors' Report.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.

It is a firm commitment, which has begun by laying the foundations of governance, with the aim of engaging the entire organisation, under the leadership of the Board of Directors, the Chief Executive Officer and the Management Committee.

We have begun work on risk management, responsible business strategy, communication and training, the main areas that will be further developed in the new Strategic Plan 21-23.

6.12 Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

102-11, 102-12, 102-15, 102-19, 102-20, 102-30, 102-31

THE OBJECTIVE OF THESE RECOMMENDATIONS IS TO DEVELOP A COMMON, CONSISTENT, COMPARABLE AND CLEAR REPORTING FRAMEWORK TO INFORM ON THE EFFECT THAT AN ECONOMIC ACTIVITY HAS ON THE CLIMATE, WHICH WILL FACILITATE DECISION-MAKING BY INVESTORS.

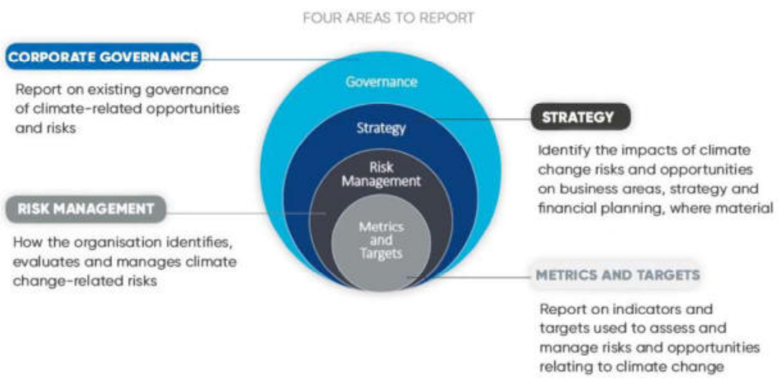
6.12.1 Introduction

Climate change is a reality and its effects on economic and social stability are already noticeable: its mitigation requires the commitment of all public and private agents in order to move towards a decarbonised economy.

Ibercaja, **committed from its origins to sustainability and guided by its corporate** purpose, is aware of this and is taking significant steps, acquiring commitments that act as a lever in the fight against climate change.

Hence, **in 2019 Ibercaja adhered to the recommendations** issued by the Task Force on Climate-Related Financial Disclosures (TCFD) set up by the Financial Stability Board. The objective of TCFD is to develop a common, consistent, comparable and clear reporting framework to inform about the effect that an economic activity has on the climate so as to facilitate investors' decision making.

IN ITS REPORT, THE TCFD RECOMMENDS THAT INFORMATION BE SET OUT IN FOUR AREAS, WHICH DEFINE THE STRUCTURE OF THIS SECTION:



6.12.2 Objective

By adhering to these recommendations, Ibercaja aims to **make progress in the clear, consistent and standardised disclosure of the risks and opportunities** of climate change on our business and its implications and integration into the Bank's strategy.

The information summarises how Ibercaja is becoming engaged in responding to the challenges arising from climate change, following the recommendations of the TCFD in the analysis, in the implementation of measures and in the development of reporting.

These are the **first steps** and **reflect our progress** in this direction: Ibercaja is aware of the long road ahead towards a sustainable future, of the important role it plays as a financial institution accompanying its customers and society in this direction, and **shows its firm commitment to continue progressing** and disseminating advances according to the needs of the market.

6.12.3 Governance Model

Ibercaja has developed a sustainability governance model with the direct engagement of the **Board of Directors**, as the highest level body, which promotes the entity's positioning in sustainable development, with the assistance of the **Strategy Committee**.

IN CARRYING OUT THIS FUNCTION OF PROMOTING SUSTAINABILITY:

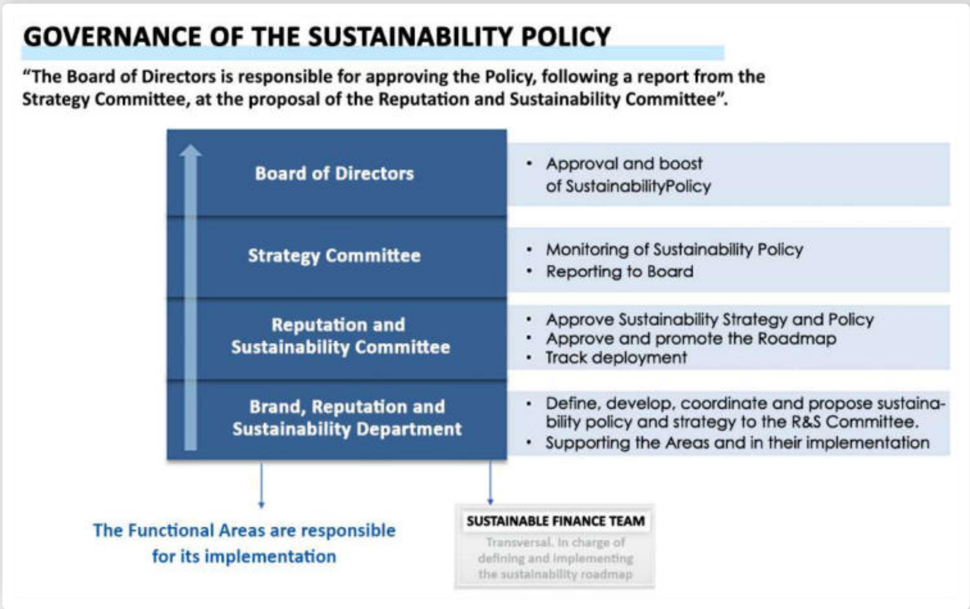
- The Board of Directors has reviewed and approved elements necessary to advance in the sustainable and responsible planning of the Entity: thus in 2018 it approved the **Code of Ethics**, which contains the seven ethical principles that govern the actions of the Ibercaja Group; it also agreed and approved the **Corporate Purpose**, which focuses on a shared inspirational objective: "Helping people to build their life story, because it will be our story."
- On 11 December 2020, the Board of Directors, following a review by the Strategy Committee, approved the **Sustainability Policy**, an essential element as it establishes the Ibercaja Group's commitments and framework for action in the area of sustainability.
- This Sustainability Policy replaces the Corporate Social Responsibility Policy in force since 2016 at Ibercaja, to **reflect the progress of sustainability commitments** and their integration into strategy and decision-making.

- The Board of Directors, with the support of the Strategy Committee, will oversee the implementation of the Sustainability Policy and will be informed of progress on a regular basis. The Policy sets out the entity's commitments to its main stakeholders and to the environment. **Ibercaja undertakes to**:
  - **Analyse the impact of climate change**, detecting needs that the transition to a decarbonised economy may present, in order to respond with business solutions that support environmental sustainability.
  - **Analyse climatic and environmental risks**, their impact on customers and their financial activity, for their gradual integration in compliance with the regulatory requirements.
  - **Transparently communicate** the advances in environmental sustainability, raising awareness internally and externally to promote a sense of environmental responsibility.
  - **Assume and endorse the primary national and international commitments** that help to protect the environment and fight against climate change, working on their implementation.

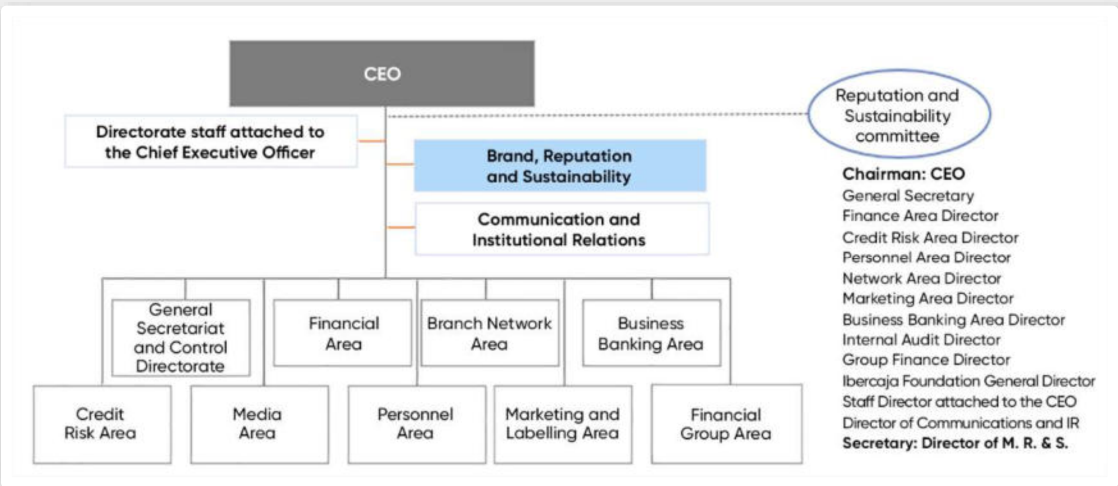
*"We are a **different bank**, it's **our raison d'être**".*

The **Strategy Committee** of the Board of Directors is particularly involved in defining and approving the Strategic Plan, with sustainability as one of its key enabling initiatives. It defends a clear position on the relevance of differentiating ourselves as a sustainable Bank, from three points of view: financial, social and environmental. "We are a different bank, it's our raison d'être".

Sustainability governance is based on the work of the functional areas, coordinated by the Brand, Reputation and Sustainability Department and the Reputation and Sustainability Committee, which is responsible for this area, according to the following scheme:



The **Brand, Reputation and Sustainability Department**, reporting directly to the CEO, defines and coordinates the implementation of the sustainability strategy, following approval by the executive-level Reputation and Sustainability Committee, chaired by the CEO.



The **Sustainable Finance Team** was created in 2019, as a transversal group, made up of highly competent people with a global vision of the main functional areas of the Ibercaja Group. Since then, it has acted as a driving force to advance in the **design of the Roadmap** to be followed for the incorporation of ESG aspects into the Group's strategy and how to take the necessary steps for its effective implementation, ensuring the involvement of all *core* business areas.

6.12.4 Strategy

The **Sustainability Policy,** approved by the Board of Directors on December 11, 2020, defines the **axes of the strategy**, aligned with the Sustainable Development Goals (especially those that are a priority for Ibercaja: see Chapter 6.2).

Its definition was **guided by the expectations of the TCFD recommendations and the Principles for Responsible Banking**, signed by Ibercaja Banco in October 2019, in order to respond to the challenges of its implementation.

It has also developed an **operational roadmap** with 10 lines of action to implement these strategic pillars, approved by the Reputation and Sustainability Committee in June 2020, which prioritises and **focuses on climate change** with the aim of:

- analysing the impact of climate change on the entity
- identifying risks and opportunities
- setting targets to respond to them (managing risks and capitalising on opportunities)
- identifying indicators for monitoring and progress

This operational roadmap will be integrated and further developed in the new **+23 Strategic Plan**, with sustainability being a **priority cross-cutting enabling initiative**.

As a first step in identifying the potential effects of climate change, an **impact analysis** has been developed with a focus on economic sectors (with a focus on agriculture, industry and services), analysing their exposure to climate change risks (physical and transitional), with the **objectives of**:

- Identifying sectors potentially most affected by climate change
- Identify new needs for adaptation to climate change
- Identify potential risks
- Identify related business opportunities

RISKS → *IMPACT* → *CONSEQUENCE* → *NECESSITY*

4.1. DESCRIPTION OF IDENTIFIED RISKS

__How are__ climate and environmental risks defined?

Ibercaja classifies climate and environmental risks as **risk factors in the risk categories** currently used by the entity. In accordance with TCFD indications, they are defined and categorised as follows:

- **Transition risks:** financial losses that the entity may suffer directly or indirectly from the process of adjusting to political, legal, technological and market changes arising from the transition to a low-carbon economy. Categories:
    - Political and legal risks
    - Technology risk
    - Market risk
    - Reputational risk
- **Physical risks:** financial impact of a changing climate, caused by extreme weather events and gradual changes in climate. Categories:
    - Acute risks
    - Chronic risks

As part of the roadmap, work has been carried out to **identify them** with the following **objectives**:

- Furthering **understanding** of the characteristics and particularities of climate and environmental risks.
- **Identifying** the main climate risks affecting the Ibercaja Group and how they are reflected in current risk categories.
- Progressing in establishing and consolidating the management model for these risks based on **three lines of defence** in the Entity.

To this end, work is being coordinated with the front lines of the main prudential risks, based on a **qualitative methodology** developed with a top-down approach, to identify the main climate risk events and transmission channels that can lead to the risk categories currently used. The entity has a **initial inventory of identified risks**, pending consensus, which will serve as a basis for prioritisation of risks and subsequent integration into management.

4.2. DESCRIPTION OF IDENTIFIED OPPORTUNITIES

The **opportunities** identified from the impact analysis are as follows:

1. **Project financing for the installation of new** renewable energy production plants.
2. **Funding for environmental practices** to boost the decarbonisation of the agricultural sector.
3. **Financing of projects in waste treatment, hydrogen technology, sustainable mobility, sustainable building, sustainable water treatment management, etc.**
4. Participation in **Fair Transition Strategies** in those areas of our territory affected by business closures **related to coal**.
5. **Financing of projects aimed at families and enterprises that** promote **renewable self-consumption, the use of ECO vehicles, the energy refurbishment of homes and the use of** low-consumption appliances.

6.12.5 Risks management

The Roadmap designed contains among its priorities the identification and management of climate and environmental risks for their gradual incorporation in the bank's global risk framework.

For its implementation, a **Climate Risk Working Group** has been set up, made up of risk specialists from the Group's main functional areas:

Climate Risk Working Group

- **Credit Risk** – Credit Risk Area
- **Market risk** – Financial Area
- **Liquidity risk** – Financial Area
- **Reputational risk** – Sustainability Directorate
- **Risk Control** – Global Risk Management
- **Regulatory Compliance**
- **Corporate information**
- **Financial Group**

This Group has worked on the **identification of potential climate risks**, their channels of transmission to prudential risks and the qualitative assessment of their impact.

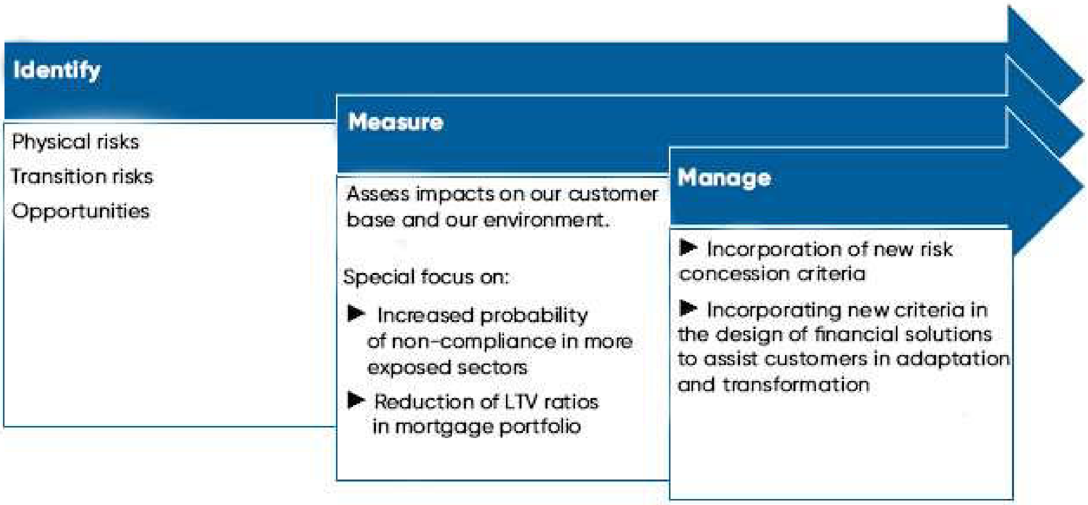
The analysis of risks and opportunities according to sectors of activity and geographical area has identified **decarbonisation** as one of the main challenges.

To advance along these lines, initial **mapping of corporate loan portfolios** has been carried out according to branches of activity potentially more affected by transition climate change (according to a study published by the Bank of Spain).

It focuses on the transition risks, since they could affect the credit rating of that exposure that is potentially more affected:

- most polluting sectors
- exposed to technological changes
- exposed to changes in consumer preferences

This is an initial exploratory analysis to be deepened on the basis of the initial conclusions drawn, using other technical criteria (incorporation of new variables linked to physical risk and transition, market environment, regulatory framework).



The Bank is also working to **incorporate ESG aspects into its credit risk policies and procedures** in response to the EBA Guidelines for granting and monitoring credit. A gap analysis was conducted of the Bank's existing general credit risk policies and procedures and the ESG requirements of the Guidelines, and initiatives are being defined to address them.

The asset managers of the Financial Group (Ibercaja Pensión and Ibercaja Gestión), committed to the development of society and the care and protection of the environment through socially responsible investment, are developing an internal and progressive model of investment selection and management of non-financial risks that is being incorporated into the traditional fundamental analysis. Thus, they have elaborated a **Exclusions Policy**, taking into account in the process of determining them, **climate transition risk** in accordance with TCFD considerations.

6.12.6 Metrics and objectives

METRICS

Ibercaja is aware of the **importance of non-financial data** in making progress in the metrics and targets needed to assess and manage climate-related risks and opportunities

For this reason, a specific line has been developed within the Roadmap to work on non-financial data, incorporating it as one of the areas of information and communication **information areas** to be developed within the framework of the Data Governance Project currently underway in the Entity.

Progress made: specification of steps to be undertaken

1. **Identification of non-financial data** used for both internal management and reporting of climate and environment-related risks.
2. **Analysis of the availability of information** (quantitative and qualitative) in the Bank's information system. Planning of the necessary developments for unavailable data.
3. **Adaptation of identified** non-financial data identified to the needs of the Data Governance Framework for further integration therein.
4. **Definition by users and construction of the metrics** (KPIs and KRIs) on the basis of which environmental and climate risk exposure is to be identified, managed, monitored and measured.
5. **Definition and preparation of reporting and disclosure** (internal and external) by means of a scorecard including metrics, data, thresholds, alerts, etc. as well as control levels and reporting frequency.

OBJECTIVES

In furtherance of its commitment to sustainability and the fight against climate change, **Ibercaja aims to**:

- **Accompany its customers on the path towards a decarbonised economy**, defining a commercial strategy that helps them to make purchasing and investment decisions that generate positive impacts on the environment.
- **Continue to promote socially responsible investment** by expanding the number of investment products and strengthening the Financial Group's positioning in SRI strategies (see current SRI product offering in Chapter 6.3).
- **Complete the financing offer with products with sustainable features** (especially climate change mitigation), thus meeting the needs of the environment and customers.

The new +23 Strategic Plan will incorporate specific targets for sustainability and the fight against climate change, as well as indicators for their monitoring and evaluation.

DISCLOSURE OF IBERCAJA BANCO CARBON FOOTPRINT (DIRECT IMPACTS)

As stated in its **Sustainability Policy**, Ibercaja, aware of the direct impact of its activity on the environment, is committed to:

- Measure and publish its **carbon footprint**, establishing a reduction plan to achieve emission neutrality.
- Comply with the **applicable legal environmental requirements** and the other voluntarily assumed requirements, adopting the necessary measures to do so.
- Apply the principle of **pollution prevention** to minimise and/or offset for possible negative impacts on the environment.
- Encourage the **responsible control and consumption of resources**, and the **proper management of waste**, minimising its generation to the extent possible, favouring the circular economy throughout the value chain.
- Ensure the integration of continuous improvement in the system and in environmental performance by establishing **environmental objectives**.

Since 2007, the Entity has had an **Environmental Management System**, which is certified by the ISO 14001 Standard, and which establishes annual environmental targets and defines the indicators for their monitoring.

Since 2016, Ibercaja has calculated its carbon footprint including the scope 1 and 2 emissions, demanded by the Spanish Climate Change Office, and also the indirect scope 3 emissions, specifically, those produced by car trips of employees for work reasons and those associated with documents sent by messenger.

In response to the commitments made, in 2019 Ibercaja **registered its carbon footprint in the Registry of Footprint, Offsets and CO2 Absorption Projects of the Ministry for Ecological Transition and Demographic Challenge** with the calculation of CO2 emissions of scope 1+2 and 3.

Ibercaja has developed an **Emissions Reduction Plan** and has achieved the **"calculo/Reduzco"** (I calculate/I reduce) stamp for the year 2019 from the MITECO carbon footprint register.

As explained in **Chapter 6.5.** of this Directors' Report, Ibercaja's objective in 2021 is to offset the emissions calculated in 2020 that could not be prevented and to maintain the entity as **Carbon Neutral**.

Furthermore, aware of the importance of directly reducing CO2 emissions, Ibercaja has an **emissions reduction plan** that identifies what measures can be most effective in achieving this objective.

6.13 Global Compact Progress Report

IBERCAJA HAS BEEN A SIGNATORY TO THE UN GLOBAL COMPACT SINCE 2006, THUS RATIFYING ITS COMMITMENT TO THE PRINCIPLES ENSHRINED IN THE INITIATIVE AND REPORTING ANNUALLY ON THE PROGRESS MADE.

The **2020 Directors' Report** describes the **Bank's annual progress** in the implementation of the ten principles of the United Nations Global Compact in terms of human and employment rights, the environment and the fight against corruption.

*The 2020 Directors' Report shows the **implementation** of the ten principles of the United Nations Global Compact*

In this way, the necessary information is filled out in order to respond to the requirements demanded for the preparation of the **Progress Report** and to reach the **Advanced level**, the highest rating granted by the **Global Compact** within the Reporting levels.

IN THIS REGARD, THERE ARE THREE KEY ISSUES ON WHICH WE WISH TO REPORT:

- **Corporate sustainability and leadership**: during 2020 the Ibercaja Group's Sustainability Policy has been approved, advancing, as explained throughout this report, in the Bank's firm commitment to sustainability. The Policy was presented by the CEO and approved by the Board of Directors.
- **United Nations Sustainable Development Goals**: this report also includes information on the Entity's positioning in relation to the SDGs and the most significant actions carried out, contributing to their achievement.
- **Implementation of the Ten Principles** in strategies and operations in the areas of human rights, employment, environment and anti-corruption. Appendix B describes the progress related to each of the principles.

Appendix B contains a **Table** with the Ten Principles of the Global Compact and the sections of the Report that contain information on them, as well as their relationship with the GRI Indicators.

6.14 Communication: listening and dialogue with our stakeholders

102-21, 102-40, 102-42, 102-43, 102-44, 103-1, 103-2, 103-3, 207-3

IBERCAJA MAINTAIN VARIOUS CHANNELS OF COMMUNICATION, PARTICIPATION AND DIALOGUE AVAILABLE FOR ITS STAKEHOLDERS THAT FAVOUR TWO-WAY AND CONTINUOUS COMMUNICATION, UNDERTAKING TO GIVE THEM THE MAXIMUM DISSEMINATION.

*For Ibercaja, active listening and dialogue with its stakeholders is **essential to develop its business model** and achieve maximum positive impact and meet their **expectations and needs**.*

In this way, it conveys its principles and form of conduct to the entire value chain, creating alliances and promoting cooperation, thus going further.

The challenges of the Entity and, specifically, its active role in **achieving the Sustainable Development Goals for the improvement of the planet**, can only be met by actively involving its stakeholders to jointly promote the necessary transition towards a more sustainable economy. Doing this necessarily means fostering **dialogue and close cooperation** with stakeholders, knowing their expectations and working together, through partnerships, and joining forces.

The Bank has a **map of stakeholders**, which identifies those that are a priority for the Bank: **customers, individuals, investors and shareholders, suppliers and society**. In addition, the impact of its activity on the **environment** is given careful consideration. This selection was made after analysing their expectations and interests and assessing their relationship with the Bank, their capacity to influence and the importance of each group for the Bank.

STAKEHOLDERS ARE PERSONS OR GROUPS THAT HAVE AN IMPACT ON THE ENTITY AND ARE INFLUENCED, DIRECTLY OR INDIRECTLY, BY ITS ACTIVITIES, PRODUCTS OR SERVICES.

Communications criteria

Transparency, veracity, diligence and neutrality are key criteria present in all the information flows generated by the Entity, both internally and externally. These flows are systematised through a communication model based on these four key criteria.

TRANSPARENCY In all matters of public interest that do not compromise the required confidentiality of the activity.	**VERACITY** So that it accurately responds to the information requests of the stakeholders.
DILIGENCE To provide timely information that recipients can make use of to their maximum benefit.	**NEUTRALITY** All stakeholders are entitled to information generated by Ibercaja in equal conditions.

INTERNAL COMMUNICATION

Internal communication has played a key role in managing the crisis caused by the pandemic

Moments in which it was crucial to generate **new internal communication channels** that keep us permanently connected with the employees, accompanying them in their day-to-day matters at home and at the office.

Operating communication:

Creation of COVID-19 space in regulations for the daily publication of measures related with the pandemic.

Emotional communication:

- ***Weekly letter of the CEO*** addressed to each employee, explaining the Bank's situation, measures being taken, messages of encouragement and recognition of the important work of Ibercaja's professionals as an essential service for the Company.
- ***Ibercaja with you***. Blog designed to maintain close, empathic and useful contact with colleagues. Articles of interest, Prevention recommendations, Tips to work from home, Solidarity initiatives, Health and well-being tips, Didactic resources, Weekly training, Provision contents to this new channel.
- ***Weekly newsletter*** in which we inform of the most significant milestones of the week.

Also, in 2020, an **Internal Communication Plan in Sustainability** was implemented, whose purpose is **to accompany** the Bank's Sustainability Project,helping Ibercaja's objectives in this area to be **known** and **interiorised**, and to promote a new “**sustainability**” **culture**.

EXTERNAL COMMUNICATION

Ibercaja maintains a fluid relationship with Spanish and foreign media, to respond to information requests and notify society significant events involving the Bank.

Among the main external communication activities, the following stand out:

- **Institutional presentation** of the Bank's most significant data, together with the principal lines of the Strategic Plan.
- **Calling of press conferences** and provision of information to the media regarding the Entity's achievements and procedures deemed to be significant for the Bank's different stakeholders.
- **Dissemination of the actions of Ecosistema Más Empresa:** a meeting point for more than 4,000 entrepreneurs, professionals and managers who interact through an open innovation platform throughout the country. The Ecosystem currently has 47 national and international *partners*, a *think tank* made up of five leading experts in their sectors and has organised more than 130 face-to-face activities throughout Spain. Some of these companies have participated in the Ecosystem Open Innovation challenge platform.
- **Collaboration of expert professionals in different areas of the Bank with the media** through opinion articles, interviews and responses to queries on issues and matters of an economic and financial nature.
- **Boosting of presence in social networks,** broadcasting news related to the Bank, participation in events, sponsorship, partnerships, etc.

Institutional projection plan. The objective of this plan is to position the Ibercaja brand as a benchmark in the Spanish banking system, through participation in the main forums and economic and sectorial meetings by members of the management team and by other executives and specialists of the Entity. As a reinforcement to the launch of the territorial plans, more than two hundred actions have been implemented, aimed at strengthening the Bank's institutional presence in these territories.

THE MOST SIGNIFICANT COMMUNICATION CHANNELS INCLUDE:

Customer services

Corporate website and commercial website

Suppliers Portal

Active listening on social media

Customer satisfaction surveys

Employee satisfaction surveys

Reputation measurement surveys

Brand awareness surveys

Free telephone numbers and email inboxes

Newsletters and online assessment questionnaires

Meetings and focus groups with employees, customers and the general public

Systematic and permanent relationships with bodies, institutions and social agents to ascertain trends, expectations and exchanges of good practices (AEC, CEOE, Chambers of Commerce, Forética, Cecabank, etc.).

6.15 2020 Commitments and 2021 Challenges

102-11

THE ACCOMPANYING TABLES PROVIDE INFORMATION ON THE DEGREE OF ACHIEVEMENT OF THE TARGETS SET FOR 2020, AS WELL AS THE NEW CHALLENGES FOR 2021.

2020 COMMITMENTS

STAKEHOLDER	2020 COMMITMENTS	RESULTS	%
Customers	**Customer experience:** Achieve 80% satisfied or very satisfied customers in post-interaction advisory surveys.	97.8% of customers say they are satisfied or very satisfied.	**100%**
	Customer experience: Improve the existing gap between Ibercaja and the sector average in terms of quality of advice on savings and home financing needs.	The GAP has not improved	
	Ibercaja app: Increase active users of the app by 25%.	The number of active users of mobile banking has increased by 41.9%.	**100%**
Human Resources	**New flexible forms of working:** Measures aimed at achieving a less rigid distribution and organisation of working time and which seek to unlink work and results from a specific "window" of time, as well as control and management of the employee's physical presence. Generate flexible work environments through measures such as: Time flexibility, Spatial flexibility, Digital disconnection, Agile and efficient meetings.	In 2020, progress was made in adapting working conditions to the needs of employees and the organisation. The measures adopted as a consequence of the pandemic accelerated the implementation of some of these measures, in particular: flexible working hours and spatial flexibility (teleworking).	**80%**
	LeaderA Plan Action plan aimed at women with professional growth potential with the objective of promoting women's access to management positions.	On the occasion of International Women's Day, the first Women's Week is organised as a kick-off and a framework for the presentation of the LeaderA Plan. Various activities were carried out to disseminate the objectives of the plan and raise awareness of the importance of achieving a diverse and equal workforce, with the help of women leaders, inspirational voices in women's leadership.	**100%**

EL BANCO DEL Vamos

Environment	**Ibercaja Activa.** Implementation of the Healthy Company programme in Ibercaja through different areas: sports (Evolution of the Arts and Recreational Group), healthy habits (Prevention and Health) and corporate wellbeing (efr).	As a result of the pandemic, in 2020 the implementation of the activities planned within the Healthy Company programme have been carried out virtually through the app "Ibercaja Contigo", which brings together most of the activities planned in this line of work.	**80%**
	Promote, within the framework of the Comprehensive Sustainability Plan, the inclusion of environmental aspects in the Entity's strategy and decision-making.	The Board of Directors approved the Sustainability Policy, with the focal points for its development and Roadmap that focuses on climate and environmental aspects	**100%**
	Continue to strengthen the EMS, promoting the entity's Carbon Footprint Reduction Plan.	A team was set up to design and drive forward the Reduction Plan; the Environment Committee reviewed the carbon neutrality target and brought forward its attainment date.	**100%**
	Progress in the analysis of impacts linked to climate change.	As part of the Roadmap, a climate change impact analysis was carried out at the national level by priority sectors.	**100%**
Suppliers	**Finalise purchasing procedures** fully adapted to the new regulations on supplier risk management and outsourcing.	Purchasing procedures have been adapted to the new regulatory requirements.	**100%**
	Implementation and launch of the Supplier Risk Management and the Management of Purchasing and Outsourcing Processes in the new Purchasing tool.	New functionalities were developed in the new Purchasing tool during 2020, covering supplier risk management and purchasing processes.	**80%**
Community	**RSA+ Seal:** obtain the Seal.	Once again this year Ibercaja renewed the RSA+2021 Seal	**100%**
	Volunteering: broaden the scope and activities to be developed.	Given the general situation caused by Covid-19, alternative forms of online volunteering have been sought.	**80%**
	Reinforce the reporting of information on sustainability management, with the systematic use of non-financial data.	One of the priority lines of action in the Sustainability Roadmap includes the advancement of non-financial data and its reporting: the Entity's Dictionary of Non-financial Data has been developed.	**100%**
Shareholders and investors	**Continue increasing the visibility of Ibercaja** among institutional investors, increasing the number of events, meetings and telephone conferences.	The number of direct contacts increased by 19% during the year and videoconferencing was implemented as a new working methodology.	**75%**
	Enhance communication of Ibercaja's ESG commitment among investors and rating agencies.		**25%**

	Analyse the advantages and drawbacks of a potential ESG issue.		**25%**
Other commitments	**Organisational purpose:** To continue advancing in Phase 3 of activation for inclusion in the decision making process.	Progress has been made in the internal and external communication of the Purpose and it has begun to be included in the programmes of the People Area (Inspiring leadership).	**80%**
	Develop Ibercaja's **Sustainability Policy**.	On 11 December, the Board of Directors approved the Ibercaja Group's Sustainability Policy.	**100%**

2021 CHALLENGES

STAKEHOLDER	2021 COMMITMENTS
Customers	**Customer experience**: Achieve 90% of satisfied or very satisfied customers in post-interaction advisory surveys. **Marketing:** - Expanding our range of **sustainable investment products** to offer each customer the most appropriate solution according to their investment profile. - Completing the offer of **sustainable financing products** to provide customers with access to solutions that improve the energy efficiency of their homes, businesses and mobility. **Digitalisation:** 90% of transfers in digital channels. **Ibercaja app:** Increase users of Ibercaja's apps by 25%.
Human Resources	Launch of a **new "Digital Environment for Employees**" with the following objectives: to improve the user experience, bring together the main applications for employee communication and participation, and incorporate new forms of internal communication to improve the employee experience. Advance in the design and deployment of a **governance model to assist the work** of Management, establishing basic and uniform guidelines for all divisions, ensuring that this process will consolidate the **Leadership Model** in the Central Services, just as it does in the Network through the Management System. Advance in the construction of a **people development model** based on the alignment between value contribution and remuneration.
Environment	**Advance in the identification of climate risks for the progressive incorporation of these risks into the Bank's overall risk management.** Advance in the **integration of environmental criteria** in supplier approval processes. Offset the total carbon footprint (scopes 1 and 2) through CO2 absorption projects. **Advance in the improvement of selective waste collection** in the Entity
Suppliers	**Review and adapt to the EBA's Guidelines on Outsourcing** of outsourced services prior to their entry into force. **Improve and standardise the model for measuring** of risks associated with suppliers.

Community	**Renew the RSA+ Seal** **Develop a different kind of volunteering** that brings added value and can be carried out in the current health circumstances. **Convey to society** the strategic importance of sustainability for the Ibercaja Group.
Shareholders and investors	**Continue increasing the visibility of Ibercaja** among institutional investors, increasing the number of events, meetings and telephone conferences. **Adapt the corporate website** www.ibercaja.com, with inclusion of the Bank's commitments and progress in sustainability. **Enhance communication of Ibercaja's ESG commitment** among investors and rating agencies.
Other commitments	**Integration of sustainability** in the new Strategic Plan +2023: development of an enabling cross-cutting initiative. **Internally and externally activate the organisational purpose,** integrating it into the corporate culture.

7 RISK MANAGEMENT

Risk management, both financial and non-financial, is key in Ibercaja's business development strategy.

102-15, 102-30, 102-31, 103-1, 103-2, 103-3

Global risk management is essential to preserving the Bank's solvency and capital adequacy. Its **strategic priorities** include the development of systems, tools and structures that will allow for the permanent measurement, monitoring and control of risk exposure levels, while assuring an adequate relationship with the Bank's own funds and responding to the requirements of regulators, supervisors and markets.

Risk management is organised through the **Risk Appetite Framework**, the key aim of which is to establish a set of **principles, procedures, controls and systems through which the Group's risk appetite is specified, communicated and monitored**. Risk appetite is the level or profile of risk that the Bank is willing to accept and maintain, in terms of type and amount. Risk appetite must be geared towards achieving the targets of the Strategic Plan, in accordance with the established lines of action.

While **credit risk** is the most significant threat to the Bank's business, risk management also covers counterparty, concentration, market, liquidity, interest rate, operational, business, reputational and insurance risks.

Additionally, the Bank established a range of measures and procedures to minimise **non-financial risks**, such as reputational and compliance risks, and takes into account risks related to social issues, human rights and the environment, analysing them for their gradual incorporation in the Risk Appetite Framework.

Among the general principles of sustainability enshrined in the **Sustainability Policy** approved in December 2020, Ibercaja observes in its activity the prudent and global management of all financial and non-financial risks, including **ESG risks** (environmental, social and good governance). In addition, the Entity undertakes to analyse the **risks arising from climate change and environmental deterioration**, their impact on customers and on its financial activity, for gradual integration into risk management procedures, in compliance with supervisory expectations.

The Bank is developing the **Sustainability Roadmap** for the incorporation of environmental, social and governance aspects into business and decision-making, which will be integrated as a cross-cutting initiative in the new Strategic Plan.

Note 3 to the Ibercaja Banco Group's financial statements for 2020 presents the significant **information on the management of the different types of risk in greater detail**.

8 RESEARCH, DEVELOPMENT AND TECHNOLOGY

Ibercaja, aware of the new challenges that the banking sector must face, is immersed in an ambitious itinerary of digital transformation.

102-2

Technological innovation plays a fundamental role at a time of very significant changes for the sector: changing customer habits, the need to improve the efficiency of operating processes in order to gain competitiveness, ever-changing regulations and the emergence of new players in the field of financial product distribution.

Technological innovation
plays a key role in
times of change.

To meet the new challenges, Ibercaja designed, within the framework of its 2018-2020 Strategic Plan, an ambitious **digital transformation itinerary** with the **aim** of **meeting the needs** and **expectations of customers**, **promoting competitive advantages**, boosting multi-channelling as a supplement to the personal service of managers, and simultaneously **ensuring the maximum agility and efficiency** of operational processes, both in the branch network and central services.

The Strategic Plan has made it possible to deal effectively and within a very short timeframe with the needs arising from the pandemic, which have accelerated the changes in processes and resources.

THE PRINCIPAL ACTIONS AND PROJECTS WORKED ON DURING THE FINANCIAL YEAR INCLUDE:

- **Digital transformation.** Highlights include the new digital banking websites for individuals and companies, the launch of Ibercaja Próxima, the implementation of the Global Securities System, the “Initiation Mode” for digital assets, the creation of digital managers, the “Consíguelo” sales platform and the promotion of sales through digital channels of financing products (mortgage and consumer) and risk insurance.

- **Deployment of the new Commercial and Management System**, aligned with the Leadership Model, which contributes to driving change in the way sales teams work in offices, making them more efficient and, at the same time, enhancing the experience of both customers and employees.

- **Robotic automation of tasks** that lacked adequate infrastructure to respond to peaks in demand, increase service levels and eliminate repetitive tasks. In the same line of work, with the application of artificial intelligence, the first insurance “chat bot” has been implemented to respond to queries about risk insurance, reducing the response time to customer questions and the time spent in the offices to locate the information required. As a result, the average of 1,000 queries made daily by customer managers to the internal support service in this area has been considerably reduced, while at the same time the number of opportunities handled has increased by 20% compared to the old system.

- **Self-service plan.** Renewal and updating of the ATMs, incorporating a uniform design with the rest of the Bank's channels, and new functionalities. Of particular note are the adaptation for the visually impaired, the location of other nearby Ibercaja ATMs and the possibility of making transfers from cards from other banks to an account at the bank.

- **Simplification of tasks and improvement of efficiency**, with optimisation of office processes through digitisation and mechanisation of low value-added tasks. Examples include the multi-channel signing of documents by means of any mobile device, operations related to the entry into force of the General Data Protection Regulation, the migration of internal communications to IBERSIC or the delegation of tasks to administrative outsourcing centres.

- **Cybersecurity.** Cybersecurity improvements have continued in line with best practices such as ISO 27001 and the NIST framework. Particularly in view of the exceptional situation of teleworking, training and awareness of teleworking has been reinforced for all employees.

- **Data Governance Framework,** Deployment of governance and data quality procedures to the capital calculation process and generation of COREP statements, IRB model datamart, risk appetite framework, risk control dashboard and RAROC calculation engine.

9 | INFORMATION REGARDING TREASURY SHARES

Information regarding treasury shares

There have been no transactions involving treasury shares in 2020.

10 OTHER INFORMATION

10.1 Dividend policy

The distribution of dividends is determined at the General Meeting of Shareholders on the basis of the proposal made by the Board of Directors.

The ECB issued a recommendation to banks, published in the Official Journal of the European Union on 30 March 2020, indicating that they should not distribute dividends for the financial years 2019 and 2020, at least until 1 October 2020, in order to increase their capacity to absorb potential losses in the pandemic-induced economic crisis and to support lending to households, SMEs and large corporates during the coronavirus epidemic.

The Extraordinary General Meeting of Ibercaja held on 3 April 2020 decided to rescind the resolution of the Bank's Ordinary General Meeting held on 30 March, which approved the distribution of a dividend of 17.500 thousand euros charged to the results obtained by the Bank in the financial year 2019. The resolution of the Extraordinary General Meeting made the payment of this dividend conditional upon a new resolution of the Bank's General Shareholders Meeting, which should take place no earlier than 1 October 2020.

On 7 October 2020, the Extraordinary General Meeting of Ibercaja Banco, S.A., once again authorised, bearing in mind that the distribution of dividends was approved by the Ordinary General Meeting held on 30 March, the distribution to shareholders of the dividend for 2019 for the amount of 17,500 thousand euros which was paid on 13 October 2020.

On 15 December 2020, the ECB issued a new recommendation to all significant credit institutions in the eurozone regarding profit distribution for 2019 and 2020 that remuneration should remain below 15% of cumulative profit for the financial years 2019 and 2020 and in any case should not exceed 20 basis points of CET1.

The Board of Directors will propose to the General Shareholders' Meeting that they agree on the **distribution of a dividend paid from profits from 2020** for an amount of **3,849 thousand euros**.

The Bank has no legal restriction or limitation on the payment of dividends and, except in extraordinary circumstances such as the health crisis in which the ECB recommendation is adopted, it intends to continue its shareholder remuneration policy. In any event, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining an adequate capital buffer, even if there is an impairment of the economic situation and financial conditions.

10.2 Credit agency ratings

The rating agencies have revised downwards their outlook for the Spanish financial system due to the expected impacts on the Spanish economy of the health crisis triggered by COVID-19.

As a result of this sector-wide review, the outlook for Ibercaja Banco's credit rating have been changed as follows:

- On 23 April, **Moody's Investors Service** changed the outlook on Ibercaja Banco's deposits from positive to stable, affirming all ratings at current levels.
- On 29 April, **Standard & Poor's** revised the outlook on Ibercaja Banco's credit rating from stable to negative, affirming the long-term and short-term ratings at “BB+” and “B”, respectively.
- On 23 September, **Fitch Ratings** maintained Ibercaja Banco's rating at “BB+” with a negative outlook.

CREDIT AGENCY RATINGS:

	LONG-TERM	SHORT-TERM	OUTLOOK
Standard & Poors	BB+	B	Negative
Moody’s (rating for deposits)	Ba3	NP	Stable
Fitch Ratings	BB+	B	Negative

10.3 Average supplier payment period

The average payment period for suppliers in 2020 was **25 days**, well within the legal maximum of 60 days established by Law 15/2010, of 5 July, which establishes measures to combat against late payments in commercial transactions.

11 BUSINESS OUTLOOK AND EXPECTED PERFORMANCE

Macroeconomic scenario:

THE OUTBREAK OF THE PANDEMIC HAS LED TO AN INTENSE ECONOMIC CRISIS THAT THE SPANISH ECONOMY WILL HAVE FACE IN THE COMING MONTHS.

The contraction of consumption and investment, together with the negative contribution of the foreign sector, led to a **GDP contraction in Spain of 11% in 2020.** Only public consumption has served as a counterweight. The impact on the labour market has been softened by the furlough programmes, which have enabled maintaining the employment relationship in companies worst hit by the pandemic. Even so, the unemployment rate reached 16.13**%** by the end of 2020, and was especially high in the services sector. The overall public deficit has increased considerably due to COVID-related expenditure and the simultaneous reduction in tax revenues caused by the weakening of activity and is estimated to reach 12% of GDP in the financial year. However, the European Commission has suspended the fiscal rules of the Stability Pact to allow governments to adopt measures to mitigate the effects of the crisis, particularly on the most vulnerable groups.

The **consensus forecast of analysts for Spain's GDP growth in 2021** of about 6%, is subject to **significant conditioning factors**. The main one is that health prevention and vaccines can limit the spread of the virus, which will allow the gradual normalisation of the activities most damaged by the restrictions on mobility and gathering of people. The contribution of the European Recovery Fund should also play an important role in the recovery, the effect of which will begin to materialise, if there are no delays in the allocation, from the second half of the year onwards.

Overview and prospects of the Ibercaja Group

IBERCAJA WILL CONTINUE TO WORK DURING 2021 ON INTENSIFYING ITS COMMERCIAL DYNAMISM TO COUNTERACT THE ADVERSE CONDITIONS OF THE MACROECONOMIC BACKDROP AND MAXIMISE THE GROUP'S PROFITABILITY.

In a complex environment for the financial sector, **Ibercaja has placed emphasis on responding to the demands of its customers**; individuals, the self-employed, SMEs and companies, meeting their financial needs and, in particular, those caused by the pandemic. This effort is reflected in its track record of lending, the management of mortgage moratorium and consumer loan applications, advances on pensions and unemployment benefit income, as well as other measures to support the segments of society most vulnerable to the pandemic.

Business activity, depressed after the enactment of the first state of alarm, **recovered**, **especially in the second half of the year**, with important achievements in priority business lines, such as asset management, with a significant advance in the share of unit trusts. Also noteworthy is the **reduction in the volume of non-performing assets** and the **strengthening of solvency**. The **advances in the Bank's digital transformation** of its operating model and customer relations, together with the deployment of investment and digitalisation projects, have been decisive in overcoming such a delicate moment and have highlighted the importance of continuing to make progress in the provision of remote financial services.

Containing the spread of the coronavirus should be the main driver for the return to normality that will allow economic recovery in 2021. Throughout the year, Ibercaja will continue to work on intensifying its commercial dynamism to counteract the adverse conditions of the macroeconomic framework and maximise the Group's profitability.

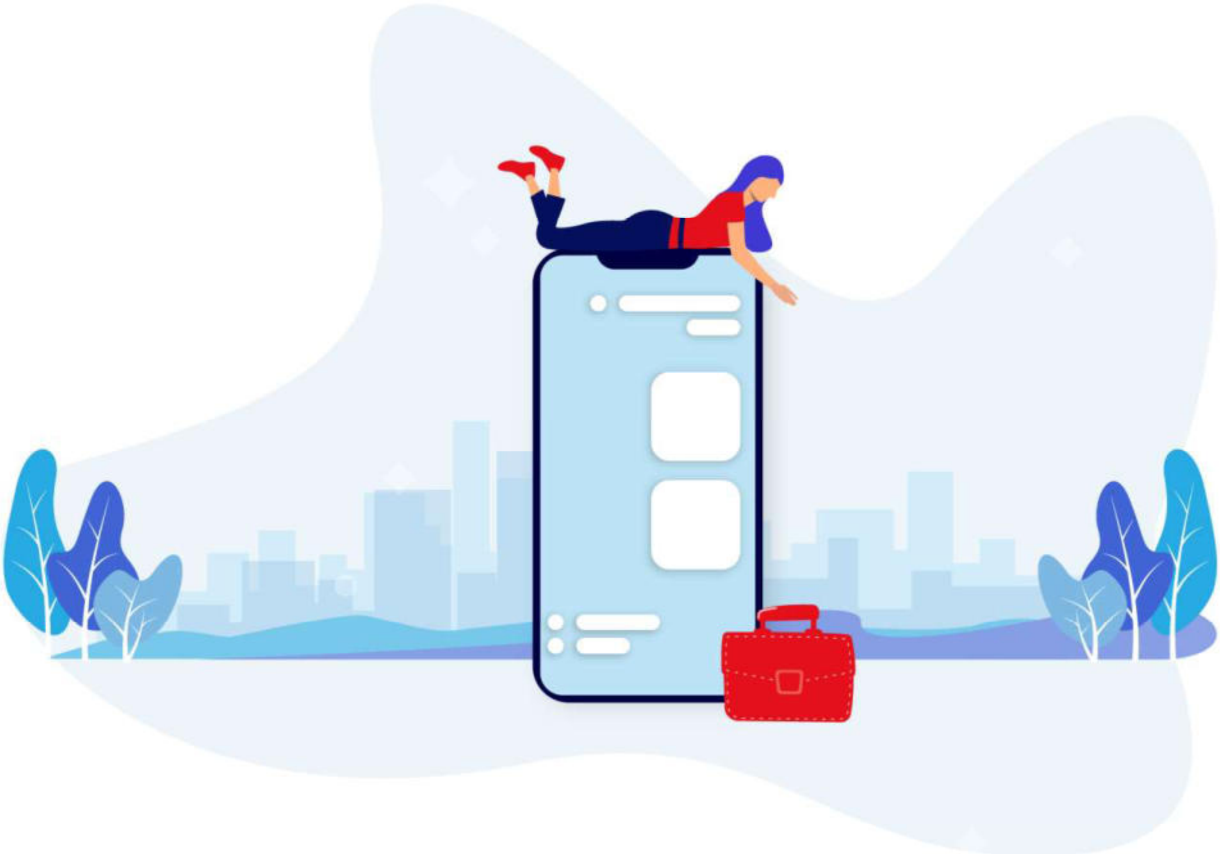
THE MAIN ASPECTS AND OBJECTIVES THAT WILL FOCUS THE ACTIVITY ARE:

- **Providing liquidity to companies** through ICO lines and the Entity's own lines.
- **Dealing with requests for moratoriums** for mortgage and non-mortgage loans.
- **Consolidating** plans for **corporate banking, personal banking and private banking**, which are strategic segments of the Bank's activity.
- **Maximising profitability** by increasing loan revenue, with risk-adjusted rates, and generating fees for services that provide added value to the customer, mainly through asset management and insurance.
- **Managing non-performing assets** with the objective of further bolstering the quality of the balance sheet.
- **Enhance excellence in customer service** as a guideline for management and an edge in an increasingly competitive market.
- **Increasing efficiency and productivity** while maintaining strict cost control.

- **Making decisive progress in the digitalisation of the business** in order to boost commercial activity, meet customer expectations and anticipate the rapid change in consumer habits that is taking place.
- **Supporting the transition to a more sustainable economy** by allowing the flow of savings to go, as a priority, into sustainable investments.

Based on the progress achieved during the last strategic cycle, the Entity is working on the **new Strategic Plan, "Plan +23",** to be presented in the first half of 2021. The Plan **focuses on profitability and efficiency**, which are key to adapting to both current and future circumstances. It addresses aspects related to the transformation of the operating model, technology, commercial, risk management, *pricing* and capital allocation, which will enable greater competitiveness, profitability and sustainability of the business. All of this, while remaining faithful to the corporate purpose and essence, territorial sensitivity and social spirit derived from the 145-year history of the Entity and the nature of its shareholders as foundations.

12 EVENTS AFTER THE REPORTING PERIOD



Events after the reporting period

Between the year-end date and the authorisation for issue of the financial statements, no events have taken place that could have a significant effect on them.

13 ALTERNATIVE PERFORMANCE MEASURES

Alternative Performance Measures

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA/2015/1415 es), the **Alternative Performance Measures (APMs)** used in this report are **defined below, alongside a reconciliation with the balance sheet and income statement items** used to calculate them.

Ibercaja uses a range of APMs, which are unaudited, to aid understanding of the company's financial performance. APMs should be regarded as additional information. They do not replace financial information prepared under IFRS. The way in which the Group defines and calculates APMs may differ from performance measures calculated by other companies and, therefore, the APMs may not be comparable.

APMs related to the income statement

RECURRING REVENUE:

Definition: sum of net interest and commission income and exchange differences (APM defined and calculated below).

Relevance: measures the evolution of revenues directly related to typical banking activity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Interest income [1]	533,673	547,246
+	Net fees and commissions and exchange differences [2]	374,987	394,843
=	**Recurring revenues**	**908,660**	**942,089**

(1) Source: consolidated income statement in the financial statements.
(2) APM. See definition and calculation below.

NET FEES AND COMMISSIONS AND EXCHANGE DIFFERENCES:

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

Relevance: measures revenues generated via commissions.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Fee and commission income	390,771	412,375
-	Fee and commission expenses	16,636	18,636
+	Net exchange differences	852	1,104
=	**Net fees and commissions and exchange differences**	**374,987**	**394,843**

Source: consolidated income statement in the financial statements.

NET GAIN/(LOSS) ON FINANCIAL TRANSACTIONS:

Definition: sum of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and liabilities held for trading, gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, gains/losses on financial assets and liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting.

Relevance: to know the amount of results related to the financial activity but which, due to their nature, cannot be considered as recurring income.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	128,856	8,261
+	Gains/(losses) on financial assets and liabilities held for trading	1,149	1,220
+	Gains/(losses) on financial assets not held for trading mandatorily measured at fair value through profit or loss	(10,476)	(3,718)
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	-	747
+	Gains/(losses) from hedge accounting	(364)	567
=	**Gains/(losses) on financial assets and liabilities**	**119,165**	**7,077**

Source: consolidated income statement in the financial statements.

OTHER OPERATING INCOME/(EXPENSES):

Definition: sum of net other operating income and expenses and income and expenses from assets and liabilities covered by insurance or reinsurance contracts.

Relevance: measures revenues and expenses that do not derive entirely from financial activity, but are related to our business.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Other operating income	47,022	37,073
-	Other operating expenses	78,581	72,473
+	Income from assets covered by insurance and reinsurance contracts	960,230	940,528
-	Liability expenses covered by insurance or reinsurance contracts	960,461	940,798
=	**Other operating income and expense**	**(31,790)**	**(35,670)**

Source: consolidated income statement in the financial statements.

OPERATING EXPENSES:

Definition: sum of personnel expenses, other administrative expenses and depreciation and amortisation.

Relevance: indicator of expenses incurred in the course of our activity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Personnel expenses	502,568	360,944
+	Other administration expenses	153,020	171,915
+	Amortisation and depreciation	62,918	67,228
=	**Operating expenses**	**718,506**	**600,087**

Source: consolidated income statement in the financial statements.

RECURRING OPERATING EXPENSES:

Definition: operating expenses (APM as defined and calculated above) excluding non-recurring items.

Relevance: to measure the evolution of ordinary expenses generated by our activity (banking business, asset management and bancassurance), excluding non-recurring items, such as expenses associated with the Redundancy Program.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Operating expenses (1)	718,506	600,087
-	Non-recurring expenses (2)	151,041	-
=	**Recurring operating expenses**	**567,465**	**600,087**

(1) APM. See definition and calculation above.

(2) SOURCE: note 38 to the financial statements

PROFIT/(LOSS) BEFORE WRITE-DOWNS:

Definition: gross margin minus operating expenses (administrative expenses and depreciation).

Relevance: to show profitability before write-downs.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Gross income	1,001,822	926,579
-	Administrative expenses	655,588	532,859
-	Amortisation and depreciation	62,918	67,228
=	**Profit before write-downs**	**283,316**	**326,492**

Source: consolidated income statement in the financial statements.

RECURRING INCOME BEFORE WRITE-DOWNS:

Definition: recurring revenue less recurring operating expenses (APMs defined and calculated above).

Relevance: to measure the recurring profitability of the business before write-offs.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Recurring revenue (1)	908,660	942,089
-	Recurring operating expenses: (1)	567,465	600,087
=	**Recurring income before write-downs**	**341,195**	**342,002**

(1) APM. See definition and calculation above.

PROVISIONS, IMPAIRMENT AND OTHER WRITE-DOWNS:

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

Relevance: indicator of the cost of provisions made during the year to cover the impairment of the value of our assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Provisions or (-) reversal of provisions	(14,236)	37,330
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	219,646	124,637
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	-	-
+	Impairment or (-) reversal of impairment of non-financial assets	1,559	5,612
+	Impairment losses on other non-current assets for sale	18,861	16,957
=	**Provisions, impairment and other write-downs**	**225,830**	**184,536**

Source: consolidated income statement and note 42 to the financial statements.

OTHER GAINS/(LOSSES):

Definition: sum of gains/losses on derecognition of non-financial assets and participations and gains/losses on disposal of other non-current assets held for sale under gains/losses on non-current assets and disposable groups of items classified as held for sale not eligible as discontinued operations.

Relevance: indicator of the impact on our results of the derecognition/disposal of assets not related to ordinary activities.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	(3,047)	(6,544)
+	Gains/(losses) on disposal of other non-current assets for sale (2)	(969)	(6,775)
=	**Other gains/(losses)**	**(4,016)**	**(13,319)**

(1) Source: consolidated income statement in the financial statements.
(2) Source: Note 42 to the financial statements.

APMs related to the profitability

CUSTOMER SPREAD (%):

Definition: difference between the average yield on the loan portfolio and the cost of retail deposits.

Relevance: indicator of the profitability of our retail business.

	(%)	2020	2019
+	Yields from consumer loans *Interest revenue from the portfolio of registered loans in the year divided by the average customer loan balance*	1.36	1.45
-	Cost of retail deposits *Interest expense on retail deposits recognised in the balance sheet in the year divided by the average retail deposit balance*	-0.01	0.02
=	**Customer spread (%)**	**1.37**	**1.43**

Source: Bank's internal information.

INTEREST INCOME TO ATA:

Definition: Net interest income as a percentage of average consolidated total assets.

Relevance: to relativize the net interest margin with respect to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Interest income (1)	533,673	547,246
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Interest margin (% on ATA)**	**0.96**	**1.04**

(1) Source: consolidated public income statement in financial statements.

(2) The total average asset balance was calculated as a simple average of the monthly asset balances.

WEIGHT OF THE FIXED-INCOME PORTFOLIO IN INTEREST INCOME:

Definition: ratio of income from the fixed income portfolio to interest income.

Relevance: to measure the contribution of the fixed income portfolio to our interest income.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Income from fixed income portfolio [1]	56,592	69,023
Denominator	Interest income [2]	632,798	663,561
=	**Weight of fixed income portfolio in interest income (%)**	**8.94**	**10.40**

(1) Source: internal Bank information. Calculated as the income from the Group's debt portfolio excluding the insurance activity of Ibercaja Vida.

(2) Source: consolidated income statement in the financial statements.

NET FEES AND EXCHANGE RATE DIFFERENCES TO ATA:

Definition: Ratio of net commissions and exchange differences (APM as defined and calculated above) to consolidated average total assets.

Relevance: to relativize fee and commission income to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Net fees and commissions and exchange differences [1]	374,987	394,843
Denominator	Average consolidated total assets [2]	55,479,103	52,779,955
=	**Net fees and commissions and exchange differences (% of ATA)**	**0.68**	**0.75**

(1) MAR. See definition and calculation above.

(2) See interest margin on ATA.

NET FEES AND EXCHANGE DIFFERENCES TO RECURRING REVENUE:

Definition: ratio of net commissions and exchange differences to recurring revenues (APM as defined and calculated above).

Relevance: to measure the contribution of commissions to recurring revenues.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Net fees and commissions and exchange differences [1]	374,987	394,843
Denominator	Recurring revenue [1]	908,660	942,089
=	**Net fees on recurring revenues**	**41.27**	**41.91**

(1) APM. See definition and calculation above.

RECURRING REVENUES ON ATMS:

Definition: Ratio of recurring revenues (APM as defined and calculated above) to consolidated average total assets.

Relevance: to relativize recurring income with respect to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring revenues (1)	908,660	942,089
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Recurring revenues (% of ATA)**	**1.64**	**1.78**

(1) APM. See definition and calculation above.
(2) See interest margin on ATA.

RECURRING OPERATING EXPENSES ON ATA:

Definition: Ratio of recurring operating expenses (APM as defined and calculated above) to consolidated average total assets.

Relevance: to relativize recurring expenses with respect to the balance sheet in order to facilitate comparability between periods.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring operating expenses (1)	567,465	600,087
Denominator	Average consolidated total assets (2)	55,479,103	52,779,955
=	**Recurring operating expenses (% of ATA)**	**1.02**	**1.14**

(1) APM. See definition and calculation above.
(2) See interest margin on ATA.

COST-TO-INCOME RATIO:

Definition: ratio of recurring operating expenses (APM as defined and calculated above) to gross margin.

Relevance: to measure our operational efficiency.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring operating expenses (1)	567,465	600,087
Denominator	Gross income (2)	1,001,822	926,579
=	**Cost-to-income ratio (%)**	**56.64**	**64.76**

(1) APM. See definition and calculation above.
(2) Source: consolidated income statement in the financial statements.

RECURRING COST-TO-INCOME RATIO:

Definition: ratio of recurring operating expenses to recurring revenues (APM as defined and calculated above).

Relevance: to measure the efficiency of our recurring activity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Recurring operating expenses: [(1)]	567,465	600,087
Denominator	Recurring revenue [(1)]	908,660	942,089
=	**Recurring cost-to-income ratio (%)**	**62.45**	**63.70**

(1) APM. See definition and calculation above.

RECURRING PROFIT BEFORE PROVISIONS ON AVERAGE TOTAL ASSETS:

Definition: difference between recurring revenues and recurring operating expenses in relation to consolidated average total assets.

Relevance: to relativize the results before write-downs with respect to the balance sheet in order to facilitate comparability between periods.

	(%)	31/12/2020	31/12/2019
+	Recurring revenues (% ATMs) [(1)]	1.64	1.78
-	Recurring operating expenses (% ATMs) [(1)]	1.02	1.14
=	**Recurring profit before write-downs (% ATA)**	**0.62**	**0.64**

(1) APM. See definition and calculation above.

ROA:

Definition: Profit attributable to the parent (annualised figure) divided by consolidated average total assets.

Relevance: to measure the profitability of our asset.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent [(1)]	23,602	83,989
Denominator	Average consolidated total assets [(2)]	55,479,103	52,779,955
=	**ROA (%)**	**0.04**	**0.16**

(1) Source: consolidated income statement in the financial statements.

(2) See interest margin on ATA.

RORWA:

Definition: parent company profits (annualised figure) divided by risk-weighted assets.

Relevance: to measure the profitability of our risk-weighted assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent (1)	23,602	83,989
Denominator	Risk-weighted assets phased in (2)	18,248,449	20,362,850
=	**RORWA (%)**	**0.13**	**0.41**

(1) Source: consolidated income statement in the financial statements.
(2) Source: Note 1.7.2 to the financial statements.

ROE:

Definition: parent company profits divided by average consolidated shareholders' equity. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Relevance: to measure return on equity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent (1)	23,602	83,989
Denominator	Average consolidated shareholders' equity (2)	2,878,372	2,810,747
=	**ROE (%)**	**0.82**	**2.99**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

ROTE:

Definition: parent company profits divided by average tangible consolidated shareholders' equity. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Relevance: to measure the return on tangible equity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Profit/(loss) attributed to the parent (1)	23,602	83,989
Denominator	Average tangible consolidated shareholders' equity (2)	2,663,926	2,608,245
=	**ROTE (%)**	**0.89**	**3.22**

(1) Source: consolidated income statement in the financial statements.

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

Solvency-related APM

RWA DENSITY:

Definition: Risk-weighted assets divided by total assets.

Relevance: to measure the risk profile of our balance sheet.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Risk-weighted assets phased in (1)	18,248,449	20,362,850
Denominator	Total consolidated assets (2)	58,400,790	55,422,015
=	**RWA density (%)**	**31.25**	**36.74**

(1) Source: Note 1.7.2 to the financial statements.

(2) Source: consolidated balance sheet in the financial statements.

APMs related to asset quality

DOUBTFUL ASSETS:

Definition: aggregation of impaired assets of loans and advances to customers and the gross value of foreclosed assets.

Relevance: to assess the size of our nonperforming asset portfolio in gross terms.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Impaired assets loans and advances to customers [1]	1,012,938	1,293,161
+	Gross value of foreclosed assets [2]	619,527	624,890
=	**Problem assets**	**1,632,465**	**1,918,051**

(1) Source: note 3.5.4 in the financial statements.

(2) Source: note 3.5.6.2 in the financial statements.

RATIO OF NON-PERFORMING LOANS AND ADVANCES TO CUSTOMERS:

Definition: non-performing loans on the consolidated balance sheet divided by gross loans and advances to customers.

Relevance: to monitor the quality of the loan portfolio.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Impaired assets loans and advances to customers [1]	1,012,938	1,293,161
Denominator	Gross loans and advances to customers [2]	31,589,582	32,563,215
=	**Non-performing loans ratio loans and advances to customers (%)**	**3.21**	**3.97**

(1) Source: Note 3.5.4 to the financial statements.

(2) Source: Notes 8 and 11.4 to the financial statements.

PROBLEM ASSET INDEX:

Definition: ratio of problem assets (APM as defined and calculated above) to the value of the exposure.

Relevance: to assess the size of our nonperforming asset portfolio in relative terms.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Problem assets (1)	1,632,465	1,918,051
Denominator	(a) Gross loans and advances to customers	31,589,582	32,563,215
	(b) Gross value of foreclosed assets	619,527	624,890
	(a) + (b) Value of exposure (2)	32,209,109	33,188,105
=	**Problem asset ratio (%)**	**5.07**	**5.78**

(1) Source: See definition and calculation above.

(2) Source: notes 3.5.6.2, 8 and 11.4 to the financial statements.

COST OF RISK:

Definition: percentage that write-offs associated with loans and advances to customers and foreclosed real estate represent in relation to the average exposure understood as the sum of gross loans and advances to customers and foreclosed real estate.

Relevance: to monitor the cost of provisions on the loan portfolio and foreclosed assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Write-downs of loans and foreclosed properties (1)	232,754	134,139
Denominator	Average exposure (gross credit and real estate) (2)	32,884,592	33,676,679
=	**Cost of risk (%)**	**0.71**	**0.40**

(1) Source: internal Bank information. The write-down of the loan is the sum of the impairment of financial assets at amortised cost and the provisioning (reversal) of provisions for commitments and guarantees given. Foreclosed properties are classified according to their nature as non-current assets held for sale, investment property or inventories. Impairment losses are recognised under "Impairment or Reversal of Impairment Losses on Non-Financial Assets (Investment Property and Other)" (see note 40 to the consolidated financial statements) and "Impairment Losses on Non-Current Assets Held for Sale" (see note 42 to the consolidated financial statements).

(2) Calculated as a simple average of the quarterly closings since the previous December included, the first and last quarter being weighted by 0.5 and the rest by 1.

COVERAGE RATIO OF FORECLOSED ASSETS:

Definition: sum of impairment losses on loans and advances to customers and negative cumulative changes in fair value due to credit risk from doubtful exposures. Includes impairment losses of stages 1, 2 and 3.

Relevance: To monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Impairment losses on loans and advances to customers [1]	644,937	642,039
+	Accumulated negative changes in fair value of doubtful exposures [2]	2,241	2,231
=	**Coverage of non-performing exposures**	**647,178**	**644,270**

(1) Source: Note 11.4 to the financial statements.

(2) Source: Note 8 to the financial statements.

COVERAGE RATIO FOR DOUBTFUL RISKS:

Definition: ratio of provisions for asset impairment (MAR as defined and calculated above) to impaired assets of loans and advances to customers.

Relevance: to monitor the degree to which provisions associated with credit risk cover doubtful loans.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Coverage of non-performing exposures [1]	647,178	644,270
Denominator	Impaired assets, loans and advances to customers [2]	1,012,938	1,293,161
=	**Coverage of non-performing risks (%)**	**63.89**	**49.82**

(1) Source APM. See definition and calculation above.

(2) Source: Note 3.5.4 to the financial statements.

COVERAGE RATIO OF FORECLOSED ASSETS:

Definition: Ratio of impairment losses on foreclosed assets (since origination of the loan) to the gross carrying amount of foreclosed assets.

Relevance: We use this APM to monitor the extent to which provisions for foreclosed properties cover the gross value of those properties.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Correction of the impairment of foreclosed assets (1)	367,413	346,033
Denominator	Gross value of foreclosed assets (1)	619,527	624,890
=	**Coverage of foreclosed assets (%)**	**59.31**	**55.38**

(1) Source: note 3.5.6.2 in the financial statements.

COVERAGE RATE OF FORECLOSED LAND

Definition: Ratio of impairment losses on land (since the origination of the loan) to the gross value of foreclosed land.

Relevance: Monitor the extent to which the provisions associated with land cover the gross value of such real estate.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Land value adjustments (1)	266,206	275,233
Denominator	Gross value of land (1)	404,800	459,989
=	**Foreclosed land cover rate (%)**	**65.76**	**59.83**

(1) Source: note 3.5.6.2 in the financial statements.

COVERAGE RATIO OF DOUBTFUL ASSETS:

Definition: ratio of provisions for doubtful loans and foreclosed assets to doubtful exposure (APM as defined and calculated above).

Relevance: To monitor the extent to which provisions associated with doubtful loans and foreclosed real estate cover the gross value of such exposure.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	(a) Coverage of non-performing exposures (2)	647,178	644,270
	(b) Correction of the impairment of foreclosed assets (1)	367,413	346,033
	(a) + (b) Coverage of problem assets	1,014,591	990,303
Denominator	Problem assets (2)	1,632,465	1,918,051
=	**Coverage rate of Problem assets (%)**	**62.15**	**51.63**

(1) Source: note 3.5.6.2 in the financial statements.

(2) Source: See definition and calculation above.

NET DOUBTFUL ASSETS AS A PERCENTAGE OF TOTAL ASSETS:

Definition: Ratio of doubtful assets net of coverage (APM as defined and calculated above) to total assets.

Relevance: to measure the weight of problem assets, after deducting the provisions related to such assets, on the balance sheet.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	(a) Problem assets (1)	1,632,465	1,918,051
	(b) Coverage of Problem assets (1)	1,014,591	990,303
	(a) - (b) Problem assets net of coverage	617,874	927,748
Denominator	Total assets (2)	58,400,790	55,422,015
=	**Net problem assets over total assets (%)**	**1.06**	**1.67**

(1) Source: See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

TEXAS RATIO:

Definition: doubtful assets (apm defined and calculated above) divided by shareholders' equity and coverage. Excluded is the issue of AT1 of 350 million euros recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue).

Relevance: to measure the potential loss absorption capacity of our troubled assets with hedges and shareholders' equity.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Problem assets (1)	1,632,465	1,918,051
Denominator	(a) Coverage of Problem assets (1)	1,014,591	990,303
	(b) Shareholders' equity (2)	3,160,630	3,139,017
	(c) Equity instruments issued other than capital (2)	350,000	350,000
	(d) Other reserves from the issue of equity instruments other than capital (2)	49,870	32,720
	(a) + (b) – (c) + (d)	3,875,091	3,812,040
=	**Texas Ratio (%)**	**42.13**	**50.32**

(1) Source: See its definition and calculation explained above.

(2) Source: Note 23.1 to the financial statements.

APMs related to business volume

RETAIL DEPOSITS:

Definition: the sum of demand savings and traditional time deposits excluding mortgage bonds and repurchase agreements recorded under customer deposits in the consolidated balance sheet.

Relevance: indicator of on-balance sheet retail financing.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Demand deposits [1]	33,014,125	28,509,031
+	Term deposits [1]	4,688,146	6,009,517
-	Mortgage-backed bonds (including nominal amount and share premium)	1,536,960	1,746,096
	Nominal amount of mortgage-backed bonds [1]	1,625,470	1,842,137
	Mortgage-backed bond issue premium [2]	(88,510)	(96,040)
=	**Retail deposits**	**36,165,311**	**32,772,452**

(1) Source: Note 19.3 to the financial statements.

(2) Source: Internal Bank information.

ASSET MANAGEMENT AND INSURANCE:

Definition: Sum of the assets managed by investment firms and funds (including third-party funds but excluding the assets of funds that themselves invest in Ibercaja Gestión funds), pension plans and insurance.

Relevance: this indicator is relevant due to the importance for Ibercaja of off-balance sheet savings as a source of the Group's income.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Investment companies and funds [1]	16,234,844	14,708,533
+	Pension funds [1]	5,907,074	5,668.503
+	Insurance products [2]	7,103.732	7,493.363
=	**Asset management and insurance**	**29,245,650**	**27,870,399**

(1) Source: Note 27.4 in the consolidated financial statements.

(2) Source: Note 24.4 in the individual financial statements.

TOTAL RETAIL FUNDS:

Definition: sum of retail deposits and asset management and insurance (APMs defined and calculated above).

Relevance: indicator of the volume of retail savings managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Retail deposits [1]	36,165,311	32,772,452
+	Asset management and insurance [2]	29,245,650	27,870,399
=	**Total retail customer loans**	**65,410,961**	**60,642,851**

(1) Source: See its definition and calculation explained above.

RETAIL BUSINESS VOLUME:

Definition: sum of gross loans and advances to customers ex repurchase agreements and total retail customer loans (APM defined and calculated above).

Relevance: indicator of the savings and credit of our retail customers managed by Ibercaja.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Loans and advances to customers ex impaired assets and reverse repos [1]	28,955,787	29,654,301
+	Total retail customer loans [2]	65,410,961	60,642,851
=	**Retail business volume**	**94,366,748**	**90,297,152**

(1) Source: notes 8 and 11.4 in financial statements.

(2) Source: See its definition and calculation explained above.

APMs related to liquidity

CREDIT TO RETAIL FUNDING RATIO (LTD):

Definition: net loans and advances to customers less repurchase agreements divided by retail deposits (APM defined and calculated above).

Relevance: measures the proportion of loans and advances to customers funded by retail deposits.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	(a) Net loans and advances to customers [1]	30,942,404	31,918,945
	(b) Reverse repurchase agreements [2]	1,620,857	1,615,753
	(a) – (b) Net loans ex reverse repos	29,321,547	30,303,192
Denominator	Retail deposits [3]	36,165,311	32,772,452
=	**LTD (%)**	**81.08**	**92.47**

(1) Source: consolidated balance sheet in the financial statements.
(2) Source: 11.4 in the financial statements.
(3) See definition and calculation above.

AVAILABLE LIQUIDITY:

Definition: sum of cash and central banks, available on policy, eligible off-policy assets and other marketable assets not eligible by the Central Bank, in accordance with the criteria established in the Bank of Spain's official statement LQ 2.2.

Relevance: to know the volume of our available assets in the event of a possible outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Cash and central banks	7,319,717	3,671,499
+	Available in policy	891,981	4,982,938
+	Eligible assets not included in the policy	6,421,078	2,432,048
+	Other marketable assets not eligible by the Central Bank	326,665	381,397
=	**Available liquidity**	**14,959,441**	**11,467,882**

Source: Note 3.8.2 to the financial statements.

AVAILABLE LIQUIDITY TO TOTAL ASSETS:

Definition: ratio of available liquidity (APM as defined and calculated above) to total assets.

Relevance: to ascertain the weight of available liquidity to total assets.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
Numerator	Available liquidity [1]	14,959,441	11,467,882
Denominator	Total assets [2]	58,400,790	55,422,015
=	**Available liquidity to total assets (%)**	**25.62**	**20.69**

(1) Source: MAR. See definition and calculation above.

(2) Source: consolidated balance sheet in the financial statements.

TOTAL AVAILABLE LIQUIDITY

Definition: aggregation of available liquidity (APM defined and calculated above) and capacity to issue mortgage bonds.

Relevance: To know the volume of our available assets in the event of a possible outflow of customer deposits.

	(THOUSANDS OF EUROS)	31/12/2020	31/12/2019
+	Available liquidity [1]	14,959,441	11,467,882
+	Capacity to issue mortgage bonds [2]	8,379,866	7,307,407
=	**Total availability of liquidity**	**23,339,307**	**18,775,289**

(1) See definition and calculation above.

(2) Source: Note 3.8.2 to the financial statements.

APPENDIX
TRACEABILITY TABLES FOR NON-FINANCIAL INFORMATION

A

APPENDIX

Requirements of Law 11/2018 on non-financial information and diversity

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
BUSINESS MODEL	Brief description of the business model of the group, which will include: 1.) its business environment, 2.) its organisation and structure, 3.) the markets in which it operates, 4.) its objectives and strategies, 5.) the main factors and trends that may affect its future performance.	-	Ibercaja Banco Group (*)	102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7	4.3. Economic and financial environment 4.5. Business Model and Strategic Plan 11. Business Outlook and Expected Performance	-
POLICIES	A description of the policies that the group applies with respect to those issues, which it will include: 1. (a) the due diligence procedures applied for the identification, assessment, prevention and mitigation of significant risks and impacts 2.) the verification and control procedures, including what measures have been taken.	-	Ibercaja Banco Group (*)	103 Management approaches in each area within the economic, environmental and social dimensions	3. Keys to this document 6.1. Sustainability strategy See the detail of non-financial policies in the following blocks	-
ST, MT and LT RISKS	The main risks associated with those issues that are linked to the activities of the group, including, where relevant and proportionate, its business relationships, products or services that may have an adverse effect on those areas; and • how the Group manages these risks, • explaining the procedures used to detect and evaluate them in accordance with the national, EU or international reference frameworks for each subject. Must include information on the impacts that have been detected and a breakdown of these, in particular on the main short-, medium- and long-term risks.	-	Ibercaja Banco Group (*)	102-15	7. Risk management 6.12. Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	-
KPIs	Key non-financial performance indicators that are relevant to the particular business and that meet the criteria of comparability, materiality, relevance and reliability. • In order to facilitate the comparison of information, both over time and between banks, special use will be made of generally applicable non-financial key indicator standards that comply with the European Commission's guidelines in this area and the Global Reporting Initiative standards, and the report should mention the national, European or international framework used for each area.	-	Ibercaja Banco Group (*)	General or specific GRI standards of the economic, environmental and social dimensions that are reported in the following blocks	3. Keys to this document 6.1. Sustainability strategy See the detail of the KPIs reported in the following blocks	-

EL BANCO DEL Vamos

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
ENVIRONMENTAL MATTERS	**Global Environment**					
	1.) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures; 2.) The resources dedicated to the prevention of environmental risks; 3.) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the Environmental Liability Law).	YES	Ibercaja Banco Group (*)	103 Management Approach to each area within the Environmental dimension	6.5. Commitment to the environment 6.11. Implementation of the PRB of UNEP-FI 6.12. Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)	
	Pollution					
	Measures to prevent, reduce or repair carbon emissions that severely affect the environment; taking into account any form of air pollution specific to an activity, including noise and light pollution.	NO	-	103 Emissions management/Biodiversity approach	-	-
	Circular economy and waste prevention and management					
	Circular economy. Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste.	YES	Ibercaja Banco Group (*)	103 Effluent and waste management approach	Appendix D.	-
	Actions to combat food waste.	NO	-	103 Effluent and waste management approach 306-2	-	.
	Sustainable use of resources					
	The consumption of water and water supply according to local constraints.	YES	Ibercaja Banco Group (*)	303-1 303-2 303-5	6.5. Commitment to the environment	-
	Consumption of raw materials and measures taken to improve the efficiency of their use;	YES		103 Management approach of materials 301-1 301-2	Appendix D	-
	Consumption, direct and indirect, of energy, measures taken to improve energy efficiency and the use of renewable energies.	YES		103 Management approach of energy 302-1 302-3	Appendix D	-

EL BANCO DEL Vamos

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
	Climate Change					
	The important elements of the greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces;	YES	Ibercaja Banco Group (*)	103 Management approach of Emissions 305-1 / 305-2/ 305-3/305-4		-
	The measures adopted to adapt to the consequences of climate change;	YES		103 Management approach of Emissions	6.5. Commitment to the environment	-
	Voluntary medium- and long-term reduction targets to reduce greenhouse gas emissions and the means implemented to for that purpose.	YES		103 Management approach of Emissions	Appendix D	-
	Protection of biodiversity					
	Measures taken to preserve or restore biodiversity;	NO	-	103 Management approach of Biodiversity	-	-
	Impacts caused by activities or operations in protected areas.	NO	-	304-2	-	-

EL BANCO DEL Vamos

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
SOCIAL AND PERSONNEL ASPECTS	**Employment**					
	Total number and distribution of employees by gender, age, country and job category;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach 102-8 / 405-1		-
	Total number and distribution of employment contract types.	YES		102-8	6.4. Commitment to our employees	-
	Annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and job category.	YES		102-8 / 405-1	Appendix D	-
	Number of dismissals by gender, age and occupational classification;	YES		401-1		-
	The average remuneration and its evolution disaggregated by gender, age and professional classification or equal value; Salary gap, the remuneration of equal or average jobs in the company.	YES		103 Diversity and equal opportunities management approach 405-2	6.4. Commitment to our employees	-
	The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payment to long-term savings pension schemes and any other payments broken down by gender.	YES		103 Diversity and equal opportunities management approach	6.4. Commitment to our employees	-
	Implementation of occupational disconnection policies.	YES		103 Employment management approach	6.4. Commitment to our employees	-
	Employees with disability.	YES		405-1	6.4. Commitment to our employees	-
	Organisation of work					
	Organisation of working time	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach	6.4. Commitment to our employees	-
	Number of hours of absenteeism.	YES		403-2	6.4. Commitment to our employees	-
	Measures aimed at facilitating the enjoyment of the work-life balance and encourage co-responsible exercise by both parents.	YES		103 Employment management approach	6.4. Commitment to our employees	-

EL BANCO DEL Vamos

Health and safety

Health and safety conditions at work;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employment management approach From 403-1 to 403-8	6.4. Commitment to our employees	-
Occupational accidents, particularly their frequency and severity, occupational ailments, broken down by gender.	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	403-9 403-10	6.4. Commitment to our employees	-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
SOCIAL AND PERSONNEL ASPECTS	**Social relations**					
	Organisation of social dialogue, including procedures for informing, consulting and negotiating with them;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Employer-employee relationship management approach	6.4. Commitment to our employees	-
	Percentage of employees covered by collective bargaining agreements by country;	YES		102-41	6.4. Commitment to our employees	-
	The balance of collective agreements, particularly in the field of health and safety at work.	YES		403-1	6.4. Commitment to our employees	-
	Training					
	Policies implemented in training;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Training and education management approach	6.4. Commitment to our employees	-
	The total number of training hours by job categories.	YES		404-1	6.4. Commitment to our employees	-
	Universal accessibility for persons with disability	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	6.4. Commitment to our employees	-
	Equality					
	Measures adopted to foster equal treatment and opportunities between women and men;	YES	Ibercaja Banco S.A. (accounts for 95% of the Group's total workforce)	103 Diversity and equal opportunities and non-discrimination management approach	6.4. Commitment to our employees	-
	Equality plans (Chapter III of Spanish Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility of persons with disabilities;	YES				-
	The policy against all types of discrimination and, as applicable, management of diversity.	YES				-

EL BANCO DEL Vamos

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
HUMAN RIGHTS	Application of due diligence procedures in the field of human rightsPrevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed;	NO	-	103 Management approach to human rights assessment and non-discrimination 102-16 / 102-17	6.9. Human Rights	Although the risk of human rights violations in Ibercaja's activities is low, the Bank has several mechanisms to prevent and mitigate any risk in this area.
	Complaints for cases of human rights violations;	NO	-	406-1		
	Promotion and compliance of the provisions of the fundamental Conventions of the International Labour Organization related to respect for freedom of association and the right to collective bargaining;	NO	-	407-1		
	The elimination of discrimination in employment and occupations;	NO	-	103 Non-discrimination management approach		
	The elimination of forced or compulsory work;	NO	-	409-1		
	The effective abolition of child labour.	NO	-	408-1		

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
CORRUPTION AND BRIBERY	Measures taken to prevent corruption and bribery;	YES	Ibercaja Banco Group (*)	103 Anti-corruption management approach 102-16 / 102-17	6.10. Anti-corruption and bribery	-
	Measures to combat money laundering.	YES			6.10. Anti-corruption and bribery	-
	Contributions to foundations and not-for-profit entities.	YES		413-1	6.10. Anti-corruption and bribery	-

FIELDS	CONTENT	MATERIAL ISSUE (YES/NO)	SCOPE/PERIMETER	RELATED GRI STANDARDS	SECTION WHERE REPORTED	ADDITIONAL COMMENTS
SOCIETY	**Company's commitments to sustainable development**					
	The impact of the company's activity on local employment and development;	YES	Ibercaja Banco Group (*)	103 Local community and indirect economic impacts management approach 203-1 / 413-1	6.8 Contribution to society	-
	The impact of the company's activity on local communities and the territory;	YES				-
	The relationships with local community actors and the types of dialogue with them;	YES		102-43		-
	Actions of partnership or sponsorship.	YES		102-12 / 102-13		-
	Subcontracting and suppliers					
	Inclusion in the procurement policy of social, gender equality and environmental issues; Consideration in the dealings with suppliers and subcontractors of their social and environmental responsibility;	YES	Ibercaja Banco Group (*)	103 Management approach to purchase practices 102-9 / 204-1	6.7. Commitment to suppliers	-
	Systems of supervision and audits and results thereof.	YES				-
	Consumers					
	Measures for consumer health and safety;	NO	-	103 Customer health and safety management approach, Marketing and labelling and customer privacy	-	-
	Complaint systems, complaints received and their resolution.	YES	Ibercaja Banco Group (*)		6.3 Commitment to customers	-
	Tax information					
	Profits country by country.	YES	Ibercaja Banco Group (*)	103 Economic performance management approach 207-1	6.8.11. Tax information	-
	Income tax paid.		Ibercaja Banco Group (*)	207-4		
	Public grants received.	YES	Ibercaja Banco Group (*)	201-4		-

(*) Ibercaja Banco Group corresponds to 100% of the Group's scope of consolidation

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B

APPENDIX

The 10 Principles of the Global Compact

THE FOLLOWING TABLE CONTAINS THE TEN PRINCIPLES OF THE GLOBAL COMPACT AND THE SECTIONS OF THE REPORT THAT CONTAIN INFORMATION ON THEM, AS WELL AS THEIR RELATIONSHIP WITH THE GRI INDICATORS.

	PRINCIPLE OF THE GLOBAL COMPACT	RELATED REPORT CONTENTS	REPORT CHAPTERS	GRI CORRESPONDENCE
Human rights	**1. Companies must support and respect the protection of fundamental Human Rights, recognised internationally, within their scope of action.**	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Business Participations, Commitment to our employees - Equality and Work-Life Balance-Occupational Health Prevention, Social Dialogue, Suppliers, Customers, Shareholders & Investors, Environment, Society.	1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 7	102-8, 102-41, 205-1, 205-2, 205-3, 401-1, 401-2, 402-1, 403-1, 403-2, 413-1, FS13, FS14
	2. Companies must ensure that their firms are not accomplices to a breach of Human Rights.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Internal Control, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders & Investors, Environment, Society.	1, 4.2, 4.4, 5.3, 5.4, 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 7	102-16, 102-25, 102-31, 205-1, 205-2, 205-3, 413-1, 416-2, 419-1
Employment rules and standards	**3. Companies must support freedom of affiliation and the effective recognition of collective bargaining rights.**	Commitment to our Employees, Social Dialogue.	6.4.	102-41, 402-1
	4. Companies must support the elimination of all forms of forced or coerced labour.	Business Model, Commitment to Sustainability, Commitment Our Employees-Equality and Work-life Balance- Remuneration Policy, Suppliers, Society.	4.5, 6.1, 6.4, 6.7, 6.8	Ibercaja does not operate in developing countries.
	5. Companies should support the eradication of child labour.	Business Model, Transparency and Strategic Communications, Commitment to Sustainability, Commitment to Our Employees, Suppliers, Society.	4.5, 6.1, 6.4, 6.7, 6.8	Ibercaja does not operate in developing countries.
	6. Businesses should support the abolition of discriminatory practices in employment and occupation.	Governing Bodies, Internal Control, Suitability Policy, Commitment to Sustainability, Commitment to Customers, Our Employees -Equality and Work-Life Balance-Remuneration Policy-Occupational Health Prevention, Environment, Society.	4.4, 6.1, 6.3, 6.4, 6.5, 6.8	102-8, 102-41.403-1, 403-2, 401-1, 404-1, 404-3
Environment	**7. Companies must maintain a preventive approach that favours the environment.**	Risk Prevention, Breaches, Fines and Penalties, Commitment to Sustainability, Commitment to Environment, Society.	6.1, 6.5, 6.8.	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	8. Companies must encourage initiatives that promote greater environmental responsibility.	Ibercaja does not perform its activities in spaces or places that affect natural ecosystems. Presentation Letter, Commitment to Sustainability, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	1, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.11, 6.12	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	9. Companies must favour the development and proliferation of technologies that respect the environment.	2018-2020 Strategic Plan, Research, Development and Technology, Commitment to Sustainability, Commitment to the Environment, Society.	4.5, 6.1, 6.5, 6.8, 8	301-1, 305-1, 305-2, 305-4, 306-2, 307-1, 419-1
	10. Entities must work against corruption in all its forms, including extorsion and bribery.	Presentation Letter, Financing and Liquidity, Income Statement Analysis, Solvency, Governing Bodies, Corporate Ethics, Suitability Policy, Prevention of Money Laundering, Risks, Business Model, Omnichannels, Financial Group, Model aimed at Excellence, Brand and Reputation, Transparency and Strategic Communications, Commitment to Sustainability, CSR Policy, Commitment to Suppliers, Customers, Shareholders, Environment, Society.	1, 4.1, 4.2, 4.4, 4.5, 5.3, 5.4, 6.1, 6.3, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 7, 8,	102-16, 102-17, 205-1, 205-2, 205-3

C

APPENDIX

GRI Content Index

102-8, 102-55

GRI STANDARD	CONTENT	CHAPTER OR DIRECT RESPONSE	OMISSION
GRI 102: GENERAL DISCLOSURES 2016	**102-1 Name of the organisation**	4.1. See Note 1.1 of the Consolidated financial statements at 31 December 2020.	
	102-2 Activities, brands, products and services	1, 4.1, 4.2, 4.5.1, 4.5.2, 4.5.4, 8	
	102-3 Location of headquarters	4.1. See Note 1.1 of the Consolidated financial statements at 31 December 2020	
	102-4 Location of operations	1, 4.5.1, 4.5.4	
	102-5 Ownership and legal form	1, 4.1, 4.5.5	
	102-6 Markets served	1, 4.5.1, 4.5.4, 6.3	
	102-7 Scale of the organisation	5.2, 6.3, 6.4	
	102-8 Information on employees and other workers	6.4, Appendix C Ibercaja Banco carries out most of its activities using its own staff, with investees that collaborate in maintenance, editing, logistics and other works. There were no significant changes in the organisation's workforce.	
	102-9 Supply chain	1, 4.5.2, 4.5.4, 6.7	
	102-10 Significant changes to the organisation and its supply chain	5.1, 6.4, 6.7	
	102-11 Precautionary principle or approach	6.5, 6.12, 6.15	
	102-12 External initiatives	6.1, 6.4, 6.5, 6.12	
	102-13 Membership of associations	Ibercaja participates in the sector associations that represent financial activity and other reference associations: Cecabank, AEC, Forética, Commission for the Integrity of the Financial System for Banks, GREF, etc.	
	102-14 Statement from senior decision-maker	1	
	102-15 Key impacts, risks and opportunities	1, 4.4, 6.1, 6.5, 6.11, 6.12, 7	
	102-16 Values, principles, standards and norms of behaviour	4.2, 4.4, 6.1, 6.9, 6.10	
	102-17 Mechanisms for advice and concerns about ethics	4.4	
	102-18 Governance structure	4.4	
	102-19 Delegating authority	4.4, 6.1, 6.5, 6.12	
	102-20 Executive-level responsibility for economic, environmental and social topics.	4.4, 6.1, 6.5, 6.12	

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102-21 Consulting stakeholders on economic, environmental and social topics.	3, 6.1, 6.14
102-22 Composition of the highest governance body and its committees	4.4
102-23 Chair of the highest governance body	4.4 In 2020, the Chairman of Ibercaja Banco did not have any executive functions
102-24 Nominating and selecting the highest governance body	4.4
102-25 Conflicts of interest	4.4
102-26 Role of highest governance body in setting purpose, values, and strategy	4.4, 6.1
102-28 Evaluating the highest governance body's performance	4.4, 6.1
102-30 Effectiveness of risk management processes	4.4, 6.1, 6.5, 6.11, 6.12, 7
102-31 Review of economic, environmental, and social topics	4.4, 6.1, 6.5, 6.11, 6.12, 7
102-32 Highest governance body's role in sustainability reporting	1, 4.4, 6.1 This document was approved at the Board meeting for the authorisation for issue of the Financial Statements held on 26 February 2021.
102-35 Remuneration policies	4.4, 6.4
102-36 Process for determining remuneration	4.4, 6.4
102-40 List of stakeholder groups	3, 4.2, 6.14
102-41 Collective bargaining agreements	100% of Ibercaja Banco employees are covered by Collective Agreements and represented on formal committees.
102-42 Identifying and selecting stakeholders	3, 4.2, 6.14 In 2015, the Entity's Stakeholders Map was designed. See CSR Report 2015, chapter 4.3, available at: https://www.ibercaja.com/public/documentos/ref04256_memoria-grupo-ibercaja-2015.pdf
102-43 Approach to stakeholder engagement	3, 6.1, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.14
102-44 Key topics and concerns raised	3, 6.1, 6.3, 6.4, 6.5, 6.6., 6.7, 6.8, 6.14
102-45 Entities included in the consolidated financial statements	3, 4.1, 4.5.5 See Consolidated Financial Statements at 31 December 2020
102-46 Defining report content and topic boundaries	3
102-47 List of material topics	3
102-48 Restatements of information	The possible changes in the criteria applied with respect to the previous report, when they are significant, are reflected in the corresponding section and in the GRI indicators table.
102-49 Changes in the reporting	There have been no significant changes in the scope, coverage or valuation methods. 2020 was the third year running that the Bank reported in accordance with the GRI Standards and an in-depth materiality analysis was performed.

	102-50 Reporting period	2020
	102-51 Date of most recent report	2019
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	mcampob@ibercaja.es
	102-54 Claims of reporting in accordance with the GRI Standards	3
	102-55 GRI content index	Appendix C
	102-56 External assurance	Appendix E

ECONOMIC PERFORMANCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	5.1, 5.2, 5.3
	103-2 Management approach and its components	5.1, 5.2, 5.3
	103-3 Evaluation of the management approach	5
GRI 201: Economic performance 2016	**201-1 Direct economic value generated and distributed**	Appendix D
	201-3 Defined benefit plan obligations and other retirement plans	100% of serving employees are included in the Pension Plan.
	201-4 Financial assistance received from government	6.8.11 Ibercaja did not receive any type of aid from the Government.

MARKET PRESENCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	1, 4.3, 4.5.1, 6.4. Remuneration policy
	103-2 Management approach and its components	1, 4.5.1, 6.4. Remuneration policy
	103-3 Evaluation of the management approach	4.5, 6.4. Remuneration policy
GRI 202: Presence in the 2016 market	**202-1: Ratios of standard entry level wage by gender compared to local**	6.4. Remuneration policy The range of the relationships between the standard initial salary and the minimum local salary in places in which significant transactions are performed: 119%
	202-2: Proportion of senior management hired from the local community	Ibercaja Banco recruits 100% of its employees in Spain and 100% of senior executives are Spanish nationals.

INDIRECT ECONOMIC IMPACTS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.5
	103-2 Management approach and its components	4.5.5
	103-3 Evaluation of the management approach	4.5.5
GRI 203: Indirect economic impacts 2016	**203-1: Infrastructure investments and services supported**	Appendix D

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PROCUREMENT IMPACTS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.7
	103-2 Management approach and its components	6.7
	103-3 Evaluation of the management approach	6.7
GRI 204: Procurement impacts	**204-1: Proportion of spending on local suppliers**	The percentage of purchases from local suppliers is 97%.

ANTI-COMPETITIVE BEHAVIOUR

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.14, 7
	103-2 Management approach and its components	4.4, 6.14, 7
	103-3 Evaluation of the management approach	4.4, 6.14, 7
GRI 206: Anti-competitive Behaviour 2016	**206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices**	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to Anti-competitive practices, monopolistic practices or against free competition.

ANTI-CORRUPTION

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.10, 7
	103-2 Management approach and its components	4.4, 6.10, 7
	103-3 Evaluation of the management approach	4.4, 6.10, 7
GRI 205: Anti-corruption 2016	**205-1: Operations assessed for risks related to corruption**	Appendix D
	205-2: Communication and training about anti-corruption policies and procedures	93% of Ibercaja Banco's current workforce has received training in criminal risk prevention, including the crime of corruption and bribery.
	205-3: Confirmed incidents of corruption and actions taken	During 2020, no cases of corruption arose.

TAXATION

GRI 103: Management Approach 2019	**103-1 Explanation of the material topic and its Boundary**	6.8.11.
	103-2 Management approach and its components	6.8.11
	103-3 Evaluation of the management approach	6.8.11

GRI 207: Taxation	**207-1 Approach to tax**	6.8.11
	207-2 Tax governance, control and risk management	6.8.11 The Company is currently working on this area to report the tax information on a cash basis. Hence, the reporting of the contents required by these indicators will be completed in future years
	207-3 Stakeholder engagement and management of concerns related to tax	6.8.11, 6.14
	207-4 Country-by-country reporting	6.8.11 The Company is currently working on this area to report the tax information on a cash basis. Hence, the reporting of the contents required by these indicators will be completed in future years

CUSTOMER PRIVACY

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Commitment to privacy, 6.3
	103-2 Management approach and its components	4.4. Commitment to privacy, 6.3
	103-3 Evaluation of the management approach	4.4. Commitment to privacy, 6.3
GRI 418: Customer Privacy 2016	**418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data**	In 2020, there were 391 case files relating to GDPR and 6,779 cancellations of online advertising unsubscribes. During 2020, no significant penalties or fines were received of a definitive nature with regard to data protection.

HEALTH AND SAFETY OF CUSTOMERS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies, 6.3
	103-2 Management approach and its components	4.4. Internal rules and control bodies, 6.3
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 6.3
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation related to unfair competition, monopolistic practices or against free competition.

MARKETING AND LABELLING

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies, 4.5.4
	103-2 Management approach and its components	4.4. Internal rules and control bodies, 4.5.4
	103-3 Evaluation of the management approach	4.4, 4.5.4
GRI 417: Marketing and labelling	**417-1: Requirements for product and service information and labeling**	4.4. Internal rules and control bodies, 4.5.4
	417-2: Incidents of non-compliance concerning product and service information and labeling	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to the impact on the use and supply of products and services and in health and safety, or as a result of labelling.
	417-3: Incidents of non-compliance concerning marketing communications	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to matters tied to marketing notifications.

EMPLOYMENT

GRI 103: MANAGEMENT APPROACH

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4
	103-2 Management approach and its components	6.4
	103-3 Evaluation of the management approach	6.4
GRI 401: Employment 2016	**401-1: New employee hires and employee turnover**	Appendix D
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4

LABOUR/MANAGEMENT RELATIONS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Social dialogue and organisation of working time
	103-2 Management approach and its components	6.4. Social dialogue and organisation of working time
	103-3 Evaluation of the management approach	6.4. Social dialogue and organisation of working time
GRI 402: Worker-company relations 2016	**402-1: Minimum notice periods for operational changes**	That stipulated in the prevailing legislation applies with regard to minimum advance notice period(s) relating to organisational changes, including if these notices are specific in the collective bargaining agreements.

OCCUPATIONAL HEALTH AND SAFETY

GRI 103: Management Approach 2018	**103-1 Explanation of the material topic and its Boundary**	6.4. Occupational health and prevention
	103-2 Management approach and its components	6.4. Occupational health and prevention
	103-3 Evaluation of the management approach	6.4. Occupational health and prevention
GRI 403: Occupational health and safety 2018	**403-1 Occupational health and safety management system**	6.4. Occupational health and prevention
	403-2 Hazard identification, risk assessment and incident investigation	6.4. Occupational health and prevention
	403-3 Occupational health services	6.4. Occupational health and prevention
	403-4 Worker participation, consultation and communication on occupational health and safety	6.4. Occupational health and prevention
	403-5 Worker training on health and safety at work	6.4. Occupational health and prevention
	403-6 Promotion of worker health	6.4. Occupational health and prevention The information reported relates to Ibercaja Banco's own personnel. In relation with the workers of the investees that collaborate in maintenance, editing, logistics and other works, they are not covered by the Ibercaja Banco prevention service. However, the risks associated with their work position are assessed and adequate measures are taken to preserve health and safety.
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	6.4. Occupational health and prevention The information reported relates to Ibercaja Banco's own personnel. There are currently no external workers linked with commercial relations.
	403-8 Workers covered by an occupational health and safety management system	Ibercaja Banco has its own prevention service. However, no health and safety management system currently exists.
	403-9 Work-related injuries	6.4. Occupational health and prevention
	403-10 Work-related ill health	6.4. Occupational health and prevention

TRAINING AND EDUCATION

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Cultivating talent
	103-2 Management approach and its components	6.4. Cultivating talent
	103-3 Evaluation of the management approach	6.4. Cultivating talent
GRI 404: Training and education 2016	**404-1: Average hours of training per year per employee**	6.4. Cultivating talent The average number of training hours per employee in 2020 was 78 hours.
	404-2: Programs for upgrading employee skills and transition assistance programs	6.4. Cultivating talent
	404-3: Percentage of employees receiving regular performance and career development reviews	100% of permanent employees receive regular performance and career development assessments.

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4, 6.4. Diversity, equality and work-life balance
	103-2 Management approach and its components	4.4, 6.4. Diversity, equality and work-life balance
	103-3 Evaluation of the management approach	4.4, 6.4 Diversity, equality and work-life balance
GRI 405: Diversity and equal opportunity	**405-1: Diversity of governance bodies and employees**	4.4, 6.4. Diversity, equality and work-life balance, Appendix D

NON-DISCRIMINATION

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.4. Diversity, equality and work-life balance, 6.9
	103-2 Management approach and its components	6.4. Diversity, equality and work-life balance, 6.9
	103-3 Evaluation of the management approach	6.4. Diversity, equality and work-life balance, 6.9
GRI 406: Non-discrimination 2016	**406-1: Incidents of discrimination and corrective actions taken**	There were no incidents of discrimination or, therefore, corrective plans in 2020.

LOCAL COMMUNITIES

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 6.8
	103-2 Management approach and its components	4.5.4, 6.8
	103-3 Evaluation of the management approach	4.5.4, 6.8
GRI 402-1: Local communities 2016	**413-1: Operations with local community engagement, impact assessments, and development programs**	6.8
	FS13: Access points in low-populated or economically disadvantaged areas	In 2020, Ibercaja provided services in 136 towns as the only company present and 1 in 4 branches provides a service in towns of less than 1,000 inhabitants.
	FS14: Initiatives to improve access to financial services to disadvantaged people	4.5.4, Appendix D

SOCIO-ECONOMIC COMPLIANCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal Rules and Control Bodies
	103-2 Management approach and its components	4.4 Internal Rules and Control Bodies
	103-3 Evaluation of the management approach	4.4. Internal Rules and Control Bodies

GRI 419: Socioeconomic compliance 2016	**419-1: Non-compliance with laws and regulations in the social and economic area**	In 2020, no significant sanctions or fines were received following a definitive breach of legislation or regulations, nor was there any knowledge of claims, files, lawsuits or litigation relating to social and economic areas.

MATERIALS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 301: Materials 2016	**301-1: Materials used by weight or volume**	6.5, Appendix D
	301-2: Recycled input materials used	6.5, Appendix D

ENERGY

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 302: Energy	**302-1: Energy consumption within the organization**	6.5, Appendix D
	302-3: Energy intensity	Appendix D

WATER

GRI 103: Management Approach 2018	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 303: Water and effluents 2018	**303-1: Interaction with water as a shared resource**	6.5, Appendix D
	303-2 Management of impacts related to water discharges	Not applicable due to the financial activity performed by Ibercaja.
	303-5 Water consumption	6.5, Appendix D

EMISSIONS

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 305: Emissions 2016	**305-1: Direct (Scope 1) GHG emissions**	6.5, Appendix D
	305-2: Energy indirect (Scope 2) GHG emissions.	6.5, Appendix D

	305-3: Other indirect (Scope 3) GHG emissions	Appendix D
	305-4: GHG emissions intensity	Appendix D

EFFLUENTS AND WASTE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	6.1, 6.5
	103-2 Management approach and its components	6.1, 6.5
	103-3 Evaluation of the management approach	6.1, 6.5
GRI 306: Effluents and waste 2016	**306-2: Waste by type and disposal method**	Appendix D

ENVIRONMENTAL COMPLIANCE

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.4. Internal rules and control bodies
	103-2 Management approach and its components	4.4. Internal rules and control bodies
	103-3 Evaluation of the management approach	4.4. Internal rules and control bodies, 6.1, 6.5
GRI 307: Environmental compliance	**307-1: Non-compliance with environmental laws and regulations**	No significant penalties, sanctions or fines were received in 2020 for failure to comply with environmental laws and regulations.

PRODUCT PORTFOLIO

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 4.5.5
	103-2 Management approach and its components	4.5.4, 4.5.5
	103-3 Evaluation of the management approach	4.5.4, 4.5.5
Product portfolio	**FS6: Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector**	4.5.4, 4.5.5
	FS7: Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Appendix D
	FS8: Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Appendix D

AUDIT

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	The Environmental Management System extends to the entire organisation, taking care to ensure operations in accordance with the UNE-EN ISO 14001: 2015 standard. The headquarters at Plaza Paraíso 2, Zaragoza, also has ISO certification in environmental management. In 2020, Ibercaja passed the certification follow-up audit.

	103-2 Management approach and its components	6.5.
	103-3 Evaluation of the management approach	6.5.

ACTIVE OWNERSHIP

GRI 103: Management Approach 2016	**103-1 Explanation of the material topic and its Boundary**	4.5.4, 4.5.5
	103-2 Management approach and its components	4.5.4, 4.5.5
	103-3 Evaluation of the management approach	4.5.4, 4.5.5
Active ownership	**FS10: Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues**	Appendix D
	FS11: Percentage of assets subject to positive and negative environmental or social screening	Appendix D

D

APPENDIX

Additional non-financial information and GRI content

102-8, 201-1, 203-1, 205-1, 401-1, 405-1, 301-1, 301-2, 302-1, 302-3, 303-1, 303-5, 305-1, 305-2, 305-3, 305-4, 306-2, FS7, FS8, FS10, FS11, FS14

201-1

THOUSANDS OF EUROS	2019	2020
Gross income	926,579	1,001,822
Net profit/(loss) discontinued operations	0	0
Gains or (-) losses on the derecognition of net non-financial assets and equity interests	-6,544	-3,047
Gains/(losses) non-current assets held for sale	-6,775	-969
Economic value generated	913,260	997,806
Dividends	17,500	3,849
Other general administrative expenses	152,149	132,799
Personnel expenses	360,944	502,568
Tax on profits and contributions and other taxes	64,414	50,089
Economic value distributed	595,007	689,305
Economic value withheld (VEG-VED)	318,253	308,501

205-1

SUMMARY OF REVIEWS CONDUCTED	2019	2020
Distribution Network Audit	333	289 (*)
Credit Risk Audit	13	13
Financial Audit	26	26
Internal Models and Systems Audit	25	22
Technical and Quality Supervision	5	4
Total	**402**	**354**

Office audits	2019	2020
Revised offices	321	265 (*)
Percentage of the average number of offices	28.69%	24.33%

(*)Continuous Audit Process at Rural Agencies.

102-8, 405-1

The following tables present the distribution of the workforce of Ibercaja Banco at 31 December 2020 and 2019, by gender, job category, age and type of contract.

	GENDER			
PROFESSIONAL CATEGORY (2020)	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	626	270	896	48
Middle managers	593	529	1,122	47
Technicians	731	843	1,574	46
Clerical staff	715	748	1,463	48
Total	**2,665**	**2,390**	**5,055**	**47**

	GENDER			
PROFESSIONAL CATEGORY (2019)	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	649	279	928	47
Middle managers	593	524	1,117	46
Technicians	699	851	1,550	45
Clerical staff	707	751	1,458	47
Total	**2,648**	**2,405**	**5,053**	**46**

** Job categories are defined as:
EXECUTIVES: up to branch managers
MIDDLE MANAGERS: up to assistant managers-officers
TECHNICIANS: specialised branch office roles and Head Office Technicians/Experts
CLERICAL STAFF: branch network and Head Office employees

	GENDER		
2020 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	105	102	207
31 - 40 YEARS	359	361	720
41 - 50 YEARS	1,036	1,086	2,122
51 - 60 YEARS	1,157	840	1,997
61 - 70 YEARS	8	1	9
Total	**2,665**	**2,390**	**5,055**

	GENDER		
2019 AGE	MEN	WOMEN	TOTAL
21 - 30 YEARS	106	122	228
31 - 40 YEARS	426	459	885
41 - 50 YEARS	1,076	1,109	2,185
51 - 60 YEARS	1,032	714	1,746
61 - 70 YEARS	8	1	9
Total	**2,648**	**2,405**	**5,053**

2020 GENDER	I	T	TOTAL
MEN	2,590	75	2,665
WOMEN	2,329	61	2,390
TOTAL	**4,919**	**136**	**5,055**

2019 GENDER	I	T	TOTAL
MEN	2,580	68	2,648
WOMEN	2,329	76	2,405
TOTAL	**4,909**	**144**	**5,053**

The following tables present the distribution of the workforce of Ibercaja in 2020 and 2019 by gender, job category, age and type of contract in terms of average number of days.

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND PROFESSIONAL CATEGORY

2020	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	99.93%	100%	99.97%	0.07%	0%	0.03%
Clerical staff	87.27%	87.92%	87.61%	12.73%	12.08%	12.39%
Total	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

2019	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
Executives	100%	100%	100%	0%	0%	0%
Middle managers	100%	100%	100%	0%	0%	0%
Technicians	100%	100%	100%	0%	0%	0.03%
Clerical staff	84.91%	83.24%	84.05%	15.09%	16.76%	15.95%
Total	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

AVERAGE NUMBER OF DAYS BY GENDER, TYPE OF CONTRACT AND AGE RANGE

2020	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
21 - 30 YEARS	32.37%	35.98%	34.23%	67.63%	64.02%	65.77%
31 - 40 YEARS	99.01%	98.91%	98.96%	0.99%	1.09%	1.04%
41 - 50 YEARS	100%	99.86%	99.93%	0%	0.14%	0.07%
51 - 60 YEARS	99.92%	100%	99.95%	0.08%	0%	0.05%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**96.41%**	**95.98%**	**96.21%**	**3.59%**	**4.02%**	**3.79%**

2019	PERMANENT			TEMPORARY		
	M	W	TOTAL	M	W	TOTAL
21 - 30 YEARS	26.05%	25.97%	26.01%	73.95%	74.03%	73.99%
31 - 40 YEARS	97.75%	98.35%	98.06%	2.25%	1.65%	1.94%
41 – 50 YEARS	100%	99.70%	99.85%	0%	0.30%	0.15%
51 – 60 YEARS	100%	100%	99.97%	0%	0%	0.03%
61 - 70 YEARS	100%	100%	100%	0%	0%	0%
Total	**95.80%**	**94.54%**	**95.20%**	**4.20%**	**5.46%**	**4.80%**

401-1

In 2020, the **permanent workforce** increased by 10 employees. The **rotation rate** of the permanent workforce in 2020 was 2.85%.

Number and rotation rate (HIGH and LOW)

2020	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	10	0.39%	9	0.39%	19	0.39%
31 – 40 YEARS	17	0.66%	22	0.94%	39	0.79%
41 – 50 YEARS	20	0.77%	27	1.16%	47	0.96%
51 – 60 YEARS	21	0.81%	12	0.52%	33	0.67%
61 - 70 YEARS	2	0.08%		0.00%	2	0.04%
Total	**70**	**2.70%**	**70**	**3.01%**	**140**	**2.85%**

2019	MEN		WOMEN		TOTAL	
	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	17	0.66%	22	0.94%	39	0.79%
31 – 40 YEARS	13	0.50%	22	0.94%	35	0.71%
41 – 50 YEARS	11	0.42%	30	1.29%	41	0.83%
51 – 60 YEARS	13	0.50%	9	0.39%	22	0.45%
61 - 70 YEARS	1	0.04%	1	0.04%	2	0.04%
Total	**55**	**2.12%**	**84**	**3.61%**	**139**	**2.85%**

The **hiring rate** of the permanent workforce in 2020 was 1.52%.

Number and rate of new hires (HIGH)

	MEN		WOMEN		TOTAL	
2020	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	9	0.35%	7	0.30%	16	0.33%
31 – 40 YEARS	13	0.50%	7	0.30%	20	0.41%
41 – 50 YEARS	10	0.39%	14	0.60%	24	0.49%
51 – 60 YEARS	7	0.27%	7	0.30%	14	0.28%
61 - 70 YEARS	1	0.04%		0.00%	1	0.02%
Total	**40**	**1.54%**	**35**	**1.50%**	**75**	**1.52%**

	MEN		WOMEN		TOTAL	
2019	TOTAL	RATE	TOTAL	RATE	TOTAL	RATE
21 – 30 YEARS	16	0.62%	19	0.82%	35	0.71%
31 – 40 YEARS	9	0.35%	12	0.52%	21	0.43%
41 – 50 YEARS	3	0.12%	15	0.64%	18	0.37%
51 – 60 YEARS	5	0.19%	4	0.17%	9	0.18%
61 - 70 YEARS	0	0.00%	0	0.00%	0	0.00%
Total	**33**	**1.27%**	**50**	**2.15%**	**83**	**1.69%**

15 people were laid off due to dismissal or termination of contract, with an average age of 47, and none of them is under 35 nor has children under 12.

	GENDER			
PROFESSIONAL CATEGORY (2020)	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	2		2	48
Middle managers	1	2	3	38
Technicians	1	2	3	42
Clerical staff	6	1	7	52
Total	**10**	**5**	**15**	**47**

	GENDER			
PROFESSIONAL CATEGORY (2019)	MEN	WOMEN	TOTAL	AVERAGE AGE
Executives	0	0	0	
Middle managers	2	0	2	43
Technicians	1	1	2	44
Clerical staff	4	6	10	49
Total	**7**	**7**	**14**	**47**

301-1, 301-2, 302-1, 302-3, 303-1

CONSUMPTION

WATER CONSUMPTION (m3)	2019	2020
Water consumption (headquarters)	11,473	8,210
Water consumption (branch network)	29,978	28,818
Average water consumption per employee and year (Entity)	8.08	7.18

Specific observations: Water consumption has been estimated in the Branch Network based on an average consumption ratio per unit of surface area.

ENERGY CONSUMPTION (Gj)	2019	2020
Electricity (headquarters)	30,991.3	28,455.83
Electricity (branch network)	100,164.8	93,390.28
Average electricity consumption per employee and year (Entity)	25.6	23.65
Diesel (central building)	30.7	41.54
Diesel (branch network)	3,199.7	3,427.11
Natural Gas (branch network)	3,720.6	4,465.97
Average consumption of diesel and natural gas per employee and year (Entity)	1.4	1.45

PAPER CONSUMPTION Tm	2019	2020
Type DIN A4 white (entity)	8.17	9.64
Recycled DIN A4 type (entity)	257.3	211.57
Total type DIN A4 (entity)	265.4	221.21
Type DIN A3 (entity)	0.4	0.27
Envelopes	26.5	23.82
Bovine (insert)	77.0	88.03
Average total paper consumption per employee (Entity)	0.1	0.06
Total paper consumption	369.3	333.3

Specific observations on envelopes: Indicator based on the most commonly used envelope size (115x225)

General remarks

Entity = headquarters + network of branches

No. of employees at central headquarters is considered to be the average workforce: 822 in 2019 and 854 in 2020

No. employees per entity is considered to be the average workforce: 5,127 in 2019 and 5,152 in 2020

Remarks Electricity consumption of Red Oficinas: Red Oficinas' annual electricity consumption is calculated on the basis of the electricity invoices of the various companies for the period from December 1 of the previous year to November 30 of the current year. This is because real calendar year data are not available until March of the current year.

Remarks Natural Gas consumption: natural gas consumption is expressed in PCI.

305-1, 305-2, 305-3, 305-4

CO2 EMISSIONS*	2019	2020
Emissions from diesel consumption, in Tn of CO2 (total entity)	250.9	269.22
Emissions from natural gas consumption, in Tn of CO2 (total entity)	209.9	203.43
Emissions for electricity consumption, in Tn of CO2 (Central Building)	0	0
Emissions for electrical consumption, in Tn of CO2 (Branch network)	7,512.36	0
Emissions in Tn of CO2 by displacement of employees by car	1,133.5	607.42
Emissions in CO2 Tn by vehicle displacement (Total Entity)	77.6	44.98
missions in Tn of CO2 by messaging service (Total Entity)	82.42	69.15
Emissions in Tn of CO2 by leakage of fluorinated gases (Total Entity)	570.4	767.39
Emissions in Tn of CO2 by leakage of fluorinated gases (Central Building)	0	0
Total emissions, in Tn of CO2	9,837.04	1,961.60
Average CO2 emissions per employee in Tn CO2 **	1.92	0.38

Specific comments: The carbon footprint calculation tool of the Ministry of Ecological Transition (MITECO), Scopes 1-2, is used to calculate emissions.

The sources of the emission factors for the calculation of the CO2 emissions produced in the displacements are: The GHG Protocol (Greenhouse Gas Protocol) and IDAE (Institute for Energy Diversification and Saving)

The average number of employees is as follows: 5,127 in 2019 and 5,152 in 2020

100% of electricity supplied by ENDESA is generated from renewable energy sources. This amount of energy is accredited through guarantees of origin by the CNMC.

The data on emissions due to electricity consumption in 2019 is updated with the update of the factors of the electric mixes of the marketers of electricity published in April 2020 by the CNMC.

306-2

KILOS	2019	2020
TOTAL NON-HAZARDOUS WASTE (kg)	241,183.0	209,789.40
TOTAL HAZARDOUS WASTE (kg)	3,475.59	7,506.56
CONFIDENTIALLY DESTROYED PAPER (kg) (*)	230,996.0	67,050

(*) The reduction in the amount of Kg of paper destroyed confidentially in 2020 is due to the fact that the billing of the Kg destroyed of documentation from boxes in custody will be performed in 2021, when the certified destruction takes place, hence, from 2020, the data corresponds to the obsolete destruction arising from the daily destruction in 2020.

It is adjusted to the real amount of Kg of documentation destroyed confidentially arising from boxes in custody in 2019, certified in 2020.

FS14

CHANNEL OF RELATIONSHIP WITH CUSTOMERS	2019	2020
Number of offices	1,084	1,031
Number of ATMs	1,316	1,287
% over-the-counter transactions	12.78%	9.53%
% transactions carried out by remote banking	72.03%	75.96%
% transactions carried out at ATM	4.18%	2.98%
% transactions carried out at POS	10.86%	11.33%
% operations performed on updater	0.15%	0.03%
Active digital banking users per month	765,585	842,486
Active mobile banking users per month	432,211	521,551
Active mobile payment users per month	86,040	213,765
Total visits to ibercaja.es homepage	26,375,480	28,008,266

FS8

INVESTEE	ENVIRONMENTAL PROJECT	INVESTMENT IBERCAJA 2019	2020	QUANTITATIVE INDICATOR
Rioja Nueva Economía, S.A.	Bio-diesel plant in Calahorra and wind farm	7,124	5,592	Wind farm with 39 Mw of installed capacity Biodiesel plant of 250 m Tn/year of capacity
Solavanti	Photovoltaic projects	6,030	6,030	Total installed capacity: 44.46 Mw
Foresta Project	Forest plantations in Extremadura	4,553	4,773	640 ha (Reservoir of 232.541 trees)
Energías Alternativas de Teruel	Promotion and exploitation of wind power	26	26	Projects under development with a capacity of 159 Mw
Prames	Mountain landscape improvement	816	816	N/A
Total investment Ibercaja		**18,549**	**17,237**	

FS7

ECONOMIC VALUES IN THOUSANDS OF EUROS	2019	2020
Línea Joven		
Scholarships, postgraduate, etc.		
No. of transactions	27	8
Financing amount	87	23
Home purchases		
No. of transactions	2,219	1,308
Financing amount	214,421	129,473
Individuals		
Citizen Card Zaragoza		
No. of transactions	3,873,480	1,984,572
OPERATIONAL amount	2,495	1,313
Citizen Card Guadalajara		
No. of transactions	33,577	18,384
OPERATIONAL amount	14	8
Corporations		
ICO Lines-Companies and Entrepreneurs		
No. of transactions	525	439
Financing amount	29,480	24,879
EIB agreements		
No. of transactions	1,964	915
Financing amount	111,374	50,446
Agro industry		
No. of transactions	3,598	2,860
Financing amount	137,198	120,069
Young Farmers and Cattle Ranchers		
No. of transactions	109	125
Financing amount	10,211	12,746

FS10, FS11

IBERCAJA INVESTMENTS IN COMPANIES AT WHICH CSR IS OF SIGNIFICANCE

IBERCAJA'S INVESTMENTS IN COMPANIES IN WHICH CSR IS SIGNIFICANT (THOUSANDS OF EUROS)	2019	2020
Amounts	107,306	103,336
Corporations	20	19
% of total equity interests	39%	45%

203-1

BUSINESS SHAREHOLDINGS	2019			2020		
	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION	INVESTMENT PAID	DIRECT WEALTH GENERATION	JOB CREATION
	Thousands of euros	Thousands of euros	Direct and indirect	Thousands of euros	Thousands of euros	Direct and indirect
Tourism sector	66,647	28,175	13,596	66,647	29,873	13,634
Logistics industry	-	-	-	-	-	-
Food and agriculture industry	1,306	25,292	1,147	1,306	9,984	1,154
Other sectors	6,600	1,173	5,570	6,600	873	5,803
Totals	**74,553**	**54,640**	**20,313**	**74,553**	**40,731**	**20,591**

Investment in strategic sectors (thousands of euros)	2019	2020
Amounts	**77,880**	**75,481**

E

APPENDIX

Independent Verification Report

102-56

CORPORATE GOVERNANCE REPORT

EL BANCO DEL Vamos

The Annual Corporate Governance Report is available at the Spanish National Securities Market Commission (CNMV) http://cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?nif=A99319030 and on the Bank's web page under the section “Shareholders and Investors - Corporate Governance and Remunerations Policy”.

ANNUAL CORPORATE GOVERNANCE REPORT FOR ENTITIES OTHER THAN SAVINGS BANKS OR STATE-OWNED COMPANIES OR PUBLIC ENTITIES THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

IDENTIFICATION DETAILS OF THE ISSUER

Financial year end: 31/12/2020

Spanish Company Tax ID (CIF): A99319030

Corporate name:

IBERCAJA BANCO, S.A.

Registered office:

PZ. BASILIO PARAISO N.2 (ZARAGOZA)

A. OWNERSHIP STRUCTURE

A.1. Details regarding shareholders or most significant members of the company at the year end:

Name or corporate name of shareholder or member	% of share capital
FUNDACIÓN CAJA BADAJOZ	3.90
FUNDACIÓN BANCARIA CAJA CÍRCULO	3.33
FUNDACIÓN BANCARIA IBERCAJA	88.04
FUNDACIÓN CAJA DE AHORROS DE LA INMACULADA DE ARAGÓN	4.73

A.2. Indicate if there are family, commercial, contractual or corporate relationships between significant shareholdings or members and, to the extent that the company has knowledge of them, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related person or company	Type of relationship	Brief description

A.3. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings or members and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names of related person or company	Type of relationship	Brief description
FUNDACIÓN BANCARIA IBERCAJA	Corporate	Protocol for the management of the financial interest held by the Foundation in Ibercaja Banco, S.A. in accordance with the provisions of Law 26/2013 (27 December).

A.4. Indicate whether there are any restrictions (statutory, legislative or otherwise) on the transfer of securities and/or any restrictions on voting rights. In particular, the existence of any type of restriction that could hinder the taking control of the company by means of the acquisition of its shares in the market, as well as those authorisation or prior notices systems that, on the acquisitions or transfers of financial instruments of the company, are applicable to it through industry regulations, will be disclosed:

[√] Yes
[ ] No

Description of the restrictions

The acquisition or transfer of significant holdings in the share capital are subject to the prior authorisation regime of the competent authorities in accordance with the sector regulations applicable to credit institutions. For these purposes, a significant holding is considered to be one which directly or indirectly accounts for at least 10% of the capital or voting rights of an institution, or one which, without reaching that percentage, enables a notable influence to be exercised in it. The same prior authorisation process will be applicable when the holder of a significant interest intends to increase that interest, acquiring control over the entity or exceeding a 20%, 30% or 50% interest.

Article 23 of the Bylaws provides that shareholders that have the status of a banking foundation under Law 26/2013, of 27 December, on savings banks and banking foundations that do not endow a reserve fund under the terms provided for in such law, may not issue, individually or together with the entities of their group or with persons acting in concert with them, a number of votes greater than those corresponding to shares representing a percentage of forty per cent (40%) of the calculated voting share capital, even if the number of shares they hold exceeds forty per cent (40%) of the total share capital. This limitation shall only have effect with regard to Banking Foundations which, individually or together with the entities of their group or with persons acting in concert with the them, hold a number of shares exceeding forty percent (40%) of the share capital of the Company. However, this limitation was not applicable on 31 December 2020, in accordance with the second transitional provision of the Bylaws.

B. GENERAL MEETING OR EQUIVALENT BODY

B.1. List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the bylaws. Describe how this is different from the minimum system established by the Spanish Companies Act or any other applicable legislation.

A General Meeting, whether ordinary or extraordinary, will be validly called to order on first call or on second call when the shareholders that are present or represented hold the percentage of voting rights established by law. Notwithstanding the above, a General Meeting will be validly called to order as a Universal Meeting provided that all share capital is present or represented and those in attendance unanimously agree to hold the meeting and approve the agenda. The validity of calling the meeting to order will be determined with respect to each of the resolutions that must be adopted and any absences that take place once the General Meeting has been validly called to order will not affect the holding of the meeting. In order to validly call the meeting to order, even if held as a Universal Meeting, the attendance of the Company's administrators is not necessary.

For the purpose of establishing the percentage of capital with voting rights, the limitations laid down in article 23 of the Bylaws shall be taken into account, such that the percentage of forty per cent (40%) of the share capital with voting rights shall be calculated on the share capital resulting from subtracting from the total share capital the amount of share capital corresponding to the shares of the shareholder Fundación Bancaria (and of entities of its group and of persons acting in concert with them) representing the excess over forty per cent (40%) of the total share capital. The limitation of voting rights did not apply on 31 December 2020 and in any case will not apply until the second transitional provision of the Bylaws is fulfilled.

B.2. Explain the rules governing the adoption of resolutions. Describe how this is different from the system established by the Spanish Companies Act or any other applicable legislation.

The system for adopting corporate resolutions is in line with the system established by the Spanish Companies Act.

Except in those cases in which the law or the bylaws establish a qualified majority, resolutions will be adopted by the ordinary majority of votes cast shareholders present or represented at the meeting, and a resolution will be understood to be accepted when it obtains more votes in favour than against.

Those attending the General Meeting will have one vote for each share they hold or represent, taking into account, however, the limitations on voting rights affecting banking foundations, as established in Article 23 of the Bylaws, which at 31 December 2020 were not applicable, in view of the provisions of the Second Transitory Provision of the Bylaws.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

B.3. Briefly indicate the Resolutions adopted by shareholders at a General Meeting or equivalent body held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

Pursuant to the provisions of article 40.2 of Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of COVID-19, and taking into account that all shareholders expressed their agreement to use the voting procedure in writing and without a meeting, in accordance with the provisions of article 248.2 of the Capital Companies Act, the aforementioned article 40.2 of Royal Decree-Law 8/2020 and article 100 of the Regulations of the Mercantile Registry.

With the written votes cast by all the shareholders coinciding in the sense of approving all the resolutions submitted for their consideration, the following resolutions were declared unanimously approved by the General Meeting of Shareholders with effect from 30 March (date of receipt of the last vote): (i) to approve the individual and consolidated financial statements of Ibercaja Banco, S.A. for 2019 (ii) to approve the management of the Board of Directors; (iii) the application of the result for the year and the non-financial information statement for 2019. Also unanimously, the Meeting approved, in a consultative capacity, the Annual Report on Directors' Remuneration; and established the maximum amount of annual remuneration of all the directors, authorising the Board to distribute the remuneration among the different directors, taking into account the functions and responsibilities attributed to each of them.

On 3 April the General Meeting, following the publication on 30 March of the European Central Bank's Recommendation ECB/2020/19, according to which credit institutions should refrain from paying out dividends or making irrevocable commitments to pay out dividends until at least 1 October 2020, unanimously resolved to rescind the resolution to pay out the amount earmarked for dividends. They made dividend payments conditional on a new resolution by the General Meeting once the uncertainties caused by the COVID-19 pandemic situation have disappeared, and in any case no earlier than 1 October 2020.

On 7 October 2020, the General Meeting of Shareholders unanimously resolved to once again authorise the payment to shareholders of the dividend for 2019 for 17.5 million euros, as resolved at the Annual General Meeting held on 30 March 2020, which would be distributed among shareholders in accordance with their interest in the share capital, to be paid during the fifteen days following the date of the Meeting, pursuant to the provisions of Recommendation ECB/2020/35, with regard to dividends, repealing Recommendation ECB/2020/19, which provided for the possibility to pay out dividends in cases where credit institutions considered themselves legally obliged to pay dividends. The General Meeting submitted to the supervisor the legal and financial rationale for the distribution of the dividend, including the zero impact on solvency, which justified the agreed dividend distribution, and requested the supervisor's authorisation. The ECB did not oppose the agreement adopted to distribute the dividend.

B.4. Indicate whether at the general meetings or equivalent bodies held during the year there were any items on the agenda that were not approved by the shareholders.

At the general meetings held during the year, no item on the agenda was not approved by the shareholders.

B.5. State the address and manner of accessing the entity's website to obtain information regarding corporate governance.

The information regarding corporate governance at Ibercaja Banco is accessible through the website https://www.ibercaja.com, under the section "Shareholders and Investors" https://www.ibercaja.com/accionistas-e-inversores/gobierno-corporativo-y-politica-de-remuneraciones

B.6. Indicate whether or not meetings have been held with any unions that may exist, holders of securities issued by the entity, the purpose of the meetings held during the year to which this report relates and the main agreements reached.

In 2020 no meeting was held with the various syndicates of the holders of securities issued by Ibercaja Banco or Banco Grupo Cajatres.

C. COMPANY MANAGEMENT STRUCTURE

C.1. Board or governing body

C.1.1 State the maximum and minimum numbers of Directors stipulated in the bylaws:

Maximum number of Directors / members of the governing body	15
Minimum number of Directors/members of the governing body	5
Maximum number of directors/members of the governing body set by general meeting or assembly	11

C.1.2 Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Name of the Director/Member of the governing body	Representative	Latest date of appointment
MR JESUS SOLCHAGA LOITEGUI		13/11/2018
MR JOSE LUIS AGUIRRE LOASO		30/08/2016
MR FELIX SANTIAGO LONGAS LAFUENTE		30/08/2016
MR JESUS TEJEL GIMÉNEZ		30/08/2016
MR VICENTE CONDOR LOPEZ		09/04/2019
MR JESUS MAXIMO BUENO ARRESE		30/08/2016
MR LUIS ENRIQUE ARRUFAT GUERRA		30/08/2017
MS MARIA PILAR SEGURA BAS		30/08/2017
MR VICTOR MANUEL IGLESIAS RUIZ		29/08/2019
MS GABRIELA GONZÁLEZ-BUENO LILLO		13/11/2018
MR EMILIO JIMÉNEZ LABRADOR		29/08/2019

D. Jesús Barreiro Sanz became non-director Secretary as per the resolutions adopted by the General Meeting of Shareholders and the Board of Directors on 29 August 2019.

C.1.3. Name the Board or governing body members, if any, who are also directors, representatives of directors, or executives of other companies in the same group as the entity:

Name of the Director/Member of the governing body	Name of the group company	Position

C.1.4. Fill-in the following table with information regarding the number of female Directors on the Board of Directors and Committees, and the development of this figure over the past four years:

	Number of female Directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
Board of directors	2	18.18	2	18.18	2	14.28	2	14.28
Audit and Compliance	0	0	1	20.00	1	20.00	1	20.00
Executive Committee	0	0	1	16.66	1	14.28	1	14.28
Strategy	0	0	0	0.00	0	0.00	1	20.00
Large Risk and Solvency	1	20	2	40.00	1	20.00	0	0.00
Appointments	2	50	1	25.00	1	20.00	0	0.00
Remuneration	2	50	1	25.00	1	20.00	0	0.00

C.1.5. Indicate whether the company has diversity policies in relation to the company's administrative, management and supervisory bodies with regard to issues such as age, gender, disability or professional training and experience. Small and medium-sized entities, according to the definition contained in the Auditing Act, shall report, as a minimum, on the policy it has established in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

If yes, describe this diversity policy, its objectives, the measures and manner in which it has been implemented and its results for the year. The specific measures adopted by the administrative body and the Appointments and Remuneration Committee to achieve a balanced and diverse presence of directors or administrators must also be indicated.

If the company does not apply a diversity policy, explain the reasons why it does not do so.

Royal Decree Law 18/2017, of 24 November, which amends the Commercial Code, the Capital Companies Law and the Accounts Audit Law, establishes a general policy for listed companies, but also for entities of public interest (as is the case of the Bank) to have a Diversity Policy applied in relation to the Board of Directors, which shall include issues such as training and professional experience, age, disability and gender, which shall refer to the measures, if any, adopted to ensure that the Board of Directors includes a number of women that allows a balanced presence of women and men.

At its meeting held on 28 June 2018, the Board of Directors approved the Suitability and Diversity Policy for the members of the Board of Directors, at the proposal of the Appointments Committee, with the main changes being as follows: the express mention of the principle of independence of criteria (independence of ideas) as an aspect to be assessed in the suitability assessment process; the introduction of criteria for the assessment of the capacity for dedication of time on the part of the person to be appointed for the performance of the position for which it is proposed; the specification of the cases that will determine the need to carry out a (re)assessment of the collective suitability of the Board of Directors; as well as the introduction of a specific section, called “principles to encourage diversity of directors. Thus, it is expressly established that in the selection of candidates to form part of the Board of Directors, the following principles will be taken into account in order to promote the diversity of its members:

- The candidate selection process will be based on a prior analysis of the Entity’s needs, based on the report made by the Appointments Committee.
- It shall be ensured that the number of independent directors is adequate in relation to the total number of directors, bearing in mind, in any case, the regulatory requirements relating to the composition and positions to be occupied by this category of directors in internal committees of the Board of Directors.
- Care shall be taken to ensure that the selection criteria take account of the diversity of knowledge, training, professional experience, age and gender, and are not implicitly biased in a way that could lead to discrimination (in particular on grounds of gender, ethnic origin, age or disability).

This is all intended to encourage a diverse and balanced composition on the whole which, in addition to meeting the requirements established with respect to knowledge and experience, enrich the analysis, debate and taking of decisions.

C.1.6 Fill in the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year.

Compensation	Thousands of euros	
	Individual	Group
Fixed remuneration	756	
Variable remuneration	139	
Attendance fees	342	
Other Remuneration	245	
TOTAL	**1482**	

“Other remuneration” indicates the compensation received by Directors for their membership on internal Board committees, other than the per diems received for attending meetings and insurance premiums.

Incomplete years: Although a director has not carried out his or her activity during the entire period subject to information, the remuneration he or she has received is included under this heading.

C.1.7 Identify the members of senior management who are not Executive Directors or members of the governing body and indicate the aggregate compensation accrued to them during the year:

Name or corporate name	Position
MR RODRIGO GALÁN GALLARDO	Deputy Director - Group Finance Director
MS ANA JESÚS SANGRÓS ORDEN	Deputy Director - Director of Corporate Information and Management Analysis
MR FRANCISCO JOSÉ SERRANO GILL DE ALBORNOZ	Assistant General Manager-General Secretary and Director of Internal Control

Name or corporate name	Position
MR JOSÉ IGNACIO OTO RIBATE	Deputy Director - Network Director
MR ANTONIO MARTÍNEZ MARTÍNEZ	Deputy Director - Finance Director
MS MARIA TERESA FERNÁNDEZ FORTÚN	Deputy Director - Director People Area
MR JOSE PALMA SERRANO	Deputy Director - Resources Director
MR LUIS MIGUEL CARRASCO MIGUEL	Assistant General Director - Real Estate Director
MR ANGEL CARLOS SERRANO VILLAVIEJA	Deputy Director - Director Internal Audit
MS MARIA RAQUEL MARTÍNEZ CABAÑERO	Deputy Director - Credit Risk Director
MR IGNACIO TORRE SOLÁ	Deputy Director - Director of Marketing and Digital Strategy

Total remuneration received by senior management (in thousands of euros)	2092

Senior management is understood to be the General Managers and similar positions that carry out management duties directly under the governing bodies, executive committees or CEO. As a result, the members of the Management Committee are considered to be "senior management" for the purposes of this report. In order to calculate the "senior management remuneration", the same remuneration items of section C.1.6 that are applicable to them have been taken into account. Contributions to pension funds are included.

C1.8 Indicate whether the Bylaws or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

[√] Yes
[ ] No

Maximum number of years in office	4

The term limitation of four years is applicable from 2019. For appointments made before that date, the term of office is five years.

C.1.9. Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

[ ] Yes
[√] No

If appropriate, name the person(s) who certify the Entity's individual or consolidated financial statements before they are approved by the Board or Governing Body:

Name	Position
No data	

Both the individual and consolidated financial statements are considered to be “certified” when they are presented to the governing body with a statement signed by the persons certifying them declaring that they reflect, in all material respects, the true and fair view of the financial situation at year-end, as well as the results of the entity’s operations and any changes in its financial situation during the year, and that they contain the necessary and sufficient information for an adequate understanding, in accordance with applicable legislation.

C.1.10 Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

The Audit and Compliance Committee authorities granted by the bylaws and internal regulations are intended to serve as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors’ recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the financial statements. In addition, the Audit and Compliance Committee is also responsible for receiving information regarding the audit plan from the external auditor as well as the results of its execution and verifying that senior management takes into account the recommendations made, ensuring that the opinion on the annual accounts and the main content of the audit report are worded clearly and precisely.

C.1.11. Is the Secretary to the Board of Directors or Governing Body a Director?

[ ] Yes
[√] No

If the secretary does not have the status of a director, fill in the following table:

Name or corporate name of the secretary	Representative
MR JESÚS BARREIRO SANZ	

Mr Barreiro became non-director secretary as a result of the resolutions adopted by the General Shareholders’ Meeting on 29 August 2019, in order to reduce the number of proprietary directors.

C.1.12. Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice:

Among the duties assigned to the Audit and Compliance Committee, Article 19 of the Board Regulations includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor’s independence at risk.

The Entity has a policy to safeguard the independence of the auditor in accordance with the provisions of the Audit Act, and it is intended to establish a relationship between the external auditor, particularly with respect to the process of the selection and appointment of the auditor, the authorisation of services other than the audit of the Ibercaja Banco accounts in accordance with the requirements established by the Audit Act, as well as the tasks attributed by the bylaws and the Regulations for the Board of Directors and the Audit and Compliance Committee in this respect.

In any event, the Audit and Compliance Committee annually receives a written statement of independence from the auditor with respect to the Entity or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor, or by persons or companies associated with the auditor in accordance with the provisions of Law on Audits.

The Committee will issue, prior to the issue of the audit report, an annual report expressing its opinion as to the auditor’s independence. In any event, this report must contain an evaluation of the rendering of the additional services referred to in the preceding section, taken individually or as a whole, other than the legal audit and with respect to the independence system or audit regulations. This is intended to ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors and examine the circumstances of any resignation of an external auditor.

C.2. Board of Directors or Governing Body Committees

C.2.1. List the Board of Directors or Governing Body Committees:

Name of the Committee	Number of members
Audit and Compliance	5
Executive Committee	6
Strategy	5
Large Risk and Solvency	5
Appointments	4
Remuneration	4

C.2.2. List all of the Board or governing body committees, their members and the proportion of executive, proprietary, independent and other outside directors holding positions (the entities that are not legal capital companies will not complete the category of director in the relevant box and will provide an explanation of the category of each director in the text box in accordance with their legal form and the manner in which they comply with the conditions relating to the composition of the audit, appointments and compensation committees):

Audit and Compliance		
Name	Position	Category
MR JESUS TEJEL GIMÉNEZ	CHAIRMAN	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MR FELIX SANTIAGO LONGÁS LAFUENTE	DIRECTOR	Independent
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary
MR VICENTE CONDOR LOPEZ	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	40.00
% of independent Directors	60.00
% of other external Directors	0.00
Number of meetings	12

Mr Jesús Tejel Giménez, Mr Vicente Cóndor López and Mr Jesús Bueno Arrese have been appointed taking into account their knowledge and experience in accounting, auditing or both.

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The committee’s duties are expressly stipulated in the Regulations of the Board of Directors. In particular:

- Inform the Shareholders’ Meeting about issues raised by shareholders regarding matters within its sphere of competence.
- Monitor the effectiveness of internal control: regulatory compliance and internal audit.
- Supervise the process of preparing and presenting regulated financial information.
- Propose the designation or re-election of the auditor.
- Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor’s independence.
- Receive annual written confirmation from the auditor regarding its independence respect to the Entity or the group, issue of the relevant report.

The Chairman shall be an independent Director must be replaced every four years and may be re-elected once a period of one year from his departure has transpired. The Secretary to the committee will be the Secretary to the Board of Directors.

The Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may request the attendance of the Company’s auditor. One of its meetings will be necessarily dedicated to evaluating the efficiency and compliance with the rules and procedures for the governance of the Company and prepare information that the Board must approve and include in the annual financial reporting documentation.

The Committee was informed during the year of all requests and notifications received from supervisory bodies within the scope of its competencies. It has received information regarding and reported on the transactions to be carried out with related parties and it has received regular reports regarding compliance with regulations and on internal audits, as well as the reports issued by the external auditor. It has received and supervised the process of preparing and presenting regulated financial information. It has reviewed the Entity’s annual accounts and the financial information to be provided on a regular basis to the markets by the Board and supervisory bodies.

Identify the directors pertaining to the audit committee that have been designated based on their knowledge and experience with accounting, audit or both, and report the date of appointment of Chair of this committee in the position.

Names of the directors with experience	MR JESUS TEJEL GIMÉNEZ
Date of appointment of the chair in the position	01/03/2020

Executive Committee		
Name	Position	Category
MR JOSE LUIS AGUIRRE LOASO	CHAIRMAN	Proprietary
MR VICENTE CONDOR LOPEZ	DIRECTOR	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MR VICTOR MANUEL IGLESIAS RUIZ	DIRECTOR	Executive
MR JESÚS TEJEL GIMÉNEZ	DIRECTOR	Independent
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary

% of Executive Directors	16.67
% of proprietary Directors	50.00
% of independent Directors	33.33
% of other external Directors	0.00
Number of meetings	23

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Bylaws and the Regulations of the Board of Directors delegate the following Board of Directors authorities to the Executive Committee:

- Hear and adopt resolutions regarding proposals to grant, modify, novate or cancel risk transactions which, that fall within its authority in accordance with the provisions of the Loan Risk Management Policies and Procedures Manual approved by the Board of Directors. It will also hear and adopt resolutions regarding proposals to acquire assets by the Entity in lieu of receivables that must be submitted to the Committee in accordance with the Asset Management Policies and Manuals.
- Hear and adopt resolutions regarding personnel matters (disciplinary cases, granting of leaves of absences, etc.) except in those cases in which the decision falls to the CEO or the full Board of Directors due to involving employees that directly report to the CEO.
- Hear and adopt resolutions regarding matters relating to the Entity's assets (properties, expenses, purchases, etc.) and investments and divestments in investee companies that must be submitted for its consideration in accordance with internal Policies and Manuals, except for those that must be decided by shareholders at a General Meeting in accordance with the law.
- When appropriate, grant the authority that is necessary or advisable to execute the resolutions adopted.

Its resolutions are valid and binding without the full board having to subsequently ratify the decision. However, In those cases in which, in the opinion of the Chairman, CEO or three members of the committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the course of its regular ordinary meetings the Executive Committee has received reports from the Chair and CEO regarding, among other things, the main macro-economic figures and the evolution of information regarding the Bank: balance sheet and income statement, performance of the Company's securities portfolio, customer funds and customer loans, market share, liquidity management, non-performing and coverage rates, business volumes and the results obtained by the Group's subsidiaries. It has also issued its opinions regarding the financing operations that have been submitted for its consideration when its authorization or ratification is required due to the amount concerned or the status of the applicants. It has ratified the transactions approved, denied or ratified by the Credit Risk Committee, it has adopted several resolutions to divest from investee companies and received disciplinary case files in the terms established by employment legislation and in the collective agreement.

Strategy		
Name	Positio n	Category
MR JOSE LUIS AGUIRRE LOASO	CHAIRMAN	Proprietary
MR JESUS SOLCHAGA LOITEGUI	DIRECTOR	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MR LUIS ENRIQUE ARRUFAT GUERRA	DIRECTOR	Proprietary
MR EMILIO JIMÉNEZ LABRADOR	DIRECTOR	Proprietary

% of Executive Directors	0.00
% of proprietary Directors	60.00
% of independent Directors	40.00
% of other external Directors	0.00
Number of meetings	10

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether through law or the bylaws or other corporate resolutions.

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organisation for its implementation.

The Committee will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience of the Directors with respect to the Committee's duties. The Board of Directors will designate the chair, and the Secretary will be the Secretary to the Board.

The Committee will meet as many times as called by the Committee or its Chair and at least once per quarter. The Committee will adopt its resolutions by a majority vote of the directors who form part of the committee and are present or represented at the meeting, and the Chair will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee regularly monitored the Strategic Plan approved by the Board of Directors. It also implemented quarterly follow-up measures regarding the development of the budget (and the mandates set out in the Strategic Plan), reporting the conclusions obtained to the Board of Directors together with the advances made with respect to the new Strategic Plan.

Large Risk and Solvency		
Name	Position	Category
MR VICENTE CONDOR LOPEZ	CHAIRMAN	Independent
MR JESUS TEJEL GIMÉNEZ	DIRECTOR	Independent
MR JESUS MAXIMO BUENO ARRESE	DIRECTOR	Proprietary
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MR JESUS SOLCHAGA LOITEGUI	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	20.00
% of independent Directors	60.00
% of other external Directors	20.00
Number of meetings	13

Explain the duties attributed to this Committee, and describe the procedures and rules for organising and operating the Committee. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law or by the bylaws or other corporate resolutions.

The Committee has the primary duty of advising the Board of Directors as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

It will consist of a minimum of three and a maximum of five Directors, who will not perform executive duties at the Entity and which possess the appropriate knowledge, capacity and experience to understand and control the risk strategy and the Entity's appetite for risk. At least one third of the members will be independent and the Chair will be independent in any case. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chair will have a casting vote.

During the year Committee informed the Board of Directors of the Entity's Risk Appetite Framework, the quarterly monitoring reports as well as the annual capital and liquidity self-assessment report for 2019. The Committee informed the Board of proposals to amend the Risk Management Procedures and Policies Manuals.

Appointments		
Name	Positio n	Category
MR JESUS SOLCHAGA LOITEGUI	CHAIRMAN	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MS GABRIELA GONZÁLEZ-BUENO LILLO	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	0.00
% of independent Directors	75.00
% of other external Directors	25.00
Number of meetings	2

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law or by the bylaws or other corporate resolutions.

The Nominations Committee is responsible for proposing nominations to the Board of Directors. It is specifically responsible for:

- Evaluating the suitability of the Directors.
- Establishing a representation target for the gender less represented on the board.
- Make proposals for the nomination, re-election or removal of independent directors for Shareholders at a general meeting.
- Report proposed nominations and removal of senior executives and employees with key duties and the basic conditions of their contracts.
- Examine and organize the succession of the Chair and the CEO.

The Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors. The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Chairman (independent in any case) of the meeting will cast the deciding vote in the event of a tie.

A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the year the Committee reported the appointment of new directors and the new members of the Entity’s Management Committee.

Remuneration		
Name	Position	Category
MR JESUS SOLCHAGA LOITEGUI	CHAIRMAN	Independent
MR FELIX SANTIAGO LONGAS LAFUENTE	DIRECTOR	Independent
MS MARIA PILAR SEGURA BAS	DIRECTOR	Other External Directors
MS GABRIELA GONZÁLEZ-BUENO LILLO	DIRECTOR	Independent

% of Executive Directors	0.00
% of proprietary Directors	0.00
% of independent Directors	75.00
% of other external Directors	25.00
Number of meetings	1

Explain the duties, including, if applicable, those additional to those provided for by law, attributed to this committee, and describe the procedures and rules of organisation and operation of the committee. For each of these functions, indicate your most important actions during the year and how you have exercised in practice each of the functions attributed to you, whether by law or by the bylaws or other corporate resolutions.

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

The Compensation Committee shall be made up of a minimum of 3 and a maximum of 5 non-executive directors, at least two of whom must be independent directors (and, in any case, its Chairman).

The Committee will be validly called to order with one-half plus one of the members present or represented. In case of a tie in the voting, the Chairman shall have the casting vote. A minutes book will indicate the resolutions that have been adopted through a majority vote of the members of the committee and be made available to all members of Board of Directors.

During the year, the Compensation Committee informed, advised and presented to the Board of Directors proposals regarding compensation for directors, senior executives, as well as for the persons whose professional activity has a significant impact on the Entity’s risk profile.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Provide details of the transactions carried out between the Company or its group companies, and shareholders, cooperative members, proprietary rights holders or those of any other equivalent nature at the Company.

Name or corporate name of significant shareholder or member	Name or corporate name of the company or entity in its group	Nature of the relationship	Type of operation	Amounts (thousands of euros)
IBERCAJA BANCO, S.A.	FUNDACIÓN BANCARIA IBERCAJA	Contractual	Provision of services	143
IBERCAJA BANCO, S.A.	FUNDACIÓN BANCARIA IBERCAJA	Contractual	Operating lease agreements	150
FUNDACIÓN BANCARIA IBERCAJA	IBERCAJA BANCO	Contractual	Provision of services	183
FUNDACIÓN BANCARIA IBERCAJA	IBERCAJA BANCO SA	Contractual	Operating lease agreements	677

The amount of the profit for 2019 earmarked for dividends was distributed among the shareholders on the basis of their interest in the share capital.

D.2. List any transactions between the Company or group companies and directors or members of the governing body or company executives.

Name or corporate name of the directors or executives	Name or corporate name of the related party	Relation	Nature of the operation	Amounts (thousands of euros)
No data				

In accordance with the instructions received from the CNMV on producing the report, with respect to definitions, criteria and type of aggregation, the provisions of Order EHA/3050/2004 of 15 September on the obligatory disclosure of transactions with related parties by companies issuing shares traded on official secondary markets shall apply. As a result, transactions between group companies that have been eliminated from the consolidated financial statements and which form part of the ordinary course of the business of those companies with respect to their purpose and conditions are not reported, nor are those that relate to the company's ordinary course of business, those that are carried out under normal market conditions and are of little importance, which are understood to be those whose reporting is not necessary to express the true and fair view of the equity, financial situation and the results obtained by the Entity.

D.3. Details of intra-group transactions

Name of the group company	Brief description of operation	Amounts (thousands of euros)
No data		

During the year no significant intra-group transactions were carried out.

D.4. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the governing body, or executives.

The Directors have the obligation adopt the measures that are necessary to avoid situations in which there may be a conflict of interest with the business and their duties to the Entity, as is stipulated by Article 33 of the Board of Directors Regulations.

Directors must inform the Board of Directors of any direct or indirect conflict situation that they, or persons related to them, may have with respect to the interests of the Company or its group companies, as well as all positions that they hold and the duties that they perform at other companies or entities and, in general, any event or situation that may be relevant to their duties as a Company Director. Directors must abstain from participating in the deliberation and voting of resolutions or decisions in which the Director or a related person (as defined by Article 36 of the Regulations), has a direct or indirect conflict of interest.

The situations of conflict of interest incurred by directors would, where appropriate, be the subject of information in the annual report.

In addition, the Bank has internal procedures to prevent the granting of credit, guarantees or security without the prior authorisation of the competent governing bodies, under the terms established in the Law on the Organisation, Supervision and Solvency of Credit Institutions.

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the Risk Management and Control System:

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

Ibercaja Group also has a risk management policy and a procedures manuals that are reviewed and approved by the Board of Directors on an annual basis.

The Risk Appetite Framework is consistent with the capital and liquidity planning in Basel Pillar II, which is intended to ensure an adequate relationship between the Company's risk profile and the equity it effectively has on hand. The Entity carries out a recurring process of self-assessment of capital and liquidity through the identification, measurement and aggregation of risks, determines the capital and liquidity necessary to cover them, plans the capital and liquidity in the medium term and establishes the objective of own resources and liquidity that allows it to maintain an adequate clearance over the minimum legal requirements and supervisory guidelines.

Following the entry into force of the Single Supervisory Mechanism (SSM) in November 2014, European financial institutions are obliged to adapt their risk policies and procedures as well as their control environment. The "Supervisory Review and Evaluation Process" (SREP) is how the SSM performs continuous evaluations of entities.

The internal processes for evaluating the adequacy of capital and liquidity under Pillar II (known as ICAAP & ILAAP) in addition to the stress exercises organised by the European Banking Authority (EBA) and the ECB are key factor in the SREP.

Furthermore, the Ibercaja Group has a Recovery Plan, drawn up in line with the Directive for Bank Recovery and Resolution (Directive 2014/59, BRRD) and the guidelines and recommendations of the EBA that establishes the foundations for the process or restoring the Group's financial strength and viability, in the event of severe stress.

These management frameworks (RAF, ICAAP & ILAAP and the Recovery Plan) are consistent with one another, form part of the risk management processes in place and are revised and approved by the Bank's Board of Directors on an annual basis.

The Risk Management System operates in an integral and continuous manner, consolidating that management by business area, geographic zone or subsidiary at the corporate level.

E.2. Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management and Control System:

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

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

The following Executive Committees have been created with the involvement of the Entity's senior management.

The Comprehensive Risk Committee is responsible for defining and monitoring the Group's risk strategies and policies, establishing objectives and strategies to develop the structure and composition of balance sheet items, analysing the sensitivity of results and the Company's equity in various scenarios, analysing compliance with the tolerance levels that have been established, as well as planning the Group's medium-term capital.

The Audit Committee is responsible for preparing the Internal Audit Annual Operating Plan presented to the Audit and Compliance Committee, receiving regular information regarding the results set out in the internal audit reports and implementing the proposed improvement recommendations to mitigate any observed weaknesses.

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

E.3. Indicate the primary risks that could affect the attainment of business objectives:

The material financial and non-financial risks affecting Ibercaja Group that are taken into account in the Risk Appetite Framework are as follows:

- Business and profitability risk: Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred.
- Credit risk: Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.
- Concentration risk: Possibility of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the Entity.
- Operational Risk: Risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.
- Interest rate risk: The possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.
- Market risk: The possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.
- Liquidity risk: Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.
- Reputational and compliance risk: The risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the organisation, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to on-going supervision by the authorities.

E.4. State whether the entity has risk tolerance levels:

As mentioned in section E.1, Group risk management is organised through the "Risk Appetite Framework". Ibercaja's RAF has the key objective of establishing a group of principles, procedures, controls and systems that define, report and monitor the Group's risk appetite. This is understood to be the level of risk profile that Ibercaja Group is willing to assume and maintain in terms of type and amount, as well as its tolerance level. It must be oriented towards attaining the objectives of the strategic plan in accordance with the lines of action established therein.

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

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

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

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

The RAF takes a comprehensive view of the Consolidated Group and takes into consideration all risks that affect the performance of the Group's business and attaining its business objectives described in section E.3.

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

E.5. State the risks that have materialised during the year:

The risks that affect the Group are inherent to the financial activity carried out by the Entity, and are described in section E.3. During 2020

there have been no material events that have significantly affected the Entity's risk profile.

Notable financial risks include the continuity of the current low interest rate scenario, which has a negative effect on margins and profitability, although the Entity's capacity to generate value in the medium and long-term is high. During 2020, the Entity implemented all the measures to support customer financing in the context of the health crisis caused by the COVID-19 pandemic established by the economic authorities and at the sector level (moratoriums and financing lines with ICO guarantees). A future impairment in the quality of the Entity's loans and receivables cannot be ruled out as a consequence of the aforementioned crisis affecting a high percentage of economic sectors. In this regard, the Entity has significantly strengthened its credit risk monitoring and control activities and has anticipated this potential impact by setting up provisions during 2020 in order to mitigate a sudden impairment in the following years.

E.6. Explain the response and supervision plans for the entity's primary risks, and the procedures followed by the company to ensure that the board of directors responds to the new emerging challenges:

The thresholds that allow the risk profile to be placed into the following categories have been defined for each of the metrics taken into consideration in the Risk Appetite Framework:

- Compliance: the risk level that the Entity is willing to assume to in accordance with its strategic and business objectives. This is a normal risk situation at the target risk level.

- Alert: this is an intermediate level of monitoring the risk appetite with the objective of detecting whether or not the risk profile is significantly deviating from tolerance levels and, therefore, requires additional monitoring.

- Non-compliance: limit at which a non-compliance situation commences that activates specific action plans for measures.

The Comprehensive Risk Committee is the management and control body that is responsible for establishing an action plan to attain the target risk level and must report on the monitoring of the situation at least on a quarterly basis to the Large Risk and Solvency Committee (or more frequently if considered necessary).

The action plans to be implemented will consist of one of the following:

- Proposal of measures to reduce the risk to compliance levels.
- Evaluation of the adequacy of the limits or thresholds as a result of unexpected events or changes in the strategic targets or the Entity's business.
- Temporary approval to exceed limits.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICRMS)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1. Control environment at the Entity.

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is "to be informed of and supervise the procedures that guarantee the quality and integrity of information, as well as the reports that the Audit and Compliance Committee may submit to it for said purpose; to prepare, after a report from the Audit and Compliance Committee, the individual and consolidated financial statements, as well as the proposal for application of the Company's result; To approve, following a report from the Audit and Compliance Committee, the capital self-assessment report, and to agree on its submission to the Bank of Spain; to approve the annual banking report required by the regulations on the organisation, supervision and solvency of credit institutions in force at any given time; to be aware of the contents of the report with prudential relevance, following a report from the Audit and Compliance Committee, on the information not covered by the audit of the financial statements and to approve and agree on the submission to the CNMV of the half-yearly financial report".

The Company has a Financial Information Disclosure Policy that was approved by the Board of Directors on 1 March 2019 and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2017, as well as within the conceptual framework of IFRS.

Senior management has assumed the responsibility of designing and implementing the IFRCS through the Corporate Information and Management Analysis Department since it centralizes most of the activities intended to attain the adequate operation of the IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the information, internal control and financial reporting systems:

- With respect to the reporting and internal control systems, "verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor".

- With respect to the financial information, "be informed of and supervise the process of preparing and presenting the Company's regulated financial information and, if appropriate, that relating to the Group, as well as its integrity by reviewing compliance with legislation, the adequate definition of the scope of consolidation and the proper application of accounting policies. In addition, the review of the company's accounts, supervise compliance with legal requirements and the proper application of accounting principles generally accepted in Spain and receive proposals from management to change accounting principles and policies, review the regular financial information that the Board must provide to the markets and supervisory bodies and, in particular, the information not covered by the audit of the annual accounts that is of prudent relevance. Be informed of and supervise the preparation of the regulated financial information that the Company must regularly make public and ensure that the interim accounts are prepared using the same accounting policies as the annual accounts and, in that respect, consider the appropriateness of a limited review by an external auditor".

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity:**

In accordance with the provisions of the Board regulations the Appointments Committee assists the Board with nominations, elections and the removal of directors and senior executives.

The Organization Department at Ibercaja Banco is responsible for ensuring an efficient organizational structure at the Entity, the finding the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The Human Resources Department, through the Talent Development Unit, is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. In turn, each Department, together with the Organization Department, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity’s intranet and it is revised should there be any organizational change made. With regard to the financial information preparation process, this is carried out by the Department of Corporate Information and Management Analysis, which includes the Units of General Accounting, Management Planning and Analysis, Data Governance and Quality, Corporate Information and Analysis, and Supervisor Service and Regulatory Support. The Corporate Information and Management Analysis Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group’s consolidation for accounting purposes as subsidiary accounting is decentralised and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Corporate Information and Management Analysis Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:**

The Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity’s culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin “RRHH Informa” reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity’s Intranet.

In addition, the Entity has a Code of Ethics, which contains the principles that govern the behaviour of the Entity’s employees, commitments that transfer corporate values to the daily exercise of their responsibilities. An independent, autonomous and confidential communication channel has also been set up to facilitate communications on possible misconduct in the area of ethics and to raise doubts about the interpretation of the Code of Ethics, which is available to all staff.

Finally, the Group’s Internal Audit Charter includes the ethical standards applicable to the Internal Audit function that are known and accepted by all Internal Audit staff.

"Whistle-blowing" channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

In addition to the communication channel relating to the code of ethics, all employees of Ibercaja Banco, through the intranet, have a "Criminal Risk Prevention Reporting Channel" to inform, by e-mail, the Regulatory Compliance Unit of possible risks and breaches of criminal regulations, including those of a financial and accounting nature, that may occur within the organisation in the course of its activities.

The Regulatory Compliance Department maintains a computerised register of all complaints received and processes them in accordance with the provisions of the criminal risk prevention and management model, guaranteeing the confidentiality of the complainant at all times.

The Regulatory Compliance Department periodically issues a report to the Audit and Compliance Committee, which includes, where appropriate, information on the complaints received and their outcome. The Board of Directors is informed of the actions taken in this area at least once per year.

· **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting standards, auditing, internal control and risk management:**

The Entity has an annual Training Plan, which is designed in accordance with the professional category and the Management/Unit to which the staff belongs. These training actions are given by external and internal personnel, both online and in a classroom setting.

It also has mechanisms that allow it to ensure that the personnel directly involved in the preparation and preparation of financial information, as well as in its supervision, have the training and professional competence necessary for the exercise of their functions. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Personnel Area Division through the Talent Development Unit, and keep records of the training given.

The technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as the Spanish Confederation of Savings Banks (CECA). Alerts are also received from various professional services firms providing technical updates.

The Paraninfo e-learning platform is a virtual training space housing courses and other training resources of very diverse types available to all employees and it allows training in essential areas for the development of the Bank's business. skills, products and services, financial regulations, banking business, financial platforms, etc.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2020 was particularly focused on internal training sessions at the Department level covered internal control, risk management and, in particular, legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees that attend accounting courses provided by CECA covering specific training needs that may be identified, and they materialise in seminars or meetings with consultants or regulators.

It should be noted that in 2020, as a result of the health crisis caused by COVID-19, the training provided since March has been carried out online.

F.2. Risk assessment in financial reporting.

Report at least:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

· **The process exists and is documented:**

Ibercaja has a procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.

This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Corporate Information and Management Analysis Department, while supervision and approval is the responsibility of the Audit and Compliance Committee and the Board of Directors, respectively. This Policy was reviewed during the update to the general ICFR framework carried out during 2019 and approved in 2020. This Policy also establishes a minimum annual review periodicity and whenever regulatory and procedural changes occur that affect the validity of its contents.

- **The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:**

The procedure has been designed taking into account all the objectives of the financial information contemplated in the Internal Control Document on financial information in listed companies issued by the CNMV (existence, integrity, valuation, presentation and breakdown and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc:**

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group's structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit.

The possible risks relating to the proper identification of the scope of consolidation are documented in the defined accounting close procedures and the Preparation of the Consolidated Financial Statements, which are two of the five transversal processes at the Bank.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements:**

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) valuation; (iv) presentation; (v) rights and obligations; and effectively takes into consideration other types of risks (operational, technological, financial, legal, fiscal, reputational, environmental, etc.).

- **Finally, which of the entity's governing bodies is responsible for overseeing the process:**

The Board of Directors Regulations stipulate that one of the Board's duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.

Through this procedure in 2020 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3. CONTROL activities.

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market.

The generation, preparation and review of financial information is carried out by the Corporate Information and Management Analysis Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorization procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. On the other hand, technical means and information systems guarantee, through the establishment of control mechanisms, the reliability and integrity of financial information.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralized and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units.

c) An Internal Audit Unit

This third line of defence is responsible for performing an independent review of the first two "lines of defence".

This area includes the participation of the governing bodies and senior management.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.

- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

In addition, during 2019 and 2020 the entity has worked on the implementation of an IFRS risk management tool that will facilitate the control and monitoring of the system and will cover the management of the map of processes, risks and controls defined in the system, as well as the procedure for certification of controls at the bottom up. At year-end 2020, the tool is fully operational and includes all relevant processes and risks, as well as the controls and evidence thereof, identified in the aforementioned documents.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

<u>Transversal processes</u>

- The procedures for closing the financial year and preparing the consolidated financial statements. The group has specific procedures for closing the financial year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.

- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.

- The general computer controls established by the Group at the technology and systems level, physical security, computer security, maintenance and development.

- The Requirements Procedure and calculation of own funds describes the different phases and tasks carried out by different areas of the Entity to comply with Regulation (EU) No. 575 / 2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012.

Business Areas

- Granting, recording and performance of consolidated loans.
- Granting, recording and performance of consolidated loans related to syndicated loans.
- Classification and estimation of the impairment of consolidated loans.
- Investment, recording and valuation of debt securities, deposits, repos and capital (fixed income and equity).
- Investment, recording and valuation of Investee Companies, Associates and Jointly Controlled Entities.
- Investment, recording and valuation of derivative instruments (trading and hedging) - professional counterparties and customers.
- Recording and valuation of received assets in payment for debts.
- Recognition, recording and cost of customer deposits - Retail financing.
- Recognition, recording and cost of corporate issues - Wholesale financing.
- Insurance activity - insurance contract liabilities.
- Estimation of pension commitments – post-employment commitments to employees.
- Estimated provisions for taxes - tax area.
- Estimation of other provisions - legal area.
- Recording of commission income.

In general terms, the Corporate Information and Management Analysis Department is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Entity has a General IT Controls Procedure with its corresponding risk and control matrix detailing the risks and controls relating to governance, strategy and outsourcing of services of the Technology and Systems Department; management of Information and Communication Technology (ICT) projects, operations and changes; information integrity and security; and business continuity management.

The Technology and Systems Department and, specifically, the Technological Services Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, ensuring compliance with legislation and legally required security measures. The Information Security Management and Control Unit is responsible for proposing information security measures and a policy for applying and maintaining proactive contact with the sector to obtain sufficient information regarding technological advances and regulatory compliance in the area of Information Systems Security and their application to Ibercaja Group.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has defined global policies and procedures that are uniform regarding the required security in the information systems involved in the preparation of financial information, including physical and logical security, data processing security and end user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group’s information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated financial statements that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

The policy currently includes supervision and review procedures for both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out thus specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.
- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship.
- Supervision and review of the information generated or the service provided:
  - For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases in which the relevance of the externalized service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.
  - For measurements prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

  In 2020 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

  - The actuarial calculation of commitments assumed with employees.
  - The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.
  - Certain tax and legal advisory services.
  - Measurement of the Ibercaja Group.

F.4. Information and communications.

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1 A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The Corporate Information and Management Analysis Department, through the General Accounting Unit, the Control Department is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office and Control Department (Legislation Compliance Department) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

Furthermore, Ibercaja does not have a single Accounting Policies Manual, but its accounting policies as a whole consist of the International Financial Reporting Standards (IFRS), the Bank of Spain Circular (Circular 4/2017), the policies whose implementation is required by current regulations, as well as the specific policies prepared by the Bank. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to Head of General Accounting. However, in the context of updating the general framework of the IFRS that has been carried out during 2019 and 2020, work has begun on developing an Accounting Policy Manual, which is expected to be approved by the Board of Directors during the first half of 2021.

The Corporate Information and Management Analysis Department is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralised manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information. It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2 Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated financial statements that are reported together with other financial information published in the market. The Corporate Information and Management Analysis Department is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own financial statements, always using the guidelines of the Corporate Information and Management Analysis Department.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonize and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5. System monitoring.

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1 The monitoring activities undertaken by the Audit Committee and whether the Entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The internal audit function is the responsibility of Ibercaja Banco's Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Audit of the Distribution Network, Credit Risk Audit, Internal Models and Systems Audit, Financial Audit and Technical and Quality Supervision.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2020 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the IFRCS is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialised Unit during the year, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management, through the Internal Audit Committee, on the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is critical to the supervision of the IFRCS.

Among the actions carried out within the Internal Audit Annual Operational Plan for 2020, the audit of the Consolidated Financial Statements Preparation Process and the audit of the Own Resources Requirements and Computation Process should be highlighted. The reviews that are carried out may result in audit recommendations that are prioritised in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2 **Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards - TAS), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed? State also whether the entity has an action plan to correct or mitigate the weaknesses found.**

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least quarterly, at which time any significant weakness that may have been detected can be reported. Any action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline. The Internal Audit Department periodically informs the Audit and Compliance Committee of the action plans communicated by the audited areas and their follow-up.

F.6. **Other relevant information.**

Nothing of note.

F.7. **External auditor's report.**

Report from:

F.7.1 **The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.**

The Group has submitted information regarding the “Financial Reporting Internal Control Systems” to the external auditor for review and is set out in section F of the ACGR for 2020. The scope of the auditor's review is in line with Circular E 14/2013 issued by the Audit Institute of Spain on 19 July 2013.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

G. OTHER INFORMATION OF INTEREST

If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company or groups companies that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the entity is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

Also state whether the entity voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, the entity will identify the Code in question and the date of adoption.

All the information that must be included in the report and is outside of the control of the Entity, is provided based on the knowledge held by the Company, the reports that have been made in compliance with current legislation and information stated in public registries.

It is hereby stated, for the purposes of recommendation 27 of the Code of Good Governance, that the non-attendance of directors at meetings of the governing bodies of which they form part has been absolutely exceptional: one director excused himself from attending the meeting of the Board of Directors held in January, and another director excused himself from attending the meeting of the Board of Directors held in October 2020.

It should also be noted that in 2020, following the declaration of the state of health alarm derived from COVID-19, the meetings of the Board of Directors and its committees were held remotely (audio or videoconference).

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its Meeting on:

../../2021

List any Directors or members of the governing body that voted against, or abstained from voting on the adoption of this report:

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)"

To the Board of Directors of Ibercaja Banco, S.A.:

In accordance with the request of the Board of Directors of Ibercaja Banco, S.A. (hereafter "the Entity") and our engagement letter dated December 1, 2020, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in the section "F Information regarding the Internal Control System over Financial Reporting" ("ICSFR")" of the Annual Corporate Governance Report of Ibercaja Banco and its subsidiaries (hereafter "Grupo Ibercaja Banco" or "the Group") for the 2020 financial year, which includes a summary of the Group's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Group in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Group's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Group's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Group's annual financial information for the 2020 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Group in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº 7/2015 of the National Securities Market Commission dated December 22, 2015.

2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Group.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Group´s ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Group, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Julián González Gómez

March 3, 2021

F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICRMS)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1 Control environment at the Entity

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is "to be informed of and supervise the procedures that guarantee the quality and integrity of information, as well as the reports that the Audit and Compliance Committee may submit to it for said purpose; to prepare, after a report from the Audit and Compliance Committee, the individual and consolidated financial statements, as well as the proposal for application of the Company's result; To approve, following a report from the Audit and Compliance Committee, the capital self-assessment report, and to agree on its submission to the Bank of Spain; to approve the annual banking report required by the regulations on the organisation, supervision and solvency of credit institutions in force at any given time; to be aware of the contents of the report with prudential relevance, following a report from the Audit and Compliance Committee, on the information not covered by the audit of the financial statements and to approve and agree on the submission to the CNMV of the half-yearly financial report".

The Company has a Financial Information Disclosure Policy that was approved by the Board of Directors on 1 March 2019 and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2017, as well as within the conceptual framework of IFRS.

Senior management has assumed the responsibility of designing and implementing the IFRCS through the Corporate Information and Management Analysis Department since it centralizes most of the activities intended to attain the adequate operation of the IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the information, internal control and financial reporting systems:

- With respect to the reporting and internal control systems, "verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor".

- With respect to the financial information, “be informed of and supervise the process of preparing and presenting the Company’s regulated financial information and, if appropriate, that relating to the Group, as well as its integrity by reviewing compliance with legislation, the adequate definition of the scope of consolidation and the proper application of accounting policies. In addition, the review of the company’s accounts, supervise compliance with legal requirements and the proper application of accounting principles generally accepted in Spain and receive proposals from management to change accounting principles and policies, review the regular financial information that the Board must provide to the markets and supervisory bodies and, in particular, the information not covered by the audit of the annual accounts that is of prudent relevance. Be informed of and supervise the preparation of the regulated financial information that the Company must regularly make public and ensure that the interim accounts are prepared using the same accounting policies as the annual accounts and, in that respect, consider the appropriateness of a limited review by an external auditor”.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the entity:**

In accordance with the provisions of the Board regulations the Appointments Committee assists the Board with nominations, elections and the removal of directors and senior executives.

The Organization Department at Ibercaja Banco is responsible for ensuring an efficient organizational structure at the Entity, the finding the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The Human Resources Department, through the Talent Development Unit, is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. In turn, each Department, together with the Organization Department, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity’s intranet and it is revised should there be any organizational change made. With regard to the financial information preparation process, this is carried out by the Department of Corporate Information and Management Analysis, which includes the Units of General Accounting, Management Planning and Analysis, Data Governance and Quality, Corporate Information and Analysis, and Supervisor Service and Regulatory Support. The Corporate Information and Management Analysis Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group’s consolidation for accounting purposes as subsidiary accounting is decentralised and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Corporate Information and Management Analysis Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:**

The Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity’s culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin “RRHH Informa” reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity’s Intranet.

In addition, the Entity has a Code of Ethics, which contains the principles that govern the behaviour of the Entity’s employees, commitments that transfer corporate values to the daily exercise of their responsibilities. An independent, autonomous and confidential communication channel has also been set up to facilitate communications on possible misconduct in the area of ethics and to raise doubts about the interpretation of the Code of Ethics, which is available to all staff.

Finally, the Group’s Internal Audit Charter includes the ethical standards applicable to the Internal Audit function that are known and accepted by all Internal Audit staff.

- **“Whistle-blowing” channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.**

In addition to the communication channel relating to the code of ethics, all employees of Ibercaja Banco, through the intranet, have a “Criminal Risk Prevention Reporting Channel” to inform, by e-mail, the Regulatory Compliance Unit of possible risks and breaches of criminal regulations, including those of a financial and accounting nature, that may occur within the organisation in the course of its activities.

The Regulatory Compliance Department maintains a computerised register of all complaints received and processes them in accordance with the provisions of the criminal risk prevention and management model, guaranteeing the confidentiality of the complainant at all times.

The Regulatory Compliance Department periodically issues a report to the Audit and Compliance Committee, which includes, where appropriate, information on the complaints received and their outcome. The Board of Directors is informed of the actions taken in this area at least once per year.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting standards, auditing, internal control and risk management:**

The Entity has an annual Training Plan, which is designed in accordance with the professional category and the Management/Unit to which the staff belongs. These training actions are given by external and internal personnel, both online and in a classroom setting.

It also has mechanisms that allow it to ensure that the personnel directly involved in the preparation and preparation of financial information, as well as in its supervision, have the training and professional competence necessary for the exercise of their functions. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Personnel Area Division through the Talent Development Unit, and keep records of the training given.

The technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as the Spanish Confederation of Savings Banks (CECA). Alerts are also received from various professional services firms providing technical updates.

The Paraninfo e-learning platform is a virtual training space housing courses and other training resources of very diverse types available to all employees and it allows training in essential areas for the development of the Bank’s business. skills, products and services, financial regulations, banking business, financial platforms, etc.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2020 was particularly focused on internal training sessions at the Department level covered internal control, risk management and, in particular, legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees that attend accounting courses provided by CECA covering specific training needs that may be identified, and they materialise in seminars or meetings with consultants or regulators.

It should be noted that in 2020, as a result of the health crisis caused by COVID-19, the training provided since March has been carried out online.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- **The process exists and is documented:**

Ibercaja has a procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.

This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Corporate Information and Management Analysis Department, while supervision and approval is the responsibility of the Audit and Compliance Committee and the Board of Directors, respectively. This Policy was reviewed during the update to the general ICFR framework carried out during 2019 and approved in 2020. This Policy also establishes a minimum annual review periodicity and whenever regulatory and procedural changes occur that affect the validity of its contents.

- **The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency:**

The procedure has been designed taking into account all the objectives of the financial information contemplated in the Internal Control Document on financial information in listed companies issued by the CNMV (existence, integrity, valuation, presentation and breakdown and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc:**

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group's structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit.

The possible risks relating to the proper identification of the scope of consolidation are documented in the defined accounting close procedures and the Preparation of the Consolidated Financial Statements, which are two of the five transversal processes at the Bank.

- **The process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements:**

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) valuation; (iv) presentation; (v) rights and obligations; and effectively takes into consideration other types of risks (operational, technological, financial, legal, fiscal, reputational, environmental, etc.).

- **Finally, which of the entity's governing bodies is responsible for overseeing the process:**

The Board of Directors Regulations stipulate that one of the Board's duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.

Through this procedure in 2020 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3 CONTROL activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market.

The generation, preparation and review of financial information is carried out by the Corporate Information and Management Analysis Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorization procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. On the other hand, technical means and information systems guarantee, through the establishment of control mechanisms, the reliability and integrity of financial information.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralized and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units.

c) An Internal Audit Unit

This third line of defence is responsible for performing an independent review of the first two "lines of defence".

This area includes the participation of the governing bodies and senior management.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.

- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

In addition, during 2019 and 2020 the entity has worked on the implementation of an IFRS risk management tool that will facilitate the control and monitoring of the system and will cover the management of the map of processes, risks and controls defined in the system, as well as the procedure for certification of controls at the bottom up. At year-end 2020, the tool is fully operational and includes all relevant processes and risks, as well as the controls and evidence thereof, identified in the aforementioned documents.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

<u>Transversal processes</u>

- The procedures for closing the financial year and preparing the consolidated financial statements. The group has specific procedures for closing the financial year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.

- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.

- The general computer controls established by the Group at the technology and systems level, physical security, computer security, maintenance and development.

- The Requirements Procedure and calculation of own funds describes the different phases and tasks carried out by different areas of the Entity to comply with Regulation (EU) No. 575 / 2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012.

<u>Business Areas</u>

- Granting, recording and performance of consolidated loans.

- Granting, recording and performance of consolidated loans related to syndicated loans.
- Classification and estimation of the impairment of consolidated loans.
- Investment, recording and valuation of debt securities, deposits, repos and capital (fixed income and equity).
- Investment, recording and valuation of Investee Companies, Associates and Jointly Controlled Entities.
- Investment, recording and valuation of derivative instruments (trading and hedging) - professional counterparties and customers.
- Recording and valuation of received assets in payment for debts.
- Recognition, recording and cost of customer deposits - Retail financing.
- Recognition, recording and cost of corporate issues - Wholesale financing.
- Insurance activity - insurance contract liabilities.
- Estimation of pension commitments – post-employment commitments to employees.
- Estimated provisions for taxes - tax area.
- Estimation of other provisions - legal area.
- Recording of commission income.

In general terms, the Corporate Information and Management Analysis Department is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes regarding the preparation and publication of financial information.

The Entity has a General IT Controls Procedure with its corresponding risk and control matrix detailing the risks and controls relating to governance, strategy and outsourcing of services of the Technology and Systems Department; management of Information and Communication Technology (ICT) projects, operations and changes; information integrity and security; and business continuity management.

The Technology and Systems Department and, specifically, the Technological Services Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, ensuring compliance with legislation and legally required security measures. The Information Security Management and Control Unit is responsible for proposing information security measures and a policy for applying and maintaining proactive contact with the sector to obtain sufficient information regarding technological advances and regulatory compliance in the area of Information Systems Security and their application to Ibercaja Group.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has defined global policies and procedures that are uniform regarding the required security in the information systems involved in the preparation of financial information, including physical and logical security, data processing security and end user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated financial statements that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

The policy currently includes supervision and review procedures for both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out thus specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.

- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship

- Supervision and review of the information generated or the service provided:

    - For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases in which the relevance of the externalized service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.

    - For measurements prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

In 2020 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

- The actuarial calculation of commitments assumed with employees.

- The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.

- Certain tax and legal advisory services.

- Measurement of the Ibercaja Group.

F.4 Information and communications

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the entity's operating units.

The Corporate Information and Management Analysis Department, through the General Accounting Unit, the Control Department is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office and Control Department (Legislation Compliance Department) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

Furthermore, Ibercaja does not have a single Accounting Policies Manual, but its accounting policies as a whole consist of the International Financial Reporting Standards (IFRS), the Bank of Spain Circular (Circular 4/2017), the policies whose implementation is required by current regulations, as well as the specific policies prepared by the Bank. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to Head of General Accounting. However, in the context of updating the general framework of the IFRS that has been carried out during 2019 and 2020, work has begun on developing an Accounting Policy Manual, which is expected to be approved by the Board of Directors during the first half of 2021.

The Corporate Information and Management Analysis Department is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralised manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information. It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated financial statements that are reported together with other financial information published in the market. The Corporate Information and Management Analysis Department is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own financial statements, always using the guidelines of the Corporate Information and Management Analysis Department.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonize and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5 System monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The monitoring activities undertaken by the Audit Committee and whether the Entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the entity has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The internal audit function is the responsibility of Ibercaja Banco's Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Audit of the Distribution Network, Credit Risk Audit, Internal Models and Systems Audit, Financial Audit and Technical and Quality Supervision.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2020 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the IFRCS is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialised Unit during the year, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management, through the Internal Audit Committee, on the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is critical to the supervision of the IFRCS.

Among the actions carried out within the Internal Audit Annual Operational Plan for 2020, the audit of the Consolidated Financial Statements Preparation Process and the audit of the Own Resources Requirements and Computation Process should be highlighted. The reviews that are carried out may result in audit recommendations that are prioritised in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2. Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards - TAS), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed? State also whether the entity has an action plan to correct or mitigate the weaknesses found.

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least quarterly, at which time any significant weakness that may have been detected can be reported. Any action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline. The Internal Audit Department periodically informs the Audit and Compliance Committee of the action plans communicated by the audited areas and their follow-up.

F.6 Other relevant information

Nothing of note.

F.7 External auditor´s report.

Report from:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Group has submitted information regarding the “Financial Reporting Internal Control Systems” to the external auditor for review and is set out in section F of the ACGR for 2020. The scope of the auditor’s review is in line with Circular E 14/2013 issued by the Audit Institute of Spain on 19 July 2013.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

Ibercaja Banco, S.A. and subsidiaries

Independent Verification Report
on the Consolidated Non-Financial Information Statement
31st December 2020

A free translation from the original in Spanish

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders of Ibercaja Banco, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the Consolidated Non-Financial Information Statement (hereinafter NFIS) for the year ended 31st December 2020 of Ibercaja Banco, S.A. (the Parent company) and subsidiaries (hereinafter Ibercaja Banco or the Group) which forms part of the accompanying Group's Consolidated Management Report.

The content of the Consolidated Management Report includes additional information to that required by the current mercantile legislation related to non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in tables 'Requirements of Law 11/2018 on non-financial information and diversity' and 'GRI Content Index' included in the accompanying Consolidated Management Report.

Responsibility of the Board of Directors of the Parent company

The preparation of the NFIS included in the Consolidated Management Report of Ibercaja Banco and the content thereof are the responsibility of the Board of Directors of Ibercaja Banco, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) in accordance with Core option in line with the details provided for each matter in tables 'Requirements of Law 11/2018 on non-financial information and diversity' and 'GRI Content Index' of the aforementioned Consolidated Management Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of any immaterial misstatement due to fraud or error.

The directors of Ibercaja Banco, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial information statement issued by the Spanish Institute of Auditors ('Instituto de Censores Jurados de Cuentas de España').

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several units of Ibercaja Banco that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the Ibercaja Banco's personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2020, based on the materiality analysis carried by Ibercaja Banco and described in section 'Keys to this document', considering the content required under current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in the NFIS for 2020.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.

- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the Group's sources of information.

- Obtainment of a management representation letter from the directors and the management of the Parent company.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS for 2020 of Ibercaja Banco for the year ended 31st December 2020 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and the GRI Standards in accordance with Exhaustive option in line with the details provided for each matter in tables 'Requirements of Law 11/2018 on non-financial information and diversity' and 'GRI Content Index' of the aforementioned Consolidated Management Report.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Original in Spanish signed by
Margarita de Rosselló Carril

March 3rd, 2021