2012 Annual Report

iberCaja

Ibercaja Banco S.A.U.
–IBERCAJA–

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GENERAL INDEX

2012 Annual Report

A. Ibercaja Banco Group

I. Financial and Business Report

INDEX

1 INTRODUCING THE GROUP AND KEY FIGURES

Ibercaja Banco SAU is a lending entity wholly owned by the Spanish savings bank Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja, incorporated under the provisions of Royal Decree No. 1245/95, of July 14, 1995, on the establishment of banks, cross-border business and other questions relating to the Legal System for Lending Entities.

It is registered at the Mercantile Registry Office of Zaragoza, in volume 3,865, Book 0, folio 1, Page No. Z-52,186, entry number 1, and in the Special Register carried by the Bank of Spain, as lending entity number 2,085. The registered office is situated in the City of Zaragoza, at Plaza Basilio Paraiso No. 2.

It has been established for the purpose of carrying out all such classes of banking activities, transactions, acts, agreements and services in general as it is allowed to carry out under the legislation in force from time to time, including investment and ancillary services.

KEY FIGURES

(Thousand euros)	2012	2011	2010
Ibercaja Banco Group			
BALANCE SHEET			
Total assets	44,663,988	45,143,624	44,825,867
Loans and advances to customers - (gross)	30,995,435	32,927,843	33,770,756
Securities portfolio	11,039,558	9,016,030	8,111,114
Customer funds	43,592,854	47,317,876	48,312,645
– Off-balance sheet funds	*8,815,199*	*8,564,033*	*9,151,095*
Retail customers' funds	31,436,244	32,363,199	32,457,611
INDICATORS AND RATIOS			
Delinquency ratio (%)	5.48	4.16	3.66
Total cover of non-performing loans (%)	88.82	60.21	63.37
Liquid assets available / total assets (%)	12.24	13.71	12.26
Core capital (%)	10.40	10.40	9.58
Principal capital (%) as per Royal O-in-C 2/2011 (minimum 8%)	10.86	10.88	10.12
Principal capital principal (%) as per Royal O-in-C 24/2012* **Requirement since 2013 - 9%*	10.40		
RESULTS			
Recurrent retail margin[1]	314,703	235,413	273,047
Profit before write-downs	747,710	284,308	290,371
Impairment allowances and other write-downs* ** Royal Decrees fully applied in 2012*	1,432,836	212,100	154,442
Net profit or loss (attributed to the parent entity)	-484,261	54,914	97,025
Other significant facts[2]			
Number of offices	1,047	1,052	1,075
Number of employees (total number on payroll)	4,723	4,799	4,902
Number of automatic teller machines	1,142	1,144	1,181
Turnover per office[3]	71,240	76,279	76,357
Turnover per employee[3]	15,793	16,721	16,745

[1] Recurrent gross margin (net of ROF assoc'd to sales and repurchases and share of P/ L of entities accounted for using equity method) - operating costs

[2] Facts for Ibercaja Banco, S.A.U.

[3] Turnover: Loans and advances to customers + customer funds

Credit rating of Ibercaja Banco, S.A.U.:	Short term	Long term
Moody's	NP	Ba2
Standard & Poor's	B	BB+

The figures and detailed information included in this Annual Report to describe performance are provided according to criteria used in the internal management information systems.

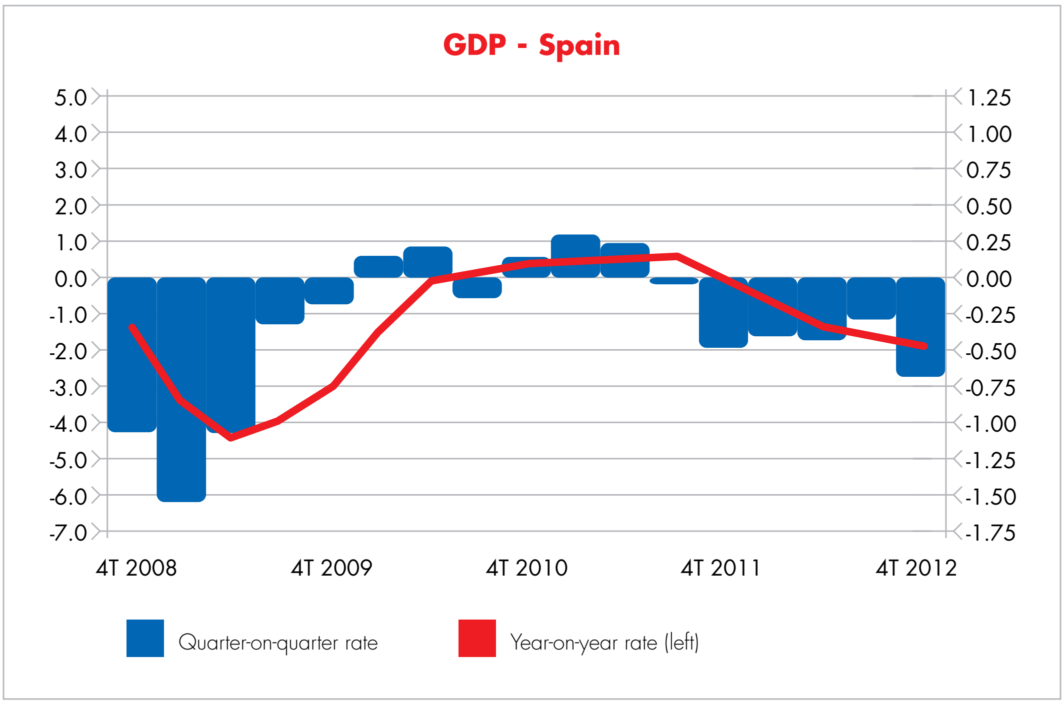
2 ECONOMIC AND FINANCIAL ENVIRONMENT

The 2012 year has been extremely complicated for the Eurozone. The accumulated imbalances in peripheral countries and the absence of mechanisms for mitigating the consequences on financial markets have placed the Monetary Union in the most critical situation ever. Along with the downturn in peripheral economies because of their adjustment programs, it has been added the weakness of the core countries, as a result of which the aggregate GDP is foreseen to shrink by about 0.5%.

In the United States, the steadily expansive monetary policy of the Federal Reserve has made possible a moderate economic growth, of close to 2.2%, aided by the recovery of spending on homes and by steady consumer spending. Meanwhile in Japan, the BOJ expects the GDP to change by 2% in the fiscal year ending in March.

China has cut down its economic growth rate up to 7.8%. Consumer spending, stimulated by increasing disposable income of families, has become a driver of more balanced growth, while at the same time the export sector is suffering from the weakness of the European Union, its main customer.

The Spanish economy has continued declining in the fourth quarter of the year and forecasts point to 2012 ending with a year-on-year GDP fall of 1.4%. Fiscal discipline, stronger efforts to implement the structural reforms under way and to undertake those that are still pending, as well as the reform of the public administration at all levels, along with easier credit terms, are the key expected developments in the future.



All component elements of domestic demand have continued declining, having subtracted 4% from GDP, and only the performance of the external sector has prevented a bigger downturn in economic turnover.

The labor market picture does not show any signs of improving, while waiting for the reform of the labor legislation to begin to bear fruit. The unemployment rate has climbed to 25%, which along with the adjustment under way in wage levels is having an adverse impact on the disposable income of families and, consequently, on consumer spending.

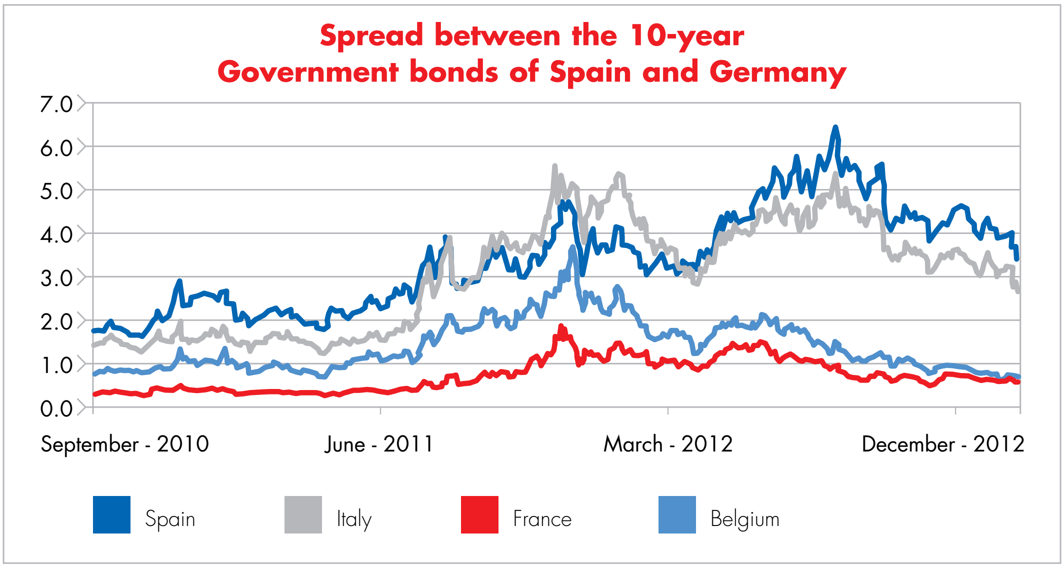
In the real estate sector, the stock of finished housing is moving very slowly, especially because of the worsening labor market and a lack of demand for second homes. Thus, weak turnover in the real estate sector will continue to slow down economic growth in the medium term.

After rising sharply because of higher energy prices and of new Value-Added Tax rates in force since September, the CPI has fallen in the latter part of the year, with the rise in consumer prices being 2.9% for the year ended in December 2012.

The Spanish stock exchange has been very volatile, particularly in the financial and real estate segments, which have pushed down the reference index IBEX 35. This has been the only major European index that declined (by 4.66%) on balance for the year.

Fiscal policy has taken a very restrictive turn in the face of the need to meet the public-sector deficit target of 6.3% of GDP agreed with the European Commission. The difficulty of meeting the agreed target despite the efforts made and the tax measures approved reflects the fall in public-sector income and the increase in expenditure linked to the current stage of the economic cycle, as well as belated moves by the regional governments to correct their budget deficits.

The sovereign debt crisis that started with the borrowing difficulties met by Greece has been going on for three years now. The risk premium for Spanish debt has eased from a high of more than 600 basis points in July after the ECB announced it was committed to acquiring on the secondary market debt instruments of the countries that request financial aid.



The 2012 year has been a particularly difficult one for the financial sector because of the slump in business, a new rise in delinquency and falling rates of interest on mortgage loans due to a sharply decline in Euribor rate. Furthermore, the write-downs of real estate assets under decrees published during the year, the stress tests by Oliver Wyman, and the Royal Order-in-Council No. 24/2012 implementing the measures agreed in the Memorandum of Understanding (MoU). All these factors have put heavy pressure on the banking entities and compelled them to recapitalize. As a positive fact, financing difficulties have been lightened because of ECB´s extraordinary liquidity auctions

The process of restructuring the Spanish financial sector remains under way, with the pace for this being set by a changing legislative framework. The reorganization of the system has given rise to major concentrations, especially among savings banks, whose number has declined to 12, from 45 at the beginning of 2010. Four banking groups have been nationalized, very strict requirements have been imposed on others that are in the process of being reorganized, and an asset management company called *Sociedad de Gestion de Activos procedentes de la Reestructuracion Bancaria* (SAREB) has been formed. Finally, the European Union has announced that all banks with assets of more than 30 billion euros will be supervised by the ECB as from 1 January, 2014.

In 2013, the Spanish economy is expected to show a hardly different performance, regarding growth, from that seen in 2012. However, analysts agree it will start to recover in the second half of the year. Developments in financial markets during the first few days of January suggested that the economic outlook was perceived to be improving. Private companies resumed floating fixed-income instruments, the risk premium narrowed, the stock exchange was steadier, and demand of Spanish public debt sprung back to life, all of which gave cause for being somewhat optimistic.

3 IBERCAJA BANCO GROUP OPERATIONS

In 2012, the economic crisis has worsened and the Spanish economy has continued to shrink. The increased tax burden and the policies aimed at controlling and cutting down expenditure have had an adverse effect on domestic demand. The job destruction process seems to have slowed down in the private sector, yet has accelerated in the public sector. In the meantime, an ambitious package of structural reforms, under way or being planned to make the Spanish economy more competitive and to downsize the public sector, have not yet borne fruit.

Given the economic environment described above, 2012 has been a particularly complicated year in the financial sector, featured by falling turnover and a changing legislative framework. Successive decrees designed to increase coverage of real estate-related assets, to raise capital requirements and to encourage concentrations in the sector, have repeatedly altered the "rules of the game" and have continuously called for showing flexibility in adjusting to a changing situation. Thus, several options that Ibercaja was considering have had to be ruled out as unfeasible because of the regulatory requirements and the conclusions drawn in the Oliver Wyman report. In November, a new protocol was approved for the integration of Ibercaja Banco with Banco Grupo Caja3, that was made conditional on certain requirements being met under the Caja3 Restructuring Plan, the Memorandum of Understanding with the European Union, and Royal Order-in-Council No. 24/2012.

Ibercaja has met the new requirements, having funded 1,244 million euro in provisions out of its own earnings, and has increased its capital as required according to the Oliver Wyman stress tests, without any aid at all from the public authorities. In addition, the new requirements on principal capital that were to be met as from January 2013 have actually been met before that. The capital has been generated internally while preserving strategic assets that are the pillars of future profitability. Thus, the Entity has joined a select group of the eight most solvent Spanish banks.

Among the challenges to be met in 2013, Ibercaja is giving preference to preserving its financial strength, improving efficiency and productivity, and continuing to diversify into the corporate and personal banking areas of the business, for which it relies on the efforts, professional capability and commitment of its human capital.

3.1. BANKING PERFORMANCE AND DISTRIBUTION CHANNELS

3.1.1. Customers' Funds

During 2012, the trend in traditional deposits has been influenced by, among other factors, the replacement effect that bank promissory notes have had as a result of the changes made in 2011. Until last August 31, 2012, deposits earning a remuneration in excess of a certain threshold were penalized through a larger contribution to the Deposit Guarantee Fund. This stimulated the floating of own promissory notes at the expense of other savings arrangements. Notwithstanding that, after the penalizing requirement was scrapped, the fight to attract liabilities was resumed, with the average cost of new transactions to all deposit-taking entities hitting 2.89% for retail and 2.11% for corporate customers. Investment funds have been adversely affected, with their asset holdings having fallen for the sixth year in a row because of competition from other products offering attractive yields such as promissory notes, debt instruments and bank deposits.

At the end of 2012, customers' funds held by Ibercaja Banco Group totaled 43,593 million euro. The behavior of such funds during the year has been influenced by maturities of wholesale issues, the repurchase of securitization bonds and hybrid instruments, as well as by the shrinking resources of retail customers, in line with the trend throughout the banking sector.

Breakdown of Customers' Funds

(Thousand euros)	December 2012	December 2011	Increase	% Increase
Demand deposits - public sector customers	251,877	236,877	15,000	6.33
Demand deposits - other customers	8,414,035	8,658,712	–244,677	–2.83
Time deposits + promissory notes	11,617,015	12,739,237	–1,122,222	–8.81
– Non-structured and borrowings	5,801,346	7,818,998	–2,017,652	–25.80
– Retailer promissory notes	1,273,568	400,541	873,027	217.96
– Structured	4,542,101	4,519,698	22,403	0.50
Repurchase agreements	6,744	122,261	–115,517	–94.48
On-balance sheet retail customers' funds	**20,289,671**	**21,757,087**	**–1,467,416**	**–6.74**
Assets sold under agreements to repurchase on maturity	429,252	445,852	–16,600	–3.72
Investment funds and multi-funds	4,527,575	4,469,291	58,284	1.30
Pension plans	2,163,256	2,001,349	161,907	8.09
Systematic savings insurance products	2,287,420	2,122,105	165,315	7.79
Savings and investment insurance products	1,739,071	1,567,516	171,554	10.94
Off-balance sheet retail customers' funds	**11,146,573**	**10,606,113**	**540,460**	**5.10**
TOTAL RETAIL CUSTOMERS' FUNDS	**31,436,244**	**32,363,199**	**–926,956**	**–2.86**
TOTAL CUSTOMER FUNDS*	**43,592,854**	**47,317,876**	**–3,725,022**	**–7.87**

*Includes funds taken on wholesale markets (borrowings and other liabilities).

Retail customers' funds, 31,436 million euro, were down by 2.86%. Those reflected in the Balance Sheet stood at 20,290 million euro. As the household saving rate has weakened significantly, the volume of time deposits and promissory notes arranged during the year was 80% of that arranged the previous year. The commercial policy of Ibercaja has focused on protecting spreads by actively managing the price, avoiding as far as possible joining the fight for liabilities and offering attractive products to customers that work as incentives binding them to the Bank.

Demand deposits other than those taken from public sector customers declined by 2.83%, whereas the aggregate figure for time deposits plus promissory notes fell by 8.81% on annual basis. During the first half of the year, taking advance of the regulations in force, a sizeable volume of own promissory notes were placed. In September 2012, the Bank registered in the CNMV the second Ibercaja Banco promissory notes program aimed at both retail and institutional customers. At the year end, the balance outstanding with retail customers was 1,274 million euro.

Off-balance sheet retail customers' funds grew by 5.10%. The volume of assets managed through investment funds showed a very favorable trend (+1.30%) compared with the figure for the system as a whole (-4.26%). So, Ibercaja's market share rose by 16 basis points up to 3.61%. The market share in pension plans rose by 5 basis points from December 2011 while that for systematic savings and investment insurance products increased by 9.13%.

3.1.2. Loans and Receivables

The gross loans and receivables figure for the Group was 30,995 million euro. For the financial system as a whole, the fall in that figure, by -5.87% (-4.60% leaving out reverse repos), reflected a shrinking Spanish economy, reduced household and corporate borrowings, and a shortage of solvent borrowers. In addition, a fully provisioned portfolio of overdue loans has been sold to an investment fund.

In 2012, nearly 60,000 new loans and advances to customers have been arranged for a total of about three billion euro. A noteworthy development has been the rise by 3.54% in loans and advances to SMEs as a result of the Group's strategy of boosting its presence among businesses, especially among small and midsize enterprises. Loans granted to buy or renovate homes shrunk by 13.54%, which despite being an adverse development was better than the fall of more than 24% recorded in such loans for the Spanish banking sector as a whole. New loans to real estate developers, for their part, were down 37% from the end of the previous year.

By market segment, loans and advances to resident private-sector customers fell by 6,48%. Conversely, loans and advances to non-resident customers rose by 10,88%, and financing of the public sector grew more than 22% over the year mainly reflecting loans granted to regional and local authorities to meet outstanding payments to suppliers.

Breakdown by segment of Loans and Advance to Customers of the Ibercaja Banco Group

(Thousand euros)	December 2012	December 2011	Increase	% Increase
Loans and advances to the public sector	579,617	471,650	107,967	22.89
Loans and advances to the private sector	28,536,481	30,513,858	–1,977,377	–6.48
Loans and advances to non-resident sector	129,098	116,428	12,669	10.88
Impaired assets	1,698,272	1,369,663	328,608	23.99
Other financial assets	62,512	464,131	–401,619	–86.53
Measurement adjustments	–10,544	–7,887	–2,658	–33.70
Gross loans and advances to customers	30,995,435	32,927,843	–1,932,408	–5.87
Impairment allowances	–1,505,545	–800,258	–705,287	–88.13
Net loans and advances to customers	29,489,890	32,127,585	–2,637,695	–8.21

Secured loans, granted basically to retail customers for acquiring a first home, made up 79.49% of the total, about unchanged from the previous year in percentage terms yet down 5.80% in absolute terms. Commercial credit was down 2.86% and financial leases fell 11.97% reflecting weak corporate business and a fall in spending on durable goods. Personal loans, included under other term loans, were down 11.39%.

Breakdown of Loans and Advances to Customers of the Ibercaja Banco Group, by type of guarantee

(Thousand euros)	December 2012	December 2011	Increase	% Increase
Commercial credit	277,914	286,093	–8,179	–2.86
Secured loans / secured receivables	24,638,127	26,155,715	–1,517,588	–5.80
Other term loans / receivables	3,052,668	3,438,863	–386,195	–11.23
Financial leases	180,058	204,535	–24,477	–11.97
Receivables on demand and other	1,096,429	1,016,730	79,699	7.84
Impaired assets	1,698,272	1,369,663	328,608	23.99
Receivables on demand and other	62,512	464,131	–401,619	–86.53
Measurement adjustments	–10,5444	–7,887	–2,658	33.70
Gross loans and advances to customers	30,995,435	32,927,843	–1,932,408	–5.87
Impairment allowances	–1,505,545	–800,258	–705,287	–88.13
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Financing of Individuals

Loans to private customers for buying and renovating homes made up the bulk (72.59%) of loans and advances to the private sector, and virtually all such loans were secured with mortgages. Ibercaja traditionally has an outstanding position in this field of business, having a greater share of this market segment than could be expected from its other balance sheet figures. At the end of 2012, the relevant balance was 20,878 million euro, down –2.10% from the previous year.

The Bank offers a range of mortgage products tailored to meet the needs of the individual customers. The so-called *discounted rate mortgages* have been the most in demand. These ones include an attractive initial rate of interest, various grace periods and a flexible repayment schedule. The key feature of this type of product is that they reward the customers' loyalty to the Bank.

Agreements have remained in force to help meet the borrowing requirements of the members of different groups such as professional associations, civil servants and employees of large companies, who enjoy advantageous terms designed specifically for them.

Ibercaja has been taking steps, ahead of the new provisions designed to protect impoverished mortgagees approved through royal Orders-in-Council No. 6/2012 and No. 27/2012, to prevent customers who are experiencing difficulties to repay their loan from being deprived of their homes because of supervening circumstances. Thus, debtors who meet a number of requirements may benefit from extensions of term, grace periods and charitable leases. In justified cases, the bank is prepared to take their home in settlement of the mortgage debt.

Consumer credit fell 9.53% because of slack demand of durable consumer goods from retail customers, in line with the lack of confidence in the economy by households and falling disposable income. In a new development, the Bank has renewed its offering of loans to young people to finance their university studies, master's and post-graduate courses, to mitigate the impact of cuts in public aid for such courses.

Financing of Industrial Activities

Loans and advances for business activities other than real estate development were 4,830 million euro, down by 9.06% from the end of the previous year reflecting mainly reduced investment by corporate customers because of sluggish consumer spending and the economy has not yet started to recover as expected. Even so, Ibercaja is continuing to bet on diversifying its business by boosting loans and advances to SMEs.

The Bank's business in 2012 has been featured by the marketing of ICO Inversion 2012 facilities to finance investment projects of both corporate and public sector customers and ICO *Liquidez 2012* facilities for self-employed individuals and solvent borrowers who are temporarily short of working capital. In total, through agreements of this type, more than 2,450 loans and advances have been made for a total amount of 139 million euro.

To support rural financing projects Ibercaja has several agreements in force with organizations and operators in the farming sector. Thus, agreements have been made with the regional governments of Aragon, La Rioja, Castile La Mancha and Castile Leon for the granting of loans subsidized by the Ministry of Agriculture to livestock breeders and with the ICO to finance farmers taking part in irrigation projects so they can install equipment on their irrigated plots.

3.1.3.The Office Network

Ibercaja has an extensive office network reinforced with alternative channels. It has 1,047 branch offices spread over the 50 province capital cities and a total of 671 municipal districts.

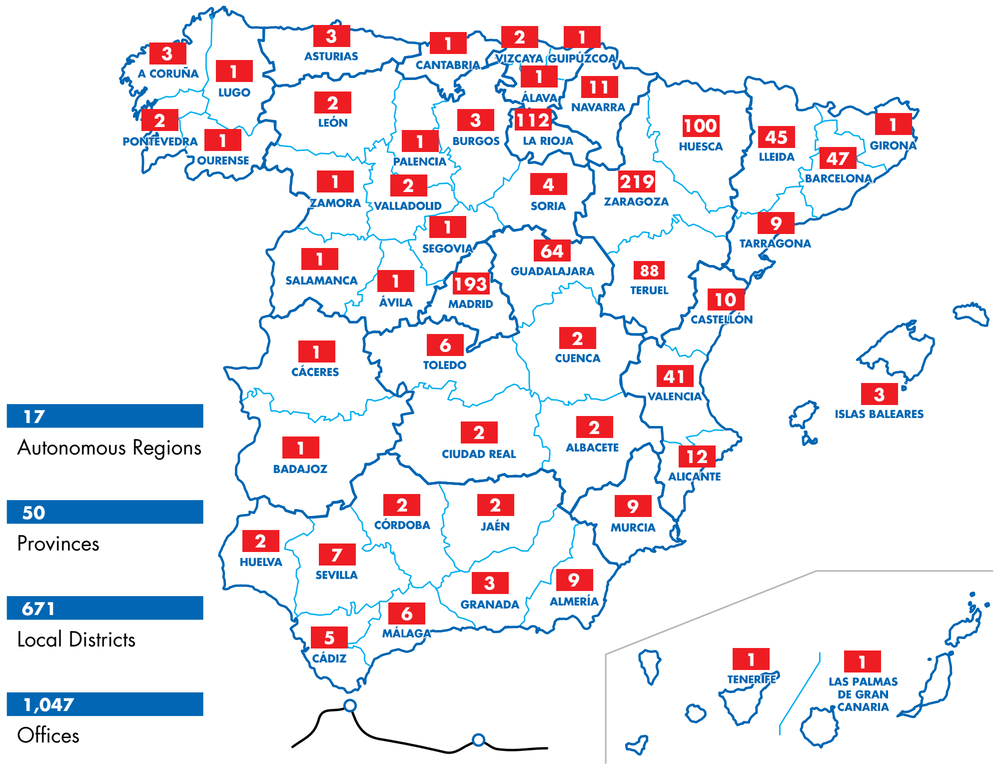
The Bank has a leading position in its traditional territory (Aragon, La Rioja and Guadalajara), where its market share is 23% of overall credit and deposits in the area and where 49.63% of the total turnover is generated. It also has a very outstanding position in other places such as Madrid, Barcelona, Lerida and Valencia, as a result of a bold diversification drive under way since the end of the 1980s.

The breakdown of the commercial network by Autonomous Region is as follows: 407 points of sale in Aragon, 193 in Madrid, 112 in La Rioja, 102 in Catalonia, 76 in Castile La Mancha, 63 in the Valencia Region, 36 in Andalusia, 16 in Castile Leon, 11 in Navarre, 9 in Murcia, 7 in Galicia, 4 in the Basque Country, 3 in the Balearic Isles, 3 in Asturias, 2 in the Canary Isles, 2 in Extremadura and 1 in Cantabria.

As a supplement to the office network, the Group has 102 managers specializing in corporate banking, 201 specializing in personal banking, and six centers engaging specifically in private banking.

Ibercaja branch offices follow a model that seeks to rationalize operating efficiency and commercial effectiveness while at the same time offering an agreeable atmosphere to customers. They are designed for privacy and for a personalized commercial relationship, making a distinction

Ibercaja Banco office network



between self-service and fast areas on one hand and those where individualized services and advice are provided. Besides, the model unifies commercial action at all Ibercaja points of sale, promoting teamwork and the use of specialist technological supports and tools. In this respect, the financial terminals used at network offices have continued to be improved and new applications have been added that are more customer-oriented and strengthen the relationship with customers.

3.1.4. Multi-Channel Strategy

Ibercaja's multi-channel strategy is aimed at bringing services closer to customers so that the services are available to them at any place and time. The objective is to integrate the new channels with the traditional channels, ensuring an ongoing and trusting relationship through personal contact. New contents and technological innovations are constantly being added, so that remote banking services can be easily accessed through the latest devices such as tablets, smartphones and others.

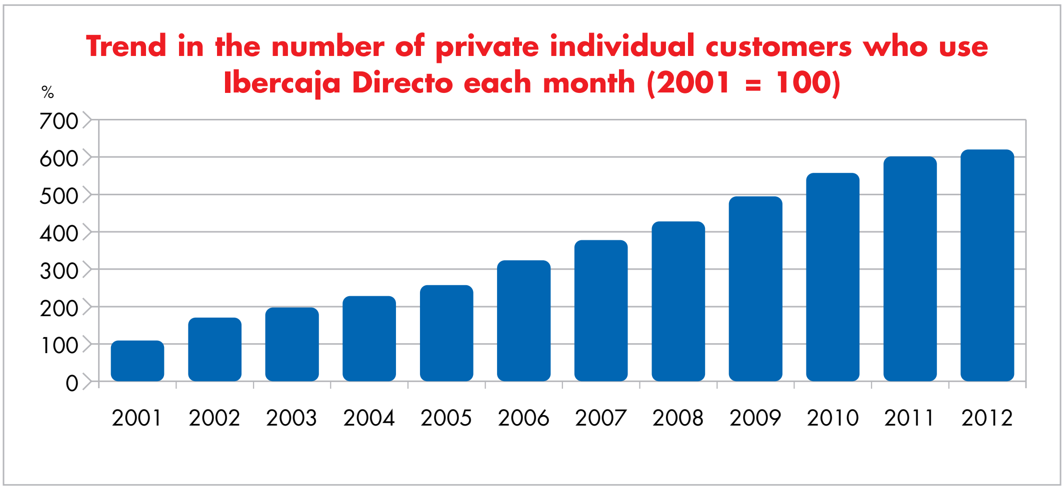
e-Banking

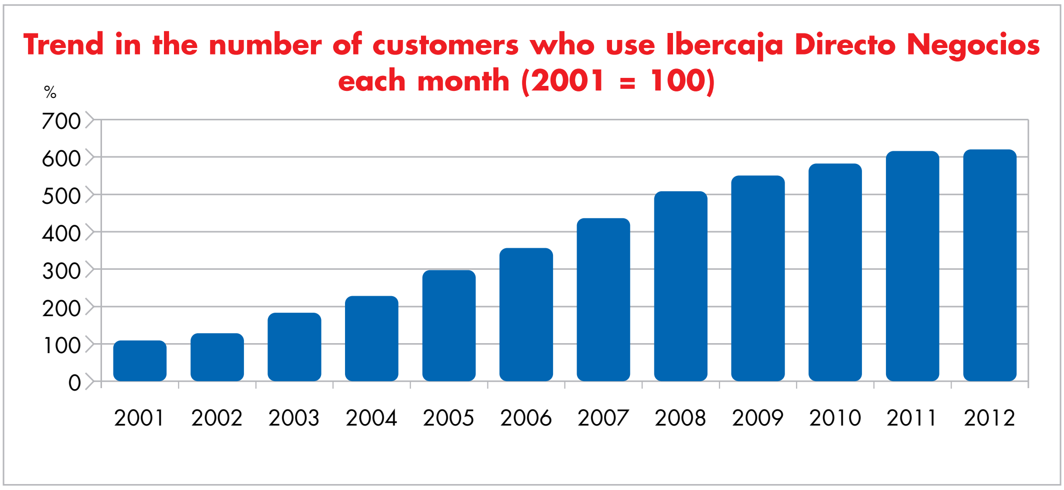
Ibercaja offers its customers access to online services and products at all times through several distance channels, so they can operate through the medium they find most friendly and easy to use. Customers can operate over the internet through *Ibercaja Directo* as well as over fixed and mobile telephones.

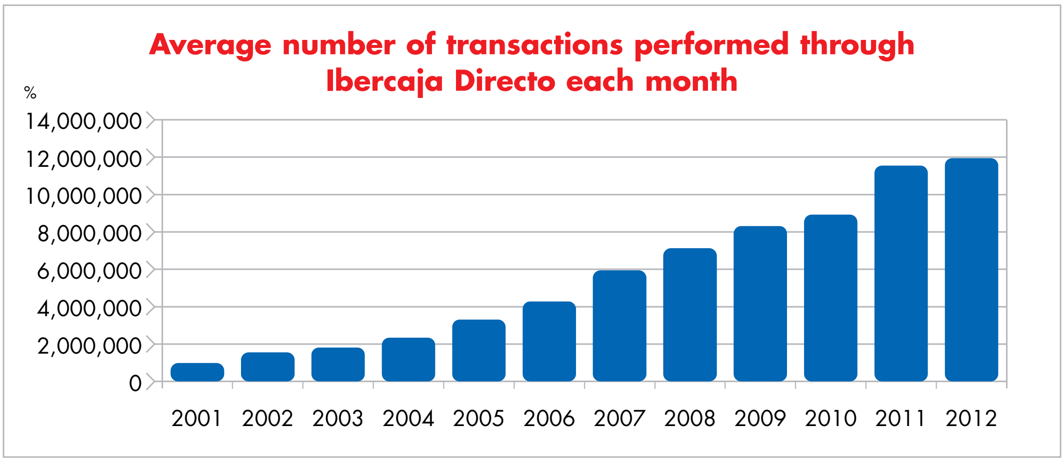
Ibercaja Directo is the Group's online bank and most frequently used remote banking platform. Different options are provided to each customer segment: retail and business customers, youths and stores, making available specific products and operations to each of those segments. The number of users grew 3.48% in 2012, and the number of transactions has increased further, to 143 million.

In 2012, the Ibercaja Directo website has been redesigned and a review has been undertaken to make it simpler and easier to navigate. Besides, a new application has been launched to facilitate access to it through mobile devices by retail and corporate customers. This application using tactile technology and the *Ios* or *Android* operating systems permits the geo-localization of offices and ATMs as well as accessing the most frequently used services of Ibercaja Directo and innovative functions such as checking the email and deferring payment for purchases made with cards. The online banking unit of Ibercaja is one of the few that offer this service. The new application has gone down well with customers, who have used it to carry out more than 4.2 million transactions in the first five months during which it has been in operation.

Since 2011, Ibercaja Directo also uses the strategic *CRM Muticanal* application to tailor commercial information and offerings to the personal profile of each customer.


Trend in the number of private individual customers who use Ibercaja Directo each month (2001 = 100)
%
700
600
500
400
300
200
100
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012


Trend in the number of customers who use Ibercaja Directo Negocios each month (2001 = 100)
%
700
600
500
400
300
200
100
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012


Average number of transactions performed through Ibercaja Directo each month
%
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

The public website of Ibercaja Banco (www.ibercaja.es) is for both customers and non-customers. It provides commercial information to those who visit the website on the features of products and services, and has an interactive space where visitors can seek further information using comparative tables and simulators, as well as subscribe to receive announcements and bulletins. The website has other spaces where users can give their views and where customers can enter or update their personal particulars.

The new Ibercaja Store whose URL is "https://tienda.ibercaja.es" is an additional service for customers and non-customers of Ibercaja, offering very competitive deals and special promotional rates for a range of products that will be gradually extended.

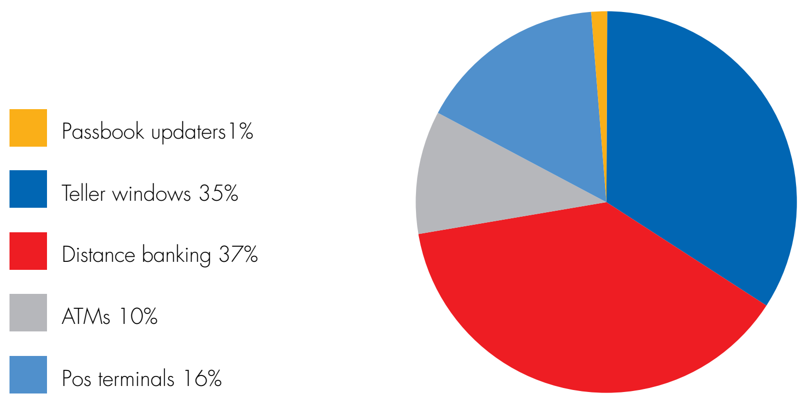
Recently, a new utility has been added to the Ibercaja website, under the title: "Put a price on the property you like. Make a bid." The utility allows customers and non-customers who are interested in buying any of the properties on sale to make counter offers.

Self-Service

Customers have performed more than 44 million self-service transactions during the year using the 1,142 ATMs and 408 passbook updating machines of the Ibercaja network. Thus, the process of transferring transactions with less value-added to alternative channels has continued, in order to reduce the burden of administrative tasks performed by network offices so as to boost their commercial and advisory activity.

The most usual transactions are those of dispensing cash and retrieving information on account balances or movements. The automatic teller machines also allow customers to pay bills, activate cards, recharge mobile phones and buy tickets to shows.

Breakdown of transactions by channel



Means of Payment

There are 1.11 million cards in use issued by Ibercaja. In 2012, a total of 704,000 transactions have been made using these cards. There are more than 235,600 card holders with cards to their own name, slightly down from the previous year's figure reflecting the overall economic picture.

The new *Ibercaja Visa Dual* card forms part of an innovative project. It enables users to defer payment of purchases by choosing between five different methods of payment while they are at the establishment in question making a purchase. The card holder can know the amount of the monthly installments immediately and without any hassle.

For business customers, Ibercaja has started marketing a card among those involved in the farming business called *Mastercard Negocios Agrarios*. It is aimed at those involved in agriculture and at livestock breeders, takes into account the seasonal flows of income they earn, and includes discounts on fuel prices as well as roadside assistance and accident insurance.

Ibercaja has 15,552 Point-of-Sale (PoS) terminals at stores throughout Spain, having started to market a new mobile PoS terminal for smart phones and tablets in 2012. This is aimed at self-employed individuals and professionals, especially those who pay service calls.

3.2. BUSINESS DIVERSIFICATION

3.2.1. Customer Strategy

Ibercaja follows a universal banking model that focuses on the retail business and is based on quality service as well as innovation. It serves more than 2.2 million customers: households, corporate customers, as well as public and private institutions. It has specific channels and differentiated products tailored to meet the profiles of the different customer segments. With the support of specialist units of its Financial Group, besides traditional banking services Ibercaja offers other products such as insurance products, investment funds, pension plans and private banking. In particular, Ibercaja targets and seeks to strengthen its relationship and links with SMEs and personal banking customers, for which it has specialist professionals and financial solutions tailored to suit their requirements.

RETAIL BANKING CUSTOMERS

These are the basic pillar of the Group's business. They number two million, and account for 83% of turnover. Such customers include households and personal banking customers.

Families

These are an especially important segment because they provide the bulk of the customer base, a steady flow of business, are the largest source of funds managed by the Group, and the main borrowers. The office network has concentrated its efforts on strengthening links with them, developing value-added products well suited to meet their requirements.

Among saving products, various issues of own promissory notes for the retail market have played an especially significant role throughout most of the year. Besides, the Bank has continued to successfully market the *Depositos Confianza* line of 18-month deposit products with a basic yield to which may be added an attractive bonus yield that is conditional on the customer increasing the volume of business with the Bank. At the same time, a number of 18- to 36-month deposit products have been launched. One of these is called the *Deposito Bonificado Afin*, with the yield adjusted on a quarterly basis, and another called *Deposito Ahorro Acierto* which allows buying household goods without having to draw on savings and with better terms than those offered in the marketplace.

One of the ways the Bank seeks to achieve a balanced customer base that guarantees its future business prospects is to attract youths as customers. More than 26,000 new customers under 30 have been added to the customer base in 2012. Growth of this customer segment is adversely affected by the demographic trend and the labor market situation that prevents many youths from working and earning income. The *Plan Ahorro + Joven* savings scheme is a life insurance contract under which the policyholder regularly makes payments starting at 10 euros, as a way of building up savings over the medium or long term. The *Cuenta + Joven* is a current account in which youths can hold their savings and at the same time manage their money in an orderly way.

In the youth segment distance channels linked to new technologies are particularly important. Ibercaja maintains virtual spaces for youths on *Ibercaja Directo Joven* and on *Web Joven*, designed specifically for them, in which preference is given to using email and sms messages as a means of communicating offers and promotional deals.

The Bank, working in cooperation with other organizations, taps Government credit lines for youths in the context of projects such as *"Aprendiendo a Emprender"*, designed to promote an enterprising spirit among them, and educational schemes of the Ibercaja Social Work. In cooperation with the Regional Government of Aragon, the Bank sponsors a campaign to promote a bank card with specific features for youths, called *Carné Joven Financiero*.

Personal Banking

The office network personal banking area serves wealthy customers with a management model whereby Ibercaja appoints personal managers to assist them in their financial planning, to advise them on their investments, and to make available in-depth information to such customers. The member companies of the Financial Group play a major role by offering them specific products as does the private banking area by training personal managers and giving investment advice to personal banking customers.

Personal managers, whose number increased to 201 in 2012, are assigned to work at offices where there is a critical mass of customers that justifies their presence there. The office managers and deputy managers also take care of this group of more than 118,000 customers, who account for more than 19,600 million euro in turnover.

Ibercaja has developed a comprehensive customer guidance tool called *Sistema Integrado de Orientacion Comercial*, an innovative system that allows preparing investment proposals and closely following up on them. Several enhancements have been introduced in the system in 2012: status and performance reports, warnings management, calculating the return on portfolios... Besides, savings simulators and simulators of movements in pension products have been implemented to report on tax savings and on the best options for cashing in on retirement schemes.

The *agreements for active management of investment funds* introduced the previous year have gone down remarkably well among customers. Under such agreements, customers delegate active management of their fund portfolio in the experts with member companies of the Financial Group. Apart from several asset-related campaigns and specific liability products, Ibercaja started marketing a deposit product called *Deposito Oro* in 2012. This is a structured deposit with a floating rate tied to the price of gold with guaranteed recovery in any case of 100% of the sum invested.

Investment advice is one of the most significant services provided to personal banking customers. Ibercaja has taken a further step to consolidate its leading position in customer guidance and quality of service by having its advisory services for personal banking customers certified to meet the ISO 22222:2010 standard, by the AENOR certifying agency.

BUSINESS AND GOVERNMENT

Corporate Banking

The corporate banking area has more than 55,700 customers. The larger businesses that engage in more complex operations are served by a team of about one hundred central office and corporate account managers supported by more than 200 network office managers to whom such customers are entrusted. The role of the members of that team is to provide solutions that meet the requirements of corporate customers and to give them comprehensive financial advice.

Ibercaja gives preference to supporting businesses as an essential driving force of the economy, making available products and tools they need to facilitate their management and growth. To meet all the requirements of Spanish SMEs the Bank constantly renews and makes adjustments in a wide range of products and services: financing of fixed assets and working capital, treasury management, insurance, leasing, factoring, hedging of interest rates…

Even though corporate customers have cut back noticeably on their capital investment projects, Ibercaja has played a noteworthy role in marketing the *Línea ICO Inversión 2012*. In a separate effort to support this campaign, the Bank launched an ultrasoft facility called *Prestamo Ultraligero*, in which customers are offered the possibility of borrowing at a lower rate of interest under the ICO line in exchange for agreeing to contract other products.

In the past few years, in order to mitigate the impact of falling domestic demand and sharpen its competitive edge, Ibercaja started or consolidated various overseas business processes. In 2012, a campaign was undertaken to increase the number of customers doing this type of business as well as the volume of overseas banking operations. A total of 89,973 operations, for 2,360 million euro, were carried out.

For the third year in a row, the Bank measured the quality of services provided to corporate customers by office and account managers. The average mark has been 8.62 points, better than that of 2011.

Retailers

Small retailers are especially suffering the economic crisis because of the decline in consumer spending, being forced out of business or confronted with shrinking turnover. Notwithstanding that, the trend in this area has taken a favorable turn, as the customer base has been preserved and the Bank has succeeded in strengthening links with them.

In July, a commercial drive was carried out to attract new retailers with a specific package featured by PoS Terminal offered under very competitive terms. In an innovative technological development, the Bank introduced a *Mobile PoS Terminal* service provided through smartphone devices, so those who pay calls on customers can accept card payments through their own mobile phone, in a simple and completely safe procedure.

The specific remote banking service *Ibercaja Directo Comercios* was enhanced and extended to facilitate the types of transactions usually carried out by retailers, and so was the *Inventa* application used by retailers to analyze their sales and carry out promotional actions. At the same time, a new section was introduced in the Business part of the Ibercaja website to enable retailers and professionals to find information on specific products and services they can use to carry on their business or trade.

Ibercaja has cooperation agreements in force with various province chambers of commerce, retailer associations and business organizations, under which the Bank provides financial services to their members under favorable terms.

Institutions and other Customer Groups

Ibercaja cooperates with the public authorities at the national and regional levels as a way of tapping a major source of business and at the same time helping customers in their dealings with the Administration, being one of the banks that processes a larger number of PIT returns with the Spanish Tax Agency (AEAT).

At the regional level, Ibercaja manages most of the taxes levied by the Regional Government of Aragon and cooperates with different bodies such as the Aragon Health Service, the Aragon Employment Institute, the Office of the Director for Families, etc. In addition, the Bank has cooperation agreements in force with other regional governments such as those of La Rioja, Catalonia, Castile Leon, Castile La Mancha, the Autonomous Region of Valencia, Navarre, Galicia and the Basque autonomous treasuries.

At the province and local levels, Ibercaja has agreements in force to collect taxes for the governments of Zaragoza, Huesca, Teruel and other provinces, as well as for a large number of local authorities. These tasks are largely performed through the comprehensive tax collection service *Servicio de Gestion Integral de Recaudación* (GIR), in which the authorities delegate the task of collecting taxes. The GIR reports on tax receipts online and in real time.

Ibercaja is actively taking part in the process of implementing the Digital Administration by the public authorities. Along with several payment gateways to facilitate payments over the internet, the Bank has developed a virtual PoS terminal through which taxes can be paid with cards over the Ibercaja website.

In the private sector, members of various groups such as professional associations, members of the civil service and employees of large companies as well as members of communities of real estate owners have benefited from a wide range of personalized services.

Farming Sector

As a result of its strong penetration in mainly farming areas within its traditional territory, the Bank has a range of products and services for farmers that has grown gradually over the years as a result of agreements made with major operators and agencies involved in the primary sector. In particular, Ibercaja assists farmers engaging in agriculture and livestock breeding in applying for public-sector aid in the framework of the Common Agricultural Policy (CAP). Specifically, more than 29,000 applications have been filed by customers in 2012 that will generate close to 200 million euro in income to be credited directly to their accounts.

As is the case with retailers, a section has been developed within the Ibercaja website tailored to the needs of farmers. In another development, the Group has undertaken a drive to market farm insurance, having arranged more than 6,000 policies covering weather risks threatening different crops in 2012.

3.2.2.The Financial Group

It was created in 1988 and is wholly owned by Ibercaja. Its member companies are specialized in investment funds, saving schemes, bank assurance, asset management and leasing-renting. The Group has become a prime player among Spanish financial entities because of its innovative ability and specialized offerings.

The Group has a wide range of products aimed at both retail and corporate customers. These products are marketed through the Ibercaja Banco office network to supplement the banking services offered by the Bank.

Despite the complicated situation seen in debt and equity markets, the Group has continued to enjoy the trust of investors who value the quality of its management. Thus, the Group has made significant progress in gaining market share on the investment fund, pension plan and life insurance markets.

The member companies of the Financial Group have contributed 210 million euro towards the consolidated profit.

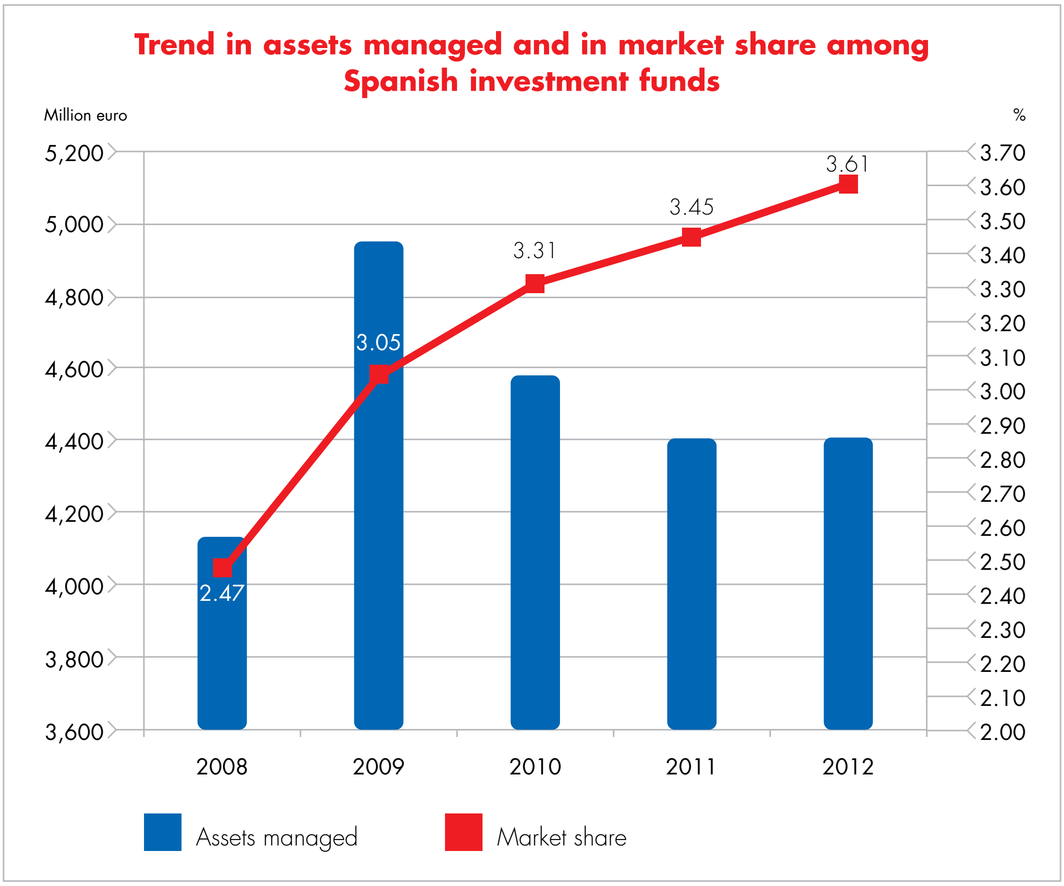
3.2.2.1. Ibercaja Gestion, SGIIC, S.A.

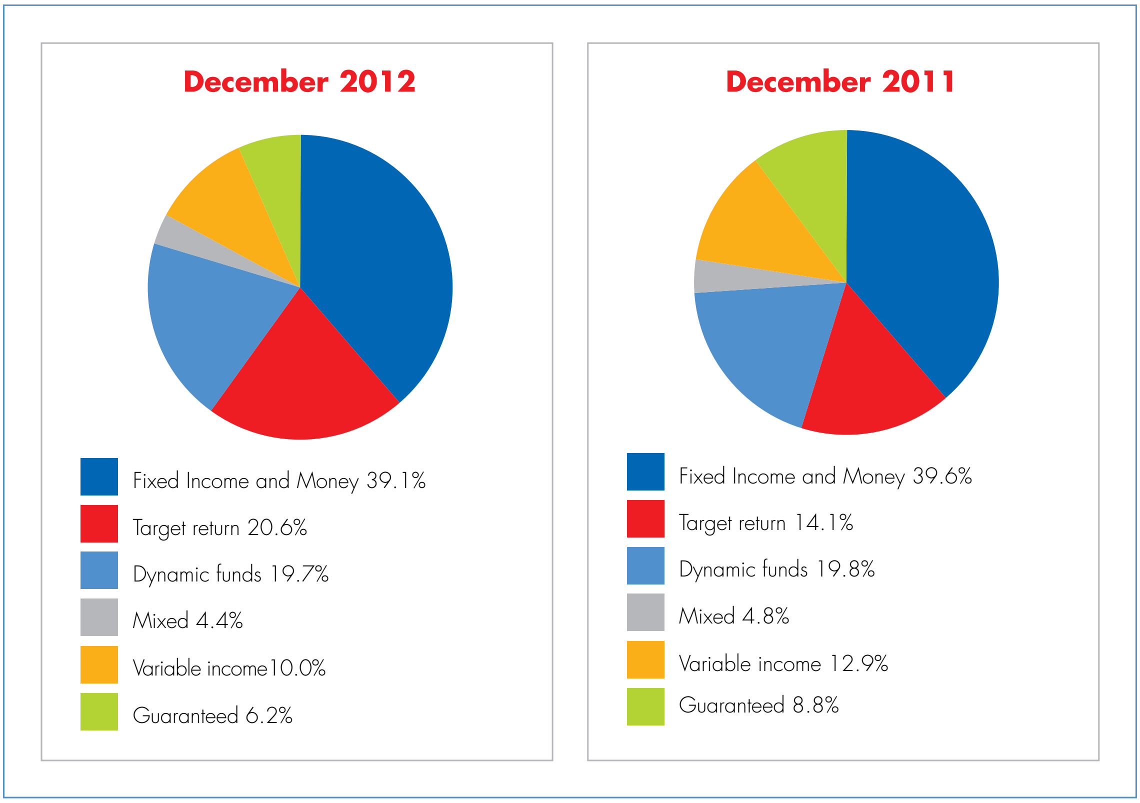
It is the mutual investment fund manager of the Group.

The adverse trend that has featured the performance of investment funds sector since the outbreak of the economic crisis continued in 2012. The assets managed by the whole system have shrunk by 4.26% reflecting competition from other products with attractive yields such as promissory notes, bank deposits and public debt instruments.

The total volume managed by the company was 4,412 million euro at the end of the year, up slightly (by 0.07%) from the previous year, in contrast with a fall in the volume managed by the system as a whole. As a result, the market share has risen by 16 basis points up to 3.61%, the largest share of the investment fund market achieved by the Ibercaja Group so far. The company ranks eighth among Spanish fund managers by volume of assets managed, and third among the best performing companies in the sector during the year.

The company offers a range of funds that are well suited for any market circumstances and to each investor profile. To anticipate customer requirements is one of the most remarkable aspects in management.





From the point of view of their asset structure, funds with a conservative profile, especially target return funds, have gained weight at the expense of equity funds, while the asset structure of dynamic funds has remained unchanged.

During the year, six new funds of the target-return-type have been formed. They invest on public and private debt. Two of them are index-linked with a fixed and predetermined return target and two redemption windows. The other four offer expected non-guaranteed returns within an investment horizon of between three and four years; besides their different time horizons, the difference between them is in the expected return that depends on the credit rating of their investment assets and therefore on the risk these involve.

A noteworthy development is the excellent performance of *Ibercaja BP Selección Global FI*, which has consolidated assets of more than 100 million euro. This global fund gives personal and private banking customers access to the best global funds of the principal managers around the world, benefiting from an open and guided 'architecture'.

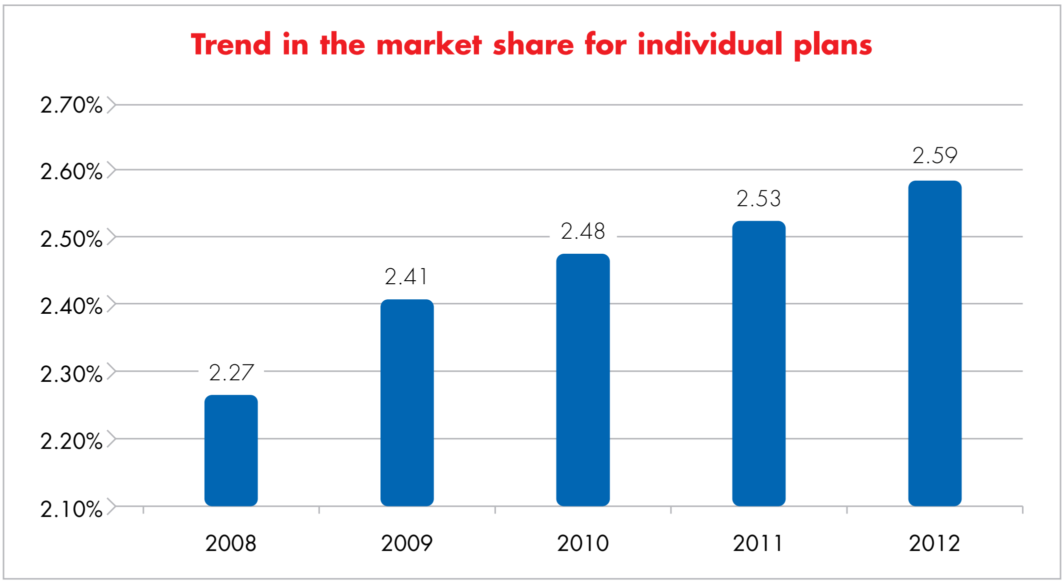
In addition to the 71 investment funds it manages, Ibercaja manages 15 open-ended investment companies called Sociedades de Inversión de Capital Variable (SICAV), with close to 65 million euro in assets.

Ibercaja received well-known awards during the year, for the management of its investment funds in 2011, competing with more than 250 domestic and overseas fund managers. *Ibercaja Capital Europa FI* has been acknowledged by Lipper (a company specializing on information and analysis of investment funds) as the best European mixed equity fund in the three-year term. The financial newspaper Expansion and Allfunds Bank have named the *Ibercaja Plus FI* fund the best in the category of euro short term fixed-income funds and the *Ibercaja Bolsa FI* fund has been a runner-up among those that invest in Spanish equity securities. For its part, Ibercaja Gestión has been rated by a specialist panel as one of the four best fund managers in Spain for the quality of its range of funds, service, commitment, degree of satisfaction of unit holders, image, and track record in the marketplace.

3.2.2.2. Ibercaja Pension, EGFP, S.A.

At the end of 2012 the assets managed by the pension fund and pension plan manager company was 4,800 million euro, including assets of employee and individual plans. Ibercaja Pension has retained the sixth place among its Spanish counterparts, having increased its market share up to 5.55%, four basis points higher than December 2011.

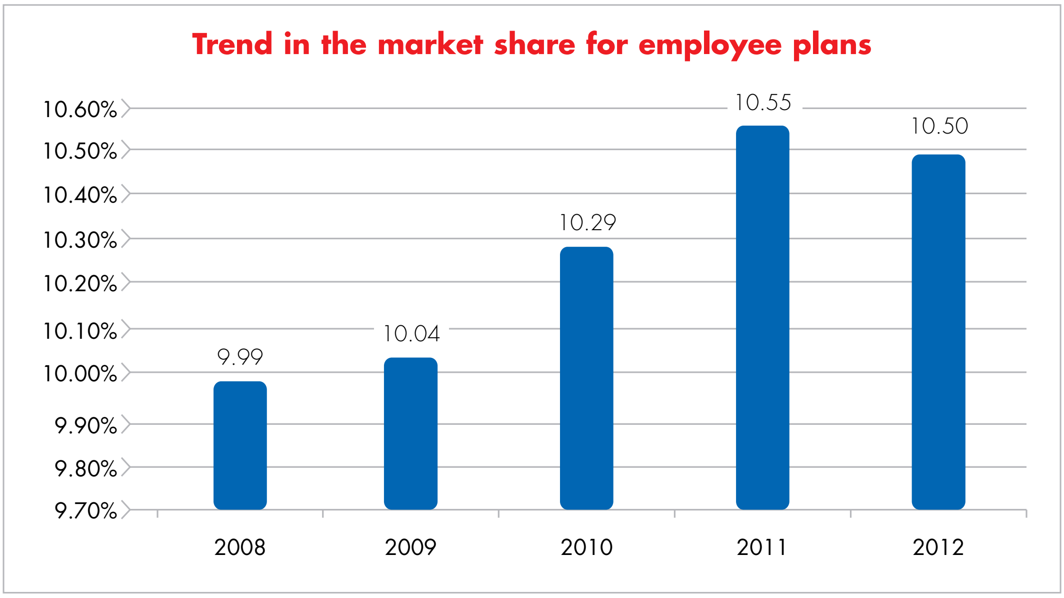
Assets managed under individual plans were 1,380 million euro and the market share in this segment grew six basis points up to 2.59%. The number of participants is 170,920.



In the course of the year, two new pension plans were created. These are aimed at customers who are more sensitive to risk and demand safety in particular. *Ibercaja Solidez 2012* is an 8-year guaranteed fund that guarantees 100% of the capital and a return of about 4%. *Ibercaja Protección 2012* is also a guaranteed fund, and is appropriate for conservative customers who will reach the age of retirement around 2020. It guarantees a minimum return of 33% of the nominal amount contributed up to the date of maturity and besides it offers a bonus for transfers and contributions in excess of 10,000 euro.

Because of the market picture, demand of guaranteed funds has grown, resulting in an increase in the assets managed for this type of plan. The rest of actively managed pension plans, however, continue to have a very significant weight: that of fixed-income funds is 37%, mixed funds 36%, and equity funds 13%.

The assets of employee funds amount 3,420 million euro. The market share in this segment is 10.50%, with the company ranking third among Spanish managers. There are 19 plans with 70,951 participants, including plans for major groups such as Endesa and Bank of Spain employees, public authorities of Aragon, and major local authorities throughout Spain.



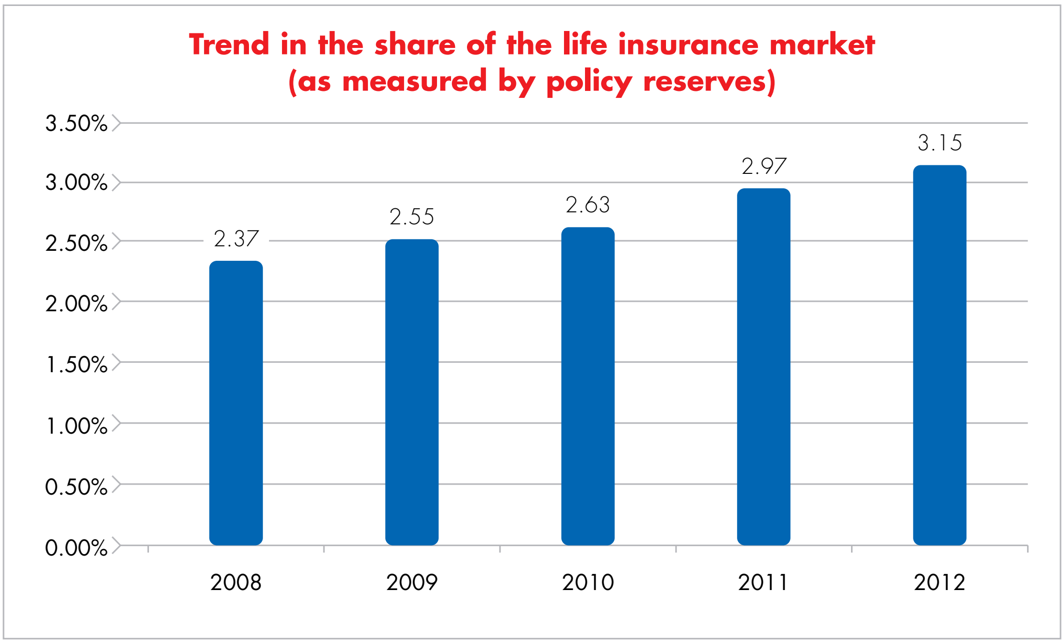
Ibercaja Pension has entered into an agreement to observe the United Nations Principles for Responsible Investment (UNPRI), the main set of international rules in this field. The purpose of the Principles is the investment community to take into account environmental protection, social and good corporate governance criteria in the investment selection process. The Principles are also aimed at ensuring that the investment policies of institutional investors make for more sustainable economic development. So far, only five Spanish manager companies have undertaken to observe the UNPRI. After executing the relevant agreement, the company has drawn up written guidelines of its own to document its socially responsible investment policy.

3.2.2.3. The Insurance Business of the Group

The Group's insurance business is carried out through two companies that operate in the life and non-life branches.

Ibercaja Vida Compañía de Seguros y Reaseguros SA, specializing in bank assurance, focuses on underwriting savings and investment insurance as well as on risk life insurance products for distributing through the office network.

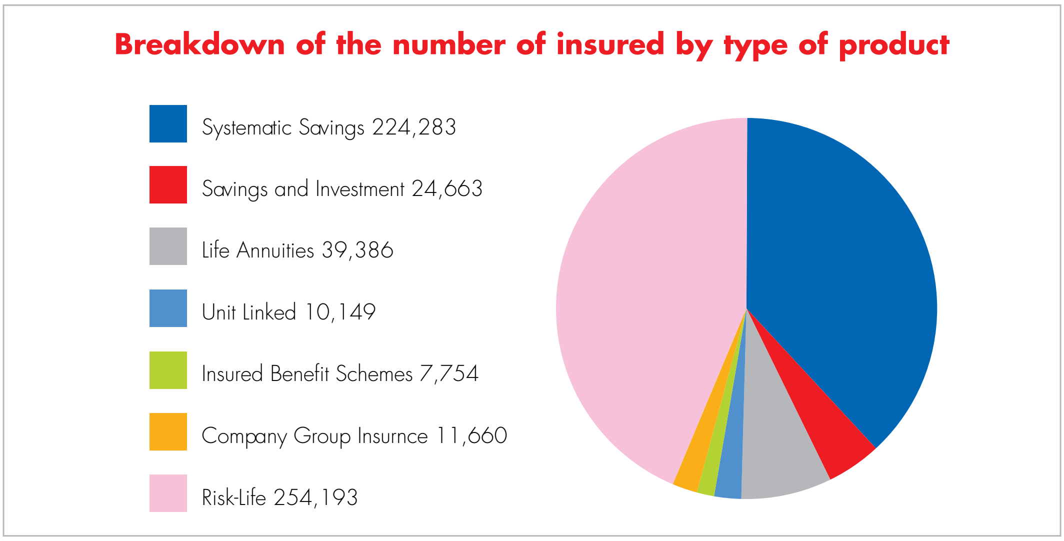
The volume of technical provisions was 4,919 million euro, having increased substantially, by 8%, well above the increase for the system as a whole, which has resulted in the company increasing its market share by 18 basis points, to 3.15%, over the past 12 months. This company now ranks seventh in the Spanish insurance sector according to the latest figures published by ICEA, having moved up from the ninth position at the end of 2011.



In terms of premiums collected, Ibercaja Vida ranked fifth among Spanish insurance companies, with a market share of 4.41%, and a volume of premiums of 1,159 million euro. The number of insurees was more than 572,000.

The excellent performance in this branch of business is based on the wide range of products offered and on the service provided to customers. The company has consolidated its leading position in individual systematic savings plans (ISSPs), with the insured assets having risen 24% and the market share reaching 18.9% in terms of the insured assets and by 16% in terms of the number of policies. A noteworthy point is the good performance of life annuities, that enjoy excellent acceptance. The number of insurees under this product is around 39,400 and volume grows by 17% annually.

Ibercaja Mediacion de Seguros, S.A. is the Group company operating as an intermediary in general insurance. It markets risk insurance policies for retail and corporate customers through the office network.



In 2012, business has continued to grow steadily despite a widespread decline in the insurance sector portfolio. Recurring income has increased by more than 7.6%, with a fall in some branches such as those relating to the construction industry and those linked to loans being offset through various promotional offers.

The company successfully conducted two direct multi-channel marketing campaigns to sell home and risk life insurance to selected groups of customers. Automobile insurance was offered at a discount to customers holding home insurance policies. Two new insurance products were placed on the market: a health care insurance policy at lower premiums, and a policy covering civil liability and damage relating to cattle. Improvements were made in the insurance policies for communities of real estate owners and for leasing of machinery.

The risk insurance portfolio managed by Ibercaja Mediacion generated 139 million euro in premiums. The total number of policies stood at 709,550. The best performance was seen in farm, general civil liability, payment protection and accident insurance.

In December, 2012, Ibercaja concluded an exclusive distribution agreement for non-life insurance with Caser. This is expected to lead to enhanced commercial opportunities and contribute towards a further increase in the insurance business as from 2013.

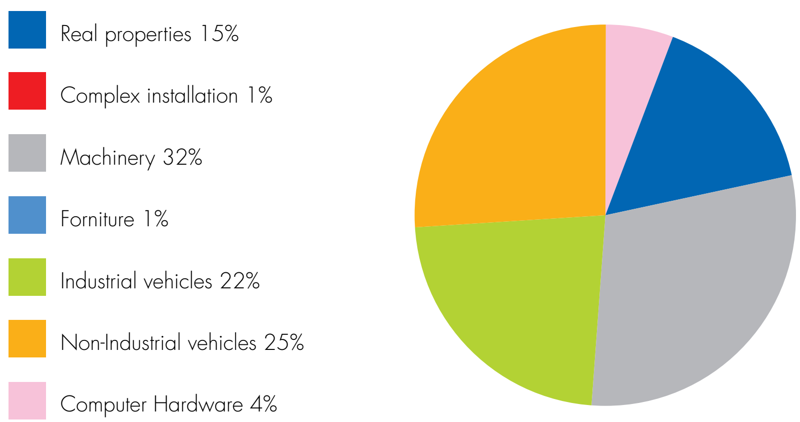
3.2.2.4. Ibercaja Leasing y Financiación, S.A., E.F.C.

A specialized company in financing business activities through leasing and renting operations. The company makes available to the Ibercaja office network specific products that enable SMEs and professionals to finance investments in fixed assets and to hold items on property under operating leases.

The protracted economic crisis has had a very adverse impact on businesses, resulting in a strong decline in spending on capital goods. The demand for financing such goods shrank once again in 2012, so the risk exposure of the leasing sector in Spain has fallen by 18%.

Ibercaja Leasing made 1,166 new agreements involving a total investment of 48 million euro during the year. Of the new agreements, 47% have been for vehicles, 32% for machinery, 15% for real properties and the rest for electronic data processing equipment and furniture. The average amount of each agreement has been 41,400 euro, slightly less than the average figure in 2011.

Breakdown of leasing agreements made in 2012



Investments outstanding were down up to 213 million euro, declining by 11% from the end of the previous year, having fallen less than the average for the system as a whole.

The delinquency rate, at 6.12%, is lower than the average sector, and the rate of coverage of overdue balances is 82.8%.

In operational leasing of vehicles (renting), the active fleet at the close of the period was 1,162 vehicles, having fallen 4.1% from the end of 2011 and less than the average for the sector that was close to 7.6%.

3.2.2.5. Ibercaja Patrimonios, SGC, S.A.

This is the portfolio manager company that handles the private banking business of the Group. The company offers investment opportunities to customers with substantial financial assets, providing a specialist and quality service tailored to meet the needs of the individual customers.

At the end of 2012, the volume of assets under discretionary or advisory management by the company was 1,732 million euro. These assets grew close to 8% over the year. Besides, the number of family groups receiving private banking services from the company rose 5.6% to 2,918.

By type of service, portfolios under discretionary management arrangements made up 42.5% of the total volume of assets, with the average volume per agreement being 572,000 euro. The return on portfolios under discretionary management exceeded the objective fixed for each risk profile, a very good result considering the gyrations seen in debt and equity markets in the past two years.

In 2012, Ibercaja Patrimonios successfully developed the service launched the previous year, aimed at all network customers, for actively managing investment fund portfolios designed according to the customer's objective in each case. Customers thus benefit from adequate composition and diversification of the basket and achieve an optimal return. The asset managers also support the network offices by training their staff on financial markets and on providing advisory services on investments to their customers.

The commercial structure is made up of six branch offices situated in Madrid (2 offices), Zaragoza, Logroño, Barcelona and Valencia. Besides, there are points attending to customers in Guadalajara, Huesca, Teruel and Pamplona.

3.2.3. Diversifying into other Lines of Business

A) Operations in Capital Markets

The protracted sovereign debt crisis, the downward pull on private sector debt of the lower credit rating of the Kingdom of Spain and doubts over the soundness of the financial system have tightened the terms of financing of Spanish entities. Only the bigger banks have been able to borrow on the open market, and such borrowings have taken place mainly during certain window periods in the first quarter of the year, in September and, once only, in November.

In this context, financing of the majority of lending entities has been based on tapping Eurosystem resources, which have significantly mitigated the liquidity problems and have enabled those entities to meet maturities quite comfortably. In two special three-year borrowing operations carried out in December 2011 and February 2012, the sector as a whole raised 320,000 million euro. Ibercaja took 2,500 million or 0.78% of the total amount, a percentage far away from the 2% to which it would have been entitled by market share.

The Bank's efforts in this area have concentrated basically on ensuring the availability of on-balance sheet liquid resources, on managing the portfolios of fixed-income and equity securities, on planning issues and repurchases of securities as well as on hedging the risk of structured and other deposits.

In January, 2012, with the prior approval of the Bank of Spain, Ibercaja redeemed ahead of maturity subordinated debt held by retail customers for a nominal amount of 75 million euro.

Through various deals in which Ibercaja offered to repurchase preference shares from qualified customers, the Bank has redeemed 141.55 million euro of the first issue of October, 2006. Thus, the balance outstanding of preference shares at the close of 2012 was 8.45 million euro. To improve the management of assets and strengthen the balance sheet, Ibercaja made a public offer to repurchase subordinated debt and securitization instruments from their holders in November. The amount repurchased was 646 million out of a nominal 2,690 million.

Because of the closure of wholesale markets the mortgage bonds issued by Ibercaja during the year, in the amount of 2,300 million, have been kept totally on the balance sheet for use as collateral in borrowings from the Eurosystem.

With respect to short-term financing, the second Ibercaja Banco promissory notes program for 1,000 million euro, which may be increased to 1,500 million, was registered in September. At the close of the year the balance outstanding was 1,277 million euro.

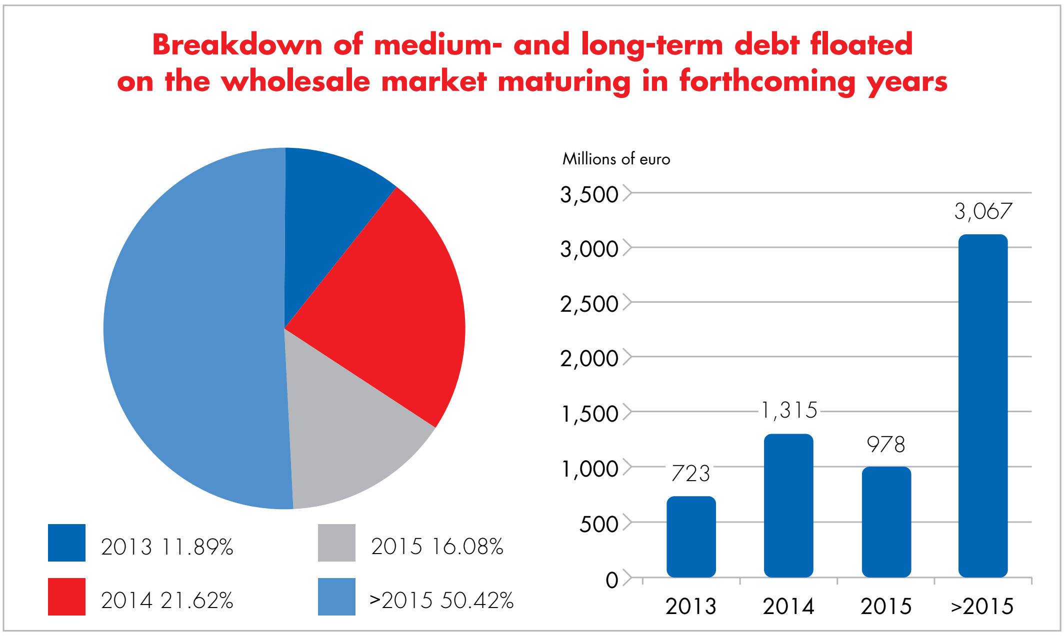
The institutional issues that matured during the year included 750 million in mortgage bonds, of which 300 million were held by the Bank's treasury, and 700 million in senior debt.

Ibercaja manages liquidity by diversifying the sources of funds with a prudent and balanced approach, anticipating requirements so as not to curtail investment activity. In 2012, Ibercaja has maintained a comfortable position, with the liquidity available at the close of the year, according to statements drawn up pursuant to Bank of Spain rules, being 5,467 million euro or 12.24% of the total balance sheet figure.

The capacity to issue mortgage and territorial bonds is 3,918 million euro. The degree of over-collateralization, measured by the portfolio of eligible assets as a percentage of outstanding mortgage bonds, is 176.72%, well above the statutory minimum of 125% and in line with the average for all Spanish financial entities.

In a context of strong competition for retail deposits, these remained the most significant source of borrowed funds, at 62% of the total, evidencing the close links and trust that the Bank enjoys with its extensive customer base. The loan to retail deposits ratio remained at a satisfactory level again.

The wholesale borrowing ratio or percentage of borrowings consisting of funds rose in institutional markets net of liquid assets, is 17.75%. With respect to medium- and long-term issues placed on wholesale markets, the aggregate amount of those maturing in 2013 is comparatively small, 723 million euro, and the rest of maturities are spread evenly in terms of both types of instruments and maturity dates, up to 2025.



Note: includes mortgage bonds, senior debt, subordinated debt and preference shares.

The portfolio of fixed-income securities and equity shares, at 11,040 million euro, was equal to 24.72% of the consolidated balance sheet figure, and was up 2,024 million euro from the end of the previous year. The increase was concentrated basically in fixed-income securities. Ibercaja attended the ECB three-year liquidity auctions, having invested part of the funds in debt issued by Spanish public authorities.

Available-for-sale financial assets, at 6,645 million euro, made up the bulk -60.19%- of the total. Held-to-maturity investments, at 3,821 million, accounted for 34.61%, having shown the greatest increase -1,573 million euro- over the year. In the course of 2012, 1,106 million euro in assets have been reclassified from available-for-sale financial assets to held-to-maturity investments.

By type of asset, fixed-income securities -basically Spanish public debt- were 94.23% or 10,402 million euro, up 2,170 million euro from the end of the previous year. Equity security holdings in Spanish and foreign companies were 637 million euro. The change seen in this figure over the year reflects disinvestments made with the aim of realizing gains in value in the portfolio.

Portfolio of Investments

	Balance		Increase
	Euro '000	Share (%)	Euro '000
Held for trading	2,132	0.02	–7,542
Debt securities	2,132	0.02	–6,611
Equity instruments	0	0.00	–931
Other financial assets at fair value through profit or loss	113,274	1.03	–3,980
Debt securities	57,556	0.52	–590
Other equity instruments	55,718	0.50	–3,390
Available-for-sale financial assets	6,644,655	60.19	480,751
Debt securities	6,241,581	56.54	586,838
Other equity instruments	403,074	3.65	–106,087
Loans and receivables	280,298	2.54	17,543
Debt securities	280,298	2.54	17,543
Held-to-maturity investments	3,820,919	34.61	1,573,271
Shareholdings	178,279	1.61	–36,516
SECURITIES PORTFOLIO	11,039,557	100.00	2,023,527
Portfolio of fixed-income securities	*10,402,486*	*94.23*	*2,170,451*
Portfolio of equity securities	*637,071*	*5.77*	*–146,924*
– Stocks	178,279	1.61	–36,516
– Other	458,792	4.16	–110,408

The capital market unit has hedged the structured deposits marketed through the Ibercaja office network. Besides, it has distributed hedging products that enable customers, mainly corporate customers, to protect themselves against certain business risks such as interest rate movements and fluctuations in foreign exchange rates.

B) Shareholdings

The Ibercaja Group owns shareholdings in various industries such as tourism, real estate, the media, logistics, services and other areas of business. The purpose of these investments is to support businesses, particularly SMEs, in projects that help to create wealth and jobs in the areas where it operates.

The investments held in manufacturing and services are spread among 87 undertakings that operate in different areas of business. The idea is to diversify to avoid a concentration of risks, so the weight of the amounts invested in the different sectors is well balanced. Investments in the financial and insurance sectors make up 24,65% of the total, followed by the media with 19.47%, the tourist sector with 19.24%, while venture capital investments make up 18.96%. The rest are investments in the manufacturing, logistics and other sectors.

Given the overall economic picture Ibercaja took a prudent approach towards such investments during the year. The portfolio grew mainly through selective investments in tourist undertakings in which Ibercaja already owned shareholdings and in venture capital projects. The disinvestment took place in Casting Ros, a company has created new job opportunities in a depressed mining area, once the strategic objective was achieved.

In the real estate industry, Ibercaja supported developers traditionally tied to the Entity, so that they could complete development projects under way. To that end, Ibercaja maintained its investment in the Arcosur and Cerro de Mahi projects in Zaragoza. The main disinvestment in this segment was the sale of the shareholding in Iberoca SL, which took place once its developments in Mostoles and Alcala de Henares had been mostly completed and sold.

3.3. SERVICE QUALITY

The business model of Ibercaja is based on promoting continuous improvement in the quality of all of its business processes. Ibercaja seeks to offer customers personalized and innovative services tailored to their needs, taking as a reference the model of the *European Foundation for Quality Management* (EFQM) which values, besides the implementation of new management systems, methods and practices, the continuous improvement of existing ones.

In 2011, Ibercaja underwent the biannual evaluation to renew the European 500+ Seal of Excellence, having obtained a mark of more than 600 points. This award earned by very few organizations is the highest given to undertakings managed according to the standards of the EFQM model.

In 2012, the Customer Experience Management System has been implemented in each of the strategic segments of Ibercaja: retail, personal and corporate banking. This system is designed to promote, coordinate and facilitate the use of methods to ensure the human means, products, processes, technology and culture are aimed to achieve customer satisfaction and to strengthen the trust, loyalty and links of customers with Ibercaja. To implement the system, more than 50,000 telephonic interviews were carried out in order to learn how customers perceive their relationship with the Bank and to identify areas open to improvement. The score regarding the average general degree satisfaction of customers was 8.20 points out of 10, and that for loyalty was more than 77%. Even though these are good results, Ibercaja is aware of the need to make steady efforts to improve, as the only way of retaining its outstanding position in the marketplace.

CUSTOMER SURVEYS

SATISFACTION	Retail	Personal	Corporate
General satisfaction with the office	8.35	8.58	8.62
General satisfaction with Ibercaja	8.25	8.43	7.94
Satisfied customers (%)	60.2%	65.4%	58%
RECOMMENDING AND LOYALTY	**Retail**	**Personal**	**Corporate**
Recommendation Index (NPS)	30.7%	37.2%	27%
Loyal customers (%)	75.8%	79.5%	77%

Besides, an 'expert observation' exercise has been carried out. This is an audit of the quality of commercial processes and interest for customers. It is used to check on the level of service given by offices to prospective customers with specific requirements. The aspects evaluated in that respect are how appropriate is the service or product offered in response and the information provided to the prospective customer, as well as other indicators such as: affability, closeness, waiting time, privacy and discretion. In 2012, the relevant sample has been taken by visiting 703 branch offices, and the results reflect a high level of quality.

EXPERT OBSERVATION	
COMMERCIAL PROCESS	8.43
Finding out what the customer requires	8.48
Products offered	8.97
Explaining the products	8.23
INTEREST SHOWN IN THE CUSTOMER	8.20
Amiability and closeness	8.36
Managing customer waiting time	7.93
Privacy and discretion	8.27

Service to personal banking customers is a strategic matter for Ibercaja. These appreciate investment advice in particular. Ibercaja is a leading entity among those noted for being customer-oriented and for service quality. To strengthen these aspects, Ibercaja has taken a further step and has become the only financial entity offering certified advisory services to its personal banking customers. The certification awarded by the Spanish standardization and certification society AENOR *(Asociación Española de Normalizacion y Certificación)* is based on the ISO 22222:2010 standard on *Personal financial planning - Requirements for personal financial planners*. This international standard defines the process of giving advice on managing assets and specifies the requirements to be met by asset management advisors regarding their ethical behavior, competence and experience. The certification highlights the value of the personal banking services provided by Ibercaja and will bring about a higher degree of satisfaction and loyalty on the part of customers in this segment.

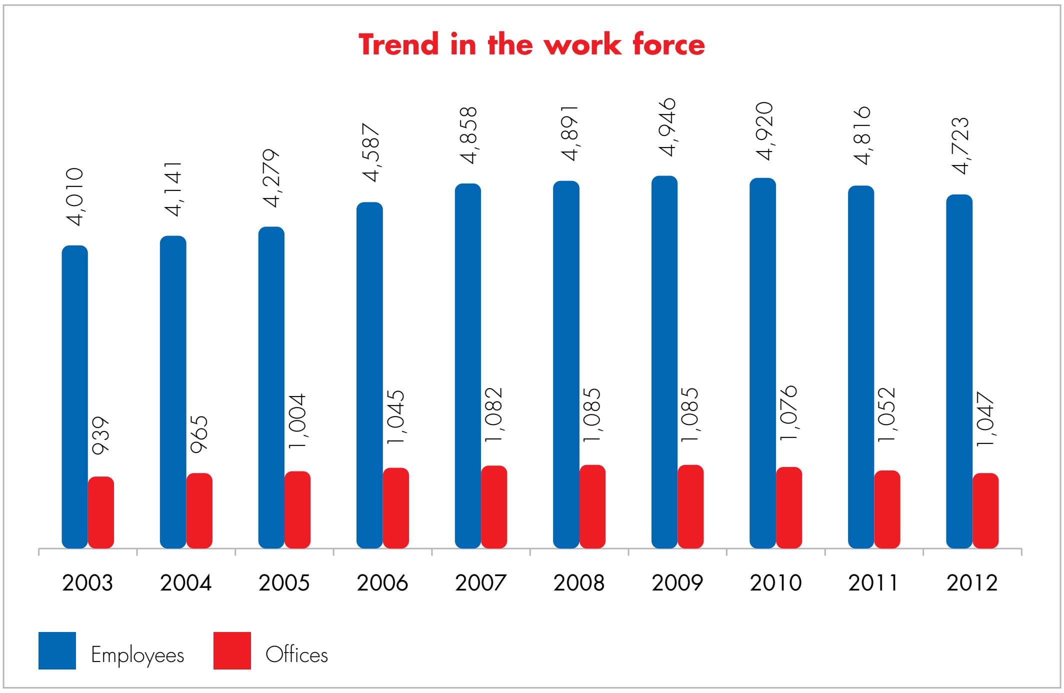
Also, Ibercaja has passed the Environmental Management Certification required by the ISO 14001 standard during the last year.

4 EMPLOYEES

Human capital is the most important asset of any financial entity. Ibercaja continuously strives to promote their qualification, professional standing and motivation in order to respond to the requirements of the business and of the market. The governing principles of human resources policy are to strictly respect the law, to seek a dialogue with labor and government representatives, to have fluid in-house communication, to ensure equal opportunity, and a commitment to reconcile work with family life as well as the career development of employees.

4.1. TREND AND PROFILE OF THE WORK FORCE

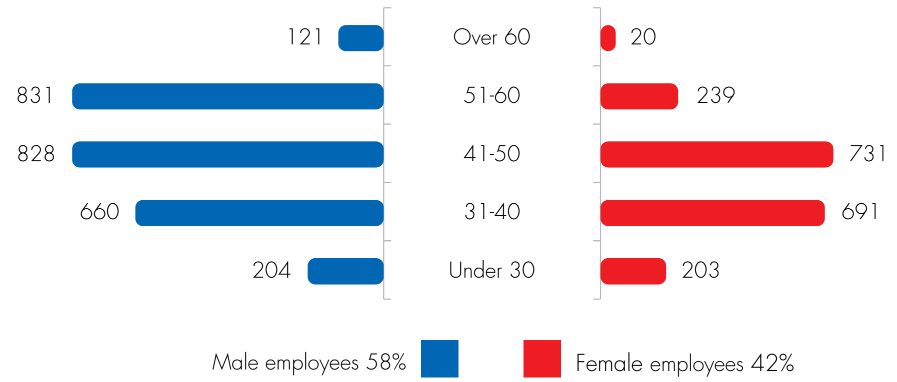
At the end of 2012, there were 5,229 individuals on payroll with the Ibercaja Banco Group, 4,723 of whom worked with the parent company. The latter figure included 195 semi-retired employees.



(Not including in 2012, 16 employees on payroll with Ibercaja)

Those working with Ibercaja Banco under open-ended employment agreements made up 95% of the total. The average seniority of those at work, not including semi-retired employees, was 18 years, and their average age was 44. Of the total number of employees, 58% were men and 42% were women. The percentage of female employees increased significantly in the past few years, to 51% of the employees who are under 40.

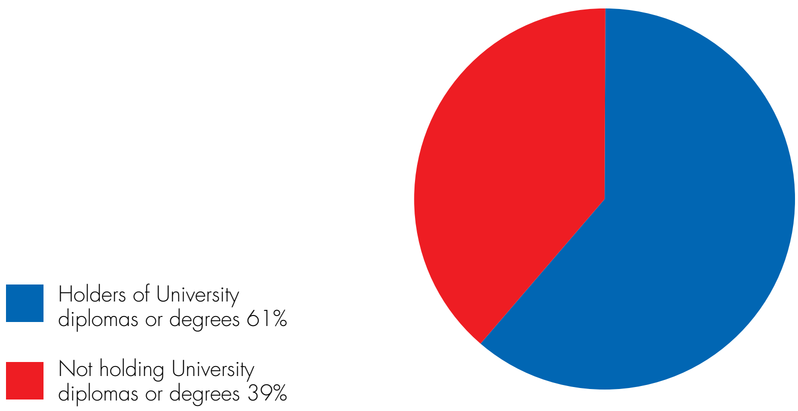
Breakdown of the work force by age and by gender



(The figures do not include semi-retired employees)

As for their academic qualifications, 61% of the employees have a University education and hold mainly degrees in Business, Economics, Law and Business Administration.

Work force qualifications



(Not including semi-retired employees)

The *performance and skill evaluation system* has been used to evaluate 3,462 individuals, 80% of those employed under open-ended contracts, in 2012. Self-evaluations by the employees themselves and the evaluations of teams by those in charge of each team yield analyses that can be used to identify, by comparing them and bringing together the information thus obtained, the areas that are open to improvement, as well as to design career development programs for the individual employees.

There are 685 individuals in all assigned to the professional career plans currently in force, central services and office managers as well as corporate and personal banking account managers, of whom 119 have been promoted to higher levels according to the criteria defined in each of the professional career plans. In the course of the year, a total of 197 individuals have been appointed to manager positions in the office network, 35 have been appointed as personal banking managers and 41 as customer and corporate account managers. The relevant vacant positions are filled according to standards of transparency and fairness.

Ibercaja has a human resources policy that actively seeks to ensure equal opportunity and non-discrimination by reason of the gender of employees. The aim is to gradually achieve a balanced composition of the work force among men and women at all occupational levels. The presence of women in positions of responsibility within the office network has increased substantially in the past few years, to about 22% among managers, 50% among deputy managers, and 56% among personal banking managers.

In order to ease the worklife balance, employees are entitled to various types of benefits such as leaves of absence, a reduced workday, maternity leave or leave to take care of family members. In the past 12 months, 162 employees have enjoyed such benefits.

4.2. TRAINING AND EDUCATION

The aim of training programs is to promote the career development of the individuals on payroll and to help meet the requirements that arise in the highly dynamic banking business environment.

The training plan for 2012 has been based on different programs and actions designed for the different sources of business: Universal Banking, Personal Banking, Corporate Banking and the central services, combining training activities attended by the employees in person with distance training.

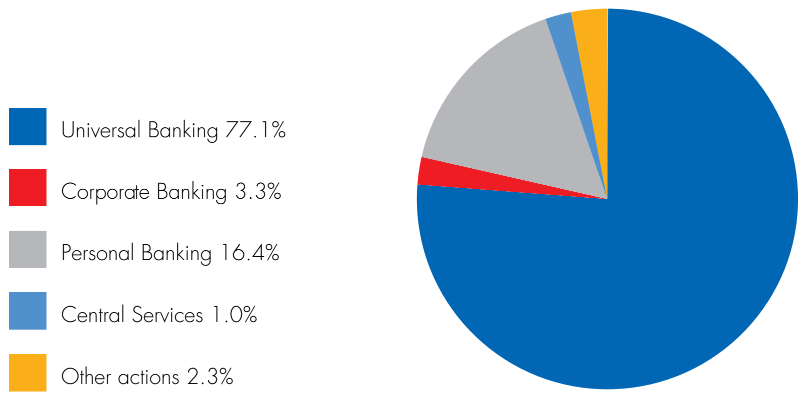
The Ibercampus digital platform has consolidated as the principal tool for conveying knowledge. The new curriculum has enabled more than 3,900 employees to acquire solid knowledge in key fields for their work: risks, asset management, attracting and retaining customers, people management... In a noteworthy development, an extensive credit risk management curriculum has been added. The purpose of this is for employees to expand their knowledge in connection with the analysis and granting of credit well as following up on credit risks, and the warning signals of circumstances that may adversely affect the quality of the risk.

For one more year, a nine-month Advanced Course on European Financial Counseling and Asset Management, attended by 75 employees, was taught in cooperation with the Polytechnic University of Valencia.

Ibercaja has 18 cooperation agreements in force with various Spanish universities. During 2012, 176 university students who are taking courses relating to the financial business have done practical work at Ibercaja offices.

On balance for the year, 1,611 individuals (36% of those on payroll) have taken part in training actions in person and 3,919 have taken distance courses, with 200,000 hours of training being provided in all.

Breakdown of the number of hours of training by business source



DEMOGRAPHICS

Total number of employees: **4,723** (including 232 temporary and 222 semi-retired)

Employees of Ibercaja Banco working under open-ended labor contracts: **4,296**

Average age of employees on payroll (excluding semi-retired employees): **44**

Average seniority of employees on payroll (excluding semi-retired employees): **18**

Gender: **58% male – 42% female**

Breakdown by type of office (excluding semi-retired employees): **85% Network** (3,869 individuals) and **15% Central Services** (659 individuals)

TURNOVER

Resignations among those working under open-ended contracts: **0**

Terminated: **7**

Fired: **5**

Disabilities: **7**

Retiring early or on reaching the legal age: **9**

Deceased: **1**

WORK FORCE QUALIFICATIONS

Holders of higher education degrees: **61%** of those on payroll

Not holding higher education degrees: **39%** of those on payroll

CAREER DEVELOPMENT

Appointed as Network office managers: **197**

Appointed as Personal Banking Managers: **35**

Appointed as Customer and Corporate Account Managers: **41**

Promoted to a higher category: **500** (Men: 256 – Women: 244)

Evaluation of Performance and Skills: **3,462** individuals evaluated

Employees under career plans: **685**

Employees promoted under career plans: **119** (Men: 56 – Women: 63)

TRAINING

No. of employees attending in-person training actions: **1,611** (36% of work force)

No. of employees involved in distance training actions: **3,919** (87% of work force)

Of the total number of hours of training courses, 94% were distance training.

RECONCILING WORK WITH FAMILY LIFE

No. taking maternity/paternity leave: **26** (Men: 0 – Women: 26)

No. taking leaves to take care of family members: **5** (Men: 1 – Women: 4)

No. on reduced working time (new or extended: **131** (Men: 4 – Women: 127)

5 TECHNOLOGY RESOURCES

Ibercaja strives to continuously innovate to respond to changing requirements of the business and of its customers as well as to improve working methods and thus increase operating efficiency. It is noteworthy the efforts made to boost remote banking and facilitate customer relations and service through new alternative channels that do not require their presence at an office.

During 2012, new systems have been implemented and the technology used has been improved to optimize existing systems. Some of the main steps taken to increase internal and organizational efficiency have been:

- **The Comprehensive Customer Guidance System (Sistema Integrado de Orientación Comercial - SIOC):** as part of the project undertaken in 2009, which is scheduled to continue in subsequent years, improvements have been made in the performance reports and in calculating the returns on customer portfolios. At the same time, simulators of savings and pension product schemes have been incorporated to back investment proposals made by the account managers at network offices. In the first half of 2013, a pension plan redemption tool and a tool to provide commercial guidance on credit cards are scheduled to be commissioned.
- **The Multi-channel CRM System:** this overall commercial management application has been completed in 2012 by updating the commercial planner and the customer explorer. The application helps to steer commercial actions in the right direction through the most suitable channels.
- **The Integral Risk Program:** this is aimed at improving the management and assessment of risks to which the Group is exposed according to the new Basle III regulatory framework.
- **Real estate management:** an application that ensures consistent management and streamlines the marketing by all units of the real properties held for sale by the Group.
- **Litigation management:** this application, linked to other operational applications, is used to follow up on proceedings before the courts of law.

The most noteworthy actions to improve communications with customers and the multi-channel service have been:

- Making available to Ibercaja customers a digital platform that can be accessed through smart phones and tablets. Initially, this platform allows carrying out about 80% of the financial transactions normally carried out *through Ibercaja Directo*, and work is under way to adapt the securities broker and on new functionalities that are expected to become available for use by customers in the first quarter of 2013.

6 SOLVENCY AND THE QUALITY OF ASSETS

On September 28, 2012, the Ministry of Economy and Competitiveness and the Bank of Spain published the results of an evaluation of the capital requirements of the Spanish banking system in light of the stress tests performed by the consulting firm Oliver Wyman. According to these results, given the baseline macro-economic scenario used in the tests, Ibercaja had a capital surplus of 389 million euro, and in the adverse scenario the extra capital it needed was 226 million euro, equal to 1.02% of the risk-weighted assets. Besides, the principal capital requirement for all entities was unified under Royal Order-in-Council No. 24/2012, of August 31, 2012, effective as from January 1, 2013, at 9% of the risk-weighted exposure of entities, and the definition of principal capital was amended to meet the standard set by the EBA (European Banking Authority).

Ibercaja Banco submitted to the Bank of Spain a recapitalization plan to cover the shortfall as determined in the stress tests and to raise the principal capital to an amount equal to 9% of its risk-weighted assets at December 31, 2012, after funding the reserves required by Royal Order-in-Council 2/2012 and Royal Order-in-Council 18/2012. In the plan, which was approved by the Bank of Spain and the responsible European Commission services, Ibercaja undertook to reinforce its capital with internally generated profits without having to resort to aid from the public authorities.

The main actions that have enabled Ibercaja Banco to complete the re-capitalization process successfully have been: the repurchase of own items issued, the realization of gains in value of securities in its portfolio, the sale & lease-back of some offices, an exclusive insurance distribution agreement, the assignment of the depository or trustee business, and the sale of part of its portfolio of non-performing loans. These operations have had an impact of close to 250 million euro on the Bank's capital. The strategic nature of these operations has been borne in mind at all times in order to protect the main sources of recurring income. Besides, Ibercaja Banco has carried out an increase in capital of 144 million out of freely disposable reserves stemming from a revaluation or restatement operation.

The total eligible equity of the Ibercaja Banco Group was 2,189 million euro, bringing the solvency ratio to 11.29%, at the end of 2012.

Risk-weighted assets were 19.393 million euro. These fell from 2011 because of the trend in lending and of management of the asset structure.

The principal capital ratio as defined in Royal Order-in-Council 24/2012 was 10.40% of risk-weighted assets, so the excess over 9% was 272 million euro.

The basic own funds or Tier I equity figure was 2,026 million euro, equal to 10.45% of risk-weighted assets. Second-tier funds were 163 million euro, so the Tier II ratio was 0.84%.

Solvency of the Ibercaja Banco Group

(Thousand euros)	December 2012
Eligible equity	2,189,218
– Principal capital as per ROC 2/2011	2,106,149
– Principal capital as per ROC 24/2012	2,017,769
– Basic own funds (Tier I)	2,026,192
– Second-tier own funds (Tier II)	163,029
Risk-weighted assets	19,393,438
Solvency ratio (%)	11.29
– *Principal capital* (%) as per ROC 2/2011	10.86
– *Principal capital* (%) as per ROC 24/2012	10.40
– Tier I (%)	10.45
– Tier II (%)	0.84

The credit rating of major Spanish financial entities has been dragged down by the successive adjustments in the rating of Kingdom of Spain debt, the adverse Spanish economic environment, and the not quite favorable outlook for the Spanish financial system. In the process, Moody´s has given Ibercaja Banco long-term bonds a credit rating of "Ba2", and Standard & Poor´s one of "BB+".

Credit rating of Ibercaja Banco SAU:

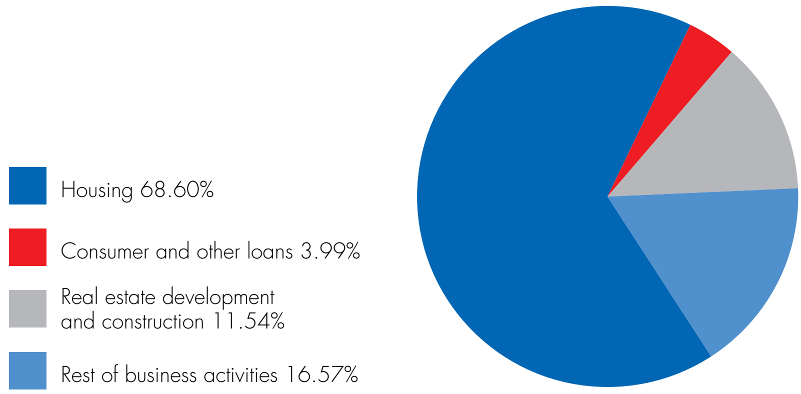
	Short term	Long term
Moody's	NP	Ba2
Standard & Poor's	B	BB+

The Group's exposure to credit risk is equal to 69% of the consolidated balance sheet figure and to more than 90% of the capital requirement.

Financing of households, equal to 72.59% of loans and advances to private-sector customers residing in Spain, has been mostly (94.50%) for the purpose of acquiring homes. Nearly all of these (90.64%) have been first homes, and 99.26% of the portfolio is secured with mortgages. The LTV ratio, in terms of the loans outstanding as a percentage of the latest appraisal value of the mortgaged properties, is 60.60%. The LTV for 89.22% of the total portfolio of mortgage loans for buying homes is less than 80%. These investments are well spread out territorially, although as Ibercaja operates mainly in its original territory (Aragon, La Rioja and Guadalajara) and in Madrid, 60.37% are concentrated in these areas. The average amount of these loans is 78,735 euro and the figure has fallen in the past few years reflecting the easier trend in prices of homes.

Loans and advances to corporate customers make up 27.41% of the Group's portfolio. Those to real estate developers are 3,511 million euro, down 14.16% from the end of the previous year. Among those secured with mortgages, which are 99.87% of the total, 47.66% are backed by finished buildings, 14,05% by developments under way, and the rest by mainly urban plots of land. Loans and advances to finance business activities other than real estate development have a weight of 15.87% in the portfolio, and have been granted mainly to SMEs operating in a wide range of different sectors.

Group loans and advances to customers - breakdown by purpose

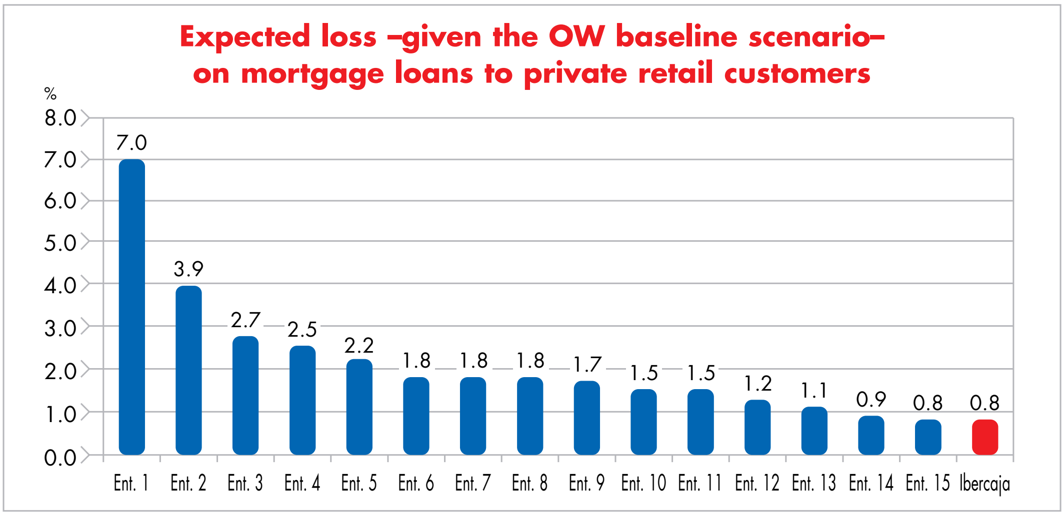


The delinquency ratio for the Group was 5.48% at the end of 2012, 5.10 percentage points lower than that for deposit-taking entities as a whole. The delinquency ratio in loans to households for purchasing homes, which account for the bulk of loans granted by Ibercaja, was 1.77%.

The recent audit by Oliver Wyman brought to light the quality of Ibercaja's loan portfolio. The firm estimated the expected loss on the total loans and advances of Ibercaja to be lower than that for the system as a whole, given either the baseline scenario (5.3% against 9.0%) or the adverse scenario (9.7% against 14.6%). The difference arises mainly from the mortgage-backed loans to private retail customers, those having the greatest weight in the portfolio, where the expected loss is in the lower part of the range, while the expected loss on the rest of the loans, for real estate development, other business activities, and consumer loans, in no case exceed the average for the system.

Expected loss according to the stress testing exercise by Oliver Wyman

(%)	EL in baseline scenario			EL in worst case scenario		
		Whole System			Whole System	
	Ibercaja	Average	Min-Max	Ibercaja	Average	Min-Max.
Credit portfolio	5.3	9.0	3.6-18.2	9.7	14.6	6.5-27.1
Real estate developers	22.7	28.6	21.0-36.9	40.4	42.8	34.8-51.7
Rest of business activities	8.4	8.5	5.3-18.0	13.7	13.7	9.4-26.0
Mortgage loans to retail private clients	0.8	1.8	0.8-7.0	2.4	4.1	2.1-12.5
Other loans to retail private customers	10.3	11.8	4.6-30.3	15.0	18.6	7.8-41.5
Repossessed assets	58.2	55.5	50.8-60.5	65.6	63.4	59.5-70.4
Plots	70.8	72.0	68.2-76.8	77.4	79.7	75.3-84.8
Developments under way	56.7	56.0	52.7-60.2	66.3	65.7	61.4-71.5
Finished developments	43.0	41.7	37.2-49.7	51.3	49.6	44.7-56.4
Total losses	7.3	11.7	4.2-21.7	11.8	17.3	7.2-29.9



The gross book value of the portfolio of real property awarded to or acquired by the Group in settlement of debt-claims has been 1,496 million euro, equal to 3.35% of its assets and to 4.83% of the gross credit figure. The coverage associated to these real estate assets has been 48.39%.

After applying the rules of decrees 2/2012 and 18/12, the coverage of doubtful and sub-standard assets relating to real estate has been 45.11%. Taking into account the generic provision that has been funded, the coverage of problematic (doubtful, substandard and repossessed) assets relating to this sector has been more than 67%, 37 percentage points more than at the end of 2011, which illustrates the effort made to fund provisions during the year.

The total amount of funds appropriated to cover insolvencies as well as specific and generic provisions has been equal to 88.82% of doubtful risks.

7 PROFIT/LOSS FOR THE YEAR

By the end of 2012, the Spanish economy had been shrinking for five quarters in a row. Although the final figure had not yet been reported, Spain's GDP may have fallen about 1.4% in 2012 from the previous year. In the midst of such an adverse economic situation and with interest rates at very low levels, the financial entities had to comply with sharp regulatory changes concerning coverage and capital requirements. These raised coverage of the total exposure relating to real estate to 44%, from 22% previously, putting unprecedented pressure on profit or loss. All this accelerated the re-structuring of the Spanish banking sector, which seemed to have entered the final stage of the process.

In the context described above, the coverage funded under the two royal decrees, No. 2/2012 and No. 18/2012, along with the capitalization effort, strengthened the balance sheet and placed Ibercaja in a much more solid position to confront future challenges. Ibercaja was one of the few banking groups that were able to meet by themselves the capital requirements derived from the stress tests conducted by Oliver Wyman. As of December 31, 2012, after writing down the real estate-related assets, the principal capital ratio of Ibercaja stood at 10.40%, i.e. 272 million euro in excess of the amount of principal capital needed to meet the 9% requirement of Royal Order-in-Council 24/2012. Without having received any assistance from the public authorities Ibercaja was able to meet the new capital requirement ahead of the date when this was scheduled to become effective (January 1, 2013).

Another primary objective in 2012 was to preserve the liquidity and quality of Ibercaja's assets, features that set Ibercaja apart from the other entities in the Spanish financial system. It is noteworthy that the delinquency ratio at 5.48% remained at a very low level compared with the average of 10.58% for all deposit-taking entities. Besides, the delinquency ratio for loans and advances to purchase homes -the bulk of loans and advances to customers- was a mere 1.77%.

Total assets according to the consolidated balance sheet, at 44,664 million euro, were down by 1.06%. Among the main asset items, loans and advances to customers totaled 29,490 million euro, or 66.03% of the total, whereas the securities portfolio made up 24.72% of assets. Among liabilities customers' funds including customer's deposits, securities held for trading, subordinated liabilities and insurance contract liabilities, totaled 34,778 million euro. Equity was 2,192 million euro.

MAIN ITEMS IN THE INCOME STATEMENT OF THE IBERCAJA BANCO GROUP

(Euro '000 and %)	Amount		Increase
	2012	2011	% change
RECURRING GROSS MARGIN	812,689	756,147	7.48
Operating expenses	497,986	520,734	–4.37
RECURRING RETAIL MARGIN	314,703	235,413	33.68
Rof and other non-retail	433,007	48,895	785.59
PROFIT OR LOSS BEFORE WRITE-DOWNS	747,710	284,308	162.99
Impairment allowances and other write-downs	1,432,836	212,100	–
PROFIT OR LOSS BEFORE TAXES	–685,126	72,208	–
Income tax	–200,105	17,938	–
YEAR'S CONSOLIDATED PROFIT OR LOSS	–485,021	54,270	–

- The Group's profit generating capacity is reflected in the remarkable increase in the *recurring retail margin*. This margin, that does not include extraordinary profits or losses, has risen 33.68% from 2011, to 315 million euro, based on improved interest-rate spreads, higher net fee income, as well as on holding down and rationalizing expenses.
  - The interest margin, at 578 million euro, rose 17.66%. Stagnant volumes and high rates of interest on retail deposits were offset by the re-pricing of the mortgage loan portfolio in the first part of the year, wider spreads on new business and the liquidity obtained in the ECB special auctions that was used to replace more expensive liabilities, thus cutting down the cost of financing, and to increase the portfolio of fixed-income securities, basically public debt, as a way of boosting the margin.
  - The return on equity instruments was 14 million euro, while net fee income and exchange differences, reflecting both income of the Financial Group and income from services provided, were 236 million euro, up 1,19% from 2011. Fee income from banking services was the best performing item, having increased 4.72%. On the other hand, a reduction in the average volume of investment fund and pension plan assets managed resulted in the fee income from these falling 2.27%.
  - The balance of other operating income and charges, reflecting the results in non-financial entities measured under the equity method and various income and expense items, was -16 million. This loss basically reflected the adverse effect of an increase in the contribution towards the Deposit Guarantee Fund, of 49 million, compared with 24 million the previous year, mainly as a consequence of applying the rules of Royal Order-in-Council No. 19/2011.
  - As a result of the effort to hold down expenses, operating expenses at 498 million euro were cut down by 4.37%. The cuts were achieved in both staff costs (-4.39%) and in other general administrative expenses (-3,24%). The recurring efficiency ratio defined as operating expenses as a percentage of the recurring gross margin, that does not take into account the results of financial operations and in entities measured under the equity method stood at 61.28% at the end of 2012, up 7.59 percentage points from a year earlier.
- *Active management of the fixed-income and equity securities portfolios* along with *other extraordinary operations* carried out to meet the capital requirement calculated by Oliver Wyman and place the principal capital ratio to 9%, added 433 million euro to the recurring retail margin.
  - Net income from financial operations was 354 million euro. This was boosted by realizing gains and repurchasing hybrid instruments as well as other own securities. The latter generated 238 million euro, nearly 70% of the total.
  - The aggregate profits or losses of entities measured under the equity method and other gains and losses were 79 million euro. The most significant operations were: the sale & lease back of several offices, assigning the investment fund and individual pension fund depository business, and entering into an exclusive non-life insurance distribution agreement with Caser.

- The strength of recurring income and the extraordinary items mentioned above have placed the *profit before write-downs* at a high level, 748 million euro, up 163 from 2011.
- The impact of applying the rules of the two royal decrees on Ibercaja was 1,244 million euro, so *impairment allowances and other write-downs*, at 1,433 million euro, rose very sharply, by 1,221 million euro, from 2011.
- As a consequence of the impact of the write-downs, the *net result attributed to the parent entity* was -484 million euro.

These results must be viewed in the extraordinary context of very stringent regulatory requirements for both provisions and capital in an adverse economic environment. The provisions funded under the two royal decrees, No. 2/2012 and No. 18/2012, amounted to 1,244 million euro, resulting in the write-downs and write-offs on the whole being almost seven times greater than those made in 2011, and the risk expense (provisions as a percentage of the credit portfolio and real estate total) was 4.44% against an average 0.61% in the past five years. Besides, we should recall that Ibercaja has made the entire effort in a single year, whereas a good many banking groups, those involved in merger processes, may defer the write-downs and write-offs until 2013, thereby mitigating to a large degree their impact on the income statement.

After making such a big effort to write-down its assets, the solvency ratios of Ibercaja exceeded what was required by the regulations in force in 2012 and by those becoming effective in 2013.

Public consolidated balance sheet of the Ibercaja Banco Group

(Euro '000)	Balance			Increase 12/11		Increase 11/10	
	2012	2011	2010	Euro ' 000	%	Euro ' 000	%
Cash in hand and on deposit at central banks	289,520	527,866	377,028	–238,346	–45.15	150,838	40.01
Held for trading	33,655	43,776	43,875	–10,121	–23.12	–99	–0.23
Other fin. assets at fair value through p/ l	113,274	117,254	128,800	–3,980	–3.39	–11,546	–8.96
Available-for-sale financial assets	6,644,655	6,163,904	5,832,819	480,751	7.80	331,085	5.68
Loans and receivables	30,675,517	33,031,263	34,277,306	–2,355,746	–7.13	–1,246,043	–3.64
Held-to-maturity investment portfolio	3,820,919	2,247,648	1,718,374	1,573,271	70.00	529,274	30.80
Hedging derivatives	701,018	729,603	459,203	–28,585	–3.92	270,400	58.88
Non-current assets held for sale	566,803	625,887	453,723	–59,084	–9.44	172,164	37.94
Shareholdings	178,279	214,795	222,156	–36,516	–17.00	–7,361	–3.31
Other assets	1,640,348	1,441,628	1,312,583	198.720	13.78	129,045	9.83
TOTAL ASSETS	44,663,988	45,143,624	44,825,867	–479,636	–1.06	317,757	0.71
Held for trading	16,880	24,405	34,791	–7,525	–30.83	–10,386	–29.85
Financial liabilities at amortized cost	37,094,568	37,442,435	37,804,062	–347,867	–0.93	–361,627	–0.96
Hedging derivatives	172,256	211,108	161,254	–38,852	–18.40	49,854	30.92
Insurance contract liabilities	4,855,039	4.405,035	3,686,799	450,004	10.22	718,236	19.48
Provisions	159,434	161,200	249,408	–1,766	–1.10	–88,208	–35.37
Other liabilities	209,401	232,440	210,891	–23,039	–9.91	21,549	10.22
TOTAL LIABILITIES	42,507,578	42,476,623	42,147,205	30,955	0.07	329,418	0.78
Shareholders' funds	2,191,725	2,670,667	2,633,848	–478,942	–17.93	36,819	1.40
Measurement adjustments	–40,611	–10,126	38,984	–30,485	–301.06	–49,110	–125.97
Minority interests	5,296	6,460	5,830	–1,164	–18.02	630	10.81
TOTAL EQUITY	2,156,410	2,667,001	2,678,662	–510,591	–19.14	–11,661	–0.44
TOTAL LIABILITIES AND EQUITY	44,663,988	45,143,624	44,825,867	–479,636	–1.06	317,757	0.71

Public consolidated income statement of the Ibercaja Banco Group

(Euro '000)	Amount			Increase 12/11		Increase 11/10	
	2012	2011	2010	Euro ' 000	%	Euro ' 000	%
Interest and similar income	1,244,867	1,231,351	1,097,932	13,516	1.10	133,419	12.15
Interest and similar charges	666,943	740,181	566,987	–73,238	–9.89	173,194	30.55
INTEREST MARGIN	**577,924**	**491,170**	**530,945**	**86,754**	**17.66**	**–39,775**	**–7.49**
Return on equity instruments	13,916	19,299	16,875	–5,383	–27.89	2,424	14.36
Net fee income and exchange differences	235,781	233,018	230,281	2,763	1.19	2,737	1.19
Other operating income and charges	–14,932	12,660	10,855	–27,592	–217.95	1,805	16.63
RECURRING GROSS MARGIN	**812,689**	**756,147**	**788,956**	**56,542**	**7.48**	**–32,809**	**–4.16**
Operating expenses	497,986	520,734	515,909	–22,748	–4.37	4,825	0.94
– Staff costs	313,266	327,665	325,930	–14,399	–4.39	1,735	0.53
– Other general administrative expenses	146,167	151,060	144,688	–4,893	–3.24	6,372	4.40
– Amortization	38,553	42,009	45,291	–3,456	–8.23	–3,282	–7.25
RECURRING RETAIL MARGIN	**314,703**	**235,413**	**273,047**	**79,290**	**33.68**	**–37,634**	**–13.78**
ROF and other non-retail	433,007	48,895	17,324	384,112	785.59	31,571	182.24
PROFIT OR LOSS BEFORE WRITE-DOWNS	**747,710**	**284,308**	**290,371**	**463,402**	**162.99**	**–6,063**	**–2.09**
Impairment allowances and other write-downs	1,432,836	212,100	154,442	1,220,736	575.55	57,658	37.33
PROFIT OR LOSS BEFORE TAXES	**–685,126**	**72,208**	**135,929**	**–757,334**	**–1.048.82**	**–63,721**	**–46.88**
Income tax	–200,105	17,938	41,275	–218,043	–1.215.54	–23,337	–56.54
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**–485,021**	**54,270**	**94,654**	**–539,291**	**–993.72**	**–40,384**	**–42.66**
Loss attributed to the parent entity	–484,261	54,914	97,025	–539,175	–981.85	–42,111	–43.40
Loss attributed to minority insterests	–760	–644	–2,371	–116	–18.01	1,727	72.84

8 GOVERNING BODIES OF IBERCAJA BANCO, S.A.U.

board of directors of Ibercaja Banco, S.A.U.

Board of Directors

President	Mr. Amado Franco Lahoz
Managing Director	Mr. José Luis Aguirre Loaso
Members	Mr. Eugenio Nadal Reimat
	Mr. Alberto Palacio Aylagas
	Mr. Jesús Bueno Arrese
	Mr. Manuel Pizarro Moreno
	Mr. Miguel Fernández de Pinedo López
Secretary (not a Director)	Mr. Jesús Barreiro Sanz

Audit and Compliance Committee

President	Mr. Miguel Fernández de Pinedo López
Members	Mr. Eugenio Nadal Reimat
	Mr. Jesús Bueno Arrese
Secretary (not a Director)	Mr. Jesús Barreiro Sanz

Appointments and Remuneration Committee

President	Mr. Manuel Pizarro Moreno
Members	Mr. Alberto Palacio Aylagas
	Mr. Miguel Fernández de Pinedo López
Secretary (not a Director)	Mr. Jesús Barreiro Sanz

Management Team

Managing Director
Mr. José Luis Aguirre Loaso

Assistant Gral. Manager – Secretary General
Mr. Jesús Barreiro Sanz

Assistant Gral. Manager – Manager for the Financial Area
Mr. Luis Enrique Arrufat Guerra

Assistant Gral. Manager – Manager for the Business Area
Mr. Víctor Iglesias Ruiz

Deputy Gral. Manager – Manager for Human Resources and Means
Mr. José Luis Rodrigo Molla

Deputy Gral. Manager – Manager of the Credit Risk Area
Mr. José Palma Serrano

Deputy Gral. Manager – Manager for Technology and Systems
Mr. José Luis Lázaro Crespo

Deputy Gral. Manager – Manager of the Financial Group
Mr. Francisco Javier Palomar Gómez

Deputy Gral. Manager – Manager for Organizational Development
Mr. José Manuel Merino Aspiazu

Deputy Gral. Manager – Manager for Management Control
Mrs. María Pilar Segura Bas

Deputy Manager – Manager for Affiliates
Mr. Joaquín Rodríguez de Almeida Pérez Surio

Deputy Manager – Manager for Network Expansion
Mr. José Morales Paúles

Deputy Manager – Manager for the Traditional Network
Mr. Luis Fernando Allué Escobar

Deputy Manager – Manager of the Legal Counseling Office
Mr. Francisco Serrano Gill de Albornoz

Deputy Manager – Manager for Operations and the Back Office
D. José Javier Pomar Martín

Activities of the governing bodies of Ibercaja Banco, S.A.U. in 2012

Stockholder Meeting

During the 2012 year, the sole stockholder of Ibercaja Banco, S.A.U., Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja, held three Stockholder Meetings.

On that of April 19, 2012, besides approving the individual and consolidated annual accounts for the 2011 year, each comprising the Balance Sheet, the Income Statement, the Statement of Changes in Net Assets and Cash Flows as well as the Notes to the annual accounts and the directors' report formulated by the Board of Directors at a meeting on March 30, 2012, the Stockholder authorized the Board of Directors to borrow up to five billion euro on the institutional and retail markets.

The Stockholder also resolved to keep in force its resolution of September 22, 2011, authorizing the Board of Directors to borrow up to five billion euro, in the part of such borrowings not yet completed.

On October 9, 2012, at a special Stockholder Meeting, the sole stockholder resolved not to approve the split-off of assets and liabilities towards a new entity to be formed as a result of a process of integration between Ibercaja Banco, Liberbank and Banco Grupo Cajatres, and to report the resolution as a Price Sensitive Information pursuant to the provisions of Section 82 of the Spanish Securities Market Act.

On December 11, 2012, at a special Stockholder Meeting, acting on a proposal made by the Board of Directors at a meeting held on November 21, 2012, approved a balance sheet at June 30, 2012, and an increase in capital fully in the form of a stock dividend for one hundred and forty four million euro (€144,000,000), out of freely disposable Revaluation Reserves, amending Article 5 of the Bye-laws, on Stock Capital, accordingly.

Board of Directors

The Board of Directors of Ibercaja Banco, S.A.U held 29 meetings during the 2012 year.

During such a complicated year for the Spanish economy in general and for the financial system in particular, the Board of Directors has acted in a changing legal environment in which the solvency requirements for lending entities have been modified, and they have been called upon to fund substantial special provisions out of their earnings to cover the impairment of bank balance sheets caused by their real estate-related assets. The most significant changes in that respect were brought about by Royal Order-in-Council No. 2/2012, of February 3, 2012, on putting the financial sector back on a sound financial footing, Royal Order-in-Council No. 18/2012, of May 11, 2012, on writing down and selling the real estate assets of the financial sector, and Royal Order-in-Council No. 24/2012, of August 31, 2012, on re-structuring and terminating lending entities.

These regulations have followed those promulgated since the 2009 year with the aim of reorganizing the Spanish financial sector, especially the savings bank segment, encouraging the transfer of their financial business to commercial banking entities, and various corporate processes of integration of the existing Spanish entities.

Together with approving those regulations, the Spanish Government applied for economic aid from the Eurozone to recapitalize the financial system, leading to the approval by the Eurogroup of the so-called Memorandum of Understanding on financial-sector policy conditionality (MoU), with the terms under which Spain would be granted the requested aid, one of which was that the Spanish authorities must order a stress test of the Spanish financial system to be carried out by an independent external firm (Oliver Wyman) to determine the specific capital requirement of each lending entity given a baseline scenario and a worst case scenario.

In that context, the Board of Directors of Ibercaja Banco during the 2012 year has focused on reviewing the possible options for corporate integration and on taking such decisions as were deemed most advisable from time to time to be able to comply with the increasingly stringent requirements of the supervisors in the matters of solvency and provisions, without being aided by the public authorities.

In the first quarter of 2012, the Board formulated the annual accounts and the consolidated accounts of the company for the year ended December 31, 2011 (Balance Sheet, Income Statement, Statement of Changes in Net Assets and Cash Flows as well as the Notes to the annual accounts) as well as the directors' report, submitting these to the Stockholder Meeting along with the proposed distribution of profit or loss, and approved the Corporate Social Responsibility as well as the Prudential Relevance Report.

Besides, the integration process with Banco Grupo Cajatres SA, later joined by Liberbank SA, was undertaken. The three entities approved an Integration Protocol on May 29, 2012, and adopted the required agreements to develop it in the subsequent meetings. The outcome of the evaluation exercise performed by Oliver Wyman pursuant to the MoU, however, altered the conditions under which the Protocol was executed and the financial assumptions made in due course, which prevented going ahead with the process.

At the meeting of August 28, 2012, the Board resolved to publish and circulate the Financial Report of the Bank and its Subsidiaries for the first half of the 2012 year.

Besides, based on the profit or loss reported by Ibercaja Banco individually for that year, the Board of Directors, at a meeting of October 8, 2012, approved submitting to the Bank of Spain a recapitalization plan for the individual Entity, without having to resort to aid from the public authorities.

Later, at a meeting held on November 21, 2012, the Board of Directors formulated the balance sheet at June 30, audited by PricewaterhouseCoopers, and agreed to propose to the sole stockholder Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja an increase in capital out of freely disposable reserves.

Lastly, in the context of the reorganization of the financial sector, a preliminary agreement was ratified on November 27, 2012 for the future integration of Ibercaja Banco with Banco Grupo Cajatres, by takeover, with the operation being conditional achievement of the requisite approvals and on Banco Grupo Cajatres taking the steps foreseen in its reorganization plan.

Audit and Compliance Committee

The Committee met four times in the course of the 2012 year.

At the first meeting, on February 20, 2012, the Committee received information about the External Audit of the Entity carried out by PricewaterhouseCoopers Auditores, S.L. in 2011.

At a meeting on June 12, 2012, the Committee discussed the Internal Audit report following up on the Annual Operational Plan, the supplementary reports by the external auditors to the audit reports on the annual acounts and the scope of the work to be carried out by independent appraisers, at the request of the Ministry of Economy and Competitiveness as well as of the Bank of Spain, on the valuation of assets of the Spanish financial system.

At a meeting held on August 28, 2012, the Committee resolved to propose that the Board publish and circulate the Financial Report on the Entity and its Subsidiaries for the first half of 2012 and to take note of the follow-up report issued by PricewaterhouseCoopers as an external expert on June 30, 2012, pursuant to the provisions of Section 28 of the Money Laundering and Terrorism Financing Prevention Act No. 10/2010, of April 28, 2010.

At the meeting of November 20, 2012, the Committee heard a report by the Management Control Department on the Balance Sheet of the Entity at June 30, 2012, a report by PricewaterhouseCoopers Auditores SL on that Balance Sheet and on the work done by PricewaterhouseCoopers Auditores SL for the Entity during the 2012 year, as well as a report by the Audit Department following up on the Annual Operational Plan.

Appointments and Remuneration Committee

The Committee held two meetings in 2012.

At a meeting held on March 13, 2012, the Committee resolved to issue a favorable report on the Remuneration Policy associated to risk management at Ibercaja Banco SAU and to propose that it be approved by the Board, and took note of the evaluation on the degree of fulfillment of their objectives for the 2011 year by employees working in Central Services units falling under the variable pay system based on performance targets, whose objectives for 2012 were reviewed at the meeting held on July 24, 2012.

II. Legal documentation of the consolidated annual accounts of Ibercaja Banco

INDEX

Ibercaja Banco, S.A.U.
and subsidiaries

Auditor´s report, consolidated annual accounts as at 31 December 2012 and consolidated directors' report for 2012

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

AUDITOR´S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the sole shareholder of Ibercaja Banco, S.A.U.:

We have audited the consolidated annual accounts of Ibercaja Banco, S.A.U. and its subsidiaries which comprise the Ibercaja Banco Group, consisting of the consolidated balance sheet as at 31 December 2012, the consolidated income statement, the consolidated statement of recognised income and expense, the total consolidated statement of changes in equity, the consolidated cash flow statement and related notes to the consolidated annual accounts for the year then ended. As explained in Note 1.2, the directors are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards, as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2012 present fairly, in all material respects, the consolidated financial position of Ibercaja Banco, S.A.U. and its subsidiaries as at 31 December 2012 and the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated directors' report for 2012 contains the explanations which the directors of Ibercaja Banco, S.A.U. consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated directors' report is in agreement with that of the consolidated annual accounts for 2012. Our work as auditors is limited to checking the consolidated directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Ibercaja Banco, S.A.U. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Antonio Greño Hidalgo
Partner

27 February 2013

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IBERCAJA BANCO, S.A.U. AND SUBSIDIARIES

Consolidated annual accounts at 31 December 2012 and consolidated directors' report for 2012

IBERCAJA BANCO, S.A.U.

Preparation of the consolidated annual accounts and consolidated Directors' Report

On 26 February 2013, the Board of Directors of Ibercaja Banco, S.A.U. have met in Madrid and, in compliance with prevailing legislation, have drawn up the consolidated annual accounts for 2012, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognised income and expense, the total consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated annual accounts (Notes 1 to 42 and Appendices I and II) and the consolidated Directors' Report for 2012. These documents have been extended on official government paper and numbered correlatively.

To the best of our knowledge, the consolidated annual accounts for 2012, prepared in accordance with applicable accounting principles, express fairly the financial position, results and cash flows of the Entity and subsidiaries that make up the Ibercaja Banco Group. Similarly, the consolidated directors' report for 2012 includes a fair analysis of the performance, results and position of the Entity and subsidiaries that comprise the Ibercaja Banco Group.

SIGNATORIES:

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

Mr. JOSÉ LUIS AGUIRRE LOASO
National ID number: 17.109.813-K
Chief Executive Officer

Mr. EUGENIO NADAL REIMAT
National ID number: 40.826.634-R
Board member

Mr. ALBERTO PALACIO AYLAGAS
National ID number: 17.803.857-V
Board member

Mr. JESÚS BUENO ARRESE
National ID number: 17.841.677-W
Board member

Mr. MANUEL PIZARRO MORENO
National ID number: 18.402.368-E
Board member

Mr. MIGUEL FERNÁNDEZ DE PINEDO LÓPEZ
National ID number: 14.215.722-C
Board member

Mr. JESÚS BARREIRO SANZ
National ID number: 17.846.451-S
Non-voting Secretary

IBERCAJA BANCO, S.A.U. AND SUBSIDIARIES

Consolidated annual accounts 31 December 2012

Consolidated balance sheets as at 31 December 2012 and 2011

(Thousand euros)

ASSETS	Note	2012	2011
Cash on hand and on deposit at central banks	6	289,520	527,866
Held for trading	7	33,655	43,776
Debt securities		2,132	8,743
Equity instruments		–	931
Derivatives held for trading		31,523	34,102
Memorandum item: loaned or pledged		–	*82*
Other financial assets at fair value through profit or loss	8	113,274	117,254
Debt securities		57,556	58,146
Other equity instruments		55,718	59,108
Memorandum item: loaned or pledged		–	–
Available-for-sale financial assets	9	6,644,655	6,163,904
Debt securities		6,241,581	5,654,743
Other equity instruments		403,074	509,161
Memorandum item: loaned or pledged	*27,2*	*1,894,250*	*1,300,020*
Loans and receivables	10	30,675,517	33,031,263
Deposits with credit institutions		905,328	640,923
Customer loans		29,489,890	32,127,585
Debt securities		280,299	262,755
Memorandum item: loaned or pledged	*27,2*	*5,756,868*	*5,767,360*
Held-to-maturity portfolio	11	3,820,919	2,247,648
Memorandum item: loaned or pledged	*27,2*	*2,825,197*	*1,300,767*
Hedging derivatives	12	701,018	729,603
Non-current assets held for sale	13	566,803	625,887
Shareholdings	14	178,279	214,795
Associates		131,216	155,697
Jointly-controlled entities		47,063	59,098
Assets held for reinsurance	15	963	491
Property, plant and equipment	16	689,291	728,938
Property, plant and equipment		576,388	605,202
For own use		559,209	585,509
Assigned under operating lease		17,179	19,693
Assigned to Community Projects		–	–
Investment properties		112,903	123,736
Memorandum item: Acquired under finance leases		–	–
Intangible assets	17	12,194	18,434
Other intangible assets		12,194	18,434
Tax assets		604,451	333,508
Current		31,594	17,926
Deferred	25	572,857	315,582
Other assets	18	333,449	360,257
TOTAL ASSETS		44,663,988	45,143,624
Memorandum item			
Contingent exposures	27,1	451,098	558,399
Contingent commitments	27,3	2,019,919	2,520,753

Ibercaja Banco, S.A.U. and subsidiaries

Consolidated balance sheets as at 31 December 2012 and 2011

(Thousand euros)

LIABILITIES AND EQUITY	Note	2012	2011
Held for trading	7	16,880	24,405
Derivatives held for trading		16,880	24,405
Financial liabilities at amortised cost	19	37,094,568	37,442,435
Deposits from central banks		2,519,847	900,246
Deposits from credit institutions		4,371,510	1,980,476
Customer funds		24,772,015	27,903,354
Marketable debt securities		4,861,206	5,668,282
Subordinated debt financing		289,395	777,172
Other financial liabilities		280,595	212,905
Hedging derivatives	12	172,256	211,108
Insurance contract liabilities	20	4,855,039	4,405,035
Provisions	21	159,434	161,200
Pension funds and obligations of a similar nature		111,840	122,891
Provisions for taxes and other legal contingencies		5,798	8,532
Provisions for contingent exposures and commitments		7,723	8,152
Other provisions		34,073	21,625
Tax liabilities		132,630	157,159
Current		2,106	35,441
Deferred	25	130,524	121,718
Other liabilities	22	76,771	75,281
TOTAL LIABILITIES		42,507,578	42,476,623
Shareholders' funds		2,191,725	2,670,667
Capital		2,278,500	2,134,500
Reserves	24	397,486	494,053
Accumulated reserves		430,486	518,213
Reserves in entities measured under the equity method		(33,000)	(24,160)
Profit attributed to the parent entity		(484,261)	54,914
Dividends and remuneration		–	(12,800)
Measurement adjustments	23	(40,611)	(10,126)
Available-for-sale financial assets		(30,726)	(49,940)
Entities measured under of the shareholding		995	322
Other measurement adjustments		(10,880)	39,492
Minority interests		5,296	6,460
Measurement adjustments		2,191	2,691
Remainder		3,105	3,769
TOTAL EQUITY		2,156,410	2,667,001
TOTAL LIABILITIES AND EQUITY		44,663,988	45,143,624

Ibercaja Banco, S.A.U. and subsidiaries

Consolidated income statements forthe years ended 31 December 2012 and 2011

(Thousand euros)	Note	2012	2011
Interest and similar income	28	1,244,867	1,231,351
Interest and similar charges	29	666,943	740,181
INTEREST MARGIN		577,924	491,170
Return on equity instruments	30	13,916	19,299
Results in entities carried under the equity method		(28,267)	(8,529)
Fees received	31	249,230	244,078
Fees paid	32	13,956	12,884
Income on financing operations (net)	33	353,779	45,259
Held for trading		55,455	3,466
Other financial instruments at fair value through profit or loss		3,403	1,993
Financial instruments not carried at fair value through profit or loss		298,703	44,062
Other		(3,782)	(4,262)
Exchange differences (net)	34	507	1,824
Other operating income		1,211,559	1,554,051
Income from insurance and reinsurance contracts issued	20,2	1,164,511	1,505,588
Sales and revenues from provision of non-financial services		29,669	25,585
Other operating income		17,379	22,878
Other operating charges		1,227,429	1,542,499
Insurance and reinsurance contract expenses	20,2	1,162,091	1,504,593
Other operating charges		65,338	37,906
GROSS MARGIN		1,137,263	791,769
Administrative expenses		459,433	478,725
Staff costs	35	313,266	327,665
Other general administration expenses	36	146,167	151,060
Depreciation	16 and 17	38,553	42,009
Provisions (net)	21	12,089	(85,426)
Financial asset impairment losses (net)		1,120,783	247,258
Loans and receivables	10,6	1,111,271	214,173
Other financial instruments not carried at fair value through profit or loss	9,3	9,512	33,085
INCOME FROM OPERATING ACTIVITIES		(493,595)	109,203
Other asset impairment losses (net)	37	138,281	13,506
Goodwill and other intangibles		–	–
Other assets		138,281	13,506
Gains(losses) from disposals of assets not classified as non-current available for sale	38	111,815	11,406
Negative difference on business combinations		–	–
Gains(losses) from non-current assets available for sale not classified as discontinued operations	39	(165,065)	(34,895)
PROFIT/(LOSS) BEFORE TAX		(685,126)	72,208
Corporate income tax	25	(200,105)	17,938
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS		(485,021)	54,270
Profit (loss) from discontinued operations (net)		–	–
PROFIT/(LOSS) FOR THE YEAR		(485,021)	54,270
Profit attributed to the parent entity		(484,261)	54,914
Profit attributed to minority interests		(760)	(644)

Ibercaja Banco, S.A.U. and subsidiaries

Consolidated statement of recognised income and expense for the years ended 31 december 2012 and 2011

(Thousand euros)	2012	2011
PROFIT/(LOSS) FOR THE YEAR	(485,021)	54,270
OTHER RECOGNISED INCOME AND EXPENSE	(25,666)	(53,283)
Available-for-sale financial assets	27,449	(79,864)
Measurement gains/(losses)	53,219	(81,921)
Amounts transferred to income statement	(25,770)	2,057
Other reclassifications	–	–
Cash flow hedges	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Amounts transferred at initial value of hedged items	–	–
Other reclassifications	–	–
Hedges of net investment in foreign operations	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Exchange differences	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Non-current assets held for sale	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Actuarial gains/(losses) on pension plans	3,457	(1,785)
Entities measured under the equity method	673	(521)
Measurement gains/(losses)	673	(521)
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Other recognised income and expense	(70,014)	7,882
Corporate income tax	12,769	21,005
TOTAL RECOGNISED INCOME AND EXPENSE	(510,687)	987

Ibercaja Banco, S.A.U. and subsidiaries

Total statement of changes in consolidated equity in the year ended 31 December 2012

(Thousand euros)	SHAREHOLDERS' FUNDS								
	Capital	Accumulated reserves	Reserves in entities carried under equity method	Profit for year attributed to the parent entity	Dividends and remuneration	Total shareholders' funds	Measurement adjustments	Minority interests	Total equity
I. Closing balance at 31/12/2011	2,134,500	518,213	(24,160)	54,914	(12,800)	2,670,667	(10,126)	6,460	2,667,001
Adjustments due to changes in accounting standards	–	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,134,500	518,213	(24,160)	54,914	(12,800)	2,670,667	(10,126)	6,460	2,667,001
Total recognised income and expense	–	5,319	–	(484,261)	–	(478,942)	(30,485)	(1,260)	(510,687)
Other changes in equity	144,000	(93,046)	(8,840)	(54,914)	12,800	–	–	96	96
Capital increases	–	–	–	–	–	–	–	–	–
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–	–
Operations with own equity instruments (net)	–	–	–	–	–	–	–	–	–
Transfers between equity items	144,000	(93,046)	(8,840)	(54,914)	12,800	–	–	–	–
Increases (reductions) on business combinations	–	–	–	–	–	–	–	96	96
Equity settled payments	–	–	–	–	–	–	–	–	–
Other increases (reductions) in equity	–	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2012	2,278,500	430,486	(33,000)	(484,261)	–	2,191,725	(40,611)	5,296	2,156,410

Ibercaja Banco, S.A.U. and subsidiaries

Total statement of changes in consolidated equity in the year ended 31 December 2011

(Thousand euros)	SHAREHOLDERS' FUNDS								
	Capital	Accumulated reserves	Reserves in entities carried under equity method	Profit for year attributed to the parent entity	Dividends and remuneration	Total shareholders' funds	Measurement adjustments	Minority interests	Total equity
I. Closing balance at 31/12/2010	–	2,541,426	(4,603)	97,025	–	2,633,848	38,984	5,830	2,678,662
Adjustments due to changes in accounting standards	–	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–	–
II. Adjusted opening balance	–	2,541,426	(4,603)	97,025	–	2,633,848	38,984	5,830	2,678,662
Total recognised income and expense	–	(5,295)	–	54,914	–	49,619	(49,110)	478	987
Other changes in equity	2,134,500	(2,017,918)	(19,557)	(97,025)	(12,800)	(12,800)	–	152	(12,648)
Capital increases	–	–	–	–	–	–	–	–	–
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	(12,800)	(12,800)	–	–	(12,800)
Operations with own equity instruments (net)	–	–	–	–	–	–	–	–	–
Transfers between equity items	2,134,500	(2,017,918)	(19,557)	(97,025)	–	–	–	–	–
IIncreases (reductions) on business combinations	–	–	–	–	–	–	–	152	152
Equity settled payments	–	–	–	–	–	–	–	–	–
Other increases (reductions) in equity	–	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2011	2,134,500	518,213	(24,160)	54,914	(12,800)	2,670,667	(10,126)	6,460	2,667,001

Ibercaja Banco, S.A.U. and subsidiaries

Consolidated cash flow statements for the years ended 31 December 2012 and 2011

(Thousand euros)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	471,924	835,014
Profit/(loss) for the year	(485,021)	54,270
Adjustments to obtain cash flows from operating activities	1,029,793	171,659
Amortisation/ Depreciation	38,553	42,009
Other adjustments	991,240	129,650
Net increase/decrease in operating assets	(481,955)	339,697
Held for trading	10,121	100
Other financial assets at fair value through profit or loss	3,980	11,546
Available-for-sale financial assets	(1,526,004)	(378,797)
Loans and receivables	1,039,442	1,003,574
Other operating assets	(9,494)	(296,726)
Net increase/decrease in operating liabilities	474,344	326,494
Held for trading	(7,525)	(10,386)
Other financial liabilities at fair value through profit or loss	–	–
Financial liabilities at amortised cost	150,762	(422,442)
Other operating liabilities	331,107	759,322
Corporate income tax collections/payments	(65,237)	(57,106)
CASH FLOWS FROM INVESTING ACTIVITIES	(347,304)	(461,058)
Payments	(488,668)	(556,816)
Property, plant and equipment	(15,779)	(30,425)
Intangible assets	(1,943)	(2,697)
Shareholdings	(8,635)	(1,830)
Other business units	–	–
Non-current assets and associated liabilities for sale	(19,018)	(5,499)
Held to maturity	(443,293)	(516,365)
Other payments related to investing activities	–	–
Collections	141,364	95,758
Property, plant and equipment	42,325	35,201
Intangible assets	–	–
Shareholdings	7,785	–
Other business units	–	–
Non-current assets and associated liabilities for sale	91,254	60,557
Held to maturity	–	–
Other collections related to investing activities	–	–

Ibercaja Banco, S.A.U. and subsidiaries

Consolidated cash flow statements for the years ended 31 december 2012 and 2011

(Thousand euros)	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES	(371,042)	(12,800)
Payments	(371,042)	(12,800)
Dividends	–	(12,800)
Subordinated debt financing	(371,042)	–
Other payments related to financing activities	–	–
Collections	–	–
Subordinated debt financing	–	–
Other collections related to financing activities	–	–
EFFECT OF EXCHANGE RATE FLUCTUATIONS	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(246,422)	361,156
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	743,432	382,276
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	497,010	743,432
Memorandum item:		
Components of cash and cash equivalents at the year end		
Cash	143,452	152,560
Cash equivalent balances in central banks	146,068	375,306
Other financial assets	207,490	215,566
Less: At sight reimbursable bank overdrafts	–	–
Total cash and cash equivalents at the year end	497,010	743,432

IBERCAJA BANCO, S.A.U. AND SUBSIDIARIES

Notes to the consolidated annual accounts for the year ended 31 December 2012

1 INTRODUCTION, BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS AND OTHER INFORMATION

1.1. INTRODUCTION

Ibercaja Banco, S.A.U. (Ibercaja Banco, the Bank, the Entity or the Company), is a credit institution, fully owned by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja), and incorporated in accordance with Royal Decree 1245/1995, on the Creation of Banks, cross-border activities and other matters connected with the Legal Regime applicable to Credit Institutions.

Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja - the parent of the Ibercaja Group - was founded by Real y Excma. Sociedad Económica Aragonesa de Amigos del País, and approved by the Royal Order of 28 January 1873. It started up operations on 28 May 1876 and is entered in the Special Register of Popular Savings Banks under number 51, page 31, through the Royal Order of 13 December 1930, and the Mercantile Register of Zaragoza, volume 1.194, sheet 23, page Z-4.862, entry 1.

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

The indirect performance of activities does not change the way of working with customers, employees, suppliers and society in general and the Bank's business name, Ibercaja, has remained unchanged. In short, the Bank has developed to strengthen its competitiveness within the Spanish financial scenario and enhance its usefulness for society. These principles and values gave rise to Ibercaja Banco, a credit institution through which the Entity carries out its financial operations indirectly as from 1 October 2011.

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

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

As credit institutions, the Entity and Ibercaja Banco are supervised by the Bank of Spain while Ibercaja Banco is also supervised by the National Securities Market Commission (CNMV).

The individual annual accounts of Ibercaja and Ibercaja Banco, S.A.U. contain an explanation of the accounting effects that this split-off process had thereon.

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

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

Note 42 contains the Bank's balance sheets, income statements, statements of recognised income and expenses, total statements of changes in equity and cash flow statements for the financial years ended 31 December 2012 and 2011, prepared in accordance with the same accounting principles and standards and measurement methods applied in the Group's consolidated annual accounts.

1.2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The 2012 consolidated annual accounts of the Ibercaja Banco Group were prepared by the Company's Directors during the Board meeting held on 26 February 2013 and are pending approval by the General Shareholders' Meeting. Nonetheless, the Bank's Board of Directors expects these annual accounts to be approved without significant changes. The Group's consolidated annual accounts for 2011 were approved by the Bank's General Meeting of Shareholders held on 19 April 2012.

The consolidated annual accounts are presented in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS-EU") and Bank of Spain Circular 4/2004 of 22 December 2004 (Circular 4/2004).

Circular 4/2004 of 22 December 2004 (hereinafter "Circular 4/2004") on "Public and reserved financial information and standard annual accounts of credit institutions" aims bring the accounting regime for credit institutions into line with the accounting environment deriving from the European Union's adoption of International Financial Reporting Standards in order to ensure full compatibility, taking into account the conceptual framework on which it is based.

The consolidated annual accounts have been prepared taking into account all accounting principles and standards to ensure that they present fairly the Group's equity and financial position at 31 December 2012 and the results of operations and consolidated cash flows in the Group during the year then ended.

Note 2 contains a summary of the most significant accounting principles and standards and measurement methods applied to prepare the consolidated annual accounts

These consolidated annual accounts have been prepared on the basis of the accounting records of the Company and the rest of the Group companies. However, as the accounting principles and measurement methods applied to prepare the Group's 2012 accounts may differ from the ones employed by some of the Group companies, the necessary adjustments and reclassifications have been made during the consolidation process to ensure consistency and to bring them into line with the IFRS-EU applied by the Company.

1.3. ESTIMATES MADE

In the 2012 consolidated annual accounts, estimates are sometimes used to quantify certain assets, liabilities, income, expenses and commitments recognised. These estimates relate basically to the following:

- Impairment losses on certain assets (Notes 9 to 11, 13, 14, 16 and 18).
- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.13 and 35.2).
- Useful lives of property, plant and equipment and intangible assets (Notes 2.15 and 2.16).
- The probability of occurrence of those events considered contingent liabilities and, if appropriate, the necessary provisions to cover these events (Notes 2.20 and 21).
- The fair value of certain unlisted assets (Note 26) and.
- The recoverability of deferred tax assets (Note 2.14 and 25.4).

The above-mentioned estimates were made based on the best information available at 31 December 2012 in connection with the facts analysed; nonetheless, future events could generate adjustments in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognise the impact of the change in the estimate on the consolidated income statement for the years in question.

1.4. INFORMATION RELATING TO 2011

As required under current legislation, the information contained in these notes to the accounts for 2011 is presented exclusively for comparison.

1.5. AGENCY CONTRACTS

The consolidated entities had no "agency contracts" in force at year-end 2012 or during the financial year, in the form envisaged in Article 22 of Royal Decree 1245/1995 (14 July 1995).

1.6. SHAREHOLDINGS IN CREDIT INSTITUTIONS

In accordance with Article 20 of Royal Decree 1245/1995, there follows a list of the Group's shareholdings in domestic and foreign credit institutions that exceed 5% of their capital or voting rights:

	% interest	
Entity	2012	2011
Sociedad Española de Banca de Negocios, S.A.	21.09%	20.00%
Celeris Servicios Financieros, S.A., E.F.C.	6.75%	6.75%

1.7. CAPITAL RATIOS

1.7.1. Minimum equity ratio

Bank of Spain Circular 3/2008 of 22 May 2008 concerning the calculation and control of minimum equity levels (hereinafter "Circular 3/2008") and its subsequent amendments governs the minimum equity to be recorded by Spanish credit institutions – at both individual and consolidated group level – and the way in which such equity should be calculated as well as the processes for the self-assessment of capital to be carried out by entities and the public information that they should report to the market in this respect.

Minimum equity requirements established in that Circular (Pillar I) are calculated on the basis of the Group's exposure to the credit, exchange, trading portfolio, market and operational risk. Additionally, the Group is subject to compliance with the risk concentration limits established in that Circular.

With respect to Pillar II, the Circular lays down the obligation to prepare a capital self-assessment report, the aim of which is to ensure the adequate relationship between the risk profile of credit institutions and equity effectively held and set the target equity and ensure medium-term capital planning.

Lastly, on the basis of Pillar III, the Circular lays down that entities should prepare at least annually, a document named "Relevant information for prudence purposes", which should include whatsoever explanations and disclosures as may be required in relation to computable capital and equity requirements on the basis of the levels of risk assumed and other additional reporting requirements.

Additionally, Royal Decree Law 2/2011, on the Strengthening of the Financial System required credit institutions to have a minimum core capital ratio of 8% (obtained as the ratio between the highest quality of own resources, with certain deductions, and risk weighted assets). This ratio should be 10% if there were no private investors in the entity's capital for amounts of more than 20% or if its reliance on wholesale financing exceeded 20%.

The above requirement was in effect until 31 December 2012. As from 1 January 2013, the Entity's core capital should stand at 9%, the calculation method of which has changed in accordance with Royal Decree law which amends Royal Decree Law 2/2011.

1.7.2. Quantitative information

As at 31 December 2012, the Ibercaja Banco Group easily meets the minimum capital requirement (Pillar I Basel) established by current banking regulations (8%), the Group's figure being 11.29%, as is detailed below:

	(Thousand euros)	
	2012	2011
Tier one equity	2,026,192	2,461,704
Tier two equity	163,027	691,832
Group's total computable equity	**2,189,219**	**3,153,536**
Equity requirements	1,551,475	1,779,458
Surplus	**637,744**	**1,374,078**

	Group's position	
	2012	2011
Core capital	10.40%	10.40%
Tier I	10.45%	11.07%
Solvency ratios	11.29%	14.18%
Core capital	10.86%	10.88%
New core capital	10.40%	–

At 31 December 2012 core capital exceeds the minimum applicable to the Group (10.86%).

At 1 January 2013 the Group has core capital of 10.40%, calculated in accordance with Royal Decree Law 24/2012, which exceeds the minimum applicable to the Group (9%).

On 20 July 2011 the European Commission published a new legislative proposal to strengthen the European banking system, known as CRD IV *(Capital Requirements Directive)*. Following its approval by the European Parliament, this proposal will replace Directives 2006/48/EC (CRD II) and 2006/49/EC (CRD III) which, inter alia, govern capital requirements and governance and supervisory arrangements applicable to credit institutions and investment companies carrying out their activities in Member States.

Although it was initially set to come into effect in the European Union on 1 January 2013, this has been postponed until its definitive approval by the Parliament. Meanwhile, the Ibercaja Group has analysed the impacts that the new regulations propose and is ready to adapt.

1.7.3. Capital management

The objective of Basel Pillar II is to assure an appropriate ratio between the Group's risk profile and its resources. To this end, the Group is carrying out a recurring process which, in accordance Circular 3/2008 on Solvency:

- Applies a series of procedures for identifying, measuring and aggregating risks.
- Determines the necessary capital to cover them: in addition to the minimum capital requirement, it maintains a level of resources in line with the risks inherent to its business, the economic environment in which it operates, the management and supervision in place with respect to these risks, corporate governance and internal audit systems and its strategic business plan.
- Plans capital in the medium term.
- Establishes target equity.

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

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

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

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

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

The Group also makes estimates in stress scenarios, such as:

- General deterioration derived from a major decline in business activity
- Specific deterioration in market segments that impact the Group's business.
- Volatility and tension in the money markets and other financial product markets
- Significant stock market decline
- Liquidity crisis scenarios

1.7.4. Relevant information for prudence purposes

To comply with market reporting obligations, the Board of Directors approved the policy for disclosing information which is relevant for prudence purposes (Basel Pillar III). The Ibercaja Group will place a "Report on information which is relevant for prudence purposes" on its web site when the consolidated annual accounts for 2012 are approved and published.

1.8. DEPOSIT GUARANTEE FUND

The Entity is a member of the Deposit Guarantee Fund.

Royal Decree-Law 19/2011 came into effect, amending Royal Decree-Law 16/2011 and laid down that the amount of the contributions by Entities to the Credit Institution Deposit Guarantee Fund will be increased from 1 to 2 per thousand of the calculation base. This Royal Decree has been applicable to contributions made in 2012.

Circular 3/2011 laid down the obligation for additional quarterly contributions to be made by those member entities arranging term deposits or settling demand accounts at interest rates that exceeded certain rates, according to the term of the deposit or their "on demand" nature. That contribution would result from weighting the deposits arranged or settled in excess of such rates by 500%. Royal Decree Law 24/2012 has eliminated the mandatory nature of such additional contributions as from 31 August 2012.

On 30 July 2012 the Management Committee of the Deposit Guarantee Fund agreed to arrange an extraordinary contribution between member entities, payable by each entity through ten equal annual instalments. The extraordinary contribution to be made by Ibercaja Banco amounts to €52,323 thousand (ten annual instalments of €5,232 thousand each). These contributions will be deducted from the ordinary annual contributions which, if appropriate, are paid by the entity and up to the amount of that ordinary contribution. The amount pending recognition as an expense is carried under "Other assets" on the balance sheet while "Other financial liabilities" reflect the amount payable at the time.

In 2012, the expense incurred in respect of contributions to this Fund totalled €49,013 thousand (€23,988 thousand in 2011) and is recognised under "Other operating charges" in the accompanying income statement.

1.9. MINIMUM RESERVES RATIO

At 31 December 2012 and throughout the year the Group met the minimum reserve ratios (former cash ratio).

In accordance with the legal obligations established by the European Central Bank, the daily average of minimum reserves to be held at 31 December 2012 amounted to €190,651 thousand (€423,063 thousand at 31 December 2011). The Group has met the legally established minimum.

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

1.10. INFORMATION ON THE MORTGAGE MARKET

In accordance with Royal Decree 716/2009 whereby certain aspects of Law 2/1981 governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2012, the Board of Directors approved the "Loan and discount risk management policy and procedure manual" drawn up by the Entity to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

- The relationship between the amount of the loan and appraisal value (in accordance with MO ECO/805/2003) of the mortgaged property and the selection of valuation entities authorised by the Bank of Spain.
- The relationship between the debt and the borrower's capacity to generate income, verification of the information provided by him and his solvency and the existence of other additional guarantees.
- The balance between the flows deriving from the hedging portfolio and those deriving from the payments due on the instruments issued.

The General Shareholders' Meeting of Ibercaja Banco, S.A.U. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage bonds issued by an entity and not matured may not exceed 80% of unamortised capital on all loans and mortgages in the eligible portfolio. At 31 December 2012 this ratio stood at 56,59% in Ibercaja Banco (45.45% at 31 December 2011).

Mortgage bonds are securities especially guaranteed by the issuer where the entire portfolio of mortgage loans arranged in its favour guarantee compliance with its payment commitments.

The level of overcollaterialization or backing of mortgage bonds is 178% at 31 December 2012 (220% at 31 December 2011).

At that date 99% of transactions in the mortgage portfolio have been formalised through loans (99% at 31 December 2011). Of these, instalments are collected on a monthly basis for 95% (95% at 31 December 2011). The operations formalised at variable interest rates are 98% of the total (99% at 31 December 2011) and of these, 81% are tied to Euribor (80% at 31 December 2011).

Set out below is information on the mortgage market:

- Information concerning the issue of mortgage bonds. Total amount of loans and mortgages pending repayment (irrespective of LTV level and including securitizations written off the balance sheet):

(Thousand euros)	Nominal value 2012	Nominal value 2011
Total loans	27,411,207	28,487,017
Mortgage bond holdings	2,568,936	2,819,899
Of which: loans on the balance sheet	2,452,387	2,684,151
Mortgage transfer certificates	2,910,235	3,133,467
Of which: loans on the balance sheet	2,861,098	3,078,887
Mortgage loans assigned as security for financing received	–	–
Loans backing the issue of secured bonds and mortgage bonds	21,932,036	22,533,651
Ineligible loans	6,620,332	6,888,731
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	5,525,687	5,868,259
Remainder	1,094,645	1,020,472
Eligible loans	15,311,704	15,644,920
Non-computable amounts	16,268	13,728
Computable amounts	15,295,436	15,631,192
Loans covering mortgage bond issues	–	–
Qualifying loans to cover mortgage bond issues	15,295,436	15,631,192

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

- Information on eligible loans and mortgages:

Risk with respect to latest available valuation for purposes of mortgage market (loan to value) 2012

(Thousand euros)	Less than 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Eligible loans for the issue of secured bonds and mortgage bonds					15,311,704
Home	2,455,676	4,444,028	7,344,103	5,939	14,249,746
Over other assets	406,813	564,609	90,536		1,061,958

Risk with respect to latest available valuation for purposes of mortgage market (loan to value) 2011

(Thousand euros)	Less than 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80%	Total
Eligible loans for the issue of secured bonds and mortgage bonds					15.644.920
Home	2,493,604	4,371,050	7,639,669	12,947	14,517,270
Over other assets	389,634	629,812	108,204		1,127,650

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

(Thousand euros)	2012		2011	
	Loans backing the issue of secured bonds and mortgage bonds	Of which: Eligible loans	Loans backing the issue of secured bonds and mortgage bonds	Of which: Eligible loans
Total	21,932,036	15,311,704	22,533,651	15,644,920
Origin of operations	21,932,036	15,311,704	22,533,651	15,644,920
Arranged by the entity	21,214,323	14,618,040	21,759,714	14,894,917
Subrogated other entities	717,713	693,664	773,937	750,003
Currency	21,932,036	15,311,704	22,533,651	15,644,920
Euro	21,927,544	15,311,704	22,528,280	15,644,920
Other currencies	4,492	–	5,371	–
Payment status	21,932,036	15,311,704	22,533,651	15,644,920
Payment normality	20,586,268	15,035,571	21,635,945	15,484,067
Other situations	1,345,768	276,133	897,706	160,853
Average residual period to maturity	21,932,036	15,311,704	22,533,651	15,644,920
Up to 10 years	3,257,408	1,127,925	3,153,258	1,049,196
More than 10 years and up to 20 years	4,640,518	3,442,722	4,671,817	3,429,487
More than 20 years and up to 30 years	9,337,829	7,251,307	9,736,189	7,519,592
More than 30 years	4,696,281	3,489,750	4,972,387	3,646,645
Interest rate	21,932,036	15,311,704	22,533,651	15,644,920
Fixed	152,532	43,125	120,055	46,303
Variable	20,921,839	14,734,419	21,137,369	14,821,010
Mixed	857,665	534,160	1,276,227	777,607
Holders	21,932,036	15,311,704	22,533,651	15,644,920
Entities and individual entrepreneurs	5,977,962	2,358,218	6,468,627	2,766,957
Of which: real estate development	*3,724,819*	*1,387,972*	*4,157,639*	*1,776,809*
Other home-help individuals and non-profit institutions	15,954,074	12,953,486	16,065,024	12,877,963
Type of guarantee	21,932,036	15,311,704	22,533,651	15,644,920
Assets/finished buildings	19,369,368	14,856,951	19,841,222	15,048,281
Residential	18,114,810	14,153,341	18,548,361	14,313,816
Of which: Official housing	*1,803,335*	*1,679,330*	*1,710,245*	*1,600,887*
Commercial	501,196	292,268	493,746	293,774
Other	753,362	411,342	799,115	440,691
Assets/buildings under construction	731,376	170,961	777,756	278,784
Residential	718,441	165,674	760,376	273,536
Of which: Official housing	*47,914*	*20,486*	*142,685*	*62,450*
Commercial	4,234	803	4,884	1,667
Other	8,701	4,484	12,496	3,581
Land	1,831,292	283,792	1,914,673	317,855
Developed	1,372,319	44,141	1,439,328	51,111
Other	458,973	239,651	475,345	266,744

• Nominal value of the bonds issued by the Entity:

(Thousand euros)	Nominal value 2012	Nominal value 2011
Mortgage bonds (Notes 19.3 and 19.4)	8,655,000	7,105,000
Singular mortgage bonds	3,950,000	4,700,000
Mortgage bonds October 2009	225,000	225,000
Mortgage bonds November 2009	500,000	500,000
Mortgage bonds January 2010	50,000	50,000
Mortgage bonds April 2010	500,000	500,000
Mortgage bonds April-II 2010	100,000	100,000
Mortgage bonds March 2011	30,000	30,000
Mortgage bonds December 2011	1,000,000	1,000,000
Mortgage bonds March 2012	750,000	–
Mortgage bonds March-II 2012	750,000	–
Mortgage bonds September 2012	800,000	–

• Information on the time to maturity of mortgage market instruments:

(Thousand euros)	2012 Amount	2012 Average period to maturity (months)	2011 Amount	2011 Average period to maturity (months)
Outstanding mortgage bonds	–	–	–	–
Mortgage bonds issued	8,655,000	–	7,105,000	–
Of which: Not reflected under liabilities on the balance sheet	3,300,000	–	1,000,000	–
Debt securities Issued through public offering	–	–	–	–
Debt securities Other issues	4,705,000	–	2,405,000	–
Time to maturity up to one year	275,000	–	–	–
Time to maturity more than one year and up to two years	500,000	–	275,000	–
Time to maturity more than two years and up to three years	500,000	–	500,000	–
Time to maturity more than three years and up to five years	780,000	–	530,000	–
Time to maturity more than five years and up to 10 years	2,650,000	–	1,100,000	–
Time to maturity more than 10 years	–	–	–	–
Deposits	3,950,000	–	4,700,000	–
Time to maturity up to one year	448,387	–	750,000	–
Time to maturity more than one year and up to two years	319,513	–	448,387	–
Time to maturity more than two years and up to three years	478,205	–	319,512	–
Time to maturity more than three years and up to five years	850,000	–	828,205	–
Time to maturity more than five years and up to 10 years	1,148,767	–	1,648,767	–
Time to maturity more than 10 years	705,128	–	705,129	–
Mortgage bond holdings	2,452,387	127	2,684,151	132
Other issues	2,452,387	127	2,684,151	132
Mortgage transfer certificates	2,861,098	148	3,078,887	165
Other issues	2,861,098	148	3,078,887	165

None of the issues has been completed through a public offering and all are denominated in euro. The Entity does not issue mortgage bonds and nor does it have replacement assets assigned to them.

- Information on mortgage loans backing the issue of secured bonds and mortgage bonds (eligible and non-eligible):

(Thousand euros)	2012 Eligible loans	2012 Ineligible loans	2011 Eligible loans	2011 Ineligible loans
Opening balance	15,644,920	6,888,731	15,653,478	7,181,610
Disposals in the year	1,092,109	783,128	939,605	1,089,008
Repayment at maturity	10,813	11,465	10,241	38,736
Early repayment	127,329	66,086	147,482	65,325
Subrogation by other entities	384	23	4,957	755
Maturities and other	953,583	705,554	776,925	984,192
Additions in the year	758,893	514,729	931,047	796,129
Arranged by the entity	757,981	514,729	927,691	794,967
Subrogation of other entities	912	–	3,356	1,162
Closing balance	15,311,704	6,620,332	15,644,920	6,888,731

- Information on mortgage loans backing the issue of secured bonds and mortgage bonds: Available balances:

(Thousand euros)	2012	2011
Total	173,780	243,131
– Potentially eligible	85,634	114,793
– Ineligible	88,146	128,338

1.11. FINANCIAL SECTOR ADJUSTMENT AND RESTRUCTURING PROCESS

1.11.1. New legislation applicable to real estate asset write-downs

In order to reinforce confidence in the Spanish financial sector, in 2012 rules were published that entail a major increase in the provisions for impairment of the real estate assets and financing aimed at real estate construction and promotion of Spanish financial institutions. In particular:

- Royal Decree Law 2/2012, on the adjustment of the financial sector.
- Royal Decree Law 18/2012, on the write-down and sale of the financial sector's real estate assets.

The requirements deriving from these rules were transferred to Appendix IX of Bank of Spain Circular 4/2004. The application of new legislation has entailed the recognition of impairment losses on loans and receivables amounting to €967,895 thousand (Note 10.6) and €276,458 thousand on foreclosed real estate assets. The latter were recognised in the income statement under "Losses on impairment of other assets" (€116,657 thousand; Note 37) and "Losses on non-current assets for sale" (€159,801 thousand; Note 39).

The impairment losses in question, amounting to €1,244,353 thousand, represent the total provision allowance this year for the obligations envisaged in said Royal Decrees and are extraordinary and non-recurring in nature.

The aforementioned impairment losses on loans and receivables include €614,069 thousand in respect of loans classified as normal. Provisions may only be used for specific coverage necessary as a result of the subsequent reclassification as doubtful or substandard of any financing classified as normal or the foreclosure or receipt of assets as payment for such debts. Nonetheless, the rule envisages that these provisions may be used to cover other assets insofar as they have not been fully applied for the use described above by December 2013 and in accordance with the guidance established by the Bank of Spain on that date.

1.11.2. Transfer of real estate assets to Asset Management Companies

Entities receiving public financial assistance have to transfer a significant part of foreclosed assets, financing and shareholdings in companies dedicated to construction and real estate promotion to the Management Company of Assets deriving from the Bank Restructuring (SAREB).

Credit institutions that have not received public assistance, such as Ibercaja Banco, have had to transfer foreclosed real estate assets deriving from financing aimed at real estate construction and promotion to the Asset Management Company by 31 December 2012. The Entity has met this requirement.

The Entity has observed the investment agreement governing its interest in SAREB, according to the price sensitive information of 18 December 2012. The Entity made an initial contribution of €14 million in the form of capital and €42 million through the subscription of subordinated debt, with a maximum additional commitment to subscribe capital amounting to €4 million and subordinated debt amounting to €12 million.

1.11.3. Identification and coverage of the possible capital needs of Spanish banks

In June 2012 an official request for financial assistance was submitted by the Spanish Government to the European Union for the recapitalisation of the Spanish financial sector and the Memorandum of Understanding associated with the terms and conditions of this assistance was approved in July.

On those dates an independent evaluation process was initiated about the possible capital needs of Spanish banks. On 28 September 2012 the results of this evaluation were made public. According to its findings, Ibercaja Banco would have a capital surplus of €389 million in the base case scenario, with capital needs amounting to €226 million in an adverse scenario, far less than the 2% of Risk Weighted Assets, which have been fully covered at 31 December 2012 with no need for any type of public financial assistance.

1.11.4. Integration processes

On 29 May 2012 the Board of Directors of Ibercaja Banco approved the agreement for its integration with Liberbank, S.A. and Banco Grupo Cajatres, S.A., which would be completed through the split-off of its assets and liabilities to a newly formed entity (Libercaja Banco, S.A.). Nonetheless, on 9 October 2012, the single shareholder of Ibercaja Banco, S.A.U., la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, decided not to approve the split-off of the assets and liabilities of Ibercaja Banco, S.A.U. in favour of Libercaja Banco, S.A., and therefore the integration agreement was declared null and void.

On 29 November 2012 Ibercaja Banco sent a price sensitive information notification to the CNMV, reporting that Ibercaja Banco, S.A.U. and Banco Grupo Cajatres, S.A. have signed a protocol for the future integration of both entities through the acquisition of Banco Grupo Cajatres, S.A. by Ibercaja Banco, S.A.U. This integration is contingent upon the approval of the necessary assistance and conditions by the Spanish and Community authorities and the adoption by Banco Grupo Cajatres of the requisite measures set out in the integration protocol.

1.12. EVENTS AFTER THE BALANCE SHEET DATE

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

1.13. CHANGES IN ACCOUNTING METHODS AND ESTIMATES

1.13.1. Changes in accounting criteria

During 2012 amendments have been made to accounting legislation applicable to the Group with respect to that applied in the previous period. Set out below is a list of the changes that may be considered to be significant:

Mandatory standards, amendments and interpretations for all years starting 1 January 2012 are as follows:

- IFRS 7 (Amendment) "Financial Instruments: Disclosures – Transfers of financial assets" This amendment does not entail significant changes with respect to the information disclosed by the Group concerning such transfers in the annual accounts, in view of the characteristics of its operations.

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

- IAS 1 (Amendment), "Presentation of annual accounts".
- IAS 12 (Amendment), "Deferred tax: recovery of underlying assets".
- IAS 19 (Amendment), "Employee benefits".
- IAS 27 (Amendment), "Separate annual accounts".
- IAS 28 (Amendment), "Investments in associates and joint ventures".
- IFRS 9 "Financial Instruments".
- IFRS 10 "Consolidated annual accounts".
- IFRS 11 "Joint arrangements".
- IFRS 12 "Disclosure of interests in other entities".
- IFRS 13 "Fair value measurement".

1.13.2. Changes in accounting estimates

The only significant change is that related to legislation governing provisions for real estate assets (loans and receivables and foreclosed assets) which have been discussed in Note 1.11.1 above.

1.14. CREDIT RATINGS

	Date		Short-term		Long-term		Outlook	
Entity	2012	2011	2012	2011	2012	2011	2012	2011
Standard & Poor's	November	December	B	A-2	BB+	BBB+	Negative	Under review
Moody's	October	December	NP	P-2	Ba2	Baa1	Under review	Under review

Credit ratings pertain to Ibercaja Banco, S.A.U.

2 ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT METHODS APPLIED

During the preparation of the Group's 2012 consolidated annual accounts, the following accounting principles and policies and measurement methods have been applied:

2.1. CONSOLIDATION

2.1.1. Subsidiaries

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

Schedules I and II provide significant information on these companies. The subsidiaries' annual accounts are consolidated using the full consolidation method, as stipulated in prevailing regulations. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, third-party interests in the:

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

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

2.1.2. Jointly-controlled entities

"Jointly-controlled entities" are shareholdings in entities that are not subsidiaries and are controlled jointly by two or more unrelated entities.

The Group has opted to measure these interests using the equity method (Note 2.1.3), on the understanding that this method gives the fairest view.

Note 14.2 contains a breakdown of the effect on the main items and margins recognised in the consolidated balance sheet and consolidated income statement, respectively, had the proportionate consolidation method been applied to these shareholdings.

Schedules I and II provide relevant information on these companies.

2.1.3. Associates

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

In the consolidated annual accounts, associates are consolidated using the equity method, as defined in prevailing legislation.

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

Schedules I and II provide relevant information on these entities.

2.2. FINANCIAL INSTRUMENTS

2.2.1. Initial recognition of financial instruments

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

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

2.2.2. Disposal of financial instruments

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

- The contractual rights to the cash flows generated have expired; or.
- The financial asset is transferred together with substantial risks and returns, or control is transferred, even where the asset is not transferred and substantial risks and returns are not retained (Note 2.7).

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

2.2.3. Fair value and amortised cost of financial instruments

The fair value of a financial instrument at a given date is understood to be the amount at which it may be purchased or sold at that date between duly informed parties in an arm's length transaction. The most objective and common reference value for a financial instrument's fair value is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

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

Specifically, the fair value of held-for-trading derivative financial instruments traded in organised, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organised markets.

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

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

The effective interest rate is the discount rate that brings the initial value of a financial instrument into line with total estimated cash flows throughout its residual life, not taking into account losses on future loan exposure. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that must be included in the calculation of the effective interest rate, under applicable regulations. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

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

- **Financial assets and liabilities at fair value through profit or loss:** this category includes the following financial instruments:
  - **Held-for-trading financial assets:** financial assets acquired in order to be realised in the short term, which form part of a portfolio of financial instruments managed individually or together for which there is evidence of recent actions taken to obtain short-term gains, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments in accordance with applicable regulations.
  - **Held-for-trading financial liabilities:** financial liabilities issued in order to be repurchased in the near future, which form part of a portfolio of financial instruments managed individually or together for which there is evidence of recent actions to obtain short-term gains, short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities, and derivative financial instruments which do not comply with the definition financial guarantee contract and have not been designated as hedge instruments, including instruments segregated from hybrid financial instruments in accordance with applicable regulations.
  - **Other financial assets or liabilities at fair value through profit or loss:** hybrid financial instruments simultaneously comprising an embedded derivative and a host instrument that, while not forming part of the trading portfolio, fulfil the requirements of prevailing regulations to be carried separately, and the value of the embedded derivative cannot be reliably measured.

  Financial instruments at fair value through profit or loss are initially measured at fair value. Changes in their fair value arising from the return (or charges) obtained on the financial instrument are recognised in the captions "Interest and similar income", "Interest and similar charges" or "Return on equity instruments" in the consolidated income statement, depending on their nature. The returns on debt instruments included in this category are calculated using the effective interest method. A balancing entry is made in "Gain/(loss) on financial operations" in the consolidated income statement with respect to other changes in that fair value.

  This notwithstanding, derivative financial instruments whose underlying assets are equity instruments the fair value of which cannot be determined in a sufficiently objective manner and which are settled by delivering the instruments, are stated at cost.

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

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

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

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

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

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

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

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

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

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

  Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective manner are carried at cost in these annual accounts, net of impairment calculated as explained in Note 2.8.

  Balancing entries are made in "Interest and similar income" (calculated using the effective interest method) and "Return on equity instruments" in the consolidated income statement, with respect to changes in the fair value of financial assets classed as available for sale, relating to interest or dividends accrued, respectively.

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

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

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

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

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

This notwithstanding, financial instruments that must be treated as non-current assets held for sale in accordance with prevailing regulations are recognised in the consolidated annual accounts as explained in Note 2.18.

2.3. ACCOUNTING HEDGES

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

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

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

In order to measure the effectiveness of hedge transactions, the Group assesses whether, from inception to the end of the defined term, the changes in the fair value of the hedged item attributable to the risk covered may prospectively be expected to be offset almost entirely by changes in the fair value of the hedging instruments and, retrospectively, whether the results of the hedge fluctuate within a range of between 80% and 125% of the results of the hedged item.

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

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

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

2.4. FOREIGN CURRENCY TRANSACTIONS

2.4.1. Functional currency

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

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

	Equivalent value in (Thousand euros)			
	2012		2011	
	Assets	Liabilities / equity	Assets	Liabilities / equity
Breakdown by portfolio type				
Financial assets/liabilities at fair value through equity	34,956	(4,344)	48,300	(3,912)
Loans and discounts /Liabilities at amortised cost	42,899	30,394	42,106	72,309
Remainder	152	1,054	207	1,106
	78,007	27,104	90,613	69,503
Breakdown by currency type				
US dollars	49,519	27,951	46,301	30,946
Pounds sterling	9,948	(118)	13,955	13,484
Swiss francs	13,688	(351)	24,300	19,443
Japanese yen	2,306	44	3,693	3,543
Remainder	2,546	(422)	2,364	2,087
	78,007	27,104	90,613	69,503

2.4.2. Foreign currency translation methods:

Foreign currency transactions are initially recognised at their equivalent value in euro, using the exchange rates prevailing at the dates of the transactions. Monetary balances denominated in foreign currencies are subsequently translated into the functional currency using the exchange rates in force at the financial reporting date.

Additionally:

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

2.4.3. Accounting for exchange differences

Exchange differences arising from the translation of foreign currency balances into the functional currency of the consolidated entities are generally recognised at their net amount in "Exchange differences (net)" in the consolidated income statement, except for differences in financial instruments carried at fair value through profit or loss, which are recognised in the consolidated income statement under "Gains/(losses) on financial transactions (net)" together with any other changes in their fair value.

This notwithstanding, exchange differences in equity instruments whose fair value is adjusted by means of a balancing entry in equity are recognised in "Equity – Measurement adjustments – Exchange differences" in the consolidated balance sheet, until they are realised.

At 31 December 2012 and 2011 there is no balance in that caption, since equity instruments denominated in foreign currencies are hedged against foreign exchange risks by means of fair value hedges in which the hedging instruments are interbank deposits, allowing changes in value caused by foreign exchange fluctuations to be recognised in the income statement.

2.5. RECOGNITION OF INCOME AND EXPENSES

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

2.5.1. Interest income and expense, dividends and similar items

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

2.5.2. Commissions, fees and similar items

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

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognised in the income statement at the settlement date.
- Amounts arising from long-term transactions or services are recognised in the consolidated income statement over the term of such transactions or services.
- Amounts relating to a one-off event are recorded in the income statement when that event takes place.

2.5.3. Non-financial income and expense

These amounts are accounted for on an accruals basis.

2.5.4. Deferred collections and payments

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

2.6. OFFSET OF BALANCES

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

2.7. TRANSFERS OF FINANCIAL ASSETS

The accounting treatment of transfers of financial assets is subject to the manner in which the risks and returns associated with the assets are transferred to third parties:

- If the risks and returns relating to the transferred assets are substantially transferred to third parties, the asset is written off the balance sheet and any right or obligation retained or created as a result of the transfer is simultaneously recognised.
- If the risks and returns relating to the transferred financial asset are substantially retained, as in the case of securitised financial assets in respect of which the Group retains subordinated financing or other credit enhancement arrangements that substantially absorb the credit losses expected from the securitised assets, the transferred financial asset is not written off the consolidated balance sheet and continues to be measured using the same methods applied prior to the transfer. Conversely, the following items are recognised and not offset:
  - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.
  - Both income from the financial asset transferred but not written off and expense from the new financial liability.
- If the risks and returns associated with the transferred financial asset are neither substantially transferred nor substantially retained, the following distinction is made:
  - If the Group does not retain control of the financial asset transferred: the asset is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognised.
  - If the Group retains control of the financial asset transferred: the asset continues to be recognised in the consolidated balance sheet at an amount equal to its exposure to value changes that could arise, also recognising an associated financial liability.

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

However, financial assets transferred prior to 1 January 2004 have been written off, irrespective of the transfer of related risks and returns, in accordance with applicable regulations.

Note 27.5 summarises the most significant circumstances of the main asset transfers recorded by the Group at year end.

2.8. FINANCIAL ASSET IMPAIRMENT

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

- In the case of debt instruments (loans, credit and debt securities), an adverse impact on the future cash flows estimated when the transaction was completed is identified.
- In the case of equity instruments, their carrying amount cannot be fully recovered.

In this respect, the situations considered by the Group as objective evidence that a financial instrument may be impaired and giving rise to a specific analysis in order to determine the amount of the possible impairment, include those indicated in section 59 of IAS 39 and in particular, for debt instruments, those indicated in Schedule IX of Bank of Spain Circular 4/2004. These situations include the following:

a) major financial difficulties in the issuer or party required to make payment;

b) non-compliance with contractual clauses, such as default or delay in payment of interest or the principal;

c) when the Group, for economic or legal reasons related to the borrower's financial difficulties, grants the borrower concessions or advantages which it would otherwise not grant, at all times taking into account the requirements contained in legislation applicable to the Bank;

d) when it is considered probable that the borrower will be involved in bankruptcy proceedings or in any situation involving a financial restructuring brought about by difficulties in covering payment commitments;

e) the disappearance of an active market for the financial asset in question due to the financial difficulties of the debtor or counterparty of the risk incurred by the Group or;

f) if the observable data point to the existence of a decrease in estimated future cash flows in a group of financial assets with homogeneous characteristics from the time of their initial recognition although the decrease may not yet be identified with the group's individual financial assets, including:

   i) adverse changes in the payment terms of a homogeneous group of borrowers who, for example, reflect a growing number of delays in payment or present an inappropriate financial structure, or.

   ii) local or national economic conditions that match defaults in a group of assets or adverse changes in the conditions of a sector affecting a group of borrowers.

g) for equity instruments, information is taken into account on significant changes which, having an adverse effect, have taken place in the technological, market, economic or legal environment where the issuer operates and specific situations affecting the entities invested in and which may point to the fact that the cost of the equity investment may not be recoverable. A prolonged or marked fall in the fair value of an equity investment to below cost is also objective evidence of impairment although it requires the pertinent testing by the Group of whether such decrease really relates to the impairment of the investment leading to the conclusion that the amount invested will not be recovered.

In particular, assets are regarded as doubtful due to customer default when the customer concerned owes an amount with respect to the principal or interest which is over 3 months overdue, and this has not been written off the consolidated balance sheet as it has been regarded as a bad debt.

In addition, all operations, except non-financial guarantees, are regarded as doubtful due to customer default when the balances classified as doubtful are more than 25% higher than the amounts pending collection.

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

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

The impairment adjustment to the carrying amount of financial instruments is charged to the consolidated income statement for the period in which impairment arises and any recoveries of previously recorded impairment losses are recognised in the consolidated income statement for the period in which the impairment is reversed or reduced.

Where the recovery of an impairment loss is deemed remote, the relevant amount is eliminated from the consolidated balance sheet, notwithstanding any collection actions that may be taken by the consolidated entities until their rights are definitively extinguished due to lapsing, remission or other causes.

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

2.8.1. Debt instruments measured at amortised cost

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

Subsequently, the cash flows are discounted at the instrument's effective interest rate (where a fixed rate was contracted) or at the effective contractual interest rate at the discount date (where a variable rate was contracted).

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

- When there is evidence of a reduction in the party's payment capacity due to default or other causes, and/or.
- In the event that country-risk materialises in respect of debtors resident in a country affected by circumstances other than ordinary commercial risks.

The following process is followed to assess potential impairment losses on these assets:

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

In addition to the identified losses, the Group recognises an overall loss for the impairment of risks classed as "normal status" risks that have not therefore been specifically identified This loss is quantified by applying the parameters defined by the Bank of Spain based on its experience and on Spanish banking industry data. The impact on the income statement of the provision associated with these losses is governed by Circular 4/2004 and the provision established may be applied as the specifically identified losses arise.

2.8.2. Available-for-sale debt instruments

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

In the case of impairment losses arising from the insolvency of the issuer of available-for-sale debt securities, the Group calculates the losses using the same procedure explained above in Note 2.8.1 for debt instruments carried at amortised cost.

Where there is objective evidence that the negative differences measured in these assets are caused by impairment, the relevant amounts are removed from the Equity caption "Measurement adjustments – Available-for-sale financial assets" and the entire amount accumulated to that date is recognised in the consolidated income statement. Should all of part of the impairment losses be subsequently recovered, the recovery is recognised in the consolidated income statement for the period in which the losses are recovered.

2.8.3. Available-for-sale equity instruments

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

The methods applied to measure impairment losses on available-for-sale equity instruments are similar to those applied to debt instruments (as explained in Note 2.8.2.), except for the fact that any recoveries are recognised in the Equity caption "Measurement adjustments – Available-for-sale financial assets".

For listed equity instruments, in order to determine whether there is any indication of impairment, the Group bases itself first on timing or comparison percentage bands of the average listed price of the instrument. In particular, the timing or percentage bands contained in the Group's policies are a fall of 40% in the listed price with respect to the average acquisition cost or a sustained fall in the listed price over an 18 month period. The Group considers that situations in which the issuer is declared or will probably be declared involved in bankruptcy proceedings or has major financial difficulties are evidence of impairment.

In this respect, objective evidence is strengthened in the event of a fall of 40% of the price over a constant period of one and a half years.

Under the above parameters, once indications of impairment are considered to exist, a specific analysis is performed of the instrument confirming or rejecting the need for provision.

At 31 December 2012 and 2011 there were no securities which, simultaneously fulfilling the percentage and timing range indicated above, were not impaired.

2.8.4. Equity instruments measured at cost

Impairment losses, where applicable, are equal to the difference between the carrying amount and the present value of forecast future cash flows, discounted at the market rate for returns from other similar securities.

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

2.9. FINANCIAL GUARANTEES AND RELATED PROVISIONS

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

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

Financial guarantees, irrespective of the holder or form, are analysed periodically in order to determine credit risk and, if applicable, estimate the need for provisions. The methods employed are similar to those applied to calculate impairment losses on debt instruments measured at amortised cost, as explained in Note 2.8.1 above.

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

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

2.10. ACCOUNTING FOR LEASES

2.10.1. Finance leases

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

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

- That the lease contract covers most of the asset's useful life, taking into account for such purposes the indicative parameter established in other legislation not specifically applicable to the Group, namely that the contract covers more than 75 of the asset's useful life.
- That the purchase option exercise price is less than the fair value of the asset's residual value at the end of the contract.
- That the present value of the minimum lease payments at inception is equivalent to practically the total fair value of the leased asset, using by way of an indication for such purposes the criterion established in other legislation not specifically applicable to the Group that this fair value exceeds 90% of the present value of the leased asset.
- That the asset's use is limited to the lessee.

Where the consolidated entities act as the lessors of an asset in a finance lease operation, the sum of the present values of the amounts that will be received from the lessee plus the guaranteed residual value is recognised as financing granted to third parties and therefore carried in "Loans and receivables" in the consolidated balance sheet, based on the nature of the lessee.

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

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

2.10.2. Assets managed

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

Where the consolidated entities act as the lessors in operating lease agreements, the acquisition cost of the leased asset is carried under "Property, plant and equipment" in "Investment property" or "Other assets assigned under operating leases", depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated income statement on a straight-line basis in the caption "Other operating revenue".

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

Note 27.7.2 sets out information on these leases.

2.11. ASSETS MANAGED

Third-party assets managed by the consolidated entities are not recognised in the consolidated balance sheet. Fees generated by this activity are recorded in "Fees received" in the consolidated income statement. Note 27.4 provides details of third-party assets managed at the year end.

2.12. INVESTMENT FUNDS AND PENSION FUNDS MANAGED BY THE GROUP

Investment and pension funds managed by the consolidated entities are not recognised in the Group's consolidated balance sheet as the fund assets are owned by third parties. Fees accrued for services rendered to the funds by the Group entities (asset management, portfolio depository services, etc.) are recorded in "Fees received" in the consolidated income statement.

2.13. STAFF COSTS

2.13.1. Post-employment, death and disability benefits

The Group's post-employment commitments with its employees are treated as "defined-contribution commitments" when the Group makes predetermined contributions to a separate entity, without any real 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 commitments".

The split-off of financial activities by Ibercaja to Ibercaja Banco, S.A.U. described in Note 1.1. has not entailed any change in employees' pre-existing rights.

In accordance with the prevailing collective bargaining agreement, Savings banks are required to supplement the social security benefits of their employees and their beneficiaries on retirement, disability and death. In order to externalise these commitments, the Entity set up the Ibercaja Employee Pension Plan under Law 8/1987, which distinguished between a group of employees with defined-benefit commitments for all contingencies and a group of employees with defined-contribution commitments for retirement and related contingencies and defined-benefit commitments for disability and work-related death.

At 31 December 2012 and 2011, the commitments not covered by the above-mentioned Pension Plan are covered by internal funds recognised in "Provisions – Funds for pensions and similar obligations" in the balance sheet and by insurance policies (basically with Ibercaja Vida, S.A.).

In the caption "Provisions – Provisions for pensions and similar obligations" on the liabilities side of the balance sheet (or on the assets side, in the caption "Other assets – Rest", depending on whether the difference is positive or negative and provided the conditions laid down in applicable regulations are fulfilled), the Group recognises the present value of its defined-benefit pension commitments, net of the fair value of the plan assets and of deferred past service costs, as explained below.

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

- They are not owned by the Group but by a separate legal entity unrelated to the Group.
- They are only available to pay or finance post-employment benefits.
- They may not return to the Group, unless the remaining plan assets are sufficient to fulfil all the plan obligations and the Group's obligations related to benefits for current or past employees, or to reimburse the employee benefits already paid by the Group.

Actuarial gains and losses derive from differences between prior actuarial assumptions and actual events, and from changes in the actuarial assumptions used. Actuarial gains or losses relating to the Group's post-employment commitments are charged or credited directly to reserves through the consolidated recognised statement of income and expense in the year they arise.

Estimated differences arising from actuarial departures in connection with the Pension Plan and the insurance policies referred to above are recognised in "Provisions – Funds for pensions and similar obligations" in the balance sheet at 31 December 2012 and 2011.

Post-employment remuneration is recognised in the consolidated income statement as follows:

- Current service costs, i.e. the increase in the present value of the obligations arising from the services provided by employees in the current year, are recognised in "Staff costs".
- Interest costs, i.e. the increase in the present value of the obligations that occurs during the year due to the passage of time, are recognised in "Interest and similar charges".

The commitments assumed by the Group to cover the death and disability of current employees are covered by insurance policies contracted with Ibercaja Vida, S.A. The amount accrued in relation to these policies in 2012 and 2011 is recorded in "Staff costs" in the income statement in an amount equal to the insurance premiums accrued each year.

This amount is not eliminated on consolidation because the premium is paid by the Group to the Pension Plan which for consolidation purposes is a third party and it is the Pension Plan that guarantees contingencies with Ibercaja Vida, S.A.

2.13.2. Other long-term benefits Pre-retirement

In previous years, the Group offered certain employees the possibility of retiring before reaching the retirement age stipulated in the applicable collective bargaining agreement. In this respect, provisions were recorded in 2012 and 2011 to cover commitments acquired with pre-retired employees in relation to salaries and welfare charges from the pre-retirement date to the effective retirement date.

For accounting purposes, pre-retirement commitments are recognised using the same methods explained previously for post-employment defined-benefit commitments, with the exception that all past service costs are recognised as soon as they arise.

At 31 December 2012 and 2011, pre-retirement commitments totalled €885 thousand and €1,407 thousand, respectively, and are recognised in "Provisions – Funds for pensions and similar obligations" in the balance sheet (Note 35).

2.13.3. Termination benefits

The Group is required to recognise severance indemnities in the income statement with respect to employees that are unfairly dismissed and severance indemnities agreed with executives. There is no staff reduction plan in respect of which a provision must be recorded for severance indemnities.

2.13.4. Other welfare benefits

The Company 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 fringe benefits are credit facilities.

In general, current employees with indefinite contracts are entitled to request loans or credit facilities, subject to a maximum limit based on their annual salary, once their trial period has ended:

- Home purchase loans: the maximum amount financed is the value of the dwelling plus acquisition costs, subject to a maximum of five annual salaries. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate.
- Loan for sundry purposes: the maximum amount financed is 25% of the annual salary. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate.
- Salary advance: in order to meet fully justified urgent needs, employees may request an interest-free advance of up to nine monthly salaries. Monthly repayments are equal to 10% of the gross salary.

2.14. CORPORATE INCOME TAX

Income tax expense is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from timing differences, tax credits and allowances, and any tax-loss carryforwards (Note 25).

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

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

Tax credits and allowances and tax credits for tax-loss carryforwards are amounts that, though generated on completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and provided the Group considers that application in future years is probable. Note 25 sets outs the assets reflected in this respect.

Current tax assets and liabilities are amounts that the Group expects to recover from or pay to the corresponding tax administration within 12 months of the year end. Deferred tax assets and liabilities are amounts that the Group expects to recover from or pay to the corresponding tax administration in future years.

Deferred tax liabilities are recognised for practically all temporary differences. This notwithstanding, a deferred tax liability is recognised for temporary differences derived from investments in subsidiaries and associates, and for holdings in jointly -controlled entities, except where the Group is in a position to control the reversal of the temporary differences and reversal is not probable in the foreseeable future.

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

2.15. PROPERTY, PLANT AND EQUIPMENT

2.15.1. Property, plant and equipment for own use

Property, plant and equipment for own use comprise assets owned or being acquired under finance leases that the Group holds for current or future use for the production or supply of goods and which are expected to be used for more than one financial year. Among other assets, this category includes property, plant and equipment received by the consolidated entities to fully or partially settle financial assets representing debt claims against third parties and which the Group plans to use itself on a continuous basis. Property, plant and equipment for own use is carried in the balance sheet at acquisition cost, which is the fair value of any consideration paid plus all cash payments made or committed, less:

- Accumulated depreciation, and.
- If applicable, estimated losses calculated by comparing each asset's carrying amount with its recoverable amount.

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

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

The annual depreciation charge for property, plant and equipment is made against "Depreciation – Property, plant and equipment" in the consolidated income statement, calculated over the following estimated useful lives:

	Estimateduseful lives (years)
Buildings for own use	50 to 100
Furnishings	6 to 12.5
Plant	5 to 16.6
Computer equipment and facilities	4 to 8

At each accounting close, the consolidated entities check for internal or external indications that the carrying amount of their property, plant and equipment exceeds the recoverable amount, in which case the carrying amount of the asset in question is written down to its recoverable amount and future depreciation charges are adjusted in proportion to the adjusted carrying amount and the new residual useful life, should a new estimate be necessary. If applicable, this write-down of book value is charged to the consolidated income statement caption "Asset impairment losses (net) – Property, plant and equipment".

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

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

Repair and maintenance costs for property, plant and equipment for own use are charged to the consolidated income statement during the financial period in which they are incurred, in the caption "Other general administration expenses". Financial costs incurred to finance property, plant and equipment for own use are recognised in the income statement when they accrue and do not form part of the acquisition cost of the assets.

2.15.2. Other assets assigned under operating lease

The consolidated balance sheet heading "Property Plant and equipment – tangible assets – assigned under operating leases" records the carrying amounts of property, plant and equipment other than land and buildings assigned by the Group under operating leases.

The same methods applied to property, plant and equipment for own use (Note 2.15.1) are used to recognise acquisition cost, depreciation, estimated useful life and impairment losses in respect of investment property.

2.15.3. Investment property

The caption "Property plant and equipment - investment property" in the consolidated balance sheet includes the carrying amounts of land, buildings and other constructions held either for rental or to obtain a possible gain on the sale of the property as a result of future market price increases.

The same methods applied to property, plant and equipment for own use (Note 2.15.1) are used to recognise acquisition cost, depreciation, estimated useful life and impairment losses in respect of investment property.

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

2.16. INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary and non-physical assets that arise from legal business or have been developed internally by the consolidated entities. Intangible assets are only recognised when their cost may be reliably and objectively estimated and the consolidated entities consider they will probably generate future economic benefits.

2.16.1. Goodwill

The excess of the cost of shareholdings in entities measured using the equity method over their acquired carrying amounts, adjusted at the date of first consolidation, and is allocated as follows:

- If it is allocable to specific items in the companies or businesses acquired, by increasing or decreasing the value of the assets or liabilities in order to ensure that they are carried at fair value when this differs from the amounts at which they are carried in the balance sheets of the acquired entities.
- If they are allocable to specific intangible assets which are not previously reflected by the entities or businesses acquired, by recognising them explicitly in the consolidated balance sheet provided that their fair value may be reliably determined at the acquisition date.
- The remaining amount is recognised as goodwill, which is allocated to one or more specific cash-generating units.

Goodwill is only recognised when acquired for valuable consideration and therefore represents advance payments made by the acquiring entity in respect of future economic benefits deriving from the acquired entity's assets that cannot be individually and separately identified and recognised.

Any goodwill in associates is included in the carrying amount of the shareholdings.

Goodwill acquired as from 1 January 2004 is shown at acquisition cost, while goodwill acquired before that date is carried at the net amount recognised at 31 December 2003, calculated in accordance with the regulations previously applied by the Group (Bank of Spain Circular 4/1991).

At the year end, if there are any indications of impairment of the investment in the associate, the recoverable amount is estimated and it is determined whether that investment has suffered impairment. Impairment losses reflected in associates of may be reversed subsequently.

2.16.2. Other intangible assets

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

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

Intangible assets with a definite life are amortised over their useful life at rates similar to those applied to property, plant and equipment. Annual amortisation of intangible assets with a definite useful life is recognised in "Amortisation- Intangible assets" in the income statement and is calculated on the basis of the useful lives initially estimated, generally 3 to 5 years.

The Group recognises any impairment loss and makes a balancing entry in the caption "Other asset impairment losses (net) – goodwill and other intangible assets" in the consolidated income statement. The methods applied to recognise impairment losses on these assets and, if appropriate, the recovery of impairment losses recognised in prior years are similar to those applied to property, plant and equipment (Note 2.15.1).

2.17. INVENTORIES

This consolidated balance sheet caption records the non-financial assets that the consolidated entities:

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

Inventories are stated at the lower of cost, which includes all amounts paid to acquire and transform the inventories and all direct and indirect costs incurred to bring them to their present condition and location, and 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 that are not ordinarily interchangeable is determined individually and the cost of the rest of the inventories is determined using the weighted average cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated income statement in the financial year they are incurred, in the caption "Other asset impairment losses (net) - other assets".

The carrying value of inventories is written off the consolidated balance sheet and is charged to expense in the consolidated income statement under "Other operating charges" in the year the income from their sale is recognised.

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

2.18. NON-CURRENT ASSETS HELD FOR SALE

The consolidated balance sheet caption "Non-current assets held for sale" consists of items whose carrying amount is to be recovered through the highly probable sale of the asset, in its current condition, within one year as from the date of the consolidated annual accounts.

Non-current assets held for sale also include holdings in associates or jointly-controlled entities that meet the requirements stated in the previous paragraph. Consequently, the carrying amount of these items, which may be financial or non-financial in nature, is likely to be recovered through their selling price rather than through continued use.

Specifically, real estate assets or other non-current assets received by the consolidated entities to fulfil, totally or partly, the payment obligations of the related debtors are considered non-current assets for sale, except if the decision has been taken, on the basis of their nature and use, that they should be classified as own tangible assets, investment property or inventories. They are reflected initially at the lower of fair value net of costs of sale and acquisition cost, understood as the carrying value of the related debts, which is calculated in accordance with legislation applicable to the Company. While included in this category, amortisable/ depreciable assets by nature, are not depreciated or amortised.

Subsequently, in the event that the carrying amount exceeds the fair value of the assets, net of cost of sales, the Group adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption "Gains/(losses) on non-current assets available for sale not classified as discontinued operations" in the consolidated income statement. In the event that the fair value of the assets increases at a later date, the Group reverses the losses previously recognised by increasing the carrying amount subject to the limit of the carrying amount prior to any impairment. A balancing entry is made in the same caption as mentioned above in the consolidated income statement.

2.19. INSURANCE OPERATIONS

In accordance with the accounting practices generally applied in the insurance industry, the consolidated insurance companies recognise premiums in the income statement when the policy is issued and recognise claim costs in the income statement when they are known. These accounting practices require insurance companies to apportion at the year end the amounts credited to the income statement and not accrued at that date.

The most significant accruals established by consolidated entities with respect to the direct insurance arranged by them are: unearned premiums, benefits, life insurance when the investment risk is assumed by the policyholder, share in profits and returned premiums.

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

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

The correction consists of recognising symmetrically the changes in the fair value of the assets classified in "Available-for-sale financial assets" and "Other financial assets at fair value through profit and loss".

The balancing entry for such variations has been the provision for life insurance when required by the Private Insurance Regulations and other applicable legislation or a liability account (with a positive or negative balance) for the part reflected as a life insurance provision that is presented under "Other liabilities" on the consolidated balance sheet.

Underwriting reserves for ceded reinsurance, calculated on the basis of the relevant reinsurance treaties applying the same criteria as for direct insurance, are recognised in the caption "Assets held for reinsurance" in the consolidated balance sheet (Note 15).

2.20. PROVISIONS AND CONTINGENT LIABILITIES

When preparing the consolidated entities' annual accounts, their respective directors distinguish between:

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

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

Provisions are quantified using the best information available on the consequences of the event that justifies them and are re-estimated should new information be obtained or at least annually. They are applied to meet the specific obligations for which they were originally recognised and fully or partially reversed should such obligations cease to exist or decrease.

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

At the year end, a number of legal proceedings and claims had been initiated against the consolidated entities, arising in the ordinary course of business. The Group's legal advisors and directors consider that the outcome of these proceedings and claims will have no significant impact on the consolidated annual accounts for the years in which the rulings are issued.

2.21. BUSINESS COMBINATIONS

Business combinations are operations in which two or more entities or economic units of the same entity or group of companies are combined. The result of a business combination is the obtainment of control over one or more entities. Combinations are recognised using the purchase method of accounting.

The purchase method addresses business combinations from the viewpoint of the acquiring party, which must recognise the acquired assets and liabilities and the assumed contingent liabilities at fair value.

2.22. CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES

In accordance with the alternatives contained in section 8.1 of IAS 1, the Group has opted to present separately a statement showing the components of the consolidated surplus ("Consolidated income statement") and a second statement that taking the consolidated surplus for the year, shows the components of other income and expenses for the year ("Consolidated statement of recognised income and expenses").

The consolidated statement of recognised income and expenses presents the income and expenses generated by the Group as a result of its operations during the year and differentiates between the income and expenses reflected in the consolidated income statement for the year and other income and expenses reflected, in accordance with current legislation, directly in consolidated equity.

Therefore this statement presents:

a) Consolidated surplus for the year.

b) Net income and expenses recognised transitionally as measurement adjustments in consolidated equity.

c) Net income and expenses recognised definitively in consolidated equity.

d) Corporate income tax accrued in respect of the items indicated in b) and c) above, except for the valuation adjustments resulting from holdings in associates or jointly controlled entities measured using the equity method and which are presented net.

e) Total consolidated recognised income and expenses, calculated as the sum of the above, showing the amount attributed to the parent and to minority interests separately.

Income and expenses relating to entities carried under the equity method and reflected directly against equity are presented in this statement, irrespective of their nature, under the caption "Equity method companies".

Variations in income and expenses recognised in equity as measurement adjustments break down as follows:

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

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

c) Amounts transferred to initial carrying value of hedged items: this records the measurement gains or losses previously recognised in consolidated equity, albeit in the same year that they are recognised in the initial value of assets or liabilities as a result of cash flow hedges.

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

These items are presented at their gross amount, showing, except as indicated above for those relating to measurement adjustments of equity method companies, the corresponding tax effect under the caption "Corporate income tax" in the statement.

2.23. TOTAL STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

The "Total statement of changes in equity" presents all changes in equity, including those arising from changes in accounting criteria and error corrections. This statement therefore shows a reconciliation of the carrying value at the start and end of the year of all items making up consolidated equity, grouping movements together on the basis of their nature as follows:

a) Adjustments owing to changes in accounting policies and correction of errors: this includes the changes in consolidated equity which result from the retroactive restatement of balances in the annual accounts arising from changes in accounting policies or error correction.

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

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

2.24. CONSOLIDATED CASH FLOW STATEMENTS

The terms employed in the consolidated cash flow statement have the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents understood as on-demand investments.
- Operating activities: the ordinary activities of credit institutions. Activities involving financial instruments are regarded as operating activities, with certain exceptions such as the financial assets included in the held-to-maturity investment portfolio, equity instruments classified as available for sale which are strategic investments and subordinate financial liabilities.
- Investing activities: acquisitions, sales or disposals through other means of long-term assets and other investments not included in cash and equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities of the Group which do not form part of operating activities.

When preparing the consolidated cash flow statement, "cash and cash equivalents" consist of highly liquid current investments in respect of which the risk of value fluctuations is low. Accordingly, the Group treats the following financial assets and liabilities as cash or cash equivalents:

- The Group's own cash, which is recognised in the consolidated balance sheet caption "Cash on hand and on deposit at central banks" (Note 6).
- Net demand deposits at central banks, which are recognised in the captions "Cash on hand and on deposit at central banks" (debtor balances) and "Financial liabilities at amortised cost – Deposits at central banks" (creditor balances) under assets and liabilities, respectively, in the consolidated balance sheet (Note 6 and 19.1).
- Net balances of demand deposits at credit institutions other than the balances at central banks. Debtor balances are recognised, among other items, in the caption "Loans and receivables – Deposits at credit institutions" in the consolidated balance sheet (Note 10.2). Creditor balances are recognised, among other items, in the caption "Financial liabilities at amortised cost – Deposits at credit institutions" in the consolidated balance sheet (Note 19.1).

3 RISK MANAGEMENT

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

On the basis of exposure, the credit risk is the most significant in the Group's risk profile, nonetheless risk management also covers counterparty risk, concentration risk, market risk, liquidity risk, interest rate risk, operational risk, reputational risk etc.

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

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

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

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

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

- To assess the key business risks on the basis of their relevance and probability of occurrence, quantifying them with greater accuracy and the increase in the level of detail.
- To integrate risk measurement in operating and decision processes (establishing limits and policies, acceptance of operations, follow-up, recovery etc.) and analytical processes (calculation and analysis of risk adjusted customer and segment profitability, products, centres of accountability and lines of business).
- To increase the efficiency of risk acceptance, follow-up and recovery processes through the use of appropriate statistical and information system tools, which should enable decisions to be taken.
- Ensuring the integrity and quality of information on risk, which leads to improvements in the internal and external reporting and communication systems at all levels involved in risk management.
- To establish an environment where models and tools are followed up systematically, ensuring their predictive ability.

As a result of the current economic environment, the Group's objectives in the global risk management area focus in internal improvement issues to enable an efficient management of default situations and prevention of further deterioration both in the current portfolio and in new credit risk operations, in active liquidity management from all business areas, and in maintaining high levels of solvency.

3.1. CREDIT RISK

It is defined as the possibility of losses being caused by the non-fulfilment of payment conditions by customers, and a reduction in value due to the deterioration in their credit quality.

3.1.1. Credit risk management strategies and policies

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

The Board of Directors establishes the strategies, policies and limits on the management of this risk, which are documented in the "Loan policy and procedures manual" at the suggestion of the Global Risk Committee. This manual includes the action guidelines for the main operation segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board is responsible for authorising risks that exceed the competence of the Group's operating circuit.

3.1.2. Credit risk granting, monitoring and recovery policies

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

a) In relation to the granting of credit risk, the Group has implemented the following policies:

- Specific limits to the level of risk exposure for certain loan portfolios.
- Risk classification for borrower groups by establishing prior risk exposure limits to avoid inappropriate 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 for ensuring legal security in each operation.
- Risk mitigation techniques.
- Pricing policies consistent with customer 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 the Entity's manuals.

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

   A mechanised alarm system has been implemented by the Group which analyses and classes all customers following consideration of information from internal and external sources for the purpose of detecting risk factors which may imply a deterioration of the customer's credit quality. This alarm system is subject to calibration and on-going improvement processes.

   Groups or borrowers classed as deserving special supervision, substandard risk or doubtful for reasons other than default are also closely monitored.

c) Integrated risk management is completed with the recovery policies, designed to avoid or minimise losses through specific recovery circuits based on the amount and type of operation and with the involvement of various internal and external managers who determine the action to be taken in each case.

3.1.3. Country risk

This is defined as the possibility of incurring losses as a result of a country as a whole defaulting on its payment obligations owing to circumstances other than the standard business risk. Country risk includes sovereign risk, transfer risk and other risks associated with international financial activities.

Countries are classified in six groups in accordance with Bank of Spain Circular 4/2004, its rating and the OECD country classification and the International Bank for Reconstruction and Development on the basis of their economic development, political situation, regulatory and institutional framework, capacity and payment experience.

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

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

(Thousand euros)	2012	2011
With no appreciable risk	10,780,372	8,442,935
Low risk	20,499,975	21,262,117
Medium – low risk	2,957,276	4,713,566
Medium risk	3,964,550	4,641,920
Medium-high risk	1,641,615	387,382
High risk	155,542	162,169
	39,999,330	39,610,089

3.1.4. Information on the credit risk of financial instruments

The classification on the basis of the level of risk of the Group's loans and receivables, fixed income assets and contingent risks are not doubtful and have not become impaired and are subject to the general bad debt provision is as follows:

(Thousand euros)	2012	2011
Public sector	653,838	547,849
Credit institutions	1,054,598	795,945
Real estate construction and development activities	3,511,234	4,090,623
Other interest generating operations	4,257,234	4,927,912
Housing acquisition and refurbishment	21,263,383	21,920,480
Consumer and other household lending	981,995	1,089,500
Other sectors not classified	458,780	467,343
	32,181,062	**33,839,652**

In 2012 and in accordance with Circular 2/2012, medium - low risks have been reclassified to medium-high with respect to real estate financing.

(Thousand euros)	2012	2011
Mortgages	26,752,551	27,833,355
Pledges – financial assets	6,653	7,562
Off-balance sheet guarantees – Public Sector and credit institutions	32,541	50,455
Guarantee – Government debt securities	54,859	443,987
	26,846,604	**28,335,359**

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

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

(Thousand euros)	2012	2011
Customer default	1,361,609	1,240,346
Other factors	359,223	152,092
	1,720,832	**1,392,438**

At December 2012 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 59.86% (61.3% at December 2011).

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

The main factors taken into account to calculate impairment for reasons other than non-payment are those reflected in Note 2.8.

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.

				Secured loans. Loan to value				
(Thousand euros)	Total	Of which: mortgage guarantee	Of which: other guarantees	40% or less	More than 40 % and less than or equal to 60%	More than 60 % and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public authorities	581,632	64,617	–	17,430	21,930	24,832	425	–
Other financial institutions	56,907	231	–	3	228	–	–	–
Non financial companies and individual entrepreneurs	7,002,470	4,551,418	11,118	824,125	1,029,836	1,859,876	588,365	260,334
Real estate construction and development activities	2,762,463	2,678,086	125	246,084	466,136	1,297,524	471,916	196,551
Construction of civil engineering works	29,493	613	–	334	279	–	–	–
Other uses	4,210,514	1,872,719	10,993	577,707	563,421	562,352	116,449	63,783
Large companies	*1,181,307*	*165,518*	*4*	*67,795*	*43,129*	*45,518*	*2,770*	*6,310*
SMEs and sole proprietorships	*3,029,207*	*1,707,201*	*10,989*	*509,912*	*520,292*	*516,834*	*113,679*	*57,473*
Other home-help and non-profit institutions	22,462,950	21,433,599	5,163	3,713,175	6,279,940	9,181,777	2,085,571	178,299
Housing	20,824,741	20,540,415	1,345	3,342,352	6,005,927	8,990,862	2,041,078	161,541
Consumption	422,875	97,778	2,200	60,194	21,726	15,157	1,863	1,038
Other uses	1,215,334	795,406	1,618	310,629	252,287	175,758	42,630	15,720
Subtotal	30,103,959	26,049,865	16,281	4,554,733	7,331,934	11,066,485	2,674,361	438,633
Less: value adjustments for asset impairment not allocated to operations	614,069	–	–	–	–	–	–	–
Total	29,489,890	–	–	–	–	–	–	–
Memorandum accounts: refinancing, refinanced and restructured operations	4,646,378	4,125,016	672	568,631	794,323	1,799,709	748,229	214,796

Additionally, note 10.5 to the consolidated annual accounts includes the breakdown of overdue assets not impaired, indicating that they are less than 3 months old.

(Thousand euros)	Spain	Rest of UE	América	Rest of the world	Total
Credit institutions	**2,279,327**	**765,250**	**38,603**	**519**	**3,083,699**
Public authorities	**7,985,427**	**692,853**	**–**	**–**	**8,678,280**
Central government	7,391,459	692,853	–	–	8,084,312
Remainder	593,968	–	–	–	593,968
Other financial institutions	**1,038,553**	**24,336**	**–**	**–**	**1,062,889**
Non financial companies and individual entrepreneurs	**7,742,317**	**98,625**	**16,052**	**2,740**	**7,859,734**
Real estate construction and development activities	2,898,871	–	–	–	2,898,871
Construction of civil engineering works	29,534	–	–	–	29,534
Other uses	4,813,912	98,625	16,052	2,740	4,931,329
Large companies	*1,146,129*	*70,215*	*13,646*	*–*	*1,229,990*
SMEs and sole proprietorships	*3,667,783*	*28,410*	*2,406*	*2,740*	*3,701,339*
Other home-help and non-profit institutions	**22,460,204**	**53,420**	**7,736**	**26,521**	**22,547,881**
Housing	20,749,102	52,621	7,218	25,014	20,833,955
Consumption	421,914	395	489	76	422,874
Other uses	1,289,188	404	29	1,431	1,291,052
Subtotal	41,505,828	1,634,484	62,391	29,780	43,232,483
Less: Value adjustments for asset impairment not allocated to operations					614,069
Total					42,618,414

(*) Includes deposits at credit institutions, customer loans, debt securities, equity instruments, trading derivatives, hedging derivatives, investments and risks.

3.1.5. Information concerning risk concentration, refinancing and restructuring

(Thousand euros)	Aragon	Madrid	Catalonia	Com. Valenc.	Castilla La Mancha	Andalusia	La Rioja	Reimaind	Total
Credit institutions	1,249,394	694,972	148,785	23,484	11,306	34,312	1,241	115,833	2,279,327
Public authorities	149,484	152,310	22,594	115,234	16,054	3,581	62,255	72,456	7,985,427
Central government	–	–	–	–	–	–	–	–	7,391,459
Remainder	149,484	152,310	22,594	115,234	16,054	3,581	62,255	72,456	593,968
Other financial institutions	506,388	506,774	502	6,890	27	2	860	17,110	1,038,553
Non financial companies and individual entrepreneurs	2,561,936	1,918,662	820,718	449,960	512,868	546,380	210,259	721,534	7,742,317
Real estate construction and development activities	641,297	750,521	209,691	148,150	295,767	350,710	144,183	358,552	2,898,871
Construction of civil engineering works	2,250	26,056	213	137	115	167	410	186	29,534
Other uses	1,918,389	1,142,085	610,814	301,673	216,986	195,503	65,666	362,796	4,813,912
Large companies	*259,842*	*300,968*	*269,313*	*84,304*	*31,039*	*38,313*	*49,736*	*112,614*	*1,146,129*
SMEs and sole proprietorships	*1,658,547*	*841,117*	*341,501*	*217,369*	*185,947*	*157,190*	*15,930*	*250,182*	*3,667,783*
Other home-help and non-profit institutions	5,075,616	6,362,159	2,400,767	2,400,375	1,748,123	1,435,056	887,137	2,150,971	22,460,204
Housing	4,342,719	5,992,799	2,251,193	2,277,462	1,637,346	1,372,032	810,207	2,065,344	20,749,102
Consumption	153,247	104,967	41,739	32,155	33,693	11,253	21,600	23,260	421,914
Other uses	579,650	264,393	107,835	90,758	77,084	51,771	55,330	62,367	1,289,188
Subtotal	9,542,818	9,634,877	3,393,366	2,995,943	2,288,378	2,019,331	1,161,752	3,077,904	41,505,828
Less: Value adjustments for asset impairment not allocated to operations									614,069
Total									40,891,759

3.1.5.1. Information concerning risk concentration

Set out below is a breakdown of the carrying value of the distribution of customer loans by customer type and activity:

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

- Total activity:
- Activities in Spain

3.1.5.2. Information on refinancing and restructuring operation

The Group has defined its refinancing, restructuring, renovation and renegotiation policies as credit risk management instruments aimed at:

- Ensuring the economic feasibility of borrowers and operations (granting grace periods, increase in timeframes, etc).
- Improving as far as possible the Entity's risk position through the delivery of additional effective guarantees and the review of existing guarantee.

Prior to their refinancing, restructuring or renegotiation, operations should fulfil the following requirements:

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situatio.
- Assessment of the borrower's/ operation's compliance record.
- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. For such purposes, the following are considered effective guarantees:
  - Guarantees pledged over cash deposits, listed equity instruments and debt securitiesa.
  - Mortgage guarantees over housing, offices and multi-purpose entities and rural properties.
  - Personal guarantees (guarantee deposits, new holders etc) fully covering the guaranteed risk.
- In no event is the refinancing of operations presenting payment incidents in other financial institutions permitted, unless the amounts involved have a residual weight with respect to the limit of the new operation and provided that it is a necessary condition to settle a problematic situation in the Group.

Set out below is a breakdown of refinancing and restructuring balances outstanding:

(Thousand euros)	Normal					
	Absolute mortgage guarantee		Other guarantees		Without guarantee	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public authorities	18	26,453	–	–	6	61,860
Other legal entities and individual entrepreneurs	3,499	1,870,209	107	141,960	4,225	340,799
Of which: financing of construction and real estate development activities	947	1,370,130	50	117,385	156	25,236
Other individuals	15,302	1,200,553	262	19,108	7,307	62,416
Total	18,819	3,097,215	369	161,068	11,538	465,075

(Thousand euros)	Substandard						
	Absolute mortgage guarantee		Other guarantees		Without guarantee		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public authorities	–	–	–	–	–	–	–
Other legal entities and individual entrepreneurs	108	404,028	14	59,457	25	57,828	212,039
Of which: financing of construction and real estate development activities	86	386,899	13	59,457	8	17,446	204,377
Other individuals	–	–	–	–	–	–	–
Total	108	404,028	14	59,457	25	57,828	212,039

(Thousand euros)	Doubtful						
	Absolute mortgage guarantee		Other guarantees		Without guarantee		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public authorities	–	–	–	–	–	–	–
Other legal entities and individual entrepreneurs	712	603,715	119	105,643	890	102,369	324,849
Of which: financing of construction and real estate development activities	382	538,955	61	98,725	296	69,363	288,212
Other individuals	1,562	137,531	145	6,117	759	5,878	22,657
Total	2,274	741,246	264	111,760	1,649	108,247	347,506

Set out below is a summary of the information included in the three tables above:

(Thousand euros)	Number of operations	Gross amount	Specific cover
Public authorities	24	88,313	–
Other legal entities and individual entrepreneurs	9,699	3,686,008	536,888
Of which: financing of construction and real estate development activities	1,999	2,683,596	492,589
Other individuals	25,337	1,431,603	22,657
Total	35,060	5,205,924	559,545

A breakdown of operations refinanced or restructured which have been classified as doubtful during the year is as follows:

	(Thousand euros)
Public authorities	–
Other legal entities and individual entrepreneurs	464,765
Of which: financing of construction and real estate development activities	428,824
Other individuals	89,239
Total	554,004

At December 2012 the Group assessed renegotiated transactions and according to its best judgement identified and provided for those that in the absence of renegotiation could have been become non-performing or would have been impaired. The related overall risk exposure amounts to €521,313 thousand (€512,456 thousand at December 2011) which agrees with refinancing operations classified as substandard indicated above.

3.2. OPERATIONAL RISK EXPOSURE

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

3.2.1. Operational risk management strategies and policies

The Basel Bank Supervisory Committee published in 2003 a number of best practices for the management of operational risk, which is required to be identified, measured, monitored, mitigated and controlled. Along these lines, the Basel Committee on Banking Supervision and Bank of Spain Circular 3/2008 on the Determination and Control of Minimum Equity provide that entities must hold sufficient equity which is commensurate to the operational risk they assume in their business activities.

The Board of Directors establishes the strategies to manage this risk and policies, which are documented in the "Operational risk management framework", as proposed by the Global Risk Committee.

The Group currently has a management and assessment model for this risk, described in the Operational Risk Management Framework, which basically envisages the following:

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

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

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

3.2.2. Measurement, management and control procedures

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

- Qualitative methodology, based on the identification and expert assessment of operational risks and controls in place over processes and activities together with the compilation and analysis of risk indicators.
- A total of 546 possible operational risks inherent in the Group's activities have been identified and assessed. As a result of the on-going self-assessment processes, it may be concluded that the estimated exposure to the overall impact of these risks is low.

- Quantitative methodology, supported by the identification and analysis of real losses arising in the Group which are recorded in the data base established to this effect (BDP).

Real losses recorded in the data base of losses owing to operational risk events amount to € 2,307 thousand relating to 2,440 events.

This figure for real losses is low level with respect to capital requirements and is consistent with the overall results of the aforementioned quantitative assessment (low risk).

The progress made in relation to the operational risk management and control processes deriving from the policies in place has enabled Ibercaja since December 2010 to calculate capital consumption owing to Operational Risk using the standard method, in accordance with Rule 97 of Bank of Spain Circular 3/2008 on the calculation and control of minimum equity.

3.3. EXPOSURE TO INTEREST RATE RISK

This is defined as the possibility that the Group's net interest revenue or equity will be affected by adverse fluctuations in the market interest rates to which its assets, liabilities or off-balance sheet transactions are linked.

The interest rate risk exposure derives from the revaluation risk, curve risk, base risk or optionality risk. Specifically, the revaluation risk derives from temporary differences existing at maturity or the review of rates on transactions sensitive to the interest rate risk.

3.3.1. Interest rate risk management strategies and policies

The management of this risk aims to contribute to maintaining current and future performance at adequate levels and preserving the Group's economic value.

In order to manage the interest rate risk, the Group has identification, measurement, monitoring, control and mitigation policies in place.

The Board of Directors establishes the strategies, policies and limits on the management of this risk, which are documented in the "Interest rate risk management policy and procedures manual" at the suggestion of the Global Risk Committee.

3.3.2. Measurement and control procedures

The Group manages the risk exposure deriving from its portfolio operations, both when they are contracted and throughout their subsequent monitoring, and also includes in its analytical timeline the forecast development of the business and expectations in respect of interest rates, as well as management and hedging proposals, simulating different behavioural scenarios.

The Group's tools enable the effects of interest rate shifts on its net interest income and its economic value to be measured, scenarios to be simulated on the basis of the assumptions concerning the performance of interest rates and business operations and the potential impact on capital and results deriving from abnormal market fluctuations (stress scenarios) to be estimated such that its results are taken into account when establishing and reviewing policies and planning process.

With respect to the optionality risk, basic assumptions are established concerning the sensitivity and duration of the sight savings operations, as maturities are not established contractually, together with the assumptions concerning early repayment on loans, based on historical experience in different scenarios.

Likewise, the effect of interest rate fluctuations on net interest revenue and equity is monitored through the fixing of exposure limits. Limits enable the interest rate risk to be maintained within levels which are compatible with approved policies.

The following table shows the sensitivity profile of Ibercaja Banco's individual balance sheet to interest rate risk, at 31 December 2012 and 31 December 2011, indicating the carrying value of those financial assets and liabilities affected by such risk, which are classified based on the estimated period elapsing to the date of review of the interest rate or maturity.

At 31 December 2012:

	Time to the review of the effective interest rate or maturity						
(Million euro)	Up to 1 month	Between 1 and 3 months	Between 3 months to one year	Sensitive balance	Insensitive balance	Between 1 and 5 years	More than 5 years
Assets	8,227	5,131	18,179	31,537	9,932	4,149	5,783
Financial assets with fixed interest rate and other assets without set maturity date	715	186	864	1,765	10,226	4,452	5,774
Fixed-rate financial assets hedged by derivatives	1,139	134	(175)	1,098	(1,097)	(1,035)	(62)
Financial assets at variable interest rates	6,373	4,811	17,490	28,674	803	732	71
Liabilities	12,473	2,820	14,839	30,132	11,337	7,066	4,271
Financial liabilities with fixed interest rate and other liabilities without set maturity date	6,742	2,840	7,851	17,433	17,847	11,655	6,192
Fixed-rate financial liabilities hedged by derivatives	1,467	1,276	3,877	6,620	(6,620)	(4,664)	(1,956)
Financial liabilities at variable interest rates	4,264	(1,296)	3,111	6,079	110	75	35
Difference or gap for the period	(4,246)	2,311	3,340	1,405	(1,405)	(2,917)	1,512
Accumulated difference or gap	(4,246)	(1,935)	1,405	1,405	(1,405)	(1,512)	–
Average gap	(4,246)	(2,513)	1,851	(1,240)	–	–	–
% of total assets	(10,24)	(6,06)	4,46	(2,99)	–	–	–

At 31 December 2011:

	Time to the review of the effective interest rate or maturity						
(Million euro)	Up to 1 month	Between 1 and 3 months	Between 3 months to one year	Sensitive balance	Insensitive balance	Between 1 and 5 years	More than 5 years
Assets	10,010	6,050	18,699	34,759	7,542	1,366	6,176
Financial assets with fixed interest rate and other assets without set maturity date	764	71	495	1,330	8,457	2,142	6,315
Fixed-rate financial assets hedged by derivatives	1,531	193	(216)	1,508	(1,508)	(1,306)	(202)
Financial assets at variable interest rates	7,715	5,786	18,420	31,921	593	530	63
Liabilities	10,135	3,545	16,305	29,985	12,315	7,632	4,683
Financial liabilities with fixed interest rate and other liabilities without set maturity date	5,835	2,794	8,803	17,432	19,695	12,658	7,037
Fixed-rate financial liabilities hedged by derivatives	1,510	1,666	4,273	7,449	(7,449)	(5,091)	(2,358)
Financial liabilities at variable interest rates	2,790	(915)	3,229	5,104	69	65	4
Difference or gap for the period	(125)	2,505	2,394	4,774	(4,773)	(6,266)	1,493
Accumulated difference or gap	(125)	2,380	4,774	4,774	(4,773)	(1,493)	–
Average gap	(125)	1,753	1,538	2,666	–	–	–
% of total assets	(0,29)	4,14	3,64	6,30	–	–	–

Balances with maturity or revaluation taking place within the next twelve months are regarded as sensitive. Bearing in mind that the static gap does not include new business, this period is established as a reference for management purposes, allowing for quantification of the impact of the variation in interest rates on the Group's annual net interest income.

The Gap shown in the table represents the difference between sensitive assets and liabilities in each period, i.e. the net balance exposed to price fluctuations. The average Gap for the period is € –1,240 million (€2,666 million, 6.30% of assets at 31 December 2011).

Using data at 31 December 2012 the impact on the Entity's interest margin in the event of a 100 base point rise or fall in interest rates is a drop or increase, respectively, of €13 million, representing a 2.41% decline or increase, as appropriate, in the interest margin for the next 12 months (€26 million and 4.38% in 2011), assuming that the size and structure of the balance sheet remain unchanged and interest rate shifts take place instantaneously and are equal at all points on the curve.

The impact on the Entity's economic value in the event of a 100 base point rise in interest rates amounts to €–121 million, –2.79% with respect to its carrying value, and in the event of a 100 base point fall, €139 million, 3.22% with respect to its carrying value, (in 2011 €–72 million and –1.49% in the event of an increase and €94 million and 1.94% in the event of a fall), assuming that the size of the balance sheet remains unchanged.

3.4. LIQUIDITY RISK

This is defined as the possibility of incurring losses because of not having or not being able to access sufficient liquid funds to settle payment obligations.

3.4.1. Liquidity risk management strategies and policies

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

The Board of Directors establishes the strategies, policies and limits on liquidity risk management, which are documented in the "Liquidity risk management policy and procedures manual" at the suggestion of the Global Risk Committee.

In the years prior to the financial crisis, the Spanish financial system resorted to wholesale financing to cover the difference between the increase in lending and retail deposits. Since mid 2007, financial institutions have barely been able to carry out issues on wholesale markets or securitize assets while the risk premiums required by investors have escalated significantly.

In the particular case of the Group, the strategies for winning funds in retail segments and the use of alternative sources of short and long-term liquidity have made it possible to have the necessary resources to address demand for solvent credit fuelled by business activities and to secure cash positions within the management limits contained in the liquidity manual.

3.4.2. Measurement and control procedures

The measurement of the liquidity risk takes into account estimated cash flows from assets and liabilities and the guarantees or additional instruments available to guarantee alternative liquidity sources that may be required.

Similarly, the forecast development of the business and expectations with respect to interest rates and management and hedging proposals are included, simulating differing performance scenarios. These procedures and analytical techniques are reviewed with the frequency required to guarantee that they function correctly.

Short, medium and long-term forecasts are prepared in order to know financing needs and limit compliance, taking into account the latest macroeconomic tendencies because of their impact on the performance of assets and liabilities on the balance sheet, and contingent liabilities and derivative products. Similarly, the liquidity risk is controlled by setting exposure limits within levels compatible with the policies approved.

Furthermore, the Group is ready to tackle potential crises, both internal and in the markets, with contingency plans and procedures which guarantee sufficient liquidity with the lowest possible cost in adverse scenarios, estimating how the most significant variables will behave, establishing a series of alerts in the face of anomalous market situations and planning the obtainment of funds during the recession.

At 31 December 2012 the Group's available liquidity amounts to €5,467 million, 13% of individual assets, while issue capacity amounts to €3,918 million. Total available liquidity therefore amounts to €9,385 million, which is €2,487 million less than at the previous year end. During the year, wholesale maturities have been settled amounting to €1,238 million, arranged through mortgage and territorial bonds (€750 million, of which €300 million relates to a multiple assignor bond retained on the balance sheet), senior debt (€572 million) and securitization bonds held by third parties (€216 million). Moreover, in order to reinforce the balance sheet, buybacks of treasury shares have taken place amounting to €1,041 million, arranged through subordinated debt (€269 million), preference shares (€141 million) and securitization bonds (€631 million).

Set out below is a breakdown of available liquidity:

(Thousand euros)	2012	2011
Cash on hand and on deposit at central banks	289,513	527,708
Available in policy	2,734,811	2,476,588
Eligible assets outside policy	2,095,028	2,725,749
Other marketable assets not eligible Central Bank	347,924	457,338
Accumulated available balance	5,467,276	6,187,383

At 31 December 2012 the mortgage bond issue capacity amounts to €3,917,694 thousand (€5,684,985 at 31 December 2011).

Set out below is a breakdown by period of the contractual maturities of assets and liabilities (liquidity gap) at 31 December 2012 and 2011:

(Thousand euros)	On demand	Up to one year	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
ASSETS							
Deposits with credit institutions	304,917	38,028	56	22,870	1,438	2,025	369,334
Loans to other financial institutions	–	1,678	275	1,255	3,505	–	6,713
Temporary acquisitions of securities and security loans	–	54,859	–	–	–	–	54,859
Loans (including overdue, doubtful, non-performing and foreclosed)	–	316,274	684,290	2,208,221	6,405,113	22,806,073	32,419,971
Liquidation of securities portfolio	–	544,638	149,259	691,752	4,473,878	1,213,731	7,073,258
Total at 31 December 2012	304,917	955,477	833,880	2,924,098	10,883,934	24,021,829	39,924,135
Total at 31 December 2011	306,528	802,901	1,066,574	2,919,382	8,833,721	26,394,944	40,324,050
LIABILITIES							
Wholesale issues	–	30,195	334,361	518,366	3,594,676	3,447,334	7,924,932
Deposits from credit institutions	4,311	66,822	33,500	16,300	–	–	120,933
Deposits from other financial institutions and bodies	450,966	95,304	107,623	683,611	868,812	–	2,206,316
Deposits from large non-financial companies	–	20,000	–	–	–	–	20,000
Financing other customers	8,743,474	897,033	1,928,898	4,975,760	3,633,069	38,550	20,216,784
Funds for intermediary lending	43	–	–	–	551,900	–	551,943
Financing securities collateral	–	2,856,780	490,846	455,736	2,500,000	–	6,303,362
Other net outflows	924	(63,222)	55,872	63,750	7,770	172,221	237,315
Total at 31 December 2012	9,199,718	3,902,912	2,951,100	6,713,523	11,156,227	3,658,105	37,581,585
Total at 31 December 2011	9,454,169	2,929,234	3,013,161	8,247,669	10,100,201	4,306,160	38,050,594
Gap 2012	(8,894,801)	(2,947,435)	(2,117,220)	(3,789,425)	(272,293)	20,363,724	
Gap 2011	(9,147,641)	(2,126,333)	(1,946,587)	(5,328,287)	(1,266,480)	22,088,784	
Accumulated gap (without at sight savings account) 2012	–	(2,947,435)	(5,064,655)	(8,854,080)	(9,126,373)	11,237,351	
Accumulated gap (without at sight savings account) 2011	–	(2,126,333)	(4,072,920)	(9,401,207)	(10,667,687)	11,421,097	

Includes maturities of the principal and interest and no new business hypotheses are assumed.

Maturity of demand deposits has been included in the first time band although this is not contractually established and therefore in practice cash outflows are distributed throughout all time bands.

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

At 31 December 2012:

(Thousand euros)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 5 years	Total
Senior debt	–	–	–	–	–	–	–
Government secured debt	–	–	–	–	493,600	–	493,600
Subordinated and preference	–	–	–	–	8,450	242,276	250,726
Bonds and mortgage and territorial bonds	–	–	300,000	423,387	2,673,717	1,953,896	5,351,000
Securitization	–	8,115	14,477	74,473	418,908	1,251,162	1,767,135
Promissory notes and deposit certificates	–	22,081	19,884	20,507	–	–	62,472
Wholesale issues	–	30,196	334,361	518,367	3,594,675	3,447,334	7,924,933
Long-term financing with securities collateral	–	–	–	–	2,500,000	–	2,500,000
Period maturities	–	30,196	334,361	518,367	6,094,675	3,447,334	10,424,933
Accumulated maturities	–	30,196	364,557	882,924	6,977,599	10,424,933	

Wholesale issues net of treasury shares, However, multiple assignor bonds are carried at the gross amount issued while treasury shares are reflected as available liquidity in accordance with Bank of Spain guidelines on preparing LQ statements ,

At 31 December 2011:

(Thousand euros)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 5 years	Total
Senior debt	–	–	–	572,000	–	–	572,000
Government secured debt	–	–	–	–	493,600	–	493,600
Subordinated and preference	–	35	150,000	–	528,967	–	679,002
Bonds and mortgage and territorial bonds	–	–	150,000	600,000	2,897,104	2,453,896	6,101,000
Securitization	–	12,531	21,929	112,558	583,165	1,883,642	2,613,825
Promissory notes and deposit certificates	–	90,293	102,416	166,230	–	–	358,939
Wholesale issues	–	102,859	424,345	1,450,788	4,502,836	4,337,538	10,818,366
Long-term financing with securities collateral	–	–	–	–	900,000	–	900,000
Period maturities	–	102,859	424,345	1,450,788	5,402,836	4,337,538	11,718,366
Accumulated maturitiess	–	102,859	527,204	1,977,992	7,380,828	11,718,366	

Wholesale issues net of treasury shares, However, multiple assignor bonds are carried at the gross amount issued while treasury shares are reflected as available liquidity in accordance with Bank of Spain guidelines on preparing LQ statements.

The diversification policy on timing the maturity of wholesale issues will enable the Group to cover maturities in the next few years, maintaining a comfortable liquidity position. Hence, taking into account available liquidity, the Group could cover the maturities of long-term wholesale financing beyond the third year and taking into account the issue capacity, coverage would reach beyond the fifth year.

With respect to the financial guarantee contracts issued, the nominal amount of the guarantee does not necessarily represent a real disbursement obligation or liquidity needs, which will depend on the fulfilment of the conditions requiring the disbursement of the guarantee amount committed by the Group.

The Group only expects an outflow of cash in relation to the financial guarantee contracts classified as doubtful. The amount which is expected to be paid under such doubtful contracts is reflected under Other non-financial liabilities totalling €7,722 thousand (€7,331 thousand at 31 December 2011).

3.5. EXPOSURE TO OTHER RISKS

3.5.1. Market and counterparty risk exposure

3.5.1.1. Market and counterparty risk management strategies and policies

a) Market risk

This is defined as the possibility of incurring losses on the market positions held as a result of an adverse movement in financial variables or risk factors (interest rates, exchange rates, share prices etc) that determine the value of such positions.

The Group manages market risk with the aim of achieving a suitable financial return in relation to the risk assumed, bearing in mind certain levels of overall exposure, exposure due to types of segmentation (portfolios, instruments, sectors, subjects, ratings), portfolio structure and profitability/risk objectives. In the management and control of this risk, sensitivity analyses are applied to estimate the impact on income and equity.

The Board of Directors establishes the strategies, policies and limits on market risk management, which are documented in the "Capital market management policy manual" at the suggestion of the Global Risk Committee.

In order to manage the market risk, there are identification, measurement, monitoring, control and mitigation policies as well as operations policies in place for its negotiation, position re-assessment, portfolio classification and measurement, operations settlement, new product approval, broker relations and function delegation.

b) Counterparty risk

This is defined as the possibility of default by counterparties on financial transactions (fixed income, interbank, derivatives etc.)

The Board of Directors establishes the strategies, policies and limits on the management of this risk, which are documented in the "Capital market management policy manual" and "Risk Facility Manual", at the suggestion of the Global Risk Committee.

In order to manage the counterparty risk, the Group has identification, measurement, monitoring, control and mitigation policies in place. Moreover, the "Risk facility manual" lays down the criteria, methods and procedures for granting risk facilities. limit proposals, formalisation process and documentation of operations and the risk monitoring and control procedures for financial institutions, local corporations and listed and / or classified companies, except for development companies.

Risk facilities are established basically on the basis of the ratings assigned by credit rating agencies, the reports issued by such agencies and the expert analysis of their annual accounts.

In order to grant operations related to the counterparty risk (financial institutions, local corporations and listed companies and / or companies rated by rating agencies), the Capital Markets and higher Government Bodies will be responsible for managing the assumption of the risk, taking into account the credit line limits set.

In order to manage, control and measure the counterparty risk, the Group uses specialist tools mainly in order to adapt the consumption of risks on derivative products to Bank of Spain legislation and include the calculation of risks at Group level in the same application.

Para la concesión de operaciones relacionadas con el riesgo de contraparte (entidades financieras, corporaciones locales y las sociedades cotizadas y/o calificadas por alguna de las agencias de rating), serán Mercado de Capitales y los Órganos de Gobierno superiores los encargados de gestionar la asunción de riesgo, atendiendo a los límites fijados para las líneas de crédito.

El Grupo utiliza para la gestión, control y medición del riesgo de contraparte herramientas especializadas con objeto principalmente de adaptar el consumo de riesgos de los productos derivados a la normativa de Banco de España y de recoger bajo un mismo aplicativo el cómputo de riesgos a nivel de Grupo.

3.5.1.2. Measurement and control procedures

a) Market risk:

Portfolios exposed to market risk are characterised by their high level of sectorial and geographical diversification and value, their high liquidity and the absence of trading activities. This means that the market risk assumed overall is very small.

Since 2009 the Group follows up on a daily basis the performance of the forecast loss on the management portfolio, given a confidence level of 99% and a 1 to 10 day timeframe as a result of the variations in the risk factors that determine the price of the financial assets through the VaR (value at risk).

The VaR calculation is carried out using different methodologies:

- The parametric VaR relies on the assumption of normality of variations related to risk factors for the calculation of the forecast loss on the portfolio given a confidence level of 99% and a 1 day to 10 day timeframe.
- The parametric VaR (diversified) takes into account the diversification offered by correlating risk factors (interest rates, exchange rates, share prices etc). It is the standard measure.
- The parametric VaR (not diversified) assumes the absence of diversification between such factors (correlations equal to 1 or –1, as appropriate), and is useful in periods of stress or changes in the correlation of risk factors.

- The Historical Simulation VaR uses the previous year's relative variations in the risk factors to generate scenarios in which the potential portfolio loss is assessed given a confidence level of 99% and a 1 to 10 day timeframe.
- The VaR Shortfall measures, given a VaR calculated at 99% and with a 1 day timeframe, the expected loss with respect to 1% of the worst results beyond the VaR. It provides a measure of losses in the event of a VaR. Break.
- In any event, the impact in absolute terms of the VaR is relativized with respect to the theoretical market value of the portfolio involved (or present value).

At 31 December 2012 the VaR measurement generates the following values:

(Thousand euros)	Diversified parametric VaR	Parametric VaR vs *Present* Value	Non-diversified Parametric VaR	Non-diversified Parametric VaR vs Present Value	VaR Historical Simulation	VaR Historical Simulation vs Present Value	VaR Shortfall	VaR Shortfall vs Present Value
Confidence level: 99%								
Timeframe.: 1 day	(29,480)	2,47%	(44,568)	3,73%	(26,687)	2,23%	(36,729)	3,07%
Timeframe.: 10 days	(93,223)	7,80%	(140,936)	11,79%				

At 31 December 2011 the VaR measurement generates the following values:

(Thousand euros)	Diversified parametric VaR	Parametric VaR vs *Present* Value	Non-diversified Parametric VaR	Non-diversified Parametric VaR vs Present Value	VaR Historical Simulation	VaR Historical Simulation vs Present Value	VaR Shortfall	VaR Shortfall vs Present Value
Confidence level: 99%								
Timeframe.: 1 day	(48,636)	1,26%	(77,277)	2,00%	(44,202)	1,14%	(44,202)	1,14%
Timeframe.: 10 days	(153,800)	3,98%	(244,371)	6,32%				

During 2012 the VaR experienced fluctuations on the basis of the market perception of the public accounts of peripheral euro countries and the increase in market volatility (stock market indexes and interest rates). In particular, the performance of the Spanish risk premium reached maximum levels in late July, following the request for financial assistance submitted to the European Union for the recapitalisation of the Spanish financial system, the capital needs estimated by Roland Berger / Oliver Wyman and the signature of the Memorandum of Understanding which laid down the conditions for the obtention of that assistance. Nonetheless, the percentage that VaR represents over the present value of the portfolio does not exceed 2.47% at 31 December 2012, reflecting the conservative nature of the management of this risk.

Similarly and complementing the VaR analysis, stress tests have been performed analysing the impact of different risk factor scenarios on the value of the capital markets portfolio. All this information is set out in daily reports.

b) Counterparty risk

The limits authorised by the Board of Directors are established by volume of investment and include the overall exposure limits and individual limits to investment by issuer.

Moreover, the legal limits to concentration and major risks are observed in accordance with rule 101 of Bank of Spain Circular 3/2008.

Monitoring systems ensure that the risks assumed are at all times within the established limits. They incorporate the review of news bulletins on entities assigned a specific risk, the analysis of annual accounts, controls of changes in ratings, and monitoring of risk consumed by Spanish companies and risks assumed with credit entities.

The counterparty risk mitigation techniques include framework netting contracts, guarantee contracts, the reduction of portfolios in the event of adverse lending events, the reduction in risk facilities, in the event of a fall in rating or negative news from a company and the specific follow-up of companies' financial information.

With those entities with which it is agreed to compensate risks and there is an agreement to provide guarantees, in accordance with Bank of Spain requirements, the risk may be computed at the resulting net position.

3.5.2. Management of exchange rate risk

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

The Group maintains no positions of a speculative nature in foreign currency. Nor does it hold open positions in foreign currency of a non-speculative nature for a significant amount.

The Group's policy is to limit this type of risk, mitigating it at the time it arises through the arrangement of symmetric asset and liability operations or through financial derivatives enabling them to be hedged.

3.5.3. Management of the reputational risk

This is defined as the risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the organisation, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to on-going supervision by the authorities.

The Group has a Regulatory Compliance Unit, which reports to Audit Management, in order to ensure and supervise compliance with the principle regulations applicable to it on its regulated activities such as anti-money laundering, investor protection (MIFID), Internal Rules of Conduct in Securities Markets, legislation on market abuse etc.

3.6. RISK CONTROL

The control of risks is a fundamental element in the internal control system of a credit institution since such risks, basically financial and operational, are inherent in the financial products and services of which its activity is made up.

The Group has risk control systems in place based on:

- Procedures for the identification and measurement of risks, permitting their monitoring and control.
- A limits structure for the main counterparties, instruments, markets and terms, which is submitted to the approval of the Board of Directors annually, for the purpose of defining prudent policies and avoiding risk concentrations.
- A Global Risk Committee responsible for defining and monitoring the Group's risk strategies and policies.
- A hierarchical structure of authorisation for the granting or assuming of risks, based on amount involved and nature of the risk.
- Direct controls distributed at different decision-making levels which ensure that operations are performed in accordance with established policies and in the terms authorised.
- A risk control unit, which is independent of Business Managements, which verifies, inter alia, compliance with the risk limits approved by the Board of Directors or others established by the Global Risk Committee and report on compliance to Management on a regular basis.
- A Regulatory Compliance Unit, included in the Risk Control function, that supervises compliance with certain legal rules governing some of the Group's activities in order to minimise the penalties and loss of reputation which non-compliance may bring about.
- The Internal Audit area reviews the adequate functioning of risk control systems, also verifying compliance with established policies, procedures and internal rules, and reporting to a committee at management level, which adopts such decisions as may be necessary to correct the weaknesses or mitigate the weaknesses observed. Additionally, both the annual planning of the internal planning and its most significant findings are reported to the relevant Governing Bodies of the Group.

These risk control systems of Ibercaja Banco SAU are subject to on-going improvement in order to duly fulfil the requirements of both Bank of Spain Circular 3/2008 governing the calculation and control of minimum equity and Pillar II and Pillar III.

3.7. INFORMATION CONCERNING EXPOSURE TO CERTAIN RISKS AT THE YEAR END

Ibercaja Banco provides information on exposure to certain risks in order to contribute to ensuring maximum transparency with respect to those aspects accounting for the uncertainties indicated by market players: the loan and discount risk linked to development and real estate activities and retail mortgages, real estate assets acquired as payment for debts and sovereign risk exposure.

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

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

(Thousand euros)	Gross amount		Excess over guarantee value (*)		Impairment adjustment Specific cover	
	2012	2011	2012	2011	2012	2011
Financing of construction and real estate development activities recorded by: Group credit institutions (businesses in Spain)	3,511,234	4,090,623	907,145	1,086,127	1,271,956	421,869
Of which: doubtful	972,266	656,592	341,789	270,250	446,531	315,363
Of which: substandard	486,017	626,557	154,349	238,590	211,356	106,506
Memorandum items: write-off assets	163,585	74,588	–	–	–	–

(Thousand euros)	Carrying value	
	2012	2011
Memorandum items: Figures public consolidated balance sheet		
Total customer loans, excluding Public Administrations (businesses in Spain)	28,836,052	31,579,736
Total consolidated assets (total businesses)	44,663,988	45,143,624
Value adjustments and provisions for credit risk, General total cover (total businesses)	–	51,429

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

- Financing of construction and real estate developement activities.

The breakdown of financing for construction and real estate development is as follows:

(Thousand euros)	Financing of construction and real estate development activities. Gross amount 2012	2011
Without mortgage	180,208	273,038
With a mortgage	3,331,026	3,817,585
Finished buildings	1,587,625	1,775,071
Housing	1,383,556	1,612,793
Remainder	204,069	162,278
Buildings under construction	468,085	679,550
Housing	447,287	624,819
Remainder	20,798	54,731
Land	1,275,316	1,362,964
Developed land	1,229,335	1,291,605
Other land	45,981	71,359
Total	3,511,234	4,090,623

- Home loans.

A breakdown of home loans is as follows:

	Gross amount		Of which: doubtful	
(Thousand euros)	2012	2011	2012	2011
Home loans	20,878,191	21,325,801	368,662	304,579
Without mortgage	155,509	212,802	19,782	35,949
With a mortgage	20,722,682	21,112,999	348,880	268,630

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

At 31 December 2012 and 31 December 2011, the detail is as follows:

Risk with respect to latest available valuation (LTV) 2012

(Thousand euros)	Less than 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%	Total
Gross amount	3,424,123	6,063,257	9,001,087	2,067,856	166,359	20,722,682
Of which: doubtful	22,247	44,426	154,314	118,884	9,009	348,880

Risk with respect to latest available valuation (LTV) 2011

(Thousand euros)	Less than 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%	Total
Gross amount	3,184,355	5,726,895	9,685,256	2,383,738	132,755	21,112,999
Of which: doubtful	13,355	30,325	124,336	94,595	6,019	268,630

At 31 December 2012 89% of home loan mortgages has a LTV of less than 80% (88% at 31 December 2011).

3.7.2.Real estate assets acquired in payment of debts.

Set out below is information concerning real estate assets acquired in payment of debts at 31 December 2012 and 2011:

	2012			2011		
(Thousand euros)	Net carrying value of cover	Of which: Impairment adjustment (1)	Of which: Total impairment cover (2)	Net carrying value of cover	Of which: Impairment adjustment (1)	Of which: Total impairment cover (2)
Real estate assets deriving from financing of construction and real estate development	580,520	394,976	614,663	747,645	143,213	312,204
Finished buildings	215,082	55,929	120,139	222,253	26,471	71,873
Housing	174,642	49,588	101,123	189,518	22,317	60,994
Remainder	40,440	6,341	19,016	32,735	4,154	10,879
Buildings under construction	26,866	9,722	21,182	23,428	2,429	9,669
Housing	26,866	9,722	21,182	23,428	2,429	9,669
Remainder	–	–	–	–	–	–
Land	338,572	329,325	473,342	501,964	114,313	230,662
Developed land	202,690	189,165	281,401	299,582	68,605	138,571
Other land	135,882	140,160	191,941	202,382	45,708	92,091
Real estate assets deriving from home loan mortgages	170,610	17,050	89,845	152,382	9,608	73,943
Real estate assets acquired in payment of debts	15,665	3,972	17,501	12,379	2,309	18,035
Equity instruments, interests and financing non-consolidated companies holding such assets	5,061	–	1,687	5,061	–	1,687
Total	771,856	415,998	723,696	917,467	155,130	405,869

1. Value adjustments after the acquisition date.

2. Total cover at acquisition and subsequent dates.

The decrease in carrying value compared with 2011 is due to the increase in cover resulting from new applicable legislation (Note 1.11.1).

3.7.3. Problematic asset management policies.

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

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

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

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

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

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

3.7.4. Sovereign debt exposure

Set out below is information concerning sovereign debt exposure at 31 December 2012 and 2011:

- Breakdown of carrying value of exposure by country:

(Thousand euros)	2012	2011
Spain	7,971,669	4,838,270
Italy	509,595	490,132
France	183,259	223,624
Total	**8,664,523**	**5,552,026**
of which: the insurance company	1,851,095	1,323,056

- Breakdown of carrying value of exposure by portfolio in which the assets are reflected:

(Thousand euros)	2012	2011
Held for trading	1,624	8,616
Available-for-sale financial assets	4,603,384	3,146,127
Loans and discounts	653,838	547,849
Held to maturity	3,405,677	1,849,434
Total	**8,664,523**	**5,552,026**
of which: the insurance company	1,851,095	1,323,056

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

• Breakdown of term to maturity of exposure by portfolio in which the assets are reflected:

(Thousand euros)	2012					
	Up to 3 months	Between 3 months and 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Held for trading	8	17	656	752	191	1,624
Available-for-sale financial assets	333,047	707,079	1,544,499	1,088,770	929,989	4,603,384
Loans and discounts	84,219	63,362	63,166	161,726	281,365	653,838
Held to maturity	208,919	–	1,376,832	937,013	882,913	3,405,677
Total	626,193	770,458	2,985,153	2,188,261	2,094,458	8,664,523
of which: the insurance company	8,384	98,088	497,550	313,633	933,440	1,851,095

(Thousand euros)	2011					
	Up to 3 months	Between 3 months and 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Held for trading	16	6	6.395	946	1.253	8.616
Available-for-sale financial assets	541	296.250	1.227.500	744.626	877.210	3.146.127
Loans and discounts	34.073	100.761	57.547	76.799	278.669	547.849
Held to maturity	–	31.095	212.246	24.743	1.581.350	1.849.434
Total	34.630	428.112	1.503.688	847.114	2.738.482	5.552.026
of which: the insurance company	–	27.366	356.181	206.649	732.860	1.323.056

• Other information

– Fair value. The fair value of the instruments recognised as held for trading and available for sale agrees with the aforementioned carrying value. The fair value of the held to maturity portfolio is detailed in Note 26.1.

Note 26.1 sets out the methodology used to value loans and discounts. It should be noted that the fair value detailed does not significantly differ from carrying value. Except for loans and discounts, the remaining fair value associated with the sovereign risk is calculated through level 1 valuation techniques (a description is set out in Note 26.1).

– The effect of a 100 basis points variation in Euribor would have an effect of 2.80% on fair value (3.81% in 2011).

– There is only impaired sovereign debt amounting to €438 thousand (€300 thousand at 31 December 2011), as indicated in Note 10.5. The Group considers that the remaining exposure is not impaired given that the requirements set out in Note 2.8 are not met.

4 DISTRIBUTION OF RESULTS

The proposed distribution of results of Ibercaja Banco, S.A.U. for 2012 and the approved distribution for 2011 are as follows:

(Thousand euros)	2012	2011
Distribution		
To dividends	–	12,800
To reserves:	–	15,885
Legal reserve	–	*2,869*
Voluntary reserves	–	*13,016*
To Prior-year losses	(518,946)	–
Profit/(loss) for the year	(518,946)	28,685

5 REMUNERATION PAID TO THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

5.1. BOARD OF DIRECTORS' REMUNERATION

The table below sets out a breakdown of the remuneration accrued by the members of the Company's Board of Directors, solely in their capacity as Directors, in respect of per diems for attendance and travel to Board meetings and the delegated committees, during 2012 and 2011 (from the date of the Company's incorporation, 22 September 2011, to 31 December 2011):

(Thousand euros) Per diems for Board meeting attendance and travel		2012	2011
Mr. Amado Franco Lahoz	Chairman	20.3	4.9
Mr. José Luis Aguirre Loaso	Chief Executive Officer	20.3	4.9
Mr. Alberto Palacio Aylagas	Board member	21.7	7.0
Mr. Eugenio Nadal Reimat	Board member	23.1	6.3
Mr. Jesús Bueno Arrese	Board member	23.1	6.3
Mr. Manuel Pizarro Moreno	Board member	–	–
Mr. Miguel Fernández de Pinedo López	Board member	70.1	19.8

The Company has not entered into any pension commitments with the Members of the Board of Directors.

5.2. SENIOR MANAGEMENT'S REMUNERATION

For the purposes of preparing these annual accounts, Senior Management has been considered to consist of the members of the Governing Bodies in their capacity as managers (Chairman and CEO) and the 14 employees forming part of the management team of Ibercaja Banco SAU, identified in the Economic and Activity Report, who hold the positions of Assistant Managing Directors, Assistant General Managers and Assistant Managers.

The following table sets out the remuneration accrued in 2012 and 2011 by the Company in favour of senior management as defined above. Taking into account that for accounting purposes the split-off that enabled the incorporation of Ibercaja Banco, S.A.U. is effective from 1 January 2011, all remuneration received in 2011 has been included for comparison.

	Short-term compensation		Post-employment benefits		Total	
(Thousand euros)	2012	2011	2012	2011	2012	2011
Senior management	3,203	3,492	449	917	3,652	4,409

5.3. DIRECTORS' DUTY OF LOYALTY

At 31 December 2012 and in relation to the requirements of Articles 229 and 230 of the Spanish Companies Act 2010, the members of the parent company's Board of Directors and persons related to them as referred to in Article 231 of that Act hold no positions and carry out no activities in other entities having an identical, analogous or complementary kind of activity to that which constitutes the corporate objects of Ibercaja Banco, S.A.U, with the following exceptions:

Consejero	Entidad	Cargo/función
Mr. Amado Franco Lahoz	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	Chairman
Mr. José Luis Aguirre Loaso	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	General Manager
Mr. José Luis Aguirre Loaso	EBN Banco, S.A.	Chairman
Mr. Alberto Palacio Aylagas	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	Deputy chairman II
Mr. Eugenio Nadal Reimat	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	Deputy chairman I
Mr. Jesús Bueno Arrese	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	Secretary
Mr. Jesús Bueno Arrese	EBN Banco, S.A.	Board member

The Entity's directors have also confirmed that there are no conflicts of interest, direct or indirect, with the Entity.

None of the directors or persons related to them holds an interest in entities having an identical, analogous or complementary kind of activity to that which constitutes the corporate objects of Ibercaja Banco, S.A.U.

6 CASH ON HAND AND ON DEPOSIT AT CENTRAL BANKS

Set out below is a breakdown of this balance in the consolidated balance sheets at 31 December 2012 and 2011:

(Thousand euros)	2012	2011
Cash	143,452	152,559
Deposits at the Bank of Spain	145,989	375,095
Measurement adjustments	79	212
	289,520	527,866

The average effective interest rate on debt instruments classified in this portfolio during 2012 has been 0.50% (1.07% in 2011).

7 ASSET AND LIABILITY HELD FOR TRADING

7.1. COMPOSITION OF THE BALANCE AND MAXIMUM CREDIT RISK - RECEIVABLES

The following table contains a breakdown of the financial assets included under this category at 31 December 2012 and 2011, classified by geographic area, class of counterparty category and by instrument types:

(Thousand euros)	2012	2011
Geographical area		
Spain	29,069	34,965
Other European Union countries	2,939	6,252
Rest of the world	1,647	2,559
	33,655	**43,776**
Counterparty category		
Credit institutions	22,774	30,362
Resident public administrations	1,624	8,616
Other resident sectors	9,111	4,798
Other non-resident sectors	146	–
	33,655	**43,776**
Instrument types		
Shares in listed Spanish companies	–	931
Listed bonds and debentures	2,132	8,743
Derivatives not traded on organised markets	31,523	34,102
	33,655	**43,776**

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

7.2. COMPOSITION OF THE BALANCE - PAYABLES

The following table contains a breakdown of the financial liabilities included under this category at 31 December 2012 and 2011, classified by geographic area, class of counterparty category and by instrument types:

(Thousand euros)	2012	2011
Geographical area		
Spain	15,199	21,318
Other European Union countries	1,678	1,928
Rest of the world	3	1,159
	16,880	**24,405**
Counterparty category		
Credit institutions	16,880	24,405
	16,880	**24,405**
Instrument types		
Derivatives not traded on organised markets	16,880	24,405
Of which: embedded derivatives segregated from hybrid financial instruments	*10,680*	*15,823*
	16,880	**24,405**

7.3. TRADED FINANCIAL DERIVATIVES

Set out below are breakdowns by product type of the fair and notional value of the financial derivatives held for trading at 31 December 2012 and 2011:

(Thousand euros)	Fair value			
	Balances receivable		Balances payable	
	2012	2011	2012	2011
Unexpired foreign exchange forward purchases/sales	23	–	560	1,508
Securities options/ indexes	11,013	13,936	10,679	13,899
Interest-rate options	827	3,462	1,476	4,589
Other interest rate transactions	19,660	16,704	4,165	4,409
Interest rate swaps (IRS)	19,660	16,704	4,165	4,409
	31,523	34,102	16,880	24,405

(Thousand euros)	Notional amount	
	2012	2011
Unexpired foreign exchange forward purchases/sales	59,736	29,794
Securities options/indexes	417,001	664,293
Interest-rate options	25,949	82,944
Embedded derivatives on securities /indexes	652,146	656,378
Other interest rate transactions	646,895	983,777
Embedded interest rate derivatives	23,938	77,491
Derivatives, wholesale market	510,291	692,148
Distribution of derivatives	112,666	214,138
	1,801,727	2,417,186

In addition to the balances detailed in the table above, the face value of securities options (payables) deriving from the yield guarantee provided by the Group to investment funds it markets at 31 December 2012 totals €1,287,070 (€1,241,616 thousand at 31 December 2011).

8 OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table contains a breakdown of the financial assets included under this category at 31 December 2012 and 2011, classified by geographical area, class of counterparty category and by instrument types:

(Thousand euros)	2012	2011
Geographical area		
Spain	55,718	59,108
Rest of the world	57,556	58,146
	113,274	**117,254**
Counterparty category		
Other resident sectors	113,274	117,254
	113,274	**117,254**
Instrument types		
Debt securities	57,556	58,146
Shares in investment funds	55,718	59,108
	113,274	**117,254**

In this portfolio, the Group classifies holdings in investment funds managed jointly with liabilities derived from insurance contracts measured at fair value.

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

9.1. COMPOSITION OF THE BALANCE AND THE MAXIMUM CREDIT RISK

The following table contains a breakdown of the financial assets included under this category at 31 December 2012 and 2011, classified by geographic area, class of counterparty category and by instrument types:

(Thousand euros)	2012	2011
Geographical area		
Spain	5,665,653	4,985,569
Other European Union countries	301,712	406,641
Rest of Europe	26,657	46,488
Rest of the world	673,193	751,755
Total gross amount	6,667,215	6,190,453
(Impairment losses)	(22,560)	(26,549)
Total net amount	6,644,655	6,163,904
Counterparty category		
Credit institutions	1,206,168	1,502,561
Resident public administrations	4,451,855	3,017,288
Non-resident public administrations	151,529	128,839
Other resident sectors	515,461	934,330
Other non-resident sectors	342,202	607,435
Total gross amount	6,667,215	6,190,453
Instrument types		
Debt securities:	6,264,141	5,681,292
Government debt securities	*4,451,855*	*3,017,288*
Foreign government debt securities	*151,529*	*128,839*
Issued by financial institutions	*1,169,697*	*1,466,244*
Other fixed income securities	*491,060*	*1,068,921*
Other equity instruments:	403,074	509,161
Shares in listed Spanish companies	*139,509*	*181,923*
Shares in unlisted Spanish companies	*190,307*	*210,443*
Shares in listed foreign companies	*62,050*	*86,437*
Shares in unlisted foreign companies	*265*	*257*
Shares in investment funds	*10,943*	*30,101*
Total gross amount	6,667,215	6,190,453

All impairment losses detailed in the table above relate to the hedging of the credit risk on debt securities and are reversible.

Impairment losses on equity instruments amount to €35,519 thousand at 31 December 2012 (€60,439 thousand at 31 December 2011). These losses are reflected by reducing the gross amount disclosed above and are irreversible.

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

The average effective interest rate of the debt instruments classified in this portfolio during 2012 amounts to 3.45% (3.36% in 2011), which includes the effect of adjustments to revenues on interest rate risk hedging operations.

9.2. IMPAIRED DEBT SECURITIES

At 31 December 2012 there are impaired debt securities amounting to €22,560 thousand (€24,275 thousand at 31 December 2011), of which €7,000 thousand has fallen due (€7,000 thousand at 31 December 2011).

9.3. HEDGING OF CREDIT RISK AND OTHER RISKS

Movements in impairment losses recorded on credit risk hedges for Debt Securities during 2012 and 2011 are as follows:

(Thousand euros)	2012	2011
Balance at start of the year	**26,549**	**30,674**
Transfer charged to profit for the year	1	43
Reversal of provisions by credit to income	(2,288)	(2,266)
Applications	–	(2,049)
Exchange differences and other movements	(1,702)	147
Balance at the end of the year	**22,560**	**26,549**
Of which:		
– Specifically calculated	22,560	24,275
– Calculated in general	–	2,274

Additionally, in 2012 impairment losses have been recognised on Other equity instruments measured at fair value amounting to €5,567 thousand (€35,308 thousand in 2011). Additionally, in 2012 impairment losses have been recognised on Other equity instruments measured at cost amounting to €6,232 thousand. There were no losses in respect of this item in 2011.

The impairment losses indicated in this note are carried in the consolidated income statement under Impairment losses on financial assets (Other financial instruments not carried at fair value through profit or loss).

10 LOANS AND RECEIVABLES

The items making up this balance sheet caption at 31 December 2012 and 2011 are as follows:

(Thousand euros)	2012	2011
Deposits at credit institutions (Note 10,2)	905,328	640,923
Customer loans (Note 10,3)	29,489,890	32,127,585
Debt securities (Note 10,4)	280,299	262,755
	30,675,517	**33,031,263**

10.1. COMPOSITION OF THE BALANCE AND THE MAXIMUM CREDIT RISK

The following table contains a breakdown of the financial assets included under this category at 31 December 2012 and 2011, classified by geographical area, class of counterparty category and by instrument types:

(Thousand euros)	2012	2011
Geographical area		
Spain	31,479,436	33,545,055
Rest of the world	701,626	294,597
Total gross amount	32,181,062	33,839,652
(Impairment losses)	(1,505,545)	(808,389)
Total net amount	30,675,517	33,031,263
Counterparty category		
Credit institutions	1,054,598	795,945
Resident public administrations	653,838	547,849
Non-resident public administrations	–	–
Other resident sectors	30,333,522	32,358,435
Other non-resident sectors	139,104	137,423
Total gross amount	32,181,062	33,839,652
Instrument types		
Debt securities	280,299	270,886
Loans and credit	30,932,923	32,463,712
Temporary acquisition of assets	54,859	444,397
Term deposits at credit institutions	494,757	322,848
Remainder	418,224	337,809
Total gross amount	32,181,062	33,839,652

The carrying value shown in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for:

- The asset item relating to the present value of fees receivable from financial guarantees, recorded under the caption "Other" (in the breakdown by instrument types) amounts to €1,657 thousand at 31 December 2012 (€1,759 thousand at 31 December 2011). Note 27,1 contains an analysis of the face value of financial guarantees, which reflects the maximum credit risk exposure level.
- The assets transferred to securitization funds that have not been eliminated from the balance sheet, in accordance with the content of Note 2,7, are reflected under the heading "Loans and credit" (in the breakdown by instrument types) and at 31 December 2012 total €5,313,485 thousand (€5,763, 038 thousand at 31 December 2011) and are analysed in Note 27,5. The maximum credit risk exposure is stated at the value of all positions held by the Group in the aforementioned securitization funds, which total €3,815,319 thousand at 31 December 2012 (€3,412,882 thousand at 31 December 2011). The assets transferred to securitization funds which have been fully subscribed by the Bank at 31 December 2012 amount to €1,664,315 thousand (€1,771,145 thousand at 31 December 2011).

10.2. DEPOSITS AT CREDIT INSTITUTIONS

The analysis of financial assets included under the category Deposits at Credit institutions at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Demand deposits:	**300,997**	**301,791**
Other accounts	300,997	301,791
Term or with advance notice:	**553,160**	**337,238**
Fixed-term deposits	494,757	322,848
Temporary acquisitions of assets	54,859	7,156
Other accounts	3,544	7,234
Other financial assets:	**49,941**	**748**
Cheques due from financial institutions	607	914
Cash guarantees provided	9,678	1,360
Clearing houses	7,687	–
Other items	31,969	(1,526)
Impaired assets	–	–
Measurement adjustments	**1,230**	**1,146**
Total gross amount	**905,328**	**640,923**
(Impairment losses)	–	–
Total net amount	**905,328**	**640,923**

The average effective interest rate on debt instruments classified in this portfolio during 2012 has been 0.66% (1.00% in 2011).

10.3. CUSTOMER LOANS

The analysis of financial assets included under the category Customer loans at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Loans and discounts	**30,932,923**	**32,463,712**
Trade credit	277,914	286,093
Secured loans	24,638,127	26,155,715
Other term loans	3,052,668	3,438,863
Finance leases	180,058	204,535
Demand loans and other	1,096,429	1,016,730
Impaired assets	1,698,272	1,369,663
Measurement adjustments	(10,545)	(7,887)
Temporary acquisitions of assets	**–**	**437,241**
Other financial assets	**62,512**	**26,890**
Financial transactions pending settlement	9,034	7,695
Cash guarantees provided	2,519	2,440
Fees on financial guarantees	1,657	1,759
Other items	49,302	14,996
Total gross amount	**30,995,435**	**32,927,843**
(Impairment losses)	(1,505,545)	(800,258)
Total net amount	**29,489,890**	**32,127,585**

The average effective interest rate on debt instruments classified in this portfolio during 2012 has been 2.85% (2.90% in 2011).

10.4. DEBT SECURITIES

The analysis of financial assets included under the category Debt securities at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Total gross amount	280,299	270,886
(Impairment losses)	–	(8,131)
Total net amount	280,299	262,755

The average effective interest rate on debt instruments classified in this portfolio during 2012 has been 2.03% (3.12% in 2011).

10.5. IMPAIRED ASSETS

The following table shows an analysis of financial assets classified as loans and receivables that are considered to be impaired due to their credit risk at 31 December 2012 and 2011, set out based on the period elapsed since the oldest amount relating to each transaction went unpaid:

(Thousand euros)	Not due	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Balances at 31 December 2012	348,111	245,801	231,810	155,028	717,522	**1,698,272**
Balances at 31 December 2011	149,751	218,649	110,854	91,993	798,416	**1,369,663**

The breakdown of impaired assets by counterparty category is as follows: contrapartes es el siguiente:

(Thousand euros)	2012	2011
Resident public administrations	438	300
Other resident sectors	1,687,886	1,358,555
Other non-resident sectors	9,948	10,808
	1,698,272	**1,369,663**

Generally, due and receivable assets are not considered to be impaired until they go unpaid for more than three months. The breakdown of unimpaired due and receivable assets by counterparty category is as follows:

(Thousand euros)	2012	2011
Credit institutions	123	–
Resident public administrations	39,722	10,283
Other resident sectors	254,524	318,930
Other non-resident sectors	530	181
	294,899	**329,394**

10.6. HEDGING OF CREDIT RISK

Movements in 2012 and 2011 in measurement adjustments due to impairment and the accumulated amount at the start and end of those years for those debt instruments classified as loans and receivables, are set out below ((Thousand euros)s):

Movements in 2012:

(Thousand euros)	Balance at 01/01/2012	Movements reflected in the income statement: Transfers	Movements reflected in the income statement: Recoveries	Applic.	Other	Balance at 31/12/2012
Specifically calculated	759,750	1,538,654	(376,124)	(345,256)	(71,761)	1,505,263
Calculated in general	48,334	–	(48,334)	–	–	–
Country risk	305	110	(133)	–	–	282
Total impairment losses	**808,389**	**1,538,764**	**(424,591)**	**(345,256)**	**(71,761)**	**1,505,545**

Movements in 2011:

(Thousand euros)	Balance at 01/01/2011	Movements reflected in the income statement: Transfers	Movements reflected in the income statement: Recoveries	Applic.	Other	Balance at 31/12/2011
Specifically calculated	672,169	433,503	(170,360)	(98,212)	(77,350)	759,750
Calculated in general	94,864	–	(46,530)	–	–	48,334
Country risk	320	111	(126)	–	–	305
Total impairment losses	767,353	433,614	(217,016)	(98,212)	(77,350)	808,389

Net transfers for 2012 include the effect of the write-down of real estate assets as a result of applicable new legislation (Note 1,11,1), amounting to €967,895 thousand (87% of net transfers).

Other includes transfers of the provisions for bad debts on credit transactions settled through foreclosure or dation in payment for assets for the total or partial settlement of the debt. As indicated Notes 2,15,3 and Note 2,183 and 2,18 to the consolidated annual accounts concerning the recognition of investment property and non-current assets for sale, when the entity acquires an asset through foreclosure or dation in payment, it should be recognised at the carrying amount of the original loan at the most, including the relevant insolvency funds transferred.

Of the value adjustments for impairment, specifically calculated indicated above, €222,116 thousand relates to adjustments for substandard risks at 31 December 2012 (€108,967 thousand at 31 December 2011).

The impairment adjustments estimated on an individual basis total an accumulated amount of €175,924 thousand at 31 December 2012 (€85,244 thousand at 31 December 2011).

The breakdown of impaired assets by counterparty category is as follows:

(Thousand euros)	2012	2011
Other resident sectors	1,501,780	803,646
Other non-resident sectors	3,765	4,743
	1,505,545	808,389

Set out below are the different items recorded in 2012 and 2011 under "Asset impairment losses (net)- Loans and receivables" in the consolidated income statement for those years:

(Thousand euros)	2012	2011
Net transfers for the year	1,114,173	216,598
Doubtful loans recovered	(2,902)	(2,425)
	1,111,271	214,173

The movement in Loans and discounts written off in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Balances at the beginning of the year	391,741	308,017
Asset additions	345,256	98,212
Additions accrued interest receivable	26,869	7,932
Write-offs owing to asset recoveries	(2,902)	(2,425)
Write-offs accrued interest receivable	(221)	(256)
Other items	(599,506)	(19,739)
Balances at the end of the year	161,237	391,741

The increase in "Other items" mainly reflects the de-recognition owing to its sale of part of the Entity's default portfolio, on which €18,835 thousand was obtained and reflected in "Results from financial operations" (Note 33).

11 HELD TO MATURITY PORTFOLIO

11.1. COMPOSITION OF THE BALANCE AND THE MAXIMUM CREDIT RISK

The following table contains a breakdown of the financial assets included under this category at 31 December 2012 and 2011, classified by geographic area, class of counterparty category and by instrument types:

(Thousand euros)	2012	2011
Geographical area		
Spain	3,279,595	1,662,731
Other European Union countries	541,324	584,917
Total gross amount	3,820,919	2,247,648
(Impairment losses)	–	–
Total net amount	3,820,919	2,247,648
Counterparty category		
Credit institutions	139,669	124,952
Resident public administrations	2,864,353	1,264,517
Non-resident public administrations	541,324	584,917
Other resident sectors	275,573	273,262
Total gross amount	3,820,919	2,247,648
Instrument types		
Government debt securities	2,864,353	1,264,517
Foreign government debt	541,324	584,917
Other fixed income securities	415,242	398,214
Total gross amount	3,820,919	2,247,648

During 2012 the Group reclassified €1,106 million from the available for sale financial asset portfolio to held to maturity as a result of its intention to hold such investments to maturity.

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

The average effective interest rate on debt instruments classified in this portfolio during 2012 has been 4.18% (4.25% in 2011).

11.2. IMPAIRED ASSETS DUE AND RECEIVABLE

There are no impaired assets due and receivable in this portfolio at 31 December 2012 and 2011.

12 HEDGING DERIVATIVES (RECEIVABLES AND PAYABLES)

12.1. FAIR VALUE HEDGES

The breakdown by product type at fair and face value, of those financial derivatives designated as hedging instruments in fair value hedges at 31 December 2012 and 2011 is as follows:

(Thousand euros)	Fair value			
	Balances receivable		Balances payable	
	2012	2011	2012	2011
Other interest rate transactions				
Interest rate swaps (IRS)	701,018	729,603	172,256	211,108
	701,018	**729,603**	**172,256**	**211,108**

The carrying value figuring in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for the asset derivatives contracted for which there are netting or compensation agreements in place and which are also covered by a collateral agreement which consists of formalising deposits in an amount equivalent to the net fair value of the derivative transactions, such that in the event of any default affecting the derivative obligations by one of the parties, the other party does not have to satisfy the obligations associated with the deposit. Asset deposits associated with these agreements amount to €5,860 thousand while liability deposits amount to €554,740 thousand at 31 December 2012 (€13,710 thousand in asset deposits and €544,280 thousand in liability deposits at 31 December 2011).

All fair value hedges obtained by the Group are for the purpose of hedging the risk of changes in the fair value of asset and liability debt instruments issued at a fixed rate of interest, in the event of changes in the interest rate of reference. This risk involves an increase in the fair value of financial liabilities should the interest rate of reference decline, and a decrease in the fair value of financial assets if the rate should increase. To mitigate this risk the Group obtains mainly financial swaps, whose value varies in line and symmetrically with the changes in the value of the hedged items.

The following table contains details regarding the face value of hedges, set out by hedged and hedging items:

(Thousand euros)	2012	2011
Hedging item:	**9,028,086**	**10,142,861**
Interest rate swaps (IRS)	9,028,086	10,142,861
Hedged item:	**9,028,086**	**10,142,861**
Customer transactions	2,499,944	2,797,722
Debenture loans	5,079,728	5,539,778
Interbank deposits	–	124,000
Fixed interest securities	1,448,414	1,681,361

12.2. CASH FLOW HEDGES

There are no cash flow hedges at 31 December 2012 or at 31 December 2011.

12.3. HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION

There are no net investment hedges on foreign operations at 31 December 2012 or 31 December 2011.

13 NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2012 and 2011 the balances in this caption on the consolidated balance sheets were as follows:

(Thousand euros)	2012	2011
Foreclosure assets	823,178	735,157
Other assets	23,214	21,482
Total gross amount	**846,392**	**756,639**
(Impairment losses)	(279,589)	(130,752)
Total net amount	**566,803**	**625,887**

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 Entity's web page and the existence of a specific unit aimed at the disposal of assets foreclosed as payment for debts.

According to the Group's historical experience, non-current assets for sale remain on the balance sheet for an average of one to three years. Since most non-current assets for sale relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the situation of the Spanish real estate market.

Non-current assets are realised in cash, with a deferral for a prudent timeperiod to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan and,
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

Loans granted during the year to finance sales of this type of assets amount to €65,203 thousand (€44,647 thousand at 31 December 2011) and the accumulated amount of loans granted totals €140,417 thousand (€75,214 thousand at 31 December 2011).

At 31 December 2012 the average sales percentage financed for the purchaser amounts to 73.71% (79.15% at 31 December 2011).

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance valued by an independent valuer is indicated.

	Balance		Of which: valued by an independent valuer	
(Thousand euros)	2012	2011	2012	2011
Non-current assets held for sale	**846,392**	**756,639**	**824,916**	**753,886**
Residential	796,285	706,543	794,554	704,141
Industrial	35,259	17,624	16,417	17,299
Agricultural	14,848	32,472	13,945	32,446

The valuations of foreclosed assets were practically all performed in the last three years by valuation companies and agencies that have a recognised professional capacity and recent experience in the location and category of the assets subject to valuation. Most valuations were performed by Tasaciones Hipotecarias S.A., TINSA, and Tasaciones Inmobiliarias S.A.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. The residual method has been used to value land, the discounted cash flow method for assets for rent and the comparable method for housing. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer's industrial margin, to arrive at the price of the land. In those cases where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate dynamic residual method.

- Discounting method: In order to determine the value of property rentals, the present value is calculated according to the market rent and / or present rent, taking into account the return required on each type of asset.

- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors i(town planning status, immediate environment etc.).

14 SHAREHOLDINGS

14.1. SHAREHOLDINGS IN ASSOCIATES

The breakdown of balances under investments in associates on the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Equity instruments	149,011	163,010
(Impairment losses)	(17,795)	(7,313)
Total net amount	131,216	155,697

Schedules I and II shows a breakdown of the shareholdings considered to be associates at 31 December 2012 and 2011, together with relevant information regarding these companies.

The balance of "Interests - associates" in the consolidated balance sheets at 31 December 2012 and 2011 includes the goodwill associated with these ownership interests. The breakdown of these goodwill amounts, based on the generating company, is set out below:

Entity	2012	2011
(Miles de euros)		
Heraldo de Aragón, S.A.	15,635	18,557
Publicaciones y Ediciones del Alto Aragón, S.A.	–	1,324
	15,635	19,881

Set out below are movements in impairment losses in associates in 2012 and 2011:

(Thousand euros)	2012	2011
Balance at start of the year	7,313	9,601
Net transfers (Note 37)	11,107	(2,637)
Transfers charged to profit for the year	11,107	268
Recovered amount credited to profit for the year	–	(2,905)
Applications	–	–
Other movements	(625)	349
Balance at the end of the year	17,795	7,313

On 28th December 2009 Corporación Financiera Caja de Madrid, S.A., Sociedad de Promoción y Participación Empresarial Caja de Madrid, S.A., Bancaja Inversiones, S.A. and Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, Ibercaja, as shareholders of NH Hoteles, S.A., entered into an agreement for the syndication of the shares held in that company. Under that agreement, all the partners of the syndicate undertake to exercise, as a unit, the voting rights deriving from the syndicate shares and in particular, undertake that all syndicate shares should vote at the General Shareholders' Meetings, both ordinary and extraordinary, held during the period in which the Syndicate is in effect, as a unit.

The syndicate shares account for 20.74% of the capital of NH Hoteles, S.A, Ibercaja holding 5.041% of that capital. The initial term of the syndicated agreement ended on 31 December 2011 and was tacitly extended for a period of one year, as was reported to the CNMV as a price sensitive information on 20 January 2012. On the basis of the foregoing, the Company considers that it has significant influence over NH Hoteles, S.A., and therefore considers it to be an associate.

Since 2010 the investment has been carried using the equity method. The value in use at 31 December 2012 amounts to €68,380 thousand (€85,040 thousand at 31 December 2011). In 2012 an impairment loss was recognised for the difference between that value in use and the carrying value at 31 December 2011 (€78,934 thousand).

The value in use has been obtained from estimated future cash flows until 2017, a residual value being calculated for the remaining period, which has been determined taking into account a ratio between the value of the company (EV) and EBITDA projected at 12.6 times (EV/EBITDA) ratio. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 9.7% (varies on the basis of the countries in which the investee is present; 11.6% in 2011). Ibercaja considers that these assumptions reflect the situation of both the market and company.

The effect of a 50% basis point variation in the discount rate and a 5% variation in the EV/EBITDA ratio with respect to the investment value would amount to 3.4% and 6.6%, respectively.

The amount of the entity's investment in NH at 31 December 2012, taking into account its share price, amounts to €32,449 thousand (€27,103 thousand at 31 December 2011).

14.2. SHAREHOLDINGS IN JOINTLY-OWNED COMPANIES

Schedules I and II shows a breakdown of the shareholdings considered to be jointly-owned companies at 31 December 2012 and 2011, together with relevant information regarding these companies.

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

If jointly-owned entities had been consolidated using the proportionate method, the following consolidated group balance sheet figures at 31 December 2012 and 2011 and the consolidated income statement for the years then ended would have included the following modifications:

(Thousand euros)	2012	2011
Total assets	76,514	109,127
Total liabilities	76,514	109,127
Interest margin	(3,128)	(2,284)
Gross margin	19,331	21,154
Operating profit/(loss)	697	472
Profit /(loss) before taxes	(781)	(286)
Profit/(loss) for the year	(692)	(285)
Profit/(loss) attributed to parent company	–	–

14.3. NOTIFICATIONS REGARDING THE ACQUISITION OF SHARES

No relevant acquisitions or sales of shares in Group, associated or jointly-owned companies took place and therefore no information is provided in relation to Article 155 of the Spanish Companies Act and Article 53 of Law 24/1988 on the Stock Market.

15 ASSETS HELD FOR REINSURANCE

At 31 December 2012 and 2011, the entire balance recorded under this consolidated balance sheet heading relates to profit sharing arising from reinsurance policies.

16 PROPERTY, PLANT AND EQUIPMENT

Movements in this consolidated balance sheet caption in 2012 and 2011 are as follows:

(Thousand euros)	For own use	Investment property	Assigned under operating lease	Community projects	Total
COST					
Balances at 1 January 2011	1,016,938	156,052	31,888	750	1,205,628
Additions	4,060	18,182	14,934	–	37,176
Disposals due to sales or through other means	(19,485)	(831)	(18,382)	(750)	(39,448)
Other transfers and other movements	13,971	(13,971)	–	–	–
Balances at 31 December 2011	1,015,484	159,432	28,440	–	1,203,356
Additions	13,748	11,988	6,867	–	32,603
Disposals due to sales or through other means	(26,221)	(13,978)	(10,340)	–	(50,539)
Other transfers and other movements	(4,627)	1,583	–	–	(3,044)
Balances at 31 December 2012	998,384	159,025	24,967	–	1,182,376
ACCUMULATED DEPRECIATION					
Balances at 1 January 2011	(411,365)	(18,758)	(8,234)	–	(438,357)
Disposals due to sales or through other means	9,625	261	3,907	–	13,793
Transfers against the income statement	(25,142)	(2,983)	(4,280)	–	(32,405)
Other transfers and other movements	(2,764)	2,764	–	–	–
Balances at 31 December 2011	(429,646)	(18,716)	(8,607)	–	(456,969)
Disposals due to sales or through other means	13,845	10,243	5,059	–	29,147
Transfers against the income statement	(23,045)	(3,195)	(4,130)	–	(30,370)
Other transfers and other movements	–	–	–	–	–
Balances at 31 December 2012	(438,846)	(11,668)	(7,678)	–	(458,192)
IMPAIRMENT LOSSES					
Balances at 1 January 2011	(210)	(13,369)	(157)	–	(13,736)
Transfers charged to profit for the year	(2,625)	(2,646)	–	–	(5,271)
Recovered amount credited to profit	–	–	–	–	–
Applications and other movements	2,506	(965)	17	–	1,558
Balances at 31 December 2011	(329)	(16,980)	(140)	–	(17,449)
Transfers charged to profit for the year	(923)	(17,068)	(30)	–	(18,021)
Recovered amount credited to profit	–	–	60	–	60
Applications and other movements	923	(406)	–	–	517
Balances at 31 December 2012	(329)	(34,454)	(110)	–	(34,893)
NET PROPERTY, PLANT AND EQUIPMENT					
Balances at 31 December 2011	585,509	123,736	19,693	–	728,938
Balances at 31 December 2012	559,209	112,903	17,179	–	689,291

At 31 December 2012 fully-depreciated property, plant and equipment still in use amount to €107,213 thousand (€106,728 at 31 December 2011).

16.1. PROPERTY, PLANT AND EQUIPMENT FOR OWN USE

The breakdown by nature of the items forming part of the balance of this consolidated balance sheet caption at 31 December 2012 and 2011, not taking into account impairment losses, is as follows:

(Thousand euros)	Cost	Depreciation depreciation	Balance net
Computer equipment and facilities	146,038	(115,389)	30,649
Furniture, vehicles and other installations	318,386	(232,063)	86,323
Buildings	547,255	(82,194)	465,061
Work in progress	3,805	–	3,805
Balances at 31 December 2011	**1,015,484**	**(429,646)**	**585,838**
Computer equipment and facilities	144,344	(115,719)	28,625
Furniture, vehicles and other installations	317,557	(238,087)	79,470
Buildings	534,460	(85,040)	449,420
Work in progress	2,023	–	2,023
Balances at 31 December 2012	**998,384**	**(438,846)**	**559,538**

During the year there were several sales of properties for which operating leases were simultaneously arranged in certain cases (Note 27,7,2).

In 2012 no indemnities from third parties were received for asset impairment and no indemnities are receivable at 31 December 2012.

There are no major commitments to purchase property, plant and equipment for own use or restrictions on their ownership at 31 December 2012 and 2011.

16.2. INVESTMENT PROPERTY

In 2012 rental income from the Group's investment property amounted to €3,987 thousand (€3,873 thousand in 2011), other related expenses amounted to €778 thousand (€480 thousand in 2011) and operating expenses were incurred in respect of depreciation in 2012 amounting to €3,195 thousand (€2,983 thousand in 2011).

The carrying value of investment property amounts to €112,903 thousand (€123,736 thousand at 31 December 2011). Of that balance, 72% (88% in 2011) is based on valuations carried out by experts with recognised professional capacity and recent experience in the location and category of investment properties under valuation. The valuation of these properties has been carried out mainly by TINSA, Tasaciones Inmobiliarias, S.A.

Note 13 sets out the criteria applied to determine the fair value of these assets.

The table below sets out a classification by type of investment property asset. Similarly, the carrying amount of such assets is reflected (not taking into account impairment losses) and which has been measured by an independent valuer.

	Carrying value		Of which: valued by an independent valuer	
(Thousand euros)	2012	2011	2012	2011
Investment property	147,357	140,717	105,909	124,485
Residential	49,842	49,336	37,706	48,602
Industrial	97,510	91,273	68,203	75,883
Agricultural	5	108	–	–

The valuations indicated above were mostly carried out in 2012 and 2011.

There are no major commitments to acquire or hold investment properties, or restrictions on their ownership at 31 December 2012.

16.3. OTHER ASSETS ASSIGNED UNDER OPERATING LEASE

Under this caption the Group includes the assets linked to operating leases. In 2012 rental income from these assets amounted to €5,717 thousand (€6,184 thousand in 2011), while operating expenses in respect of depreciation and other related expenses amounted to €4,130 thousand and €1,382 thousand, respectively (€4,280 thousand and €1,640 thousand in 2011).

16.4. IMPAIRMENT LOSSES

During 2012 impairment losses amounting to €923 thousand were recognised on property, plant and equipment for own use and €17,068 thousand on investment properties (€2,625 thousand and €2,646 thousand in 2011) (Note 37).

17 INTANGIBLE ASSETS

Movements under this consolidated balance sheet caption in 2012 and 2011 were as follows:

(Thousand euros)	2012	2011
Balance at the beginning of the year	**18,434**	**25,341**
Additions	1,673	2,697
Amortisation	(8,183)	(9,604)
Other movements	270	–
Balance at year end	**12,194**	**18,434**

Total intangible assets in 2012 and 2011 are made up of computer applications used in the performance of the Group's activities.

At 31 December 2012 fully-amortised intangible assets still in use amount to €36,959 thousand (€26,679 thousand at 31 December 2011).

18 OTHER ASSETS

The breakdown of this heading of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Accrual accounts	56,016	4,480
Inventories	439,108	423,598
Transactions in transit	1,308	768
Remainder	19,607	4,866
Total gross amount	**516,039**	**433,712**
(Impairment losses)	(182,590)	(73,455)
Total net amount	**333,449**	**360,257**

Impairment analysed above relates in full to Inventories.

Inventories reflect a balance of €439,108 thousand (€423,598 thousand at 31 December 2011) of which €424,824 thousand relates to residential property assets (€407,841 thousand at 31 December 2011).

Valuations of foreclosed assets have been restated in full in the past three years. Valuations have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets valued. Most valuations have been performed by TINSA, Tasaciones Inmobiliarias, S.A., Aguirre Newman, S.A. and General de Valoraciones, S.A.

Note 13 sets out the criteria applied to determine the fair value of these assets.

Accrual accounts include €45,186 thousand related to the amount not yet accrued as an expense in respect of the extraordinary contribution to the Deposit Guarantee Fund (Note 1,8).

19 FINANCIAL LIABILITIES AT AMORTISED COST

The items making up this consolidated balance sheet caption at 31 December 2012 and 2011 are as follows:

(Thousand euros)	2012	2011
Central bank deposits (Note 19,1)	2,519,847	900,246
Deposits from credit institutions (Note 19,2)	4,371,510	1,980,476
Customer funds (Note 19,3)	24,772,015	27,903,354
Marketable debt securities (Note 19,4)	4,861,206	5,668,282
Subordinated debt financing (Note 19,5)	289,395	777,172
Other financial liabilities (Note 19,6)	280,595	212,905
	37,094,568	**37,442,435**

19.1. DEPOSITS FROM CENTRAL BANKS

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2012 and 2011, based on the nature of the transaction concerned, is indicated below:

(Thousand euros)	2012	2011
Bank of Spain	2,500,000	900,000
Measurement adjustments	19,847	246
	2,519,847	**900,246**

Includes liquidity obtained from ECB on extraordinary 3 year options.

The average effective interest rate on debt instruments classified in this caption during 2012 has been 0.88% (1.02% at 31 December 2011).

19.2. DEPOSITS FROM CREDIT INSTITUTIONS

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2012 and 2011, based on the nature of the transaction concerned, is indicated below:

(Thousand euros)	2012	2011
On demand	**94,001**	**86,278**
Other accounts	94,001	86,278
Term or subject to prior notice	**4,270,394**	**1,887,892**
Fixed-term deposits	1,177,914	1,172,454
Temporary assignment of assets	3,080,744	699,013
Other accounts	11,736	16,425
Measurement adjustments	**7,115**	**6,306**
	4,371,510	1,980,476

The average effective interest rate on debt instruments classified in this caption during 2012 has been 0.91% (1.51% in 2011).

19.3. CUSTOMER FUNDS

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2012 and 2011, based on the geographic location, the nature of the transaction and counterparty concerned, is indicated below:

(Thousand euros)	2012	2011
Geographical location		
Spain	24,694,148	27,792,612
Rest of the world	77,867	110,742
	24,772,015	**27,903,354**
Nature		
Current accounts	5,694,517	5,868,270
Savings deposits	3,317,446	3,375,090
Term deposits	10,489,653	12,452,538
Temporary assignment of assets	709,018	937,793
Unique mortgage and territorial bonds	3,950,000	4,700,000
Measurement adjustments	611,381	569,663
	24,772,015	**27,903,354**
Counterparty		
Resident public administrations	326,657	390,378
Other resident sectors	24,367,491	27,402,234
Non-resident public administrations	11	21
Other non-resident sectors	77,856	110,721
	24,772,015	**27,903,354**

The average effective interest rate on debt instruments classified in this caption during 2012 was 1.43% (1.65% in 2011).

The heading Mortgage and territorial bonds (in the breakdown by nature) includes mortgage bond issued under Law 2/1981 governing the Mortgage Market for amounts of €3,950,000 thousand (€4,700,000 thousand at 31 December 2011).

The mortgage bonds have been issued at floating interest rates while issues at fixed interest rates are hedged against interest-rate risk through interest rate swaps.

19.4. MARKETABLE DEBT SECURITIES

The breakdown of this heading of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Promissory notes and bills	1,267,719	687,250
Nominal – Mortgage Bonds	4,705,000	2,405,000
Nominal value of other securities linked to transferred financial assets	1,696,189	2,536,348
Nominal value - other non-convertible securities	500,000	1,200,000
Treasury shares	(3,426,318)	(1,242,684)
Measurement adjustments	118,616	82,368
	4,861,206	**5,668,282**

In 2012 two mortgage bond issues were carried out under Law 2/1981 governing the Mortgage Market (Note 1,10).

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

Type	Nominal interest	Date of issue	Maturity date	Nominal issue	Amount subscribed 2012	Amount subscribed 2011
(Thousand euros)						
TDA2 mortgage bonds	Variable	13.10.2005	(*)	904,500	301,821	378,586
TDA3 mortgage bonds	Variable	12.05.2006	(*)	1,007,000	395,100	480,320
TDA4 mortgage bonds	Variable	18.10.2006	(*)	1,410,500	453,596	632,194
TDA5 mortgage bonds	Variable	11.05.2007	(*)	1,207,000	313,129	659,562
TDA6 mortgage bonds	Variable	25.06.2008	(*)	1,521,000	27,180	53,326
TDA ICO-FTVPO mortgage bonds	Variable	15.07.2009	(*)	447,200	205,363	332,360
					1,696,189	**2,536,348**

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

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

Type	Nominal interest	Date of issue	Maturity date	Nominal issue	Amount subscribed 2012	Amount subscribed 2011
(Thousand euros)						
5th issue ordinary bonds	Variable	20.07.2006	20.07.2012	700.000	–	700.000
1st Government secured issue	4,44%	04.04.2011	30.07.2014	500.000	500.000	500.000
					500.000	**1.200.000**

The average effective interest rate on debt instruments classified in this caption during 2012 was 2.06% (2.24% in 2011).

19.5. SUBORDINATED DEBT FINANCING

The breakdown of this heading of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Nominal subordinated bonds	280,826	624,826
Nominal Preference shares	8,450	150,000
Measurement adjustments	119	2,346
	289,395	**777,172**

In 2006 Ibercaja issued preference shares with a total nominal value of €150,000 thousand and an indefinite duration. They may be redeemed at the Company's discretion once 10 years have elapsed as from the issue date, subject to Bank of Spain authorisation. During 2012 the Entity purchased practically the entire issue.

Details regarding each issue of subordinated bonds are as follows:

			Nominal amount	
Emisión	Nominal interest	Maturity	2012	2011
(Thousand euros)				
12 December 1988	Variable	Perpetual	–	14,424
10 November 1989	Variable	Perpetual	–	14,424
14 January 1991	Variable	Perpetual	–	17,430
23 November 1992	Variable	Perpetual	–	28,548
20 April 2006	Variable	20 April 2018	108,565	200,000
25 April 2007	Variable	25 April 2019	172,261	350,000
			280,826	**624,826**

In late December 2011, the Bank of Spain authorised Ibercaja to carry out the early amortisation of the subordinated bonds issued by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja in 1988, 1989, 1991 and 1992, following compliance with the relevant legal requirements. Such issues could be voluntarily amortised by the Company after 20 years following their issue, prior authorisation by the Bank of Spain. All issues were amortised during 2012.

Although for the issues relating to 2006 and 2007, there are set maturity for years between 2018 and 2019, the Company reserves the right to redeem them after 7 years, although this may be reduced to 5 years through the agreement of the Meeting of Debenture Holders, after the date of issue, subject to Bank of Spain authorisation. These issues are subordinated and come behind all common creditors with respect to debt seniority. The fall in the balance of these issues is due to the repurchase offer that the Entity made to holders in November 2012.

Issues of preference shares and subordinated bonds are authorised by the Bank of Spain for their classification as computable tier 1 and tier 2 capital, respectively.

Accrued interest payable on subordinated liabilities amounts to €6,830 thousand at 31 December 2012 (€16,305 thousand at 31 December 2011).

The average effective interest rate on debt instruments classified in this caption during 2012 was 1.24% (2.11% in 2011).

19.6. OTHER FINANCIAL LIABILITIES

The breakdown of this heading of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Amounts payable	91,020	16,017
Guarantee deposits	2,449	2,878
Clearing houses	–	15,490
Collection accounts	153,651	134,332
Special accounts	12,676	32,129
Financial guarantees	1,593	1,713
Other items	19,206	10,346
	280,595	212,905

19.7. INFORMATION ON DELAYS IN PAYMENTS TO SUPPLIERS ADDITIONAL PROVISION THREE. DISCLOSURE REQUIREMENT LAW 15/2010:

Set out below is a breakdown of this balance in the consolidated balance sheets at 31 December 2012 and 2011:

	(Thousand euros)		%	
	2012	2011	2012	2011
Within the maximum legal limit	209,017	240,684	97%	99%
Remainder	7,471	3,495	3%	1%
Total payments during the year	216,488	244,179	100%	100%
Average weighted payment period exceeded (days)	27	11	–	–
Deferrals that at the year end date exceed the maximum legal period	2,105	1,709	–	–

20 INSURANCE CONTRACT LIABILITIES

Set out below is a breakdown of this balance in the consolidated balance sheets at 31 December 2012 and 2011:

(Thousand euros)	2012	2011
Underwriting reserves for:		
Life insurance:	4,740,502	4,283,927
Unearned premium reserve	*13,226*	*12,155*
Mathematical reserves	*4,727,276*	*4,271,772*
Benefits pending payment	24,273	27,461
Profit sharing and returned premiums	13,134	10,482
Life insurance in which the investment risk is borne by the policyholders	77,130	83,165
	4,855,039	**4,405,035**

There is no accepted reinsurance at 31 December 2012 or 31 December 2011.

20.1. RISK MANAGEMENT UNDER INSURANCE CONTRACTS

The Group's risk exposure under the insurance contracts arranged and related operations are market (interest rate, concentration, spread and variable income); counterparty, operational and underwriting - life.

Market, counterparty and operational risks on this activity are managed consistently throughout the Ibercaja Group as indicated in Note 3 Risk Management. The actual risk on insurance operations relates to underwriting life that derives from a possible increase in the value of liabilities as a result of the non-fulfilment of the assumptions under which the policies were arranged and encompasses a series of risks, the most significant of which are detailed below:

- Longevity risk: deriving from adverse variations in complying with the mortality table (survival risk). It is not significant in the arrangement of life annuities and liability policies managed by the insurance company. Concerning the longevity risk, there is a monthly follow-up of the technical result on the portfolios affected and the part of this result affected by the survival risk is analysed.
- Risk of fall: this indicates the sensitivity of the value of liabilities to shifts in surrender rates. Its impact is associated with the volatility of the savings business. A follow-up is carried out of the historical performance of the surrender level, taking into account prior year experience. The assumptions obtained from that analysis are taken into account when obtaining the liabilities to match the flows (joint asset and liability management), in order to ensure that they conform as closely as possible to the real situation at all times. In this way, it is verified that the forecast asset flows are sufficient in time and amount to cover forecast future commitments.
- Morality risk: this indicates the sensitivity of the value of liabilities to adverse variations because the claims ratio exceeds forecasts. Its impact derives from life-risk insurance. This risk is managed through a rating system based on the personal characteristics of each policyholder. This system is reviewed regularly by a control unit and is accepted by reinsurers.

Similarly, to control and follow up the mortality risk, the company carries out a monthly review of the claims ratio associated with each product marketed and the impact of this variable on the income statement for each product.

Irrespective of the mortality table applied to calculate the premium, which depends on the type of product, date on which it is first sold or other aspects, mortality tables PERM/F-2000P that were approved by the Resolution of the Directorate General for Insurance and Pension Funds of 3 October 2000, that conforms to transitional provision 2.5 of the Private Insurance Regulations, have been taken as a reference.

Set out below is the performance of the claims ratio for direct life insurance and its comparison with the forecast claims ratio.

	Life insurance - saving		Life annuities		Unit linked insurance		Life insurance-Individual risk		Total life insurance	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Portfolio at 31 December (N.° of contracts)	256,790	248,631	39,214	33,950	10,149	11,657	249,502	237,161	555,655	531,399
N,° of expected claims	1,214	1,126	1,625	1,403	67	71	304	283	3,210	2,884
N,° of real claims	732	562	1,630	1,252	42	47	224	237	2,628	2,098
Percentage (real/expected)	60.30%	49.90%	100.31%	89.22%	62.69%	65.74%	73.68%	83.61%	81.87%	72.73%

The insurance company has established a policy for assigning risks to leading reinsurers in the sector, mitigating the risk through the dispersion of the sums insured and the accumulation of claims deriving from the same event. The adequacy of this reinsurance policy to the volume of business was validated in 2008 by the actuarial studies department of an insurance company while the reinsurance policy was reviewed in 2010 by the technical department of Ibercaja Vida.

20.2. CLASSIFICATION OF THE INSURANCE RISK

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

(Thousand euros)	2012	2011
Life insurance premiums	38,957	36,099
Savings insurance premiums	1,120,240	1,464,418
	1,159,197	**1,500,517**
Premiums for individual policies	1,140,513	1,402,275
Premiums for group policies	18,684	98,242
	1,159,197	**1,500,517**
Regular premiums	229,035	240,610
Single premiums	930,162	1,259,907
	1,159,197	**1,500,517**
Premiums for policies with no profit-sharing	1,138,412	1,480,224
Premiums for policies with profit-sharing	17,965	17,016
Premiums for policies where the investment risk is assumed by the policyholder	2,820	3,277
	1,159,197	**1,500,517**

The premiums under the insurance contracts detailed in the table above are presented in the income statement under "Income on insurance and reinsurance contracts", which reflects reinsurance income amounting to €5,314 thousand at 31 December 2012 (€5,071 thousand at 31 December 2011).

According to the Directorate General of Insurance, those insurance policies where, although a group policy is formalised, the premium payment obligations and inherent rights pertain to the insured are classed as individual policies. The entire premium portfolio has been arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2012 amounting to €1,162,091 thousand, (€1,504,593 thousand in 2011) relate to the technical reserves associated with such contracts.

20.3. SENSITIVITY TO THE INSURANCE RISK

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

Asset and liability flows are discounted at the euroswap curve rate at 31 December 2012 while the impact resulting from a variation in the interest rate curve is as follows:

- A parallel increase of 50 basis points in the discount curve entails a reduction of 0.54% in the value of the asset and 3.09% in the value of the liability.
- A parallel fall of 50 basis points in the discount curve entails an increase of 0.55% in the value of the asset and 3.68% in the value of the liability.

Given that most of the insurance company's portfolios are immunized and taking into account their classification for accounting purposes, a change in the interest rate structure, both upwards and downwards, does not have a significant impact on the income statement.

21 PROVISIONS FOR CONTINGENT EXPOSURES AND COMMITMENTS AND OTHER PROVISIONS

Movements in 2012 and 2011, and the purpose of the provisions recorded under these captions in the consolidated balance sheet at 31 December 2012 and 2011, are as follows:

				Other provisions	
(Thousand euros)	Provisions for pensions and similar liabilities	Provisions for legal and tax exposures	Provisions for contingent exposures and commitments	Ordinary business risks (1)	Equity instrument fund
Balances at 1 January 2011	126,275	15,435	9,791	80,742	17,165
Transfers charged to income:					
Interest and similar charges	41	–	–	–	–
Transfers to provisions and other	149	–	929	–	–
Reversal of provisions by credit to income	–	(7,505)	(2,601)	(59,233)	(17,165)
Provisions used	(734)	–	(3)	–	–
Other movements	(2,840)	602	36	116	–
Balances at 31 December 2011	122,891	8,532	8,152	21,625	–
Transfers charged to income:					
Interest and similar charges	29	–	–	–	–
Transfers to provisions and other	137	–	195	12,408	–
Reversal of provisions by credit to incomes	–	–	(651)	–	–
Provisions used	(718)	(2,108)	(5)	–	–
Other movements	(10,499)	(626)	32	40	–
Balances at 31 December 2012	111,840	5,798	7,723	34,073	–

(1) This refers to funds related to the cover of risks of losses on agreements to cancel loans pending formalisation and the Entity's other ordinary business risks.

The composition of the caption "Provisions - Pension Funds and similar obligations" is analysed in Note 35, Staff costs.

Other movements reflect the variation in commitments transferred out through pension plans and insurance policies without removing the financial and actuarial component and the benefits paid. Information is provided in Note 35,2.

The caption "Provisions – Provisions for contingent exposures and commitments" includes impairment losses related to the financial guarantees granted by the Entity (Note 27,1).

22 OTHER LIABILITIES

The breakdown of this heading of the consolidated balance sheets at 31 December 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Staff costs accruals	39,292	40,207
Transactions in transit	4,066	978
Remainder	33,413	34,096
	76,771	75,281

23 MEASUREMENT ADJUSTMENTS

23.1. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This consolidated balance sheet caption records the net amount of changes to the fair value of assets classified as available for sale which, in accordance with the matters mentioned in Note 2, must be classified as part of the Group's equity, net of any tax effect (the movement of which is detailed in Note 25,4), as changes to the income statement when the originating assets are sold or are impaired.

The detail of measurement adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26,1) is as follows:

2012	Measurement adjustments	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
(Thousand euros)					
Listed equity instruments	(38,327)	205,552	205,552	–	–
Unlisted equity instruments	51,192	116,778	–	–	116,778
Listed fixed interest securities	(43,591)	6,241,581	6,131,327	110,237	17
Total	(30,726)	6,563,911	6,336,879	110,237	116,795

2011	Measurement adjustments	Fair value	Jerarquía valor razonable		
			Level 1	Level 2	Level 3
(Thousand euros)					
Listed equity instruments	(27,117)	291,271	291,271	–	–
Unlisted equity instruments	68,786	144,981	–	–	144,981
Listed fixed interest securities	(91,609)	5,654,743	5,459,314	195,412	17
Total	(49,940)	6,090,995	5,750,585	195,412	144,998

At 31 December 2012, for equity instrument investments where the share price has fallen with respect to the average acquisition cost by more than 40%, the average fall amounts to 50.1% (51.9% at 31 December 2011) while the amount of the difference between the acquisition cost and fair value totals €21,522 thousand (€20,663 thousand at 31 December 2011).

Set out below is a detail of the capital losses on those equity instrument investments where there has been a fall in the share price compared with cost over more than 18 months:

(Thousand euros)	Capital losses 2012	Capital losses 2011
Duration of the fall		
More than 42 months	2,190	2,310
Between 31 and 42 months	3,881	3,148
Between 18 and 30 months	6,663	7,097
	12,734	12,555

23.2. ENTITIES MEASURED UNDER THE EQUITY METHOD

This consolidated balance sheet heading reflects the net amount of the variation in the fair value of assets classified as available for sale pertaining to equity method entities.

Measurement adjustments break down into €246 thousand in gains on listed and unlisted equity (€186 thousand in losses at 31 December 2011), €42 thousand in losses on listed fixed income (€38 thousand in losses at 31 December 2011) and €791 thousand in gains in respect of other items (€546 thousand in gains at 31 December 2011).

23.3. OTHER VALUATION ADJUSTMENTS

This caption records the remaining measurements adjustments in the equity accounts.

Measurement adjustments amount to €18,120 thousand in respect of accounting asymmetry adjustments (Note 2,19) at 31 December 2011 (€30,018 thousand in respect of measurement adjustments at 31 December 2011) and €7,240 thousand in grants not yet released to income (€9,474 thousand at 31 December 2011).

24 SHAREHOLDERS' FUNDS

As at 31 December 2012 and 2011, this heading breaks down as follows:

(Thousand euros)	2012	2011
Capital	2,278,500	2,134,500
Reserves	397,486	494,053
Revaluation reserves	11,072	193,445
Reserves in companies measured under the equity method por el método de la participación	(33,000)	(24,160)
Other reserves	419,414	324,768
Profit/(loss) for the year	(484,261)	54,914
Dividends and remuneration	–	(12,800)
Total	**2,191,725**	**2,670,667**

24.1. CAPITAL

Share capital at 31 December 2012 consists of 2,278,500,000 shares (2,134,500,000 shares at 31 December 2011) with a par value of €1 each, of a single class and series. The Bank's shares are represented by registered shares and are fully owned by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja).

During 2012 capital was increased against available revaluation reserves amounting to €144,000 thousand.

24.2. RESERVES

Reserves include restatement reserves amounting to €11,072 thousand at 31 December 2012 (€193,445 thousand at 31 December 2011).

Appendix II includes a breakdown by companies generating the balance of "Accumulated reserves" and "Reserves in entities carried under the equity method".

25 TAX SITUATION

25.1. CONSOLIDATED TAX GROUP

Within the framework of the split-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 decided to form a Corporate Income Tax Consolidated Tax Group. In 2012 the other Group companies qualifying for this regime were included. Therefore corporate income tax has been assessed on a consolidated basis.

At 31 December 2011 "Deposits at credit institutions" under assets on the balance sheet include the amount that Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja owes Ibercaja Banco, as a result of the above.

In addition, Ibercaja Banco forms part of the VAT Group under the advanced arrangement where the parent is Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja.

25.2. YEARS OPEN FOR REVIEW BY TAX AUTHORITIES

Ibercaja Banco was incorporated in 2011 as a result of the split-off for the indirect performance of the financial activities of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja. Once it acquired all the assets and liabilities effectively spilt-off, it assumed all the obligations and was subrogated to all the rights and relationships associated therewith, including those related to tax.

In this respect, the years 2005 and subsequent years are open for review by the tax authorities for corporate income tax for the Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, and 2008 and subsequent years for other Group entities. For other taxes, the periods after December 2008 are open for review.

In March 2009 two inspection assessments were signed as a result of a difference in criterion concerning the deduction for the reinvestment of extraordinary profits for corporate income tax purposes for 2002, on the one hand, and for 2003 and 2004, on the other. Both assessments have been appealed against and the corresponding provision has been recognised under liabilities on the balance sheet amounting to €1,231 thousand.

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be objectively quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

25.3. RECONCILIATION OF BOOK AND TAX INCOME

The reconciliation of the consolidated profit before taxes for 2012 and 2011 and the corporate income tax expense is as follows

(Thousand euros)	2012	2011
Consolidated results before tax	(685,126)	72,208
Corporate income tax at the general tax rate	(205,538)	21,662
Effect of permanent differences	(2,338)	(1,612)
Other adjustments on consolidation	10,653	4,516
Tax deductions and tax credits	(2,882)	(6,051)
Corporate income tax expense for the year	(200,105)	18,515
Adjustments to prior year tax expense	–	(577)
Total corporate income tax expense	(200,105)	17,938

In 2012 income was generated that gave rise to the deduction for the reinvestment of extraordinary gains and the reinvestment commitment arising from this deduction has been fulfilled. The following table shows the extraordinary gains that resulted in this deduction:

Year income obtained	Income	Year of reinvestment
(Thousand euros)		
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	17,583	2010-2011
2012 (forecast)	1,061	2012

Note: the figures for 2010 and previous years refer to the Entity's operations.

25.4. DEFERRED TAX ASSETS AND LIABILITIES

Based on tax legislation in force in Spain, in 2012 and 2011 there were certain timing differences and tax credits that should be taken into account when calculating the consolidated corporate income tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2012 and 2011 are as follows:

(Thousand euros)	Deferred tax assets	Deferred tax liabilities
Balance at 1 January 2011	**251,494**	**130,639**
Prior year restatement and other	2,250	1,687
Generated during the year	115,685	4,218
Applied during the year	(62,385)	(2,541)
Change in deferred tax assets and liabilities applied to equity	8,538	(12,285)
Balance at 31 December 2011	**315,582**	**121,718**
Prior year restatement and other	(168)	546
Generated during the year	277,642	27,724
Applied during the year	(32,595)	(18,507)
Change in deferred tax assets and liabilities applied to equity	12,396	(957)
Balance at 31 December 2012	**572,857**	**130,524**

Of deferred taxes receivable in 2012, €275,202 thousand relates to tax credits (€60,779 thousand in 2011).

The breakdown of deferred tax assets and liabilities of the Group, classified by type of temporary difference and tax credit is as follows:

	Deferred tax assets		Deferred tax liabilities	
(Thousand euros)	2012	2011	2012	2011
Impairment of financial assets	43,462	61,741	3,746	3,268
Pension commitments and other provisions	13,546	13,513	–	–
Fixed assets	–	–	72,145	90,582
Foreclosed assets	58,020	63,720	–	–
Other adjustments	5,754	12,131	51,530	23,808
Total temporary differences with a balancing entry in the income statement	**120,782**	**151,105**	**127,421**	**117,658**
Total temporary differences with balancing entry in equity	**20,934**	**8,538**	**3,103**	**4,060**
Credit in respect of available tax losses	382,776	110,245	–	–
Credit for available deductions	48,365	45,694	–	–
Total tax credits	**431,141**	**155,939**	**–**	**–**
	572,857	**315,582**	**130,524**	**121,718**

The Group has recorded the above tax credits since it considers that there are no reasonable doubts that it will report a sufficient surplus in the next few years to recovery them.

26 FAIR VALUE

26.1. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2012 and 2011 compared with their corresponding carrying value reflected in the balance sheet at that same date. Similarly, a breakdown of fair value is included on the basis of the valuation system (levels 1, 2 and 3):

			Fair value hierarchy		
2012	Total balance sheet	Fair value	Level 1	Level 2	Level 3
(Thousand euros)					
Held for trading	33,655	33,655	1,986	19,806	11,863
Other financial assets at fair value through profit or loss	113,274	113,275	55,718	57,557	–
Available-for-sale financial assets	6,644,655	6,521,911	6,294,879	110,237	116,795
Loans and discounts	30,675,517	32,906,813	–	935,304	31,971,509
Held to maturity	3,820,919	3,838,469	3,838,469	–	–
Of which: Sovereign risk	*3,405,677*	*3,463,249*	*3,463,249*	–	–
Hedging derivatives	701,018	701,018	–	701,018	–
Total financial assets	41,989,038	44,115,141	10,191,052	1,823,922	32,100,167
Held for trading	16,880	16,881	–	4,725	12,156
Financial liabilities at amortised cost	37,094,568	36,043,255	–	36,043,255	–
Hedging derivatives	172,256	172,257	–	172,257	–
Total financial liabilities	37,283,704	36,232,393	–	36,220,237	12,156

			Fair value hierarchy		
2011	Total balance sheet	Fair value	Level 1	Level 2	Level 3
(Thousand euros)					
Held for trading	43,776	43,776	9,674	16,704	17,398
Other financial assets at fair value through profit or loss	117,254	117,254	59,108	58,146	–
Available-for-sale financial assets	6,163,904	6,090,995	5,750,585	195,412	144,998
Loans and discounts	33,031,263	34,931,821	–	1,102,098	33,829,723
Held to maturity	2,247,648	2,128,273	2,128,273	–	–
Of which: Sovereign risk	*1,849,434*	*1,784,860*	*1,784,860*	–	–
Hedging derivatives	729,603	729,603	–	729,603	–
Total financial assets	42,333,448	44,041,722	7,947,640	2,101,963	33,992,119
Held for trading	24,405	24,405	–	5,917	18,488
Financial liabilities at amortised cost	37,442,435	36,716,963	–	36,716,963	–
Hedging derivatives	211,108	211,108	–	211,108	–
Total financial liabilities	37,677,948	36,952,476	–	36,933,988	18,488

The criteria used to determine fair value have been as follows:

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

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques have been used based on cash flow discounting using the interest rate curve and market spread for similar instruments.

  For debt securities with a level 3 fair value hierarchy (€133,745 thousand, recognised as loans and discounts), the impact of a variation on the estimate of bad debts of 0.25% and a variation of 100 base points on the required differential would entail a variation in fair value of 6.36% and 10.40%.
- Options: They are measured through the quoted prices provided by counterparties.
- Equity instruments measured at fair value: In general, fair value is obtained discounting estimated cash flows, which derive from the investees' business plans for a period generally of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted to the average cost of capital.

  Equity instruments with a fair value hierarchy of level 3 relate mainly to the investment in an insurance company. A 5% variation in market multiples for the insurance company would entail a decrease in the valuation of 4.57%.
- Equity instruments measured at cost: There are unlisted equity instruments in the Available-for-sale financial assets portfolio that are recorded at historical cost totalling €80,744 thousand (€72,909 thousand at 31 December 2011). For these instruments, potential impairment losses that could exist at 31 December 2012 (Note 9) have been recorded.
- Customer loans (loans and receivables): The valuation technique used is based on the discounting of estimated or estimable future flows considering maturing dates and interest revaluation date, calculated based on the interbank interest rate curve and debt at a given date. Advance repayment of 5% of the total has also been considered. This percentage is based on the Group's historical data and is used in internal management.

  The impact of a 100 basis point variation in the interbank interest rate curve would bring about a 0.5% change 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 since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, in an economic and financial crisis such as the present crisis and since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer could take into account the losses incurred and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used is based on the discounting of estimated or estimable future flows considering maturing dates and interest revaluation date, calculated based on the interbank interest rate curve and debt at a given date.
- Marketable debt securities and subordinated debt financing: Valued using market prices or spread for similar instruments.

The reasons for which there may be differences between the fair value and the carrying value of the financial instruments are as follows:

- For fixed-income instruments issued, the fair value of the instrument varies based on the development of market interest rates. Fluctuations are greater the longer the residual life of the instruments.
- The fair value may differ from the carrying value for a financial instrument issued at a variable rate if the margins relating to the interest rate of reference have changed since the instrument was issued. If the margins remain constant, the fair value will coincide with the carrying value only on dates when revaluations are carried out. On all other dates there is an interest rate risk for the flows that have already been calculated.

The Group carries out an analysis to assess whether the markets on which its financial instruments are listed may be considered active, in accordance with applicable accounting legislation. During 2012 there were no financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria (€7,975 thousand in 2011).

For certain financial instruments (mainly the trading portfolio and operations related to financial derivatives), there is a balancing entry in the income statement for changes in fair value. The breakdown of the effect on the income statement of the changes in fair value is as follows, classified on the basis of the fair value hierarchical level of the financial instruments:

(Thousand euros)	2012	2011
Level 1	1,554	930
Level 2	53,166	1,457
Level 3	(452)	(2,201)
	54,268	**186**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, revealing separately changes during the year attributable to the following:

(Thousand euros)	Controlling interests - Assets	Available-for-sale financial assets	Held for trading - Liabilities
Balance at 31 December 2010	**30,517**	**258,913**	**28,428**
Profit/(loss) recognised in the income statement and/ or statement of recognised income and expense,	(15,845)	(40,620)	(12,427)
Purchases	3,629	–	3,522
Sales	–	–	–
Issues	–	–	–
Settlements and maturities	(903)	(65,355)	(1,035)
Transfers from or to level 3	–	(7,940)	–
Balance at 31 December 2011	**17,398**	**144,998**	**18,488**
Profit/(loss) recognised in the income statement and/ or statement of recognised income and expense,	(1,963)	(25,125)	(2,419)
Purchases	3,001	–	2,639
Sales	–	–	–
Issues	–	–	–
Settlements and maturities	(6,573)	–	(6,552)
Transfers from or to level 3	–	(3,078)	–
Balance at 31 December 2012	**11,863**	**116,795**	**12,156**

26.2. FAIR VALUE OF PROPERTY, PLANT AND EQUIPMENT

The Group considers that there are no significant differences between the carrying value and fair value of property, plant and equipment.

Law 16/2012 through which several tax measures were adopted aimed at the consolidation of public finances and the promotion of economic activity, in Article 9 of Chapter III concerning the restatement of balance sheets, lays down that corporate income taxpayers, personal income taxpayers carrying out economic activities, who keep their accounting records in accordance with the Code of Commerce or are obligated to keep a record of their Economic activities and non-resident income taxpayers with a permanent establishment may voluntarily avail themselves of the restatement governed therein.

In the case of taxpayers paying tax under the tax consolidation regime, in accordance with Chapter VII of Title VII of the Corporate Income Tax Act, approved by Legislative Royal Decree 4/2004, restatements should be carried out on an individual basis.

The aforementioned Law also lays down that property, plant and equipment and investment property located both in Spain and abroad will qualify for restatement.

The Group is carrying out an assessment of said Law 16/2012 and its potential accounting and tax implications and impacts. At the date of preparation of these annual accounts, the Group does not yet have sufficient information to conclude whether it will decide to apply the aforementioned balance sheet restatement in any of the Group companies.

27 OTHER SIGNIFICANT INFORMATION

27.1. CONTINGENT EXPOSURES

The following table breaks down financial guarantees granted at 31 December 2012 and 2011 in accordance with the maximum risk assumed by the Group:

(Thousand euros)	2012	2011
Guarantees and other sureties	**436,982**	**543,084**
Financial guarantees	65,530	96,743
Other guarantees and sureties	371,452	446,341
Irrevocable letters of credit	**13,882**	**15,081**
Irrevocable documents issued	13,882	14,895
Irrevocable documents confirmed	–	186
Assets associated with third party obligations	**234**	**234**
	451,098	**558,399**

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties by the Group.

The income obtained from guarantee instruments is recorded under the captions "Fees received" and "Interest and similar income" (in the amount relating to the restatement of the commission values) in the consolidated income statements for 2012 and 2011, and are calculated by applying the rate established contractually based on the nominal amount of the guarantee concerned.

The provisions recorded to cover the guarantees provided to third parties, which have been calculated by applying criteria similar to those for the calculation of financial asset impairment stated at their amortised cost, are included under the caption "Provisions for contingent risks and commitments" in the balance sheet (Note 21).

At 31 December 2012 and 2011, the Group had not identified any contingent liability.

27.2. ASSETS LOANED OR PLEDGED

The breakdown of assets loaned or pledged is as follows:

(Thousand euros)	2012	2011
Securitized assets (net of measurement adjustments)	5,297,865	5,744,893
Treasury shares temporarily assigned	3,853,724	1,329,314
Assets associated with Bank of Spain policy (*)	948,302	1,284,922
Remainder	376,424	9,100
	10,476,315	**8,368,229**

(*) Additionally, €4,285,978 thousand (€3,910,435 thousand in 2011) relating to own securitization bonds and mortgage bonds that are also associated with the policy with the Bank of Spain, to secure monetary policy operations in the Eurosytem which at 31 December 2012 and 2011 was not available.

27.3. CONTINGENT COMMITMENTS

At 31 December 2012 and 2011, the limits on the financing contracts granted and the amounts available were as follows:

(Thousand euros)	2012		2011	
	Limit granted	Amount available	Limit granted	Amount available
Drawable by third parties	**6,257,471**	**1,672,950**	**7,626,542**	**2,185,909**
Available immediately	1,761,098	1,115,366	2,085,712	1,368,437
Available subject to conditions	4,496,373	557,584	5,540,830	817,472
Securities subscribed pending disbursement	–	**3,971**	–	**6,427**
Documents in clearing houses	–	**342,998**	–	**328,417**
	6,257,471	**2,019,919**	**7,626,542**	**2,520,753**

The amounts available relate to variable interest operations.

27.4. THIRD PARTY RESOURCES MANAGED AND MARKETED BY THE GROUP AND CUSTODY OF SECURITIES

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2012 and 2011 are indicated in the following table:

(Thousand euros)	2012	2011
Investment funds	4,551,920	4,538,307
Pension funds	3,527,962	3,300,489
Third party equity managed on a discretionary basis	735,317	725,237
	8,815,199	**8,564,033**
Of which: managed by the Group	8,787,221	8,555,185

Set out below is a breakdown of the securities deposited by the third parties in the Group at 31 December 2012 and 2011:

(Thousand euros)	2012	2011
Fixed income	8,942,170	10,045,755
Equities	4,663,090	5,363,208
	13,605,260	**15,408,963**

27.5. ASSET SECURITIZATION

The Group carried out several asset securitization operations before 1 January 2004 which were eliminated from the consolidated balance sheet (Note 2,7). Securitized assets outstanding at 31 December 2012 and 2011 are analysed below:

(Thousand euros)	2012	2011
Assets transferred to TDA Ibercaja 1, FTA in 2003	165,686	190,328
	165,686	**190,328**

In addition, the Group securitized assets by assigning loans from its portfolio to a securitization fund in which it continued to bear the related substantial risks and rewards in accordance with the conditions agreed for the transfer to the Group. Details of the balances recorded in relation to these operations are set out below:

(Thousand euros)	2012	2011
Assets transferred to TDA Ibercaja 2, FTA in 2005	395,052	436,485
Assets transferred to TDA Ibercaja 3, FTA in 2006	488,330	537,622
Assets transferred to TDA Ibercaja 4, FTA in 2006	725,084	795,108
Assets transferred to TDA Ibercaja 5, FTA in 2007	706,798	767,621
Assets transferred to TDA Ibercaja 6, FTA in 2008	1,025,714	1,117,903
Assets transferred to TDA Ibercaja ICO.-FTVPO, FTA in 2009	308,192	337,154
Assets transferred to TDA Ibercaja 7, FTA in 2009	1,664,315	1,771,145
	5,313,485	**5,763,038**

27.6. ASSETS RECEIVED UNDER GUARANTEES

Assets received under guarantees at 31 December 2012 total €33,194 thousand (€39,194 thousand at 31 December 2011).

27.7. LEASES

27.7.1. Finance leases

Finance leases in which the Group is the lessor are characterized as follows:

- Accrual of a variable interest rate.
- The lessee has a purchase option which is structured as a final payment instalment under the agreement whereby the lessee may obtain ownership of the asset at a cost that is significantly lower than its market value at that moment. Given that it may be considered reasonably certain that the lessee will exercise the purchase option, its value is recorded as a receivable together with the other minimum payments to be made by the lessee.

27.7.2. Operating leases

Most operating leases in which the Group participates may be cancelled and normally the initial term of the lease is five years. Rental income is adjusted annually based on the consumer price index.

Nonetheless, for a set of properties, there are lease contracts which establish a 15 year mandatory compliance period, with a total term of up to 35 years. There contracts were made simultaneously at the time the property was sold to the lessor and include a purchase option at market prices at the end of the contract. The value of the instalments payable within the mandatory compliance period amounts to €1,711 thousand within one year, €6,844 thousand within one to five years and €17,110 thousand in more than 5 years.

In the operations in which the Group is the lessee, the amount of the leases recorded as an expense in 2012 totalled €20,497 thousand (€21,512 thousand in 2011).

Refurbishing expenses and capital investment relating to leased assets for which the Group is the lessee, net of depreciation, total €32,508 thousand at 31 December 2012 (€36,120 thousand at 31 December 2011).

27.8. ENVIRONMENT

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimize possible environmental impact and complies with current environmental legislation. During 2012 and 2011 no significant investments were made in this area and no significant contingencies are deemed to exist with respect to the protection and improvement of the environment.

27.9. SEGMENTATION

27.9.1. Segmentation by lines of business

Reporting (consolidated income statement) by business segment at 31 December 2012 and 2011 is as follows:

At 31 December 2012 (Thousand euros)	Total	Financial sector	Insurance sector	Other sectors
Interest margin	577,924	488,036	92,391	(2,503)
Fees	235,274	247,187	(11,884)	(29)
Results on financial transactions and other	324,065	293,378	13,525	17,162
Gross margin	1,137,263	1,028,601	94,032	14,630
Administration and depreciation expenses	(497,985)	(477,463)	(1,825)	(18,697)
Provisions (net)	(12,089)	(12,164)	–	75
Asset impairment losses (net)	(1,120,784)	(1,120,176)	(446)	(162)
Operating margin	(493,595)	(581,202)	91,761	(4,154)
Asset impairment losses (net)	138,281	138,211	–	70
Other gains / (losses)	(53,250)	(53,496)	–	246
Profit /(loss) before taxes	(685,126)	(772,909)	91,761	(3,978)
Corporate income tax	(200,105)	(227,599)	27,753	(259)
Consolidated profit for the year	(485,021)	(545,310)	64,008	(3,719)

At 31 December 2011 (Thousand euros)	Total	Financial sector	Financial sector	Other sectors
Interest margin	491,170	417,772	75,370	(1,972)
Fees	231,194	241,741	(10,533)	(14)
Results on financial transactions and other	69,405	50,247	3,294	15,864
Gross margin	791,769	709,760	68,131	13,878
Administration and depreciation expenses	(520,734)	(501,204)	(2,298)	(17,232)
Provisions (net)	85,426	85,419	–	7
Asset impairment losses (net)	(247,258)	(241,906)	(5,334)	(18)
Operating margin	109,203	52,069	60,499	(3,365)
Asset impairment losses (net)	13,506	13,454	–	52
Other gains / (losses)	(23,489)	(23,494)	–	5
Profit /(loss) before taxes	72,208	15,121	60,499	(3,412)
Corporate income tax	17,938	556	18,116	(734)
Consolidated profit for the year	54,270	14,565	42,383	(2,678)

The breakdown of assets and liabilities associated with the business segments is as follows at 31 December 2012 and 2011:

	2012				2011			
(Thousand euros)	Total	Financial sector	Insurance sector	Other sectors	Total	Financial sector	Insurance sector	Other sectors
Assets	44,663,988	39,291,461	5,249,555	122,972	45,143,624	40,257,998	4,759,115	126,511
Liabilities	42,507,578	37,443,942	4,973,326	90,310	42,476,623	37,857,458	4,533,034	86,131

27.9.2. Geographical segmentation

The Group carries out its activities in Spain and the type of customer is similar throughout the country. The Group therefore takes into consideration a single geographical segment for its operations.

28 INTEREST AND SIMILAR INCOME

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Deposits at the Bank of Spain and other central banks	2,188	5,491
Deposits with credit institutions	5,918	7,167
Money market transactions through counterparties	466	586
Customer loans	865,622	922,767
Debt securities	382,439	298,702
Doubtful assets	14,706	16,242
Rectification of income due to hedging operations	(26,923)	(19,936)
Income from insurance contracts linked to pensions (Note 35,2)	451	332
	1,244,867	1,231,351

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

(Thousand euros)	2012	2011
Financial assets at fair value through profit or loss	196	139
Available-for-sale financial assets	269,894	216,606
Held to maturity	112,349	81,957
Loans and receivables	886,712	946,762
Rectification of income due to hedging operations	(26,923)	(19,936)
Other revenues	2,639	5,823
	1,244,867	1,231,351

29 INTEREST AND SIMILAR CHARGES

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Deposits at the Bank of Spain and other central banks	19,688	246
Deposits from credit institutions	34,913	33,397
Money market transactions through counterparties	1,002	4,081
Deposits from public administrations	5,731	9,920
Deposits from other resident sectors	471,740	578,336
Non-resident deposits	1,194	2,110
Marketable debt securities	140,667	136,605
Subordinated debt financing	6,830	16,305
Rectification of expenses due to hedging operations	(135,919)	(146,445)
Interest expense pension funds (Note 35,2)	29	41
Financial cost of savings life insurance contracts	121,068	105,585
	666,943	740,181

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

(Thousand euros)	2012	2011
Financial liabilities at amortised cost	681,765	781,000
Adjustment of costs deriving from book hedges	(135,919)	(146,445)
Insurance contracts	121,068	105,585
Other expenses	29	41
	666,943	740,181

30 RETURN ON EQUITY INSTRUMENTS

Income from fees accrued in 2012 and 2011, classified in accordance with the item generating the fees, is reflected in the following table:

31 FEES RECEIVED

Income from fees accrued in 2012 and 2011, classified in accordance with the item generating the fees, is reflected in the following table:

(Thousand euros)	2012	2011
Fees for contingent exposures	5,134	5,538
Fees for contingent commitments	1,863	1,580
Fees for foreign currency exchange	191	197
Fees for collection and payment services	91,710	85,542
Securities service fees	17,871	21,003
Non-bank financial product marketing fees	107,611	109,866
Other fees	24,850	20,352
	249,230	**244,078**

32 FEES PAID

Expenses for fees accrued in 2012 and 2011, classified in accordance with the item generating the fees, are reflected in the following table:

(Thousand euros)	2012	2011
Fees paid to other entities and correspondent banks	10,108	10,376
Fees paid on securities transactions	2,197	2,046
Other fees	1,651	462
	13,956	**12,884**

33 RESULTS FROM FINANCIAL OPERATIONS

The breakdown of the balance of this consolidated income statement caption in 2012 and 2011, based on the originating financial instrument portfolio, is as follows:

(Thousand euros)	2012	2011
Financial assets at fair value through profit or loss (trading portfolio)	55,455	3,466
Other financial instruments at fair value through profit or loss	3,403	1,993
Financial instruments not carried at fair value through profit or loss	298,703	44,062
Available-for-sale financial assets	25,770	(2,057)
Other financial assets	34,568	–
Liabilities at amortised cost	238,365	46,119
Other results from financial operations	(3,782)	(4,262)
Adjustments to hedged instruments (fair value hedges)	(121,964)	(224,416)
Hedging derivative (fair value hedges)	117,374	219,143
Other	808	1,011
	353,779	45,259

Other financial assets reflects the results obtained amounting to €18,835 thousand as a result of the sale of part of the Entity's default portfolio (Note 10,6).

The results associated with liabilities at amortised cost relate to the repurchases carried out during the year of preference shares (€44,939 thousand; Note 19,5), subordinated debt (€68,291 thousand; Note 19,5) and securitization bonds (€125,135 thousand; Note 19,4), which include those generated on the repurchase offer that Ibercaja Banco, S.A.U. made to debt holders in November 2012, as reported in significant events to the CNMV on 12 November 2012.

34 EXCHANGE DIFFERENCES

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Translation into euro of monetary items denominated in foreign currency	(63)	604
Foreign currency trading	570	1,220
	507	1,824

No gain or loss was obtained on the cancellation of exchange differences recorded in equity, in accordance with the matters explained in Note 2,4,3.

35 STAFF COSTS

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Wages and salaries	243,570	256,785
Social security contributions	52,405	51,771
Contributions to pension funds and insurance policies	13,568	14,549
Other staff costs	3,723	4,560
	313,266	**327,665**

35.1. NUMBER OF EMPLOYEES

The distribution by category and gender of the Group's employees at 31 December 2012 and 2011 is as follows:

	Workforce 31/12/2012		Workforce 31/12/2011	
	Men	Women	Men	Women
GR. 1 Senior management	13	1	13	1
GR. 1 Levels I to V	1,511	528	1,517	513
GR. 1 Levels VI to X	1,044	1,080	1,083	1,065
GR. 1 Levels XI to XIII	465	536	498	571
GR. 2 and cleaning staff	39	12	40	12
	3,072	**2,157**	**3,151**	**2,162**

The average number of Group employees in 2012 and 2011 is as follows:

	2012	2011
GR. 1 Senior management	14	14
GR. 1 Levels I to V	2,035	2,025
GR. 1 Levels VI to X	2,133	2,147
GR. 1 Levels XI to XIII	1,039	1,135
GR. 2 and cleaning staff	52	54
	5,273	**5,375**

35.2. PORT-EMPLOYMENT AND EARLY RETIREMENT COMMITMENTS

The split-off of financial activities by Ibercaja to Ibercaja Banco, S.A.U. described in Note 1,1. has not entailed any change in employees' pre-existing rights.

In accordance with the prevailing collective bargaining agreement, the Entity is required to supplement the social security benefits of its employees and their successors on retirement, disability and death. In order to externalise these commitments, the Entity set up the Ibercaja Employee Pension Plan under Law 8/1987, which distinguished between a group of employees with defined-benefit commitments for all contingencies and a group of employees with defined-contribution commitments for retirement and related contingencies and defined-benefit commitments for disability and work-related death.

In 2001, the Entity entered into a Company Agreement with the employees' representatives that replaced the existing pension commitments. As a result, virtually all the Entity's employees at that date came under a defined-contribution plan for retirement contingencies and a guaranteed minimum defined-benefit plan for disability and work-related death under the Ibercaja Employee Pension Plan.

This entailed the recognition of initial rights which were financed through existing amounts in the Pension Plan at 31 December 2000 and the extraordinary contributions under a 10 year re-equilibrium plan in respect of past service rights for new commitments. This plan was paid in advance in 2006.

Vested rights under the employee pension plan, allocable to members and defined benefit beneficiaries, amount to €374,634 thousand at the 2012 year end (€359,381 thousand at the 2011 year end) while the mathematical reserve associated with the cover of the guarantees of the insured and defined benefit beneficiaries amounts to €103,649 thousand at the 2012 year end (€109,043 thousand at the 2011 year end). Similarly, at the 2012 and 2011 year end, the Group has no commitment in relation to extraordinary contributions recognised in the Company Pact of 13 September 2001.

Commitments not covered by the Employee Pension Plan relate mainly to commitments for pensions arising prior to the arrangement of this Plan and transferred out through insurance policies, mainly arranged with Ibercaja Vida, S.A.

The Company pact mentioned above recognised extraordinary contributions for all members who changed from the defined benefit to the defined contribution system to cover retirement contingencies. These extraordinary contributions were recognised for the years 2001 to 2010. At the 2012 year end the Company therefore has no obligation in respect of this item.

Total expenses and income recorded in the income statement for pensions in 2012 and 2011 are as follows, distributed among the relevant items:

(Thousand euros)	2012	2011
Staff costs (current cost of the period)	13,568	14,549
Interest and similar charges (interest expense) (Note 29)	29	41
Interest and similar income (return on assets) (Note 28)	(451)	(332)
Transfers to provisions (Note 21)	137	149
Reversal of provisions (Note 21)	–	–
	13,283	**14,407**

Staff costs associated with contributions to the pension plans and insurance policies in question amounting to €13,568 thousand in 2012 (€14,549 thousand in 2011) relate to defined contribution commitments amounting to €12,086 thousand in 2012 (€12,888 thousand in 2011), while the remainder basically relates to defined benefit costs covering the risk of death and disability indicated in Note 21.

The following table presents an itemized analysis of the amounts recorded under the captions "Provisions - Provisions for pensions and similar obligations" (Note 21) on the consolidated balance sheets at 31 December 2012 and 2011:

(Thousand euros)	2012	2011
Provisions - Provisions for pensions and similar liabilities		
Post-employment commitments	110,955	117,983
Commitments covered by internal funds	110,955	117,983
Early retirement commitments	885	1,407
Commitments covered by internal funds	885	1,407
Other items	–	3,501
Estimate of actuarial variances in the Pension Plan and insurance policies	–	3,501
	111,840	122,891

In addition, the defined benefit pension commitments currently due and payable covered by the Pension Plan and external insurance policies total €113,102 thousand at 31 December 2012 (€119,342 thousand at 31 December 2011).

The movement in present value for each group, taken individually, of defined benefit commitments is as follows:

	Commitments transferred out					
(Thousand euros)	Pension plan	External insur. policy	Group insur. policy	Pre-retirem..	Other	Total
Balances at 31 December 2010	111,620	16,312	122,595	1,881	1,799	254,207
Cost of services for the current year	–	–	–	–	149	149
Interest expense on commitments not transferred out	–	–	–	40	–	40
Benefits paid under commitments not transferred out	–	–	–	(584)	(149)	(733)
Other movements	(2,577)	(6,013)	(4,623)	70	1,713	(11,430)
Employer contributions (1)	968	282	–	–	–	1,250
Interest expense on commitments not transferred out	4,523	365	3,694	–	–	8,582
Actuarial gains and losses	611	–	1,341	70	1,715	3,737
Benefits paid under commitments not transferred out	(8,679)	(6,660)	(9,658)	–	(2)	(24,999)
Balances at 31 December 2011	109,043	10,299	117,972	1,407	3,512	242,233
Cost of services for the current year	–	–	–	–	136	136
Interest expense on commitments not transferred out	–	–	–	29	–	29
Benefits paid under commitments not transferred out	–	–	–	(582)	(136)	(718)
Other movements	(5,399)	(841)	(7,031)	31	(3,498)	(16,738)
Employer contributions (1)	855	23	–	–	–	878
Interest expense on commitments not transferred out	4,416	296	3,422	–	–	8,134
Actuarial gains and losses	(1,118)	(90)	(1,252)	31	(3,487)	(5,916)
Benefits paid under commitments not transferred out	(9,552)	(1,070)	(9,201)	–	(11)	(19,834)
Balances at 31 December 2012	103,644	9,458	110,941	885	14	224,942

(1) The increase in commitments covered by the Pension Plan is due to the payments deriving from the contingencies of death and disability of serving employees, which do not result in movements in the income statement since under the Pension Plan they are covered through an insurance policy.

Set out below is the movement in the fair value of assets associated with the Pension Plan and external insurance policies:

(Thousand euros)	Pension plan of Ibercaja employees	External insurance policy	Total
Balances at 31 December 2010	111,620	16,312	127,932
Other movements	(2,577)	(6,013)	(8,590)
Employer contributions	968	282	1,250
Expected return on plan assets	4,523	365	4,888
Actuarial gains and losses	611	–	611
Benefits paid under commitments not transferred out	(8,679)	(6,660)	(15,339)
Balances at 31 December 2011	109,043	10,299	119,342
Other movements	(5,399)	(841)	(6,240)
Employer contributions	855	23	878
Expected return on plan assets	4,416	296	4,712
Actuarial gains and losses	(1,118)	(90)	(1,208)
Benefits paid under commitments not transferred out	(9,552)	(1,070)	(10,622)
Balances at 31 December 2012	103,644	9,458	113,102

Additionally, set out below is the movement in the present value of commitments and the fair value of the related assets:

(Thousand euros)	Commitments	Related assets	Provisions
Balances at 31 December 2010	254,207	(127,932)	126,275
Cost of services for the current year	149	–	149
Interest expense on commitments not transferred out	40	–	40
Benefits paid under commitments not transferred out	(733)	–	(733)
Other movements	(11,430)	8,590	(2,840)
Employer contributions	1,250	(1,250)	–
Interest expense on commitments not transferred out	8,582	–	8,582
Expected return on plan assets	–	(4,888)	(4,888)
Actuarial gains and losses	3,737	(611)	3,126
Benefits paid under commitments not transferred out	(24,999)	15,339	(9,660)
Balances at 31 December 2011	242,233	(119,342)	122,891
Cost of services for the current year	136	–	136
Interest expense on commitments not transferred out	29	–	29
Benefits paid under commitments not transferred out	(718)	–	(718)
Other movements	(16,738)	6,240	(10,498)
Employer contributions	878	(878)	–
Interest expense on commitments not transferred out	8,134	–	8,134
Expected return on plan assets	–	(4,712)	(4,712)
Actuarial gains and losses	(5,916)	1,208	(4,708)
Benefits paid under commitments not transferred out	(19,834)	10,622	(9,212)
Balances at 31 December 2012	224,942	(113,102)	111,840

The present value of the commitments has been calculated by independent actuaries, who applied the following criteria to the calculation:

- Calculation method: "the projected credit unit", which considers each year of service to generate an additional unit of rights to benefits and values each unit separately.
- Actuarial assumptions used in 2012 and 2011 which are compatible with each other. Specifically, the most significant actuarial assumptions included in the calculations were:

Actuarial assumptions	Pension plan	Insurance policies	Early retirement fund
Technical interest rate	4%	3%	2,5%
Mortality tables	PER2000C	PER2000P	PER2000P
Annual accumulated inflation rate	1%	1%	1%

- The estimated age of retirement for each employee is the first that he is entitled to retire, except in the case of early retirement, which is the agreed time.

36 OTHER GENERAL ADMINISTRATION EXPENSES

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Buildings, installations and office equipment	42,148	44,202
Equipment maintenance, licences, work and computer programs	14,656	15,391
Communications	12,033	12,991
Advertising and publicity	6,861	9,382
Contributions and taxes	12,931	19,527
Other management and administration expenses	57,538	49,567
	146,167	**151,060**

- Other information

Fees payable to PricewaterhouseCoopers Auditores, S,L, for auditing the 2012 annual accounts of Ibercaja and Group companies (including securitization funds) amount to €496 thousand (€487 thousand in 2011). Additionally, the audit company has received fees for other services amounting to €247 thousand (€170 thousand in 2011).

The fees for other services provided by other companies that use the PricewaterhouseCoopers trademark have amounted to €60 thousand in 2012 (€40 thousand in 2011) of which €20 thousand relates to tax advisory services (€22 thousand in 2011).

37 IMPAIRMENT LOSSES ON OTHER ASSETS

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Impairment losses on inventories	109,183	10,872
Impairment losses on property, plant and equipment for own use (Note 16,4)	923	2,625
Impairment losses on investment property (Note 16,4)	17,068	2,646
Impairment losses on shareholdings (Note 14,1)	11,107	(2,637)
	138,281	**13,506**

Most impairment losses on inventories and investment property (€116,657 thousand) relate to the write-down of real estate assets as a result of applicable legislation (Note 1,11,1).

38 GAINS(LOSSES) FROM DISPOSALS OF ASSETS NOT CLASSIFIED AS NON-CURRENT AVAILABLE FOR SALE

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Gains from disposals of assets not classified as non-current available for sale	20,933	11,439
Losses on sale of shareholdings	(1)	(33)
Gains on other items	90,883	–
	111,815	**11,406**

Gains on asset disposals relate in full to profits on property sales.

For a set off properties sold, lease contracts have been formalised simultaneously and include a mandatory 15 year compliance period. Given that the mandatory compliance period is less than the assets useful life, that the purchase offer will be made at market prices and the present value of the rent payable is less than the asset's fair value, the contracts have been classified as operating leases and the profit on the sale of the properties has been recognised (€14,718 thousand).

Gains in respect of other items have been generated as a result of:

- €42,353 thousand owing to the agreement entered into for the assignment of the depository function of Collective Investment Undertakings and personal pension funds managed by Group companies.
- €48,530 thousand owing to the agreement entered into with an insurance company, establishing a collaboration arrangement for the promotion, distribution and sale on an exclusive basis of general insurance of that insurance company through the Ibercaja Banco network.

39 GAINS(LOSSES) FROM NON-CURRENT ASSETS AVAILABLE FOR SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS

The breakdown of the balance under this consolidated income statement caption in 2012 and 2011 is as follows:

(Thousand euros)	2012	2011
Impairment losses on non-current assets for sale	(170,323)	(36,762)
Results on disposal of shareholdings considered strategic	3,676	–
Results on disposal of other non-current assets held for sale	1,582	1,867
	(165,065)	(34,895)

Most impairment losses on other non-current assets for sale (€159,801 thousand) relate to the write-down of real estate assets as a result of applicable legislation (Note 1,11,1).

40 RELATED PARTIES

The balances reflected in consolidated balance sheets at 31 December 2012 and 2011 and in the consolidated income statement for 2012 and 2011 are as follows:

	2012					2011				
(Thousand euros)	Group companies	Associates	Associates Jointly - controlled	Other related parties (*)	Related individuals (**)	Group companies	Associates	Group Jointly - controlled	Other related parties (*)	Related individuals (**)
ASSETS										
Loans and credits	–	94,596	46,493	149	18,009	–	97,096	36,643	–	19,636
Counterparties insurance contracts	–	–	–	–	–	–	–	–	–	–
LIABILITIES										
Customer funds	63,557	3,496	1,845	512,895	25,040	57,234	6,437	13,488	602,649	133,132
Liabilities from insurance contracts linked to pensions	–	–	–	484,088	–	–	–	–	471,965	–
Provisions	–	–	–	–	–	–	–	–	9	1
EQUITY										
Dividends	–	467	–	–	–	12,800	1,038	–	–	–
INCOME STATEMENT										
Expenses										
Interest and similar charges	529	77	108	8,939	485	158	100	57	10,920	465
Fees and other expenses	–	–	–	–	–	–	–	–	–	–
Income										
Interest and similar income	258	3,393	2,082	1	572	58	2,400	1,543	7	682
Fees and other income received	–	–	–	–	–	–	–	–	–	–
OTHER										
Contingent liabilities	–	475	662	–	434	–	833	2,397	–	434
Commitments	–	6,366	487	–	1,599	–	4,638	–	–	1,774

(*) Investment funds and companies and Pension funds.
(**) Senior management, Board of Directors, relatives to the second degree and entities related to the same.

The financial operations reflected were performed in accordance with the usual operation of the Group's parent financial entity and on an arm's length basis. Similarly, for other operations with related parties, terms equivalent to arm's length are applied. For such purposes, the preferred valuation method is the comparable uncontrolled method.

41 CUSTOMER CARE SERVICE

Within the framework of protection measures for customers of financial institutions established by Law 44/2002 (22 November) on financial system reform measures enacted by Royal Decree 303/2004 (20 February) and Order ECO/734/2004 (11 March), with the aim of preserving and strengthening customer confidence the Group adapted its Customer care service to meet this legislation to attend to and resolve customer complaints regarding their interests and legally recognised rights concerning transactions, contracts or financial services rendered by Group companies.

The content of the Regulations can be consulted at any Ibercaja Group branch and on the web site www.ibercaja.es. Users can also use the branches and web site to present complaints or claims, or consult the relevant procedures.

For these purposes, Ibercaja Group is made up of the Entity and the following companies: Ibercaja Banco S.A.U, Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Patrimonios, S.A., Sociedad Gestora de Carteras; Ibercaja Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva; Ibercaja Vida, S.A., Compañía de Seguros y Reaseguros; Ibercaja Pensión, S.A., Sociedad Gestora de Fondos de Pensiones; and Ibercaja Mediación de Seguros, S.A.

The Ibercaja Group's Customer Care Service is governed by the Regulations approved by Ibercaja Banco S.A.U, which can be consulted at any Group branch and on the web site www.ibercaja.es. Users can also use the branches and web site to present complaints or claims, or consult the relevant procedures.

In accordance with the above-mentioned legislation, the Customer care service at Ibercaja Group presented a statistical report to the Board of Directors of Ibercaja Banco S.A.U, regarding complaints and claims handled, the decisions taken, the general criteria followed when taking these decisions and the recommendations or suggestions made to improve the Group’s actions. A summary of this information is included below:

a) Claims handled

The 3,143 incidents dealt with by the Customer care department represents an increase of 19.27% compared with 2011.

This increase is due to the 1,289 requests under the Law on Personal Data Protection, which rose by 105.25%, since, as a result of the notification sent late 2011 to Ibercaja customers. Customers were informed of the transfer of financial activities to Ibercaja Banco, S.A.U. and a large number replied, asking in some cases for information and in others, to exercise their rights, mainly the cancellation of personal date on file.

Conversely, complaints, suggestions and claims which amounted to 1,854, were 153 fewer than last year (7.62% less), due to a 25.32% fall in the number of complaints and suggestions and the 0.36% rise in claims with an economic content.

Of these complaints and claims of a financial nature, totalling €180,057, 346 were resolved in the customer’s favour, for a total of €14,938.85, which represents 8.30% of the total amount claimed.

The average response time for the issues handled by the Customer care service - which represents a substantial cut - was 30.19 days and 38.98 days for claims. In 2011 these same periods were 34.04 and 46.86 days, respectively.

b) General criteria contained in the decisions

The resolutions, which have been issued in strict observance of good governance, banking practice, transparency and consumer finance protection standards, have been based on the formal statements made by customers and the reports issued by the affected offices, departments and Group companies and the rulings have been supported by the contractual agreements concluded with customers.

The processing of the complaints, suggestions, requests under the Data Protection Law and claims made by customers has revealed a series of matters that may be improved and relate, in some cases, to the agility and quality of the service rendered and, in others, to questions relating to the marketing of certain products, which have served to correct errors and improve operating processes in an attempt to preserve and strengthen customer confidence in Ibercaja.

42 BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011, INCOME STATEMENTS, STATEMENTS OF RECOGNISED INCOME AND EXPENSE, TOTAL STATEMENTS OF CHANGES IN EQUITY AND CASH-FLOW STATEMENTS OF IBERCAJA BANCO SAU FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

Ibercaja Banco, S.A.U.

BALANCE SHEET AS AT 31 DECEMBER 2012 AND 2011

(Thousand euros)

Assets	2012	2011
Cash on hand and on deposit at central banks	289,508	527,857
Held for trading	30,097	39,294
Debt securities	2,132	8,743
Equity instruments	–	930
Derivatives held for trading	27,965	29,621
Memorandum item: loaned or pledged	–	*82*
Available-for-sale	3,650,898	3,424,817
Debt securities	3,274,221	2,943,156
Equity instruments	376,677	481,661
Memorandum item: loaned or pledged	*1,894,250*	*1,300,020*
Loans and discounts	31,152,991	33,756,883
Deposits with credit institutions	787,024	574,139
Customer loans	30,199,029	33,057,288
Debt securities	166,938	125,456
Memorandum item: loaned or pledged	*5,756,868*	*5,767,360*
Held to maturity	3,820,919	2,247,648
Memorandum item: loaned or pledged	*2,825,197*	*1,300,767*
Hedging derivatives	686,858	703,154
Non-current assets held for sale	70,994	81,258
Shareholdings	627,011	617,471
Associates	132,482	150,923
Jointly-controlled entities	51,084	45,584
Group companies	443,445	420,964
Insurance contracts linked to pensions	110,948	117,983
Property, plant and equipment	408,423	476,664
Property, plant and equipment	376,321	432,136
Investment property	32,102	44,528
Memorandum item: Acquired under finance leases	–	–
Intangible assets	11,416	18,122
Other intangible assets	11,416	18,122
Tax assets	503,111	247,015
Current	–	2,108
Deferred	503,111	244,907
Other assets	105,922	42,094
TOTAL ASSETS	41,469,096	42,300,260
Memorandum item		
Contingent exposures	464,732	571,530
Contingent commitments	2,663,995	2,751,784

Ibercaja Banco, S.A.U.

BALANCE SHEET AS AT 31 DECEMBER 2012 AND 2011

(Thousand euros) Liabilities and equity	2012	2011
Held for trading	16,880	24,405
Derivatives held for trading	16,880	24,405
Financial liabilities at amortised cost	38,980,573	39,220,347
Deposits from central bank	2,519,847	900,246
Deposits from credit institutions	4,368,009	1,975,957
Customer funds	28,261,923	32,089,469
Marketable debt Securities	3,293,812	3,245,905
Subordinated debt financing	289,395	777,172
Other financial liabilities	247,587	231,598
Hedging derivatives	145,250	174,309
Provisions	150,477	153,101
Pension funds and similar obligations	111,826	122,878
Provisions for taxes and other legal contingencies	5,224	7,331
Provisions liabilities and Contingent commitments	7,723	8,172
Other provisions	25,704	14,720
Tax liabilities	74,432	85,087
Current	–	–
Deferred	74,432	85,087
Other liabilities	81,428	73,067
TOTAL LIABILITIES	39,449,040	39,730,316
Shareholders' funds	2,074,832	2,590,214
Capital	2,278,500	2,134,500
Reserves	315,278	439,829
Profit/(loss) for the year	(518,946)	28,685
Dividends and remuneration	–	(12,800)
Measurement adjustments	(54,776)	(20,270)
Available-for-sale held for sale	(54,992)	(20,460)
Remainder	216	190
TOTAL EQUITY	2,020,056	2,569,944
TOTAL LIABILITIES AND EQUITY	41,469,096	42,300,260

Ibercaja Banco, S.A.U.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Thousand euros)	2012	2011
Interest and similar income	1,129,658	1,138,284
Interest and similar charges	605,333	694,583
INTEREST MARGIN	524,325	443,701
Return on equity instruments	77,102	71,761
Fees received	190,694	184,157
Fees paid	13,305	12,856
Income on financing operations (net)	340,828	42,299
Held for trading	55,009	2,419
Financial instruments not carried at fair value through profit or loss	289,601	44,142
Other	(3,782)	(4,262)
Exchange differences (net)	507	1,823
Other operating income	10,062	14,209
Other operating charges	50,600	24,718
GROSS MARGIN	1,079,613	720,376
Administrative expenses	417,991	436,385
Staff costs	293,005	308,257
Other general administration expenses	124,986	128,128
Amortisation/depreciation	28,727	32,059
Provisions (net)	10,645	(85,440)
Financial asset impairment losses (net)	1,118,064	241,795
Loans and discounts	1,107,455	207,258
Other financial instruments not carried at fair value through profit or loss	10,609	34,537
INCOME FROM OPERATING ACTIVITIES	(495,814)	95,577
Other asset impairment losses (net)	334,908	96,896
Goodwill and other intangibles	–	–
Other assets	334,908	96,896
Gains(losses) from disposals of assets not classified as non-current available for sale	62,807	11,259
Negative difference on business combinations	–	–
Gains(losses) from non-current assets available for sale not classified as discontinued operations	(6,198)	(1,472)
PROFIT/(LOSS) BEFORE TAX	(774,113)	8,468
Corporate income tax	(255,167)	(20,217)
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS	(518,946)	28,685
Profit (loss) from discontinued operations (net)	–	–
PROFIT/(LOSS) FOR THE YEAR	(518,946)	28,685

Ibercaja Banco, S.A.U.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Thousand euros)	2012	2011
PROFIT/(LOSS) FOR THE YEAR	(518,946)	28,685
OTHER RECOGNISED INCOME AND EXPENSE	(30,942)	(54,759)
Available-for-sale financial assets	(49,331)	(75,677)
Measurement gains/(losses)	(24,080)	(76,953)
Amounts transferred to income statement	(25,251)	1,276
Other reclassifications	–	–
Cash flow hedges	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Amounts transferred at initial value of hedged items	–	–
Other reclassifications	–	–
Hedges of net investment in foreign operations	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Exchange differences	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Non-current assets held for sale	–	–
Measurement gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Actuarial gains/(losses) on pension plans	3,456	(1,785)
Other recognised income and expense	145	–
Corporate income tax	14,788	22,703
TOTAL RECOGNISED INCOME AND EXPENSE	(549,888)	(26,074)

Ibercaja Banco, S.A.U.

TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	SHAREHOLDERS' FUNDS							
(Thousand euros)	Capital	Share premium	Reserves	Profit/(loss) for the year	Dividends and remuneration	Total shareholders' funds	Measurement adjustments	Total equity
I. Closing balance at 31/12/2011	2,134,500	–	439,829	28,685	(12,800)	2,590,214	(20,270)	2,569,944
Adjustments due to changes in accounting standards	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,134,500	–	439,829	28,685	(12,800)	2,590,214	(20,270)	2,569,944
Total recognised income and expense	–	–	3,564	(518,946)	–	(515,382)	(34,506)	(549,888)
Other changes in equity	144,000	–	(128,115)	(28,685)	12,800	–	–	–
Capital increases	–	–	–	–	–	–	–	–
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–
lIncrease in other equity instruments	–	–	–	–	–	–	–	–
Reclassification of financial liabilities ito other equity instruments	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–
Operations with own equity instruments (net)	–	–	–	–	–	–	–	–
Transfers between equity items	144,000	–	(128,115)	(28,685)	12,800	–	–	–
Increases (reductions) on business combinations	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–
Other increases (reductions) in equity	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2012	2,278,500	–	315,278	(518,946)	–	2,074,832	(54,776)	2,020,056

Ibercaja Banco, S.A.U.

TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(Thousand euros)	SHAREHOLDERS' FUNDS							
	Capital	Share premium	Reserves	Profit/(loss) for the year	Dividends and remuneration	Total shareholders' funds	Measurement adjustments	Total equity
I. Closing balance at 31/12/2010	–	–	–	–	–	–	–	–
Adjustments due to changes in accounting standards	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–
II. Adjusted opening balance	–	–	–	–	–	–	–	–
Total recognised income and expense	–	–	(1,785)	28,685	–	26,900	(52,974)	(26,074)
Other changes in equity	2,134,500	–	441,614	–	(12,800)	2,563,314	32,704	2,596,018
Capital increases	2,134,500	–	–	–	–	2,134,500	–	2,134,500
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–
lIncrease in other equity instruments	–	–	–	–	–	–	–	–
Reclassification of financial liabilities ito other equity instruments	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	(12,800)	(12,800)	–	(12,800)
Operations with own equity instruments (net)	–	–	–	–	–	–	–	–
Transfers between equity items	–	–	–	–	–	–	–	–
Increases (reductions) on business combinations	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–
Other increases (reductions) in equity	–	–	441,614	–	–	441,614	32,704	474,318
III. Closing balance at 31/12/2012	2,134,500	–	439,829	28,685	(12,800)	2,590,214	(20,270)	2,569,944

Ibercaja Banco, S.A.U.

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Thousand euros)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES	918,133	708,008
Profit/(loss) for the year	(518,946)	28,685
Adjustments to obtain cash flows from operating activities	997,503	186,116
Amortisation/depreciation	28,727	32,059
Other adjustments	968,776	154,057
Net increase/decrease in operating assets	247,261	791,351
Held for trading	9,171	3,479
Other financial assets at fair value through profit or loss	–	–
Available-for-sale financial assets	(1,360,820)	7,978
Loans and discounts	1,594,488	1,040,348
Other operating assets	4,422	(260,454)
Net increase/decrease in operating liabilities	219,731	(298,782)
Held for trading	(7,525)	(10,386)
Other financial liabilities at fair value through profit or loss	–	–
Financial liabilities at amortised cost	259,396	(318,200)
Other operating liabilities	(32,140)	29,804
Corporate income tax collections/payments	(27,416)	638
CASH FLOWS FROM INVESTING ACTIVITIES	(788,986)	(593,396)
Payments	(874,156)	(641,695)
Property, plant and equipment	(7,122)	(6,340)
Intangible assets	(1,321)	(2,423)
Shareholdings	(422,420)	(116,567)
Other business units	–	–
Non-current assets and associated liabilities for sale	–	–
Held to maturity	(443,293)	(516,365)
Other payments related to investing activities	–	–
Collections	85,170	48,299
Property, plant and equipment	68,995	23,241
Intangible assets	–	–
Shareholdings	2,525	2,483
Other business units	–	–
Non-current assets and associated liabilities for sale	13,650	22,575
Held to maturity	–	–
Other collections related to investing activities	–	–

Ibercaja Banco, S.A.U.

CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(Thousand euros)	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES	(371,042)	369,468
Payments	(371,042)	(12,800)
Dividends	–	(12,800)
Subordinated debt financing	(371,042)	–
Other payments related to financing activities	–	–
Collections	–	382,268
Issue of treasury shares	–	382,268
Other collections related to financing activities	–	–
EFFECT OF EXCHANGE RATE FLUCTUATIONS	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241,895)	484,080
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	484,080	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	242,185	484,080
Memorandum item:		
Components of cash and cash equivalents at the year end		
Cash	143,440	152,551
Cash equivalent balances in central banks	146,068	375,306
Other financial assets	–	–
Less: At sight reimbursable bank overdrafts	47,323	43,777
Total cash and cash equivalents at the year end	242,185	484,080

APPENDIX I

RELEVANT INFORMATION ON SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Entity	Country of residence	% shareholding			
		2012		2011	
		Direct	Indirect	Direct	Indirect
Group companies					
Cajaragón, S.L.	Spain	75.00%	25.00%	75.00%	25.00%
Cerro Goya, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Cerro Murillo, S.A.	Spain	98.66%	1.34%	83.88%	16.12%
Comercial Logística Calamocha, S.A.	Spain	–	77.38%	–	77.38%
Gestora Valle de Tena, S.A.	Spain	–	90.10%	–	90.10%
Grupo Alimentario Naturiber, S.A.	Spain	74.31%	15.10%	74.31%	15.10%
I.C. Inmuebles, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Gestión, S.A.	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Gestión de Inmuebles, S.A.	Spain	100.00%	–	–	–
Ibercaja Leasing y Financiación, S.A.	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Participaciones Empresariales, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Patrimonios, S.A.	Spain	0.01%	99.99%	0.01%	99.99%
Ibercaja Pensión, S.A.	Spain	1.00%	99.00%	1.00%	99.00%
Ibercaja Servicios Financieros, S.A.	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Servicios Inmobiliarios, S.A.	Spain	99.00%	1.00%	99.00%	1.00%
Ibercaja Viajes, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Vida, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja, S.A.	Spain	100.00%	–	100.00%	–
Iberprofin, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Inmobinsa Inversiones Inmobiliarias, S.A.	Spain	–	100.00%	–	100.00%
Jamcal Alimentación, S.A.	Spain	72.61%	–	72.61%	–
Mantenimiento de Promociones Urbanas, S.A.	Spain	100.00%	–	100.00%	–
Promur Viviendas, S.A.	Spain	–	100.00%	–	100.00%
Radio Huesca, S.A.	Spain	100.00%	–	100.00%	–
Residencial Murillo, S.A.	Spain	–	100.00%	–	100.00%
Servicios a Distancia IBD, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Telehuesca, S.L.	Spain	–	100.00%	–	100.00%
Tipo Línea, S.A.	Spain	100.00%	–	100.00%	–

RELEVANT INFORMATION ON SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

		% shareholding			
		2012		2011	
Entity	Country of residence	Direct	Indirect	Direct	Indirect
Jointly- controlled entities					
Aramón Montañas de Aragón, S.A.	Spain	50.00%	–	50.00%	–
Ibervalor Energía Aragonesa, S.A.	Spain	50.00%	–	50.00%	–
Corredor del Iregua, S.L.	Spain	–	50.00%	–	50.00%
Promociones Palacete del Cerrillo, S.L.	Spain	–	33.33%	–	33.33%
Desarrollos Vivir Zaragoza, S.A.	Spain	–	50.00%	–	50.00%
Iberoca, S.L.	Spain	–	–	–	50.00%
Ciudad del Corredor, S.L.	Spain	–	50.00%	–	50.00%
Associates					
Soc. Española de Banca de Negocios, S.A.	Spain	21.09%	–	20.00%	–
Inverzona Seis Participaciones Aragonesas, S.A.	Spain	27.02%	–	27.02%	–
Savia Capital Crecimiento, S.C.R., S.A.	Spain	29.91%	–	29.91%	–
Rioja Nueva Economía, S.A.	Spain	42.54%	–	42.54%	–
Heraldo de Aragón, S.A.	Spain	25.34%	–	25.34%	–
Publicaciones y Ediciones Alto Aragón, S.A.	Spain	46.78%	–	46.78%	–
Chip Audiovisual, S.A.	Spain	25.00%	–	25.00%	–
Desarrollo Agrícola y Social de Aragón, S.A.	Spain	25.00%	–	25.00%	–
Gestión de Activos de Aragón, S.A.	Spain	20.00%	–	20,00%	–
Europea Desarrollos Urbanos, S.L.	Spain	–	20.00%	–	20.00%
Cerro de Mahí, S.L.	Spain	–	33.33%	–	33.33%
Viacajas, S.L.	Spain	18.40%	–	18.98%	–
Prames Audiovisual, S.A.	Spain	20.00%	–	20.00%	–
Districlima Zaragoza, S.L.	Spain	20.00%	–	20.00%	–
Nuevos Materiales de Construcción, S.A.	Spain	21.93%	–	21.93%	–
NH Hoteles, S.A.	Spain	5.04%	–	5.04%	–

APPENDIX II

RELEVANT INFORMATION ON SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Entity	Date financial statements	Contribution to consolidated results 2012	Contribution to consolidated results 2011	Contribution to onsolidated reserves 2012	Contribution to onsolidated reserves 2011	Minority interests 2012	Minority interests 2011	Financial information 2012 Capital	Financial information 2012 Reserves	Financial information 2012 Meas adjust.
(Thousand euros)										
Group companies										
Ibercaja Banco, S.A.U	Dec-12	(518,946)	28,685	315,278	439,829	–	–	2,278,500	315,278	(54,776)
Cajaragón, S.L.	Dec-12	–	(1)	(1)	(1)	–	–	4	(1)	–
Cerro Goya, S.L.	Dec-12	(3,407)	(288)	(3,893)	(3,604)	–	–	9,000	(3,893)	–
Cerro Murillo, S.A.	Dec-12	(338,197)	(114,197)	43,396	(43,444)	–	–	377,870	43,396	–
Comercial Logística Calamocha, S.A.	Dec-12	(1,501)	(1,160)	(4,659)	(3,560)	(698)	207	9,860	(7,550)	1.433
Gestora Valle de Tena, S.A.	Dec-12	9	10	630	621	67	65	60	689	40
Grupo Alimentario Naturiber, S.A.	Dec-12	(840)	(1,562)	(4,253)	(2,662)	1,088	1,679	14,200	(5,369)	4,731
I.C. Inmuebles, S.A.	Dec-12	(62,426)	(8,318)	(13,548)	(5,230)	–	–	115,987	(13,548)	–
Ibercaja Gestión, S.A.	Dec-12	17,751	18,827	44,566	44,138	–	–	2,704	44,566	712
Ibercaja Gestión de Inmuebles, S.A.	Dec-12	22	–	(1)	–	–	–	120	(1)	–
Ibercaja Leasing y Financiación, S.A.	Dec-12	2,489	1,988	10,592	8,604	–	–	3,006	10,592	–
Ibercaja Mediación de Seguros, S.A.	Dec-12	54,510	20,528	29,077	25,549	–	–	60	29,077	60
Ibercaja Participaciones Empresariales, S.A.	Dec-12	3	2	68	70	–	–	150	68	–
Ibercaja Patrimonios, S.A.	Dec-12	93	35	1,619	1,580	–	–	4,417	1,619	130
Ibercaja Pensión, S.A.	Dec-12	7,747	7,789	20,935	20,646	–	–	11,010	20,935	2
Ibercaja Servicios Financieros, S.A.	Dec-12	7,629	8,743	23,408	22,665	–	–	2,644	23,408	4
Ibercaja Servicios Inmobiliarios, S.A.	Dec-12	99	71	180	109	–	–	60	180	–
Ibercaja Viajes, S.A.	Dec-12	3	34	212	185	–	–	60	212	–
Ibercaja Vida, S.A.	Dec-12	64,006	42,382	102,139	79,757	–	–	105,064	102,139	5,019
Ibercaja, S.A.	Dec-12	(7,608)	(13,818)	(12,733)	1,085	–	–	73,715	(12,733)	–
Iberprofin, S.L.	Dec-12	3	(23)	(7)	16	–	–	50	(7)	–
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-12	12,509	276	11,312	11,036	–	–	40,051	11,312	–
Jamcal Alimentación, S.A.	Dec-12	146	145	(5,956)	(3,917)	4,839	4,509	15,806	(6,451)	2,733
Mantenimiento de Promociones Urbanas, S.A.	Dec-12	64	92	219	217	–	–	65	219	–
Promur Viviendas, S.A.	Dec-12	(20,181)	(4,260)	2,991	(1,714)	–	–	22,828	2,991	–
Radio Huesca, S.A.	Dec-12	(469)	(228)	1,971	2,262	–	–	1,291	1,971	10
Residencial Murillo, S.A.	Dec-12	(60,121)	(24,429)	15,239	(13,216)	–	–	70,117	15,239	307
Servicios a Distancia, IBD S.L.	Dec-12	59	24	18	16	–	–	480	18	–
Telehuesca, S.L.	Dec-12	(60)	(13)	(63)	(50)	–	–	752	(63)	–
Tipo Línea, S.A.	Dec-12	(371)	4	2,041	2,036	–	–	120	2,041	(30)
Adjustments on consolidation		390,990	102,105	(150,291)	(64,810)	–	–			
Total		(455,995)	63,443	430,486	518,213	5,296	6,460			

Entity	Date financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Value of shareholding		Financial information 2012					
		2012	2011	2012	2011	2012	2011	Asset Current	Asset Assets	Liabilities Current	Liabilities Long term	Income	Expenses
(Thousand euros)													
Jointly- controlled entities													
Aramón Montañas de Aragón, S.A.	Sept.-12	(8,029)	(3,411)	(12,351)	(9,381)	40,569	42,943	3,466	191,037	21,011	79,862	30,047	46,105
Ciudad del Corredor, S.L.	Sept.-12 (*)	(2,978)	(2,500)	(7,572)	(5,879)	322	2,621	21,427	5,750	17,065	167	–	1,149
Iberoca, S.L.	–	–	1,167	–	(304)	–	6,415	–	–	–	–	–	–
Rest of companies		(863)	(607)	6,165	6,329	6,172	7,119	–	–	–	–	–	–
Total		(11,870)	(5,351)	(13,758)	(9,235)	47,063	59,098						

(*) The financial information of these companies relates to the dates included, except in relation to the contribution to consolidated results, where results at 31 December 2012 have been estimated.

Entity	Date financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Value of shareholding		Financial information 2012			
		2012	2011	2012	2011	2012	2011	Asset	Liabilities	Revenues	Profits/ loss)
(Thousand euros)											
Associates											
Cerro de Mahí, S.L.	Sept.-12 (*)	(1,000)	(79)	(538)	(77)	7,015	8,015	24,266	1,120	50	(1,026)
Heraldo de Aragón, S.A.	Sept.-12 (*)	(974)	(2,920)	5,500	8,063	33,071	36,628	124,084	47,488	70,438	(2,382)
NH Hoteles, S.A.	Sept.-12 (*)	(3,750)	1,483	(2,517)	(4,146)	68,380	78,934	3,057,319	1,758,775	644,814	(32,357)
Rioja Nueva Economía, S.A.	Sept.-12 (*)	(202)	456	145	(311)	6,709	6,911	16,302	8	543	(309)
Soc. Española de Banca de Negocios, S.A.	Sept.-12 (*)	(6,954)	(969)	3,971	4,763	10,701	13,716	1,131,682	1,070,322	13,999	(5,688)
Rest of companies		(3,516)	(1,149)	(25,803)	(23,217)	5,340	11,493	–	–	–	–
Total		(16,396)	(3,178)	(19,242)	(14,925)	131,216	155,697				

(*) The financial information of these companies relates to the dates included, except in relation to the contribution to consolidated results, where results at 31 December 2012 have been estimated.

IBERCAJA BANCO, S.A.U. AND SUBSIDIARIES

CONSOLIDATED DIRECTORS' REPORT 2012

Section I: Directors' Report

Economic environment

The eurozone underwent a very complicated year in 2012. The accumulated imbalances in peripheral countries and the absence of mechanisms to mitigate the consequences for financial markets have put Monetary Union in the most critical situation since its creation. The contraction of the peripheral economies due to austerity programmes have been joined by the weakness of core countries and the aggregate GDP contraction is expected to be around 0.5%.

In the United States the continuity of quantitative easing on the part of the Federal Reserve made moderate economic growth possible at approximately 2.2%, favoured by the recovery of housing investments and the good tone of private spending. Meanwhile, in Japan the BOJ expects GDP to move 2% in the fiscal year ending in March.

The Spanish economy continued to decline in the fourth quarter of the year and projections show that 2012 may end with a 1.4% year-on-year decrease in GDP. Domestic demand continues its rate of deterioration in all components with a negative contribution (-4%) to GDP growth and only exports slowed a higher decline in activities.

The employment market situation shows no sign of improvement while waiting for employment reforms to bear fruit. The unemployment rate has increased to 25% which, together with the salary adjustment that is taking place, negatively affects disposable family income and, accordingly, spending.

In the real estate sector, the absorption of stocks of finished housing is very slow, especially due to the increase in unemployment and the lack of demand for second homes, and the real estate business will continue to be a drag on growth in the medium-term.

After showing a significant increase due to energy prices and the new VAT rates that entered into force in September, the CPI fell during the latter part of the year to 2.9% (year-on-year) in December.

The Spanish stock market was very volatile, especially with respect to securities in the financial and real estate sectors, which have been a drag on the market index. The Ibex 35, the only major European index that has shown declines, ended the year down by 4.66%.

Fiscal policy has become very restrictive given the need to comply with the public deficit objective of 6.3% of GDP agreed with the European Commission. The difficulty of fulfilling this commitment, despite the efforts made and the fiscal measures approved, derives from the decline in tax revenues and the increase in the expenses associated with the economic cycle, as well as the late adoption of measures to correct budget deficits by autonomous regions.

The sovereign debt crisis, which commenced with the financing difficulties encountered by Greece, is now three years old. The risk premium on Spanish bonds has relaxed from the maximums seen in July, above 600 basis points, after the announcement by the ECB of the commitment to acquire debt issued on secondary markets by countries requesting financial assistance.

For the Spanish financial sector, 2012 was particularly difficult due to the decline in activity, the spike in defaults and declining interest rates in the mortgage portfolio due to the sharp fall in the Euribor. This has been further affected by the publication of Royal Decrees regarding the write-down of real estate assets, the stress tests carried out by Oliver Wyman and Royal Decree - Law 24/2012, which transcribes the Memorandum of Agreement (MoU) into Spanish legislation. All of these factors have applied heavy pressure on bank profits and forced their recapitalisation. On a positive note, the financing difficulties have, as a result, been relieved by the extraordinary liquidity auctions carried out by the ECB.

The transformation of the banking system gave rise to an important concentration process, especially savings banks, which fell in number from 45 at the start of 2010 to the12 that currently exist. Four bank groups have been nationalised and very strict conditions have been imposed on others being restructured. In December the entity responsible for managing the assets deriving from the bank restructuring (Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (Sareb)) was created and the entities being restructured will transfer part of their real estate assets to this new entity. Finally, the European Union announced that all banks with assets exceeding €30,000 million will be supervised by the ECB starting on 1 January 2014.

Evolution of the activity carried out by Ibercaja Bank and subsidiaries

Ibercaja Banco Group faced a particularly complicated year for the financial sector, characterised by the decline in activities and changes in the legislative framework. The successive decrees requiring increases in real estate asset coverage, increases in capital requirements and the concentration of the sector, forced continuous flexibility to adapt to a changing situation. Accordingly, various corporate options had to be rejected as they were not viable due to regulatory requirements and the conclusions set out in the Oliver Wyman report.

In November a new protocol was approved for the merger with Banco Grupo Caja3. The agreement reached between Ibercaja Banco S.A.U. and Banco Grupo Caja3 S.A. contemplates the future merger of both entities and Ibercaja Banco will wholly acquire Banco Grupo Caja3, which will receive in exchange 12.5% of the capital of Ibercaja Banco. The transaction will take place once Banco Grupo Caja3 S.A. has obtained the necessary capital assistance and adopts the measures established in its restructuring plan.

The Group has complied with all of the new provision requirements established by Royal Decrees 2/2012 and 18/2012 in 2012, and wrote-down all of its problematic assets in a single year. It has covered the capital requirements totalling €226 million set out in the Oliver Wyman stress test without receiving any public assistance. The internal generation of capital took place preserving the strategic assets that are the pillars of future profits. The most notable actions were: repurchase of bank issues, materialisation of capital gains in the securities portfolio, sale and lease back of some offices, exclusive agreement to market insurance policies, cessation of the securities custodial service and sale of a portion of the default portfolio. At the end of the year, after the write-down efforts, an excellent solvency level was obtained. The Core Tier I EBA ratio, defined by Royal Decree - Law 24/2012, is 10.40%, before 2012 and easily exceeding the new capital requirement of 9% of the risk-weighted assets entering into force on 1 January 2013.

On 18 December 2012 Ibercaja Banco reported the €72 million commitment to invest in Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (Sareb). Of this figure, €18 million will be used to acquire shares in the Company and the remaining €54 million is expected to be paid in various tranches to acquire subordinated debt secured by the Government.

Revenues totalled €74,588 million. The office network was involved in intense activities and provided services to more than 2.2 million customers. The main objectives during the year were to strengthen specialised services for the personal and SME banking, and to make advances with respect to service quality, a very valuable differentiating factor for Ibercaja. The most notable milestone was that the Bank is the only financial entity that was able to obtain the certification ISO 22222:2010 *Personal Wealth Management Advisory Services*. Requirements for personal wealth managers, the advisory services offered by personal banking to its customers.

Balance sheet

Total balance sheet assets, €44,664 million, decreased by 1.06%.

Gross customer loans total €30,995 million, 5.87% less than in 2011 (-4.60% excluding the acquisition of assets under repurchase agreements). The change is due to the contraction of the economy, the reduction of household and corporate debt and the scarcity of solvent demand. In addition, a portfolio of loans in default, for which full provision had been made, was sold to an investment fund.

In 2012 there were nearly €60,000 new credit transactions for an approximate amount of €3,000 million. Transactions with SMEs increased by 3.54% as a result of the Group's strategy to strengthen its implementation in production segments, especially among small and medium-sized companies. New real estate development transactions fell by more than 37% on a year-on-year basis.

By segments, the decrease in credit to the resident private sector (-6.48%), contrasts with the expansion of credit to non-residents (10.88%) and the financing of the public sector (more than 22% during the year), partly associated with the loans granted to the Autonomous Regions and local governments to attend to outstanding invoices issued by suppliers.

Household financing, €22,093 million, represents 72.59% of credit to the resident private sector. Of this amount, €20,878 million is dedicated to the acquisition of homes. Almost all of it (90.64%) relates to first homes and 99.26% of the portfolio is secured by mortgages.

Real estate development loans and credit represent €3,511 million, representing a 14.16% reduction during the year. Of the exposure secured by mortgages (94.87%), 47.66% involves finished buildings, 14.05% developments in progress and the res to land, mainly in urban areas.

The financing of productive activities other than real estate development, €4,830 million, has a weight of 15.87% in the portfolio, and has been preferentially granted to SMEs in very diverse sectors.

The credit default ratio at Ibercaja Group remains at low levels (5.48%), if compared with the average rate for deposit entities (10.58%). The total funds for insolvencies, specific and general provisions for doubtful risks covers 88.82%.

The portfolio of fixed-income securities, shares and holdings in companies amounts to €11,040 million, 24.72% of the balance sheet. This increased by €2,024 million in 2012, which is mainly concentrated in fixed-income securities. Ibercaja participated in the ECB's 3-year auctions, investing part of the liquidity obtained in government debt.

Financial assets available for sale bore the highest weight in the portfolio at 60.19% or €6,645 million. The portfolio of investments held to maturity (€3,821 million) represents 34.61% and showed the most growth during the year (€1,573 million). Over the course of 2012 €1,106 million of the portfolio of available-for-sale assets was reclassified to held-to-maturity.

By type of asset, fixed income securities (€10,402 million) represents 94.23% and it increased by €2,170 million, basically in Spanish government debt. Equities totalling €637 million, consist of stock in Spanish and foreign companies. The change during the year is due to divestments made to realise capital gains in this portfolio.

The active balance at credit institutions and in cash totals €1,195 million, €26 million more than in 2011, while liability positions at credit institutions and central banks increased by €4,011 million to €6,891 million. This growth is due to the sale of assets under repurchase agreements recorded under deposits at credit institutions and the liquidity obtained from the ECB at the extraordinary auctions of 3-year bonds (€1,600 million in 2012).

Property, plant and equipment net of depreciation totals €689 million, 5.44% less than in 2011. Assets for own use total €559 million and declined by 4.49%. During the year several properties were sold and in certain cases operating leases were concluded for the same properties. Intangible assets, mainly computer applications, total €12 million, 33.85% less than one year ago.

The portfolio of foreclosed properties or those acquired in lieu of payment recognised under non-current assets available-for-sale, real estate investments and inventories total €772 million, net of the provisions recorded, compared with €917 million in 2011. The coverage associated with these assets is 43.39% and in the case of land is 58.30%.

After the application of the Royal Decrees 2/2012 and 18/2012, the coverage for doubtful and sub-prime assets in the real estate sector totals 45.11%. Taking into account the generic provision that has been recognised, the coverage of problematic assets (doubtful, sub-prime and foreclosed) associated with this sector exceeds 67% and is almost 37% more than in 2011, which reveals the magnitude of the efforts made in terms of allocations during the year.

Tax assets total €604 million. The increase of €271 million is mainly due to the capitalisation of tax credits as a result of the losses recorded during the year deriving from the write-off of real estate assets.

Customer deposits total €45,593 million. Performance during the year has been characterised by the maturity of wholesale issues, the repurchase of securitised bonds and hybrid instruments and the weakening of household savings rates.

Retail customer deposits total €31,436 million declined by 2.86%, in line with the trend in the sector. Ibercaja's sales policy has focused on protecting business margins by actively managing price, avoiding entering into a price war and strengthening the marketing of off-balance sheet products.

Customer deposits total €24,772 million and the balance was influenced by the maturity of mortgage and territorial bonds totalling €750 million. Items represented by marketable securities total €4,861 million, which is a decrease of 14.24%. Due to the closing of wholesale markets, the Group's issues of mortgage certificates during the year totalling €2,300 million, have been fully retained on the balance sheet to be used as collateral for Eurosystem financing. This heading also includes the amortisation of ordinary bonds and securitised liabilities totalling €700 and €840 million, respectively, as well as the issue of promissory notes issued by the bank. Subordinated liabilities (€289 million) decreased by €488 million as a result of the repurchases and amortisation during the year.

Off-balance sheet resources, investment funds, pension plans and third party assets managed on a discretional basis total €8,815 million. Their evolution has been very positive with 2.93% growth, which has given rise to significant market share gains by these products.

Ibercaja manages liquidity by diversifying sources of financing in a prudent and balanced manner, anticipating needs so investment activities are not affected. In 2012 the bank maintained a comfortable position and at the end of the year available liquid assets totalled €5,467 million in accordance with the statements defined by the Bank of Spain and represent more than 12% of the balance sheet, reducing dependence on wholesale markets. In addition, the capacity to issue mortgage and territorial bonds is measured at €3,918 million.

Equity fell by €511 million to €2,156 million after the application of results for the year.

Total computable equity for Ibercaja Bank Group totals €2,189 million and represents a solvency ratio of 11.29%. The Core Tier I EBA ratio, defined by Royal Decree - Law 24/2012 is 10.40% of risk weighted assets, exceeding the 9% required starting on 1 January 2013 by €272 million.

Income Statement

In an adverse market framework and an environment of very low interest rates, in 2012 financial institutions faced profound regulatory changes that affect the coverage of real estate exposure and capital requirements. The new requirements, on average, raise coverage of total loans and real estate assets from 24% to 44%, which places great pressure on profits.

- In the described context, the Group's capacity to generate profits is reflected in the notable increase in the *recurring retail margin*. This figure does not take into account extraordinary results and totalled €315 million, 33.68% more than in 2011, supported by the advances made by the interest margin, growth in net fees and cost containment and rationalisation.
  - The interest margin totalled €578 million and shows a year-on-year increase of 17.66%. The stagnation of volumes and the high interest rates for retail liabilities have been offset by the appreciation of the mortgage portfolio during the first part of the year, higher spreads on loans and the liquidity obtained from the ECB's extraordinary auctions, which allowed higher cost liabilities to be replaced by less expensive financing and to increase the fixed-income securities portfolio, fundamentally with government debt, as a means to reinforce the margin.
  - Yields on capital instruments contributed €14 million, while net fees and exchange differences, which include both the revenues for the Financial Group and those from the rendering of services, represent €236 million and increased by 1.19% compared with 2011. Bank service fees showed the best performance with a 4.72% increase. To the contrary, the reduction in the average wealth under administration in investment funds and pension plans means that those relating to these operations fell by 2.27%.

- – The heading Other products and operating charges, which records results from non-financial subsidiaries consolidated using the full consolidation method and sundry revenues and expenses totals €–16 million. This loss is basically due to the negative impact of the higher contribution to the Deposit Guarantee Fund, which was €49 million compared with the €24 million last year, mainly as a result of the application of Royal Decree – Law 19/2011.

- – As a result of cost containment efforts, operating expenses fell by 4.37% to €498 million, which affects both personnel expenses (-4.39%) and other overheads (-3.24%).

- The *active management of fixed-income and equity portfolios* together with other extraordinary transactions intended to cover Oliver Wyman's capital requirements setting core capital at 9%, added to the recurring retail margin of €433 million.

  – The results from financial transactions represent €354 million. This has been driven by the realisation of capital gains and the repurchase of hybrid instruments and other securities. The latter item generated €238 million, almost 70% of the total.

  – The joint results of companies consolidated using the equity method and other profit and loss total €79 million. The most significant transactions were: sale and lease back of several offices, assignment of the investment fund custodial business and individual pension funds and exclusive non-life insurance distribution agreement with Caser.

- The strength of recurring income and the aforementioned extraordinary items *allowed profits before write-downs* at the high level of €748 million, which is 163% more than in 2011.

- The application of the two Royal Decrees affected Ibercaja in the amount of €1,244 million, and therefore the value correction for asset impairment and other write-offs, €1,433 million, grew significantly, €1,221 million more than in 2011.

- As a result of the impact of the write-offs, *net results attributed to the parent company was* €–484 million. It should be noted that Ibercaja had to make the entire effort in a single year, while a large number of banking groups, those participating in merger processes, may defer their write-offs to 2013, thereby largely mitigating the effect on the income statement.

Risk management

Overall risk management is essential to preserve the Group's solvency. Among the strategic priorities is the development of systems, tools and structures that allow it to measure, monitor and control risk levels at all times, ensuring that they are adequate for the resources being managed and respond to the demands of regulators and markets.

Credit risk is most relevant within the banking activity, although the management of risk includes counterparty, concentration, market, liquidity, interest rate, operating and other risks. Due to the nature of the business environmental risks are not significant.

The actions taken by the Entity in this respect have the following objective: quantify the risks more precisely, integrate the measurement of risk into management, increase the efficiency of the decision process regarding risk and optimise the profit/risk ratio.

The most important action and achievements in the overall risk management area over the past few years are as follows: the adaptation of the organisational structure oriented to advanced risk management, the use, monitoring and validation of statistical models used to classify credit risk, the approval of a standard method for measuring capital consumption due to operational risk, the generation of metrics for the advanced management of risk (IRB parameters for credit risk management, VaR for the management of market risk, consumption of "mark to market" lines of risk for counterparty risk management, etc.), in accordance with the requirements of Pillar, I, Pillar II and Pillar III and the analysis of the impact of the novelties proposed by Basle II and Solvency II. In particular, and during 2012, based on Bank of Spain requirements within the framework of the write-off and recapitalisation process in the financial sector.

Note 3 of Ibercaja Bank Group's notes to the annual accounts for 2012 presents more detailed information regarding the management of various types of risk.

Research and Development

The Group strives for constant innovation to both respond to the changing needs of the business and its customers and to improve working systems increasing operating efficiency. The effort made to strengthen remote banking is notable, facilitating relationships and customer service through new methods other than personal contact.

During 2012 new systems were implemented and technological improvements were made to optimise those already in existence. One of the most notable actions relating to internal and organisational efficiency, is the introduction of new functions within the Integrated Sales Orientation System (SIOC), the end of the development of the Multi-channel Customer Relationship Management (Multi-channel CRM), a tool that directs sales actions to the most adequate channels, and the program that manages properties to facilitate their sale.

Among the actions that are intended to improve communications and multi-channel services, we note the fact that the Bank's customers were provided with an electronic platform using smartphones and tablets.

Environment

The Group is aware of the need to reconcile business development with the preservation and care of the environment. It has defined an environmental policy that constitutes the framework of reference for all environmental action. It is based on compliance with general environmental legislation, the prevention of pollution from its own processes, adequate waste management, monitoring of environment performance to implement improve and prevent pollution, making employees aware of the responsible use of natural resources and the communication of environmental action taken by customers and suppliers.

The Entity has obtained the Environmental Management System Certificate issued by AENOR, which certifies that the Central Services building meets the requirements of Standard UNE-EN ISO 14001:2004.

The Group believes that it substantially complies with environmental legislation and it maintains procedures to ensure and guarantee compliance.

During 2012 no significant investments were made in this area and no significant contingencies are deemed to exist with respect to the protection and improvement of the environment.

Outlook

The forecasts for the Spanish economy in 2013 draw a panorama that is nearly the same with respect to the growth rate as the year that has just ended. The analyst consensus estimates a GDP contraction of 1.3%, while the IMF reduces the rate to -1.5%. However, the events in the financial markets during the first days of January are in line with a better outlook for the economic future. The restart of the issues of private fixed income securities, the moderation of the risk premium, the spike in the stock market and the reactivation of demand for government debt are factors that offer some optimism. The imbalances in the real economy are far from having corrected.

Within this framework, the Spanish banking system will see its revenues weaken due to the necessary deleveraging of families and business, while the high unemployment rate and the state of the real estate market could increase assets in default and the portfolio of foreclosed real estate or properties received in lieu of payment. The rationalisation of the cost of liability resources will relieve pressure on the interest margin caused by the low interest rates on the mortgage portfolio referenced to the Euribor. Additionally, the efficiency of operating expenses must improve, adapting to smaller market capacity.

The Group cannot overlook the diverse factors mentioned above that will presumably affect its activity and business margins.

Subsequent events

There have been no significant subsequent events.

Treasury shares

There have been no transactions involving Treasury shares in 2012.

Section II: ANNUAL CORPORATE GOVERNANCE REPORT FOR OTHER ENTITIES ISSUING SECURITIES LISTED ON OFFICIAL SECONDARY MARKETS THAT ARE NOT SAVINGS BANKS

A. STRUCTURE OF OWNERSHIP

A.1. Details regarding shareholders or most significant members of the company at the year-end:

Name of the significant shareholder	% of share capital
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	100%

A.2. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names	Type of relationship	Brief description
N/A	N/A	N/A

A.3. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Names	Type of relationship	Brief description
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	Corporate	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (CAMPZAR) is the parent company of Ibercaja Group. Since 1 October 2011 it carries out its financial activity through IBERCAJA BANCO, S.A.U. To do so CAMPZAR segregated all of the assets and liabilities associated with its financial activity to IBERCAJA BANCO, S.A.U. which subrogated to all the rights, actions, obligations, responsibilities and equity charges, as well as the human and material resources associated with that activity.

B. STRUCTURE OF GOVERNANCE AT THE BANK

B.1. Board of Directors or Governing Body

B.1.1. State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of Directors / members of the governing body	15
Minimum number of Directors / members of the governing body	5

B.1.2. Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Directors/members of the governing body

Name of the Director/Member of the governing body	Representative	Latest date of appointment	Status
AMADO FRANCO LAHOZ	N/A	22/09/2011	Institutional Outside Director
JOSÉ LUIS AGUIRRE LOASO	N/A	22/09/2011	CEO
JESÚS MÁXIMO BUENO ARRESE	N/A	22/09/2011	Institutional Outside Director
EUGENIO NADAL REIMAT	N/A	22/09/2011	Institutional Outside Director
ALBERTO PALACIO AYLAGAS	N/A	22/09/2011	Institutional Outside Director
MANUEL PIZARRO MORENO	N/A	22/09/2011	Independent Outside Director
MIGUEL FERNÁNDEZ DE PINEDO LÓPEZ	N/A	22/09/2011	Independent Outside Director

B.1.3. Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director/Member of the governing body	Name of the Group company	Position
AMADO FRANCO LAHOZ	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	Chairman
JOSÉ LUIS AGUIRRE LOASO	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	CEO
JESÚS MÁXIMO BUENO ARRESE	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	Secretary to the Board of Directors
JESÚS MÁXIMO BUENO ARRESE	Ibercaja Mediación de Seguros, S.A.U.	Board member
JESÚS MÁXIMO BUENO ARRESE	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Chairman
EUGENIO NADAL REIMAT	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	1st Vice-Chairman
EUGENIO NADAL REIMAT	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Board member
ALBERTO PALACIO AYLAGAS	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	2nd Vice-Chairman
ALBERTO PALACIO AYLAGAS	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Board member
ALBERTO PALACIO AYLAGAS	Publicaciones y Ediciones del Altoaragón, S.A.	Board member

B.1.4. Complete the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year:

	(Thousand euros)	
Compensation	Individual	Group
Fixed remuneration	832	0
Variable compensation	60	0
Per diems	133	0
Other compensation	46	0
TOTAL	1,071	0

B.1.5. Identify the members of senior management who are not Executive Directors and indicate the aggregate compensation accrued to them during the year:

Name	Position
JESÚS BARREIRO SANZ	Assistant General Manager
LUIS ENRIQUE ARRUFAT GUERRA	Assistant General Manager
VÍCTOR MANUEL IGLESIAS RUIZ	Assistant General Manager
JOSÉ LUIS RODRIGO MOLLA	Sub-Director General
MARÍA PILAR SEGURA BAS	Sub-Director General
JOSÉ PALMA SERRANO	Sub-Director General
JOSÉ LUIS LÁZARO CRESPO	Sub-Director General
FRANCISCO JAVIER PALOMAR GÓMEZ	Sub-Director General
JOSÉ MANUEL MERINO ASPIAZU	Sub-Director General
JOAQUÍN RODRÍGUEZ DE ALMEIDA PÉREZ SURIO	Sub-Director
JOSÉ MORALES PAÚLES	Sub-Director
FRANCISCO SERRANO GILL DE ALBORNOZ	Sub-Director
JOSÉ JAVIER POMAR MARTÍN	Sub-Director
LUIS FERNANDO ALLUÉ ESCOBAR	Sub-Director

Total senior management compensation (Thousand euros)
2,566

B.1.6. Indicate whether the Articles of Association or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

Yes ☐ No ☑

Maximum term (years)
N/A

B.1.7. Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

Yes ☐ No ☑

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or Governing Body:

Name	Position
N/A	N/A

B.1.8. Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

The Audit and Compliance Committee authorities granted by the Articles of Association are intended to serve as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors' recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the annual accounts. 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.

B.1.9. Is the Secretary to the Board of Directors or Governing Body a Director?

Yes ☐ No ☑

B.1.10. Explain the mechanisms, if any, established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Among the duties assigned to the Audit and Compliance Committee, Article 35 of the Board Regulations, includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor's independence at risk.

In any event, the Audit and Compliance Committee must receive a written statement of independence from the auditor with respect to the Company or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor, or by persons or companies associated with the auditor in accordance with the provisions of Law 19/1988 (12 July) on Audits.

Furthermore, on an annual basis, before the issue of the audit report, the Committee will issue a report in which an opinion will be expressed as to the auditor's opinion and must ensure that the Company reports to the Spain's National Securities Market Commission any change in the auditor as a Price Sensitive Information accompanied, if appropriate, by a statement regarding the existence of any disagreements with the outgoing auditor and their content.

It must also ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors and examine the circumstances of any resignation of an external auditor.

B.2. Board of Directors or Governing Body Committees

B.2.1. List the committees:

Name	No. of members	Duties
Executive Committee	7	See Section B.2.3.
Audit and Control Committee	3	See Section B.2.3.
Nominations and Compensation Committee	3	See Section B.2.3.

B.2.2. State all the committees of the Board of Directors or Governing Body and the members thereof:

Executive or Delegate Committee

Name	Position
Amado Franco Lahoz	Chair
José Luis Aguirre Loaso	Member
Eugenio Nadal Reimat	Member
Alberto Palacio Aylagas	Member
Jesús Máximo Bueno Arrese	Member
Miguel Fernández de Pinedo López	Member
Manuel Pizarro Moreno	Member
Jesús Barreiro Sanz	Non-voting Secretary

Audit and Compliance Committee

Name	Position
Miguel Fernández de Pinedo López	Chair
Eugenio Nadal Reimat	Member
Jesús Máximo Bueno Arrese	Member
Jesús Barreiro Sanz	Non-voting Secretary

Nominations and Compensation Committee

Name	Position
Manuel Pizarro Moreno	Chair
Alberto Palacio Aylagas	Member
Miguel Fernández de Pinedo López	Member
Jesús Barreiro Sanz	Non-voting Secretary

B.2.3. Describe the rules of organization and operation and the responsibilities of each of the Board committees or members of the Governing Body. If appropriate, describe the authority of the CEO.

The governing bodies at IBERCAJA BANCO, S.A.U. are, in accordance with its Articles of Association and Board Regulations: General Shareholders Meeting (single shareholder), the Board of Directors, Executive Committee, the Audit and Compliance Committee and the Nominations and Compensation Committee. The duties and organisation of the various Board Committees are described below, together with the authority delegated to the CEO.

CEO

The CEO's duties cover the effective management of the Company's business, always in accordance with the decisions and criteria established by shareholders at a General Meeting, the Board of Directors and the Executive Committee in the areas of their respective competencies.

The attribution or delegation of authority granted to the CEO must be approved by a 2/3 majority of the Board of Directors and it will determine the compensation paid and the other terms of conditions of the CEO's relationship with the Company.

The CEO, by delegation and as the hierarchical head of the Company, will be responsible for guiding the business and the maximum executive duties at the Company and is the only channel for contact between the Company's governing bodies, senior executives and other employees. The CEO will also ensure the execution and compliance with the resolutions adopted by those bodies.

EXECUTIVE COMMITTEE

a) Composition

The Executive Committee will be formed by a minimum of five and a maximum of seven Directors, of which the CEO must form part. The Board will ensure that the size and qualitative composition of the Executive Committee meets efficiency criteria and reflects the composition of the Board. The Chairman of the Board of Directors will be the Chairman of the Executive Committee.

The Secretary to the Board of Directors will execute the duties of the Secretary.

The permanent delegation of authority by the Board of Directors to the Executive Committee will consist of all the Board's authorities, except for those that cannot be delegated by law or in accordance with the Articles of Association or those that cannot be delegated by virtue of the Board's Regulations.

b) Competencies

The Executive Committee will dispatch all issues falling within the scope of authority of the Board of Directors which, in the opinion of the Committee, must be resolved without delay, with the only exception of the matters that cannot be delegated in accordance with the Law, the Articles of Association or the Board's Regulations. The Board of Directors will be informed of the resolutions adopted by the Executive Committee at the first meeting held after the date of the Executive Committee's meeting.

c) Call to order, sessions and system for adopting resolutions

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote.

The resolutions appointing members of the Executive Committee require the votes in favour of at least two thirds of the members of the Board of Directors.

The resolutions adopted by the executive committee will be valid and binding without the full board having to subsequently ratify the decision.

In those cases in which, in the opinion of the Chairman or three members of the executive committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

This will also be applicable to those matters that the Board has sent for the review of the Executive Committee, reserving the final decisions regarding these matters.

On 4 October 2011 the Board of Directors adopted a resolution stating that all meetings held will take the form of a Board of Directors meeting given that the members of the Executive Committee coincide with those of the Board of Directors.

AUDIT AND COMPLIANCE COMMITTEE

a) Composition

The Audit and Compliance Committee will have a minimum of three and a maximum of five members. At least one member will be an independent director.

Directors will be designated based on their knowledge, aptitudes and experience in accounting, audit or risk management.

The committee will be presided by an independent director who will also have knowledge and experience in the fields of accounting, audit or risk management. The committee chairman must be replaced every four years and may be re-elected again after one year elapses after leaving the position.

The Secretary to the committee will be the Secretary to the Board of Directors.

b) Competencies

According to Article 49 of the Articles of Association, the Audit and Compliance Committee has the following duties:

a) Inform, through the Chairman and/or the Secretary, the Shareholders Meeting about issues raised by shareholders in matters within its sphere of competence.

b) Supervise the efficiency of internal control, the internal auditor and risk management systems as well as to discuss with the auditor or audit firms any significant weaknesses in internal control that have been detected during the performance of the audit.

c) To supervise the process of preparing and presenting regulated financial information.

d) Make proposals to the Board of Directors regarding the submission to Shareholders of the proposals for appointing the Company's external auditor or auditors.

e) Liaise with the external auditors to receive information about any issues potentially jeopardizing the auditors' independence, for examination by the Audit and Compliance Committee, and any other issues connected with the process of performance of the audit, as well as the other communications stipulated in audit legislation and technical auditing standards.

f) In any event, the Audit and Compliance Committee must receive a written statement of independence from the auditor or audit firm with respect to the Company or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor or audit firm, or by persons or companies associated with the auditor in accordance with the provisions of Law 19/1988 (12 July) on Audits.

g) To issue on an annual basis, before the issue of the audit report, a report expressing an opinion regarding the independence of the auditor or audit firm. This report must provide information on the rendering of additional services, as mentioned in the preceding section.

c) Call to order, sessions and system for adopting resolutions

The Audit and Compliance Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. The members of the committee may appoint another member to represent them on the committee. The resolutions of the Audit and Compliance Committee will be logged in an official record book and signed by the Chairman and the Secretary.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may require the attendance of the Company's auditor. One of its meetings will be necessarily dedicated to evaluate the efficiency and compliance with the rules and procedures for the governance of the Company and prepare information that the Board must approve and include in the annual financial reporting documentation.

NOMINATIONS AND COMPENSATION COMMITTEE

a) Composition

The Nominations and Compensation Committee will have a minimum of three and a maximum of five members.

The members of the Nominations and Compensation Committee will be designated by the Board of Directors, taking into consideration the members' knowledge, aptitudes and experience and the Committee's duties. The Board of Directors will also appoint the Chairman. The Secretary to the committee will be the Secretary to the Board of Directors.

b) Competencies

Notwithstanding other duties assigned by the Board of Directors, the Nominations and Compensation Committee will have the following basic responsibilities:

a) Formulating and reviewing the criteria to be followed as regards the composition of the Board of Directors and the selection of candidates.

b) Report the proposed appointment of directors for the Board of Directors to be submitted for a decision by shareholders at a general meeting, as well as the proposals for the re-election or dismissal of the Directors by shareholders at the general meeting.

c) Provide information regarding the members of each Committee.

d) Make proposals and report to the Board of Directors regarding:

   1. The compensation policy for directors;
   2. The individual compensation for Executive Directors and other conditions regarding their contracts;
   3. The basic conditions of special contracts.

e) Regularly review the compensation programmes, weighting their adequacy and performance.

f) Ensure the transparency of compensation and the observance of the Company's compensation policy.

g) Report the relationship of transactions that mean or could mean there is a conflict of interest and, in general, regarding the items set out under Chapter IX of these regulations.

h) Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

i) Report on the senior officer appointments and removals which the chief executive proposes to the Board.

c) Call to order, sessions and system for adopting resolutions

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. In addition, a meeting will be held each time the Board of Directors or the Chairman request a report be issued or proposals made.

The meetings will also be validly called to order, present or represented, with one-half plus one of the Directors that form part of the Committee.

The committee will adopt its resolutions by a majority vote of the directors that form part of the committee, present or represented at the meeting. In the case of a tie, the Chairman will have a casting vote.

B.2.4. Indicate the number of meetings held by the Audit Committee during the year.

Number of meetings
4

B.2.5. If there is a Nomination Committee, state whether all its members are external directors or members of the governing body:

Yes ☑ No ☐

C. RELATED PARTY TRANSACTIONS

C.1. List any significant transactions involving a transfer of resources or obligations between the Company and/or Companies in its group and the most significant Company shareholders.

Name of the significant shareholder	Name of the company or group company	Nature of the relationship	Type of transaction	Amount (Thousand euros)
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA	IBERCAJA BANCO, S.A.U.	CONTRACTUAL	RENDERING OF SERVICES	790

C.2. List any significant transactions involving a transfer of resources or obligations between the Company and/or Companies in its group and the most significant Company shareholders or company executives:

Name of Directors or members of the governing body or company executives	Name of the company or group company	Nature of the relationship	Type of transaction	Amount (Thousand euros)
ENRIQUE VIEJO-FLUITERS XIMÉNEZ	IBERCAJA BANCO, S.A.U.	CONTRACTUAL	Office Sale & lease back (to company)	868

C.3. List any significant transactions with other companies in the group that are not eliminated in the consolidated annual accounts and which do not, by virtue of their object or terms, relate to the Company's normal business:

Name of the company or group company	Brief description of the operation	Amount (Thousand euros)
IBERCAJA VIDA COMPAÑÍA DE SEGUROS Y REASEGUROS, S.A.U.	Office Sale & lease back	58,467

C.4. State the situation of conflicts of interest, if any, involving directors or members of the Governing Body, pursuant to Article 127 ter of the Spanish Companies Act.

No situations of conflicts of interest involving company directors that could affect the performance of their duties have been detected in accordance with the current provisions of Article 229 of the Spanish Companies Act 2010. In those situations in which a Director has considered that a conflict of interest could eventually arise, that Director has abstained from intervening in the deliberations and the relevant vote.

C.5. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the Governing Body, or executives.

Directors have the obligation to abstain from attending and intervening in deliberations that affect matters in which the Director, or a related person, has a personal interest. For these purposes, related persons are considered to be those indicated in Article 231 of the Spanish Companies Act 2010.

In addition, the Directors may not directly or indirectly carry out professional or commercial transactions with the company unless the conflict of interest is previously reported and the Board, after receiving a report from the Nominations and Compensation Committee, approves the transaction.

The Directors must notify the Board of Directors of any situation of direct or indirect conflict which they might have with the interests of the Company. The Director must also inform the Company of all positions held and the activities carried out in other companies or entities and, in general, of any event or situation that may be relevant to the position of Company Director.

Directors, or related persons, may not take advantage of a company business opportunity unless previously offered to the company and is rejected and the intention of the Director is approved by the Board after having received a report from the Nominations and Compensation Committee. A business opportunity is understood to be any possibility of making an investment or carrying out a commercial transaction that has arisen or has been discovered with respect to the exercising of the Director's duties, or through the use of company's resources and information, or under any circumstance that it is reasonable to think that the third-party offer was in reality directed at the Company.

A Director violates the loyalty duty to the company if knowing beforehand allows or does not reveal the existence of transactions carried out by family members or companies in which an executive position is held or a significant shareholding is held, that has not been subject to the conditions and controls established in the aforementioned Board Regulations.

D. RISK CONTROL SYSTEMS

D.1. General description of the Company's risk policy and/or its Group, including detailed and an evaluation of the risks covered by the system, together with information supporting those systems' adaptation to the profile of each type of risk.

Risk Policy

The solvency, liquidity and credit quality of the assets constitute the fundamental foundation supporting the Entity's risk management.

Due to its exposure level, credit risk is the most important within Ibercaja's risk profile, although the management of risks also includes others such as counterparty, concentration, market, liquidity, interest rate, operational, reputation risks, etc.

The Bank has an adequate risk management structure in which the tasks of identifying, measuring, monitoring, managing and controlling risk are clearly distributed independently, but in a related manner, into the following areas:

- Corporate Governance: The governing bodies establish the guidelines for investment and risk policies, which will be developed and applied by the rest of the organization when carrying out duties, both in the case of the Bank and the other companies that make up the Group.
- Strategy and risk profile: To establish the aforementioned guidelines, the governing bodies receive computer and technical support from specialized committees and management. In particular, the Overall Risk Committee defines and monitors the Group's risk policies and strategy.
- Risk management: Risk management decisions are adopted by various bodies and units within the Group when performing their specific duties.
- Risk control: Risk control is the responsibility of Audit management, which is independent of general management.

The organisational structure of governance and risk management at the Entity is proportional to the complexity of the business and guarantees the uniform application of policies and procedures.

Among the principles governing the Bank´s risk management system are the following: integral management, quality, diversification, independence, continuity, delegation and association, binding decision models, uniformity, control, continuous improvement and transparency.

The Entity's risk management pursues the following objectives:

- To evaluate the key business risks in accordance with their relevance and probability, quantifying them as precisely and in as much detail as possible.
- To integrate the measurement of risk into the operating and decision-making processes (establishing limits and policies, approval of operations, follow-up, recovery) and analytical processes (profitability calculations and analyses by client and segment, products, responsibility centres and business lines).

- To increase the efficiency of the process of accepting, monitoring and recovery of risk through the use of statistical tools and adequate information system, which facilitate the taking of decisions.
- To ensure the integrity and quality of the risk information which should in turn improve the reporting and communication systems at all of the levels involved in risk management.
- To create an environment for monitoring models and tools that makes it possible to ascertain their prediction capabilities.

As a result of the current economic environment, the pursuit of objectives in the area of the Bank's overall risk management focuses on internal improvement aspects that allow for the effective management of defaults and the prevention of new impairment in both the current portfolio and in new credit risk transactions, the active management of liquidity in all areas of the business and maintaining solvency at high levels.

Relevant risks are identified, justifying the adaptation of policies and procedures to manage each risk profile.

Credit risk

Credit Risk arises out of the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

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

The Board of Directors defines the strategies, policies and limits regarding the management of this risk and they are documented in the "Credit Procedures and Policies Manual" at the proposal of the Overall Risk Committee. This manual includes policies for operating in the main areas of the business, the maximum line of risk with the main creditors, sectors, markets and products. The Board of Directors authorises the risks which exceed the competence of the Entity's operative circuit.

The credit investment portfolio is segmented into groups of customers with uniform risk profiles and susceptible to different treatment through the application of specific evaluation models.

a) In relation to the granting of credit risk, the Entity establishes the following policies:
    - Specific limits to the level of risk exposure for certain loan portfolios.
    - Risk classifications for groups of borrowers through the establishment of certain risk exposure limits to avoid unsuitable risk concentrations.
    - Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.
    - Methodology for operations analysis based on type and correspondence to different segments.
    - Internal credit rating models integrated within risk decision-making systems for the different areas of retail business.
    - Requirements for ensuring legal security in each operation.
    - Risk mitigation techniques.
    - Price policies in accordance with the credit quality of customers.

The structure of Credit Risk management presents decentralised operations, which is based on the formal delegation of authority established in the Bank's manuals.

b) By monitoring the risk the intention is to anticipate the development of groups and customers sufficiently in advance on a permanent basis to prevent or minimize potential problems for the Entity resulting from the impairment of its credit portfolio. This knowledge is fundamental for the proactive management of the measures necessary to reduce or restructure exposure to existing risk.

The Entity has a mechanized alarm that analyses and classifies all customers following the consideration of information from various internal and external sources for the purpose of detecting risk factors which may imply a deterioration of the customer's credit quality. This alarm system is subject to calibration and on-going improvement processes.

In addition, special attention is paid to groups or borrowers classified into the special monitoring, sub-standard or doubtful categories due to reasons other than default.

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

Country Risk

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

Countries are classified in six groups in accordance with Bank of Spain Circular 4/2004, their rating and the OECD and International Bank for Reconstruction and Development Country Classification, based on their economies, political situation, regulatory and institutional framework and payment capacity and experience.

The Entity establishes certain maximum exposure limits for country risk based on the rating granted by the rating agencies, accompanied by maximum limits for investments in certain groups, while in other no operations are authorised without the express consent of the Board of Directors.

In addition, the Entity establishes certain maximum limits relating to sovereign risk in terms of the government debt issued by Members of the European Union, other States, Autonomous Regions, Local governments and public entities based on their rating.

Operational risk

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

The Basil Bank Supervisory Committee published in 2003 a series of best practices for the management of operating risk, which is required to be identified, measured, monitored, mitigated and controlled. Similarly, the new Basel Bank Supervision Committee and Bank of Spain Circular 3/2008 (22 May) on the calculation and control of minimum equity, establish that entities must have sufficient equity based on the Operating Risk assumed in their various activities.

The Board of Directors defines the strategies and policies regarding the management of this risk and they are documented in the "Operating Risk Management Framework" at the proposal of the Overall Risk Committee.

The Entity currently has a model for managing and evaluating this risk, as described in the Operating Risk Management Framework, basically covering the following point:

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

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

Their application and effective use in each of the units and subsidiaries takes place in a decentralised manner. The Risk Control Unit measures, monitors, analyses and reports risk.

Interest rate risk

This is defined as the possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.

The sources of interest rate risk are repricing risk, yield curve risk, basis risk and option risk. Repricing risk derives from different maturity dates or the revision of transactions sensitive to interest rate risk.

The aim of interest rate risk management is to help maintain the current and future rates of return at adequate levels, preserving the Entity's financial value.

To manage interest rate risk, the Entity has policies for identifying, measuring, monitoring, controlling and mitigating the risk.

The Board of Directors defines the strategies, policies and limits regarding the management of this risk and they are documented in the "Credit Procedures and Policies Manual for the management of Interest Rate Risk" at the proposal of the Overall Risk Committee.

The Entity manages the risk exposure deriving from its portfolio operations, both when they are contracted and throughout their subsequent monitoring, and includes in its analytical horizon the forecast development of the business and expectations in respect of interest rates, as well as management and hedging proposals, simulating different behavioural scenarios.

The tools available to the Group allows it to measure the effects of changes in interest rates on the interest margin and financial value, to simulate scenarios based on the assumptions regarding the evolution of interest rates and commercial activities, and to estimate the potential impact on capital and results deriving from abnormal fluctuations in the market (stress scenarios) such that the results are taken into consideration in the establishment and review of risk policies and limits, as well as during the planning process.

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

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

Liquidity risk

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

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

The Board of Directors defines the strategies, policies and limits regarding the management of this risk and they are documented in the "Credit Procedures and Policies Manual for the management of Liquidity Risk" at the proposal of the Overall Risk Committee.

In the years preceding the financial crisis, the Spanish financial system obtained wholesale financing to cover the difference between credit growth and retail deposits. Since mid-2007 banks have barley been able to issue on wholesale markets or securitize their assets, while risk premiums demanded by investors in these markets have risen significantly.

In the Entity's particular case, the strategy for recruiting resources from retail sources and the use of alternative short- and long-term liquidity sources is allowing for the resources that are necessary to fulfil solvent demand for credit in commercial areas and to maintain cash positions within the management parameters established in the liquidity manual.

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

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

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

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

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 Entity manages Market Risk by attempting to obtain adequate financial yields with respect to the level of risk assumed, bearing in mind certain overall exposure levels by types of segmentation (portfolios, instruments, sectors, subjects, ratings), portfolio structure and yield/risk objectives. When managing and controlling this risk, sensitivity analyses are applied to estimate the impact on profits and equity.

The Board of Directors defines the strategies, policies and limits regarding the management of market risk and they are documented in the "Capital Market Management Procedures and Policies Manual" at the proposal of the Overall Risk Committee.

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

Counterparty risk

This is defined as the possibility that counterparties may default on obligations deriving from financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors defines the strategies, policies and limits regarding the management of this risk and they are documented in the "Capital Market Management Policies Manual" and the "Line of Risk Management" at the proposal of the Overall Risk Committee.

To manage counterparty risk, the Entity has policies for identification, measurement, monitoring, control and mitigation. In addition, the "Line of Risk Manual" establishes the policies, methods and procedures for granting lines of risk, proposing limits, the process of formalizing and documenting transactions and the procedures for monitoring and controlling risk for financial institutions, local governments and listed and/or rated companies, except for real estate development companies.

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

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

To manage, control and measure counterparty risk, the Entity uses specialised tools, mainly to adapt the risk of the products to Bank of Spain regulations and to include the calculation of risks at the Group level in a single application.

Exchange rate risk

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

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

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

Reputation risk

This is defined as the risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the organization, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to on-going supervision by the authorities.

The Entity has a Regulatory Compliance Unit that reports to the management of the Audit area to ensure and supervise compliance with the main applicable regulations, such as money laundering prevention, investor protection (MIFID), the Internal Code of Conduct (ICC) in the Securities markets areas, market abuse legislation, etc.

Self-evaluation of capital

The Entity regularly carries out a self-evaluation of Pillar II capital. An analysis of the risks to which it is exposed and the valuation of risks identified as relevant, configures are risk profile characterised by good internal and corporate good governance, management systems and internal control that are adequate for the activities carried out and reduced risk.

The development of the Entity's equity level and its quality, and its comparison with the equity necessary to cover relevant risks, both for those requiring regulatory capital and the Pillar II risks, as well as the capital planning carried out, give rise to a good solvency situation in that the volume of equity is higher than the necessary minimum and the quality of the equity is adequate.

The combination of the above reveals that the Entity's capital strategy, equity maintained, recurring profits, corporate and internal governance and risk management and control systems are adequate for the activities that the Entity carries out and the risks it has assumed.

D.2. State the control systems in place to evaluate, mitigate or reduce the main risks of the company and its group.

Risk management is a fundamental element of any credit institution's internal control system since risks, basically financial and operational, are inherent to the financial products and services that constitute the entity's core business.

The Group has at its disposal risks control systems based on:

- Procedures for the identification and measurement of risks, permitting their monitoring and control.
- A limits structure for the main counterparties, instruments, markets and terms, which is submitted to the approval of the Board of Directors annually, for the purpose of defining prudent policies and avoiding risk concentrations.
- A Global Risk Committee that defines and monitors the Entity's risk management policies and strategies.
- A defined hierarchical structure of authorization for the granting or assuming of risks, based on amount involved and nature of the risk.
- Direct controls distributed at different decision-making levels which ensure that operations are performed in accordance with established policies and in the terms authorized.
- A Risk Control Unit, which is independent of Business Management which, among other things, verifies compliance with limits approved by the Board of Directors or others established by the Global Risk Committee and reports on compliance to Management on a regular basis.
- A Regulatory Compliance Unit that supervises compliance with the laws that regulate certain activities of the Entity in order to minimize the penalties and damage to the Entity's reputation which could result from non-compliance.
- The Internal Audit area reviews the adequate functioning of risk control systems, also verifying compliance with established policies, procedures and internal rules, and reporting to a committee at management level, which adopts such decisions as may be necessary to mitigate the weaknesses or risks observed. In addition, both the annual planning of internal audit work and the most relevant conclusions obtained are presented to a relevant governing bodies of the Group.

These risk control systems at Ibercaja are continually improved in order to optimally comply with the requirements of Bank of Spain Circular 3-2008 regarding the calculation and control of minimum equity and those relating to Pillar II and Pillar III.

D.3. If any of the risks affecting the company and/or its group had materialized, describe the circumstances which caused them and state whether the established control systems have worked.

In order to strengthen confidence in the Spanish financial sector, in 2012 the regulatory environment in which it carries out its activities was modified while independent evaluations of solvency were carried out. The main milestones during the year and their impact on the Entity are set out below:

- Royal Decree-Ley 2/2012 was enacted on 3 February and relates to the reform of the financial system. It establishes new requirements for provisions and capital to hedge against the impairment of the assets associated with real estate activities, both with respect to problematic assets and those in a normal situation.

  To comply with the requirements, Ibercaja estimated an impact of €467 million, net of income tax, and €317 million in capital.

- Royal Decree-Law 18/2012 was enacted on 11 May and relates to the write-down and sale of real estate assets held by the financial sector. Among other aspects, it establishes an increase in the coverage associated with real estate development and construction that is in a normal situation.

  Ibercaja estimated the additional coverage requirements to be €432 million, net of income taxes.

- Royal Decree-Ley 24/2012 was enacted on 31 August and relates to the restructuring and resolution of the banking sector. It includes the requirements established in the Memorandum of Understanding concluded with the European Union. Among other things, it unifies the tier 1 capital requirement at 9% for all entities starting on 1 January 2013.

- On 28 September the results if the bottom-up stress test performed by Oliver Wyman were published. In the case of Ibercaja Banco, the capital surplus under the base case scenario exceeded €389 million, and under the most adverse scenario its capital needs totalled €226 million, much less than the 2% APR. This result revealed the strength of the capital position, the quality of the credit portfolio and Ibercaja's capacity to generate profits.

- During the month of October, Ibercaja Banco prepared its individual Recapitalisation Plan with the objective of covering the theoretical deficit under Oliver Wyman's maximum stress scenario and attain by the end of December a minimum tier 1 capital ratio of 9%, thereby complying with the write-down requirements established by Royal Decree - Law 2/2012 and 18/2012 by the internal generation of profits and equity without having to access public funds.

- At the end of December, the Entity covered its capital needs under the adverse scenario in the stress tests applied by Oliver Wyman, without any need to access any type of public financial assistance. Among the "capital levers" that the Entity has used during the latter part of the year are the repurchase of hybrids and securitisations, the sale and lease-back of offices, the sale of the fund deposit custody activity and an exclusive agreement to distribute general insurance.

Together, they allowed for the generation of somewhat more than €243 million in core capital, easily exceeding the initial requirement.

D.4. State whether there is any committee or other governance body responsible for establishing and supervising these control mechanisms and detail the functions thereof.

The Entity's organizational chart clearly reflects its organizational structure with respect to risks and the bodies responsible for management, monitoring and controlling those risks.

The maximum risk control body is the Board of Directors, which is responsible for establishing and promoting risk policies. These duties may be exercised directly or through the Managing Director.

On a supplementary basis, the Articles of Association expressly attribute a relevant role in the supervision of risk management systems to the Audit and Compliant Committee.

In addition, internal executive committees have been created with responsibilities in the area: Audit Committee and the Overall Risk Committee.

The Audit Committee is responsible for:

- Monitoring the Entity's control and audit within the Entity's Departments, and proposing the Annual Internal Audit and Control Plan for the Group.
- Analysing and debate the results set out in the Internal Audit and Control reports in order to obtain conclusions and take decisions that once reported to the relevant Department, mitigate risks affecting issues that were raised in those reports.
- Continuously monitoring the implementation of the corrective measures and analyse any variances that may arise and implement alternative plans if necessary.

EThe respective Governing Bodies of the Companies pertaining to the Financial Group define their own investment and risk policies provided that they fall within the overall limits and risk strategies and policies established for the entire Group.

In order to establish these guidelines, the Governing Bodies receive information and technical support from specialized Committees and Departments, which subsequently specify the risk management strategies and policies based on the guidelines that have been received.

The overall Risk Committee performs an essential role in this area, given that it specifies the Group's strategies and policies and performs monitoring activities. This Committee is made up of the highest level executives to whom the Units that are directly related to the management of the various types of risks inherent to the Entity's activity and that of its Group report.

The Overall Risk Committee had the following duties:

- Define and monitor the Group's risk management policies and strategies:
- Establish objectives and strategies for the development of structure and composition of the sums set out in the balance sheet. It analyses the Group's exposure and its results under various scenarios: levels of tolerance. Risk premiumso.
- Plan medium-term capital needs of the Group. Establish capital objectives based on risk profiles, overall and with respect to various types of exposure.

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

E. GENERAL MEETING OR EQUIVALENT BODY

E.1. List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the Articles of Association. Describe how this is different from the minimum system established by the Spanish Companies Act 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.

E.2. Explain the system for adopting 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. With the exception of those cases for which the Law or the Articles Association establish a qualified majority, the majority that is necessary to approve a resolution is the favourable vote of one-half plus one of the shares with voting rights that are present or represented at the meeting.

Those attending the general meeting will have one share for each share that they possess or represent.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

In any event, it should be noted that at 31 December 2012 Ibercaja Banco is a single shareholder company.

E.3. Described shareholder rights with respect to the Board or equivalent body.

Shareholders enjoy the right to information in the terms established by law. The Board of Directors will be required to provide, in the manner and within the deadlines established by law, the information that shareholders request, except in cases where this is legally improper and, in particular, when in the opinion of the Chairman the publication of the information would harm the Company's interests. This exception will not apply if the request is supported by shareholders representing at least one fourth of the capital stock.

E.4. 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.

At the meeting held on 19 April 2012 the Board of Directors was authorised to issue debt securities on the institutional and retail markets up to a maximum of €5,000 million, in addition to approving the individual and consolidated annual accounts for 2011, which consist of the Balance Sheet, Income Statement, Statements of Changes in Equity, Cash Flow Statement and the Notes to the Annual Accounts and Directors' Report, prepared by the Board of Directors at a meeting held on 30 March 2012.

In addition, a resolution was adopted to maintain the resolution adopted on 22 September 2011 in force, which authorised the Board of Directors to issue debt securities up to a maximum of €5,000 million, as the limit had not been reached at that date.

At the extraordinary meeting held on 9 October 2012, a resolution was adopted to not approve the segregation of assets and liabilities to the new entity created as a result of the merger of Ibercaja Banco, Liberbank and Banco Grupo Cajatres and report it to the market as a relevant event, in accordance with the provisions of Article 82 of the Stock Market Act.

At an extraordinary meeting held on 1 December 2012, at the proposal of the Board of Directors made at the meeting held on 21 November 2012, the balance sheet at 30 June 2012 was approved together with a fully paid capital increase totalling €144,000,000), charged against available Restatement Reserve, thereby modifying Article 5 of the Bylaws on Share Capital, to adapt it to the execution of the share capital increase.

E.5. Provide the address of the corporate website and how the corporate governance contents are accessed on the website.

The information regarding corporate governance at IBERCAJA BANCO is accessible through the website http://www.ibercaja.es under the section "Corporate Information" under the menu "Information regarding the Entity". "Information for investors" is available under that same menu.

E.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 2012 no meeting was held with the various syndicates of the holders of securities issued by the Entity.

F. COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

IBERCAJA BANCO, S.A.U. is not a listed company and therefore some recommendations in the Unified Code of Good Governance cannot be completely followed.

However, both the Articles of Association and the Board Regulations have attempted to include the recommendations of the Unified Code of Good Governance, taking into account its spirit and purpose. It should also be taken into account that some recommendations must be applied by the Company given its status as a credit institution and the legal provisions that are applicable.

IBERCAJA BANCO, S.A.U. compliance with the recommendations relating to statutory voting limitations (1), matters expressly reserved for the General Shareholders Meeting (3), separate voting for issues (5), matters expressly reserved for the Board of Directors (8), appropriate size of the governing body (9), criteria governing the composition of the Board (10) and (14) the evolution of meetings and operating rules –recommendations (16), (18), (19), (23), (24), (25), (26), (27), (31), (32)–, regarding compensation –recommendations (35), (37), (39), (41)– relating to committees –executive committee, audit and control committee and nominations and compensation committee– as well as risk management and control –recommendations (42 to 58), as is indicated in the relevant sections of this report.

As regards recommendation (15), the Entity has ensured that the selection procedures for members of the Board of Directors do not suffer from implicit problems that give rise to obstacles to selecting female Directors. Furthermore, there are two independent directors out of a total of seven, therefore when the minimum set out in recommendation (13) is not reached the percentage that they represent is close figure proposed.

No Group company - neither the parent company nor its subsidiaries- is a listed company and given the fact that it is a single shareholder company recommendations (2) and (4) are not applicable. Given that there is no outside Director that can be considered to be a representative of majority shareholders (dominical) or independent director, recommendations (12) and (30) are also not applicable as IBERCAJA BANCO, S.A.U. is a single shareholder company.

The top executive at the company is the CEO and this position does not fall on the Chairman of the Board of Directors and therefore recommendation (17) is not applicable. Given the fact that during 2012 no Director or the Secretary have expressed any concern regarding any proposal or the operations of the Company, the Board has not been presented with any proposal that could go against its corporate interests and therefore recommendations (21) and (33) are not considered to be applicable. No circumstances referred to by recommendation (34) dismissal of a Director before the end of the appointed term or recommendation (38)-qualifications issued by the external auditor-have arisen. In any event, should any of these circumstances arise both the Articles of Association and the Board Regulations are in line with the aforementioned recommendations.

Taking into account the fact that the Company started its activities during the final quarter of 2011, the report referred to in recommendation (22) will cover that period and the year ended 31 December 2012. The Board of Directors prepared a report on compensation what was attached as an appendix to the document entitled "Information with prudent relevance".

G. OTHER INFORMATION OF INTEREST

Incorporation and commencement of activities by IBERCAJA BANCO, S.A.U.

IBERCAJA BANCO is the banking entity through which CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA carries out its financial activity indirectly through a newly created bank, wholly owned by the Savings Bank, in accordance with the provisions of Royal Decree-Law 11/2010 (9 July), Law 31/1985 (2 August), which regulate the basic rules regarding the Governing Bodies of Savings Banks and Law 1/1991 (4 January), which regulates Savings Banks in Aragon. IBERCAJA BANCO commence activities on 1 October 2011, after being entered into the Registry of Banks and Bankers at the Bank of Spain.

B.1.5. Senior Management is considered to be Assistant CEOs, General sub-directors and Sub-directors.

C.4. The reference to Article 127 ter of the Spanish Companies Act must be understood to be made to Article 229 of the Spanish Companies Act 2010.

This Annual Corporate Governance Report was approved by the Board of Directors or Governing Body of the Bank at its meeting on 26 February 2013.

Indicate the members of the Board or Governing Body who abstained or voted against the approval of this Report.

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APPENDIX I APPENDIX TO THE ANNUAL CORPORATE GOVERNANCE REPORT FOR IBERCAJA BANCO, S.A.U.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICRMS).

Introduction

Ibercaja Banco S.A.U., (hereinafter Ibercaja, the Bank or the Entity) is a credit institution wholly owned by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja. As a result of the changes made to the Spanish financial system in 2010 and, especially, the legislative amendments and measures adopted to reinforce that system, the General Assembly of the Savings Bank at an extraordinary meeting held on 26 July 2011, adopted a resolution to incorporate a new bank to which all assets and liabilities relating to its financial activity would be transferred.

Ibercaja Banco has assumed the indirect exercising of the activity that was previously carried out by the Savings Bank and it has become the parent of a group of entities and exercises control over them and they constitute, for these purposes, Ibercaja Bank Group.

Ibercaja has developed Financial Reporting Internal Control System consisting of the implementation of adequate control mechanisms to guarantee that the financial information published in the Entity's and the Group's markets is complete, reliable and appropriate.

When designing the IFRCS the Entity has followed the guidelines established in the Internal Control Over Financial Information in Listed Companies established by the Spanish Stock Market Commission, such that the terminology used in this heading is associated with the definitions included in that guide.

An overview of the IFRCS at Ibercaja Bank Group is set out below, together with a description of the main elements that form part of the system.

Control environment at the Entity

1. **Which bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective IFRCS; (ii) its implementation; and (iii) its supervision.**

EThe Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

The aforementioned Board Regulations establish, as an authority that cannot be delegated, "the preparation of the individual and consolidated annual accounts and the approval of financial information" together with the "establishment and supervision of risk control and reporting systems".

The Regulations also indicate that the Board "will adopt all measures necessary to ensure that the half-yearly, quarterly and any other financial information that may be made available to markets is prepared in accordance with the same principles, criteria and professional practices applied to the preparation of the annual accounts and will be as reliable as those accounts".

Senior Management has assumed the responsibility of designing and implementing the IFRCS through the Management Control Department and its General Accounting Unit, to the extent that the latter centralizes the large majority of the activities intended to attain in adequately functioning IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the internal control and reporting systems: "verify the adequacy and integrity of the internal control systems; know and supervise the process of preparing and presenting regulated financial information regarding the Company and, if appropriate, the Group, as well as its integrity, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting policy; supervise the efficiency of internal control and risk management systems, regularly reviewing them so that the main risks are identified, managed and adequately reported; review the company's accounts, monitor compliance with legal requirements and the proper application of generally accepted accounting principles, as well as reporting any proposals to modify accounting principles and standards suggested by Management; review the regular financial information that must be provided by the Board to markets and regulatory bodies".

2. Which departments and/or mechanisms are responsible for: (i) the design and review of the organizational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for proper reporting within the Entity, particularly with respect to process of preparing financial information.

The Organizational Development Department at Ibercaja is responsible for ensuring an efficient organizational structure at the company, defining the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. Intern, each Department, together with the Organizational Development Apartment, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity's intranet and it is revised should there be any organizational change made.

As regards the process of preparing financial information, this is the responsibility of the Management Control Department, which includes the General Accounting, Tax Advisory, Management Control, Management Information and Overall Risk Strategy units. The Management Control Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group's consolidation for accounting purposes as subsidiary accounting is decentralized and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Management Control Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

3. **Do the following elements exist, especially with respect to the process of preparing financial information: (i) code of conduct, (iii) whistle-blower channel and (iv) regular training and retraining programs for personnel involved with the reparation, evaluation and review of financial information that cover at least accounting, audit, internal control and risk management standards.**

Ibercaja has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations.

This document is available on the Entity's intranet and the Audit and Compliance Committee is responsible for approving updates and improvements.

The Internal Audit Unit and the General Accounting Unit are responsible for the existence of a whistle-blower channel through which information is currently received regarding any behaviour that violates the standards, principles and values of the Company and in particular, any irregular behaviour of a financial and accounting nature.

Ibercaja has mechanisms that allow it to ensure that the personnel directly involved with the preparation of financial information, as well as its supervision, have the capacity and professional competency that is necessary to carry out their duties. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Human and Material Resources Department, and keep records of the training.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2012 was particularly focused on internal training sessions at the Department level that covered legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

It should be noted that the Entity is continually informed of all legislative change processes, it receives analyses from third parties regarding new laws and it participates in forms and expert committees which allow it to take the measures that are necessary to update and train its employees, using independent experts when necessary.

External training is fundamentally for new employees that attend accounting courses provided by the Spanish Confederation of Savings Banks (CECA) and to cover specific training needs that may be identified.

Evaluation of financial reporting risks

4. **What are the principal characteristics of the risk identification process, including errors or fraud, with respect to: if the process exists and is documented; if the process covers all financial information objectives and if it is updated and with what frequency; the existence of a process for identifying the scope of consolidation; if the process takes into account the effects of other types of risks to the extent that they affect the financial statements; which governing body at the Entity supervises the process.**

Ibercaja has developed and applied a procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.

This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the General Accounting Unit while supervision is the responsibility of the Audit and Compliance Committee.

The procedure has been designed taking into account all of the financial information objectives set out in the document "Internal control over financial reporting in listed companies" issued by the Spanish Stock Market Commission (existence, integrity, measurement, presentation and disclosures and rights and obligations).

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) measurement; (iv) presentation; (v) and rights and obligations; and it effectively takes into consideration other types of risks (operating, technological, financial, legal, reputational, environmental, etc.)

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.

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 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 2012 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.

Control activities

5. Descriptive documentation of the flow of activities and controls (including those relating to fraud risk) in the various types of transactions that could materially affect the financial statements, including the procedure for ending the fiscal year and the specific review of judgment, estimates and projections that are relevant.

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 identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

Transversal processes

- The procedures for closing the fiscal year and preparing the consolidated financial statements. The group has specific procedures for closing the fiscal year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.
- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.
- The General Computer controls established by the Group at the Technology and Systems level, physical security, computer security, maintenance and development.

Business areas

- Credit investments:
  - Recognition and performance.
  - Doubtful debts and provisions.
- Creditors: recognition and costs (on-demand and term accounts, including an accounting of coverage).
- Corporate security issues (including an accounting of coverage).
- Financial instruments:
  - Debt securities.
  - Capital instruments (listed and not listed).
- Real estate assets receive in lieu of payment (ANCEV, Real Estate Investments and Inventories).
- Corporate income tax.
- Pension commitments.
- Insurance activity.

In general terms, the General Accounting Unit is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

6. Internal Control procedures and policies regarding the information systems that support the relevant processes carried out by the Entity with respect to the preparation and publication of financial information.

The Technology and Systems Department and, specifically, the Information Technology Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, in cooperation with Operations, ensuring compliance with legislation and legally required security measures. The Technology and Systems Security Unit is responsible for proposing the information security measures and the policy for applying them.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has taken action addressing the definition of overall policies and procedures that are uniform with respect to the required security for information systems involved with the preparation of financial information, including physical and logical security, data processing security and final user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

7. Internal control procedures and policies intended to supervise subcontractors, as well as the evaluation, calculation or measurement activities tasked to independent experts that could have a material effect on the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated financial statements that are published in the stock market.

It currently has supervision and review procedures of both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.
- Analysis prior to contracting, existing a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises. 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.

8. Procedures for reviewing and authorizing financial information and the description of the IFRCS to be published in stock markets, indicating the responsible parties.

Ibercaja has internal review and authorization procedures for financial information that is sent to the markets with the frequency required by law.

The financial information to be published in the stock market is reviewed by the person responsible for the General Accounting Unit, it sends information and the results of the analysis to the Management Control Department and, subsequently, the information is sent to the CEO. Finally, the individual and consolidated financial statements to be published by Ibercaja Bank Group are approved by the Board of Directors.

The Audit and Compliance Committee also intervenes in the process of reviewing the financial information before it is published since it informs the Board prior to it taking any decisions of the regulated financial information that the Entity must make public on a regular basis and assurance must be provided that the interim accounts are prepared using the same accounting principles as used in the annual accounts and, in this respect, the appropriateness of a limited review by the external auditor is considered.

In addition, it must review the company's accounts, ensure compliance with legal requirements and the proper application of generally accepted accounting principles, as well as reporting any proposals to change accounting principles and standards at the request of Management, as is stipulated in the Board Regulations.

The IFRCS is reviewed by both the Management Control Department and the Audit Department, as well as by the Governing Bodies mentioned above, as part of the regular information that Ibercaja must provide markets.

Information and Communication

9. A specific duty that is responsible for defining and maintaining accounting policies up to date, as well as to resolve doubts or conflicts deriving from their interpretation, maintaining fluid communication with the persons responsible for operations at the organization.

The General Accounting Unit is responsible for defining, revising and updating all accounting policies at the Group. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

This Unit reports to the Management Control Department, and is established within the first executive level at Ibercaja Bank which, in turn, reports directly to the CEO. The Director of Management Control also currently exercises the duties of the Sub-Director General.

In any event, the accounting policies are updated to reflect any change in legislation and any new decision that modifies those policies in those cases in which there is a certain amount of discretion. Any update that may have taken place is published daily on the intranet.

Finally, the person responsible for the General Accounting Unit is also the person 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.

10. An up-to-date accounting policy manual reported to the units through which the Entity operates.

Ibercaja does not have a single Accounting Policy Manual, but rather the whole of its accounting policies consist of International Financial Reporting Standards (IFRS), Bank of Spain circular letters (Circular number 4/2004 and subsequent amendments), the policies that must be developed in accordance with current legislation and the specific policies that the Entity has prepared. All of the accounting policies approved by the Entity are available on its intranet, which also indicates any update to those policies. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to the person responsible for General Accounting.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralized manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information.

It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

11. Mechanisms for capturing and preparing financial information using uniform formats, applicable and to be used by all units at the Entity or the Group, and support the main financial statements and the notes to the accounts, as well as the information provided regarding the IFRCS.

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 General Accounting Unit is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They prepare their own financial statements under the guidance of the General Accounting Unit, although they report hierarchically to their respective CEOs.

Supervision of system operations

12. Is there an internal audit function that is responsible for supporting the Audit Committee (Audit and Compliance Committee) when supervising the internal control system, including the IFRCS.

The internal audit function is the responsibility of Ibercaja's Audit Department, which reports hierarchically to the CEO and functionally to the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Internal audit which, in turn, is divided to provide support to four areas: Distribution Network Audit, Credit Risk Audit, Computer Process Audit, Financial Audit and Risk Control, divided into the areas of Legislative Compliance, Model Validation and Internal Control.

The appointment of the Audit Department falls to the Board of Directors, after having received a report from the Audit and Compliance Committee regarding the appointment proposed by the CEO.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the functions currently assigned to the Audit Department and established in the Entity's internal regulations, is the performance of the audits required by the Regulatory Body, which therefore covers the evaluation of the IFRCS.

13. Is there a discussion procedure through which during the year the auditor, internal audit and/or contracted experts in this respect may have communicated to senior management and the Audit Committee or Directors of the Entity any significant weaknesses in internal control. Report if you have an action plan that is intended to correct or mitigate detected weaknesses.

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least twice during the course of the year at which time any significant weakness that may have been detected can be reported. That meeting is also attended by the Audit Department, the Management Control Department and the Director of the General Accounting Unit. The action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline.

The resolutions adopted by the Executive Audit Committee with respect to the action plans are included in the minutes that are presented to the Managing Director. These items are monitored by senior management and, specifically, by the Departments involved by holding meetings with the aforementioned Committee. Finally, the most relevant items are reported to the Audit and Compliance Committee at bi-yearly meetings.

14. A description of the scope of the evaluation of the IFRCS carried out during the year and the procedures used to execute that review and communicate the results obtained, and does the Entity have an action plan that details any corrective measures that make reference to such an evaluation, having taken into consideration its impact on the financial information.

In order to carry out the evaluation of the IFRCS, the Committee is supported by internal audit and the external auditors and, if necessary, other experts.

Evaluation of the IFRCS carried out by internal audit

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is fundamental to the supervision of the IFRCS.

The Audit Department is responsible for preparing the annual activity program, reporting that program to the Executive Audit Committee and presenting the proposal to the Audit and Compliance Committee. The latter is responsible for the approval of the plan after reviewing the scope designed the program to determined that it meets the established supervisory objectives.

The Audit Operating Plan for 2012 specifically included several evaluation activities applied to the SCIIF and other issues that affect the process of preparing financial information have been reviewed. In particular, the action taken includes the following notable items: the audit of the consolidation system applied by Ibercaja Group, the review of the accounting close process at the parent company, continued control over products and portfolios at the Group level and the audit of the calculation of capital requirements relating to operating risks. The result of these reviews was adequate and no significant weaknesses were detected.

The Audit Plan for 2013 also includes a specific working plan associated with the IFRCS is expressly included and it will be carried out during the audit.

Evaluation by external auditors

Within the framework of the audit of the annual accounts, the external auditors have also evaluated the Entity's internal control systems to determine the scope, nature and timing of the audit tests to be performed in order to express an opinion on the financial statements. Accordingly, when their work is finished they must inform the governing bodies of any significant internal control weaknesses that they detected, including possible weaknesses associated with the IFRCS. In 2012 the external auditors did not report the existence of any weakness detected within the area of the IFRCS.

Evaluation by experts

The Audit and Compliance Committee may require the advisory services of external expert professionals to complete the evaluation of the IFRCS relating to aspects of certain relevance and complexity. However, the situation did not arise in 2012.

Finally, the Committee may use the Management Control Department which, during its normal course of action, carries out measures to control the reporting of financial information (policies, procedures, applications, etc.), Carrying out a self-review on a continuous basis, although not in a formal and documented manner with the exception of the report on the IFRCS that is prepared periodically for the Committee.

15. A description of the supervision activities for the IFRCS carried out by the Audit Committee (Audit and Compliance Committee).

The Audit and Compliance Committee is the final body responsible for verifying the adequacy and integrity of the Group's internal control systems and, among them, the IFRCS, as may be seen in the various levels of authority that the Articles of Association and the Board Regulations attribute to this Committee.

As has already been indicated, the Committee is provided with the results of the verification and validation work carried out by the internal audit area on a regular basis and by the external auditors and it is informed of the action plans that have been defined to correct the most significant weaknesses.

Through the minutes to the meetings held by the Committee, evidence is provided of the various activities carried out as a result of its supervision of the IFRCS, both with respect to planning and review of the results obtained.

- Approval of the audit plans into which the IFRCS is integrated.
- Designation of the parties responsible for executing them.
- Review of the capacity and independence of the executing personnel.
- Evaluation of the sufficiency of the work performed.
- Review and evaluation of results and consideration of their effect on the financial information.
- Prioritization and monitoring of the corrective action.

16. If the information regarding the IFRCS that is sent to markets been subjected to review by the external auditor, in which case the and he should include the relevant report. If not, the reason for not doing this should be explained.

Certain aspects of the IFRCS are currently being formalized in an implementation plan and it is expected to be completed over the course of 2013. For this reason the IFRCS has not been subject to review by the external auditor.

2012 Annual Report

B. Ibercaja Group

I. Relevant Information of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja

INDEX

1 BALANCE SHEET AND INCOME STATEMENT OF IBERCAJA GROUP

Consolidated balance sheet of the Ibercaja Group

	Balance			Increase 12/11		Increase 11/10	
(Euro '000)	2012	2011	2010	Euro ' 000	%	Euro ' 000	%
Cash in hand and on deposit at central banks	289,600	527,927	427,028	−238,327	−45.14	100,899	23.63
Held for trading	33,655	43,775	43,875	−10,120	−23.12	−100	−0.23
Other fin. assets at fair value through p/ l	113,275	117,254	128,800	−3,979	−3.39	−11,546	−8.96
Available-for-sale financial assets	6,644,655	6,163,904	5,832,819	480,751	7.80	331,085	5.68
Loans and receivables	30,657,450	33,035,640	34,282,701	−2,378,190	−7.20	−1,247,061	−3.64
Held-to-maturity investment portfolio	3,820,920	2,247,648	1,718,374	1,573,272	70.00	529,274	30.80
Hedging derivatives	701,018	729,603	459,203	−28,585	−3.92	270,400	58.88
Non-current assets held for sale	566,803	625,887	453,723	−59,084	−9.44	172,164	37.94
Shareholdings	178,279	214,795	222,156	−36,516	−17.00	−7,361	−3.31
Other assets	1,754,613	1,530,705	1,420,141	223,908	14.63	110,564	7.79
TOTAL ASSETS	44,760,268	45,237,138	44,988,820	−476,870	−1.05	248,318	0.55
Held for trading	16,880	24,405	34,791	−7,525	−30.83	−10,386	−29.85
Financial liabilities at amortized cost	37,093,867	37,415,085	37,804,716	−321,218	−0.86	−389,631	−1.03
Hedging derivatives	172,257	211,107	161,254	−38,850	−18.40	49,853	30.92
Insurance contract liabilities	4,855,039	4,405,035	3,686,799	450,004	10.22	718,236	19.48
Provisions	160,694	162,600	250,881	−1,906	−1.17	−88,281	−35.19
Other liabilities	279,923	310,977	320,068	−31,054	−9.99	−9,091	−2.84
TOTAL LIABILITIES	42,578,660	42,529,209	42,258,509	49,451	0.12	270,700	0.64
Shareholders' funds	2,216,922	2,711,595	2,685,497	−494,673	−18.24	26,098	0.97
Measurement adjustments	−40,610	−10,125	38,984	−30,485	−301.09	−49,109	−125.97
Minority interests	5,296	6,459	5,830	−1,163	−18.01	629	10.79
TOTAL EQUITY	2,181,608	2,707,929	2,730,311	−526,321	−19.44	−22,382	−0.82
TOTAL LIABILITIES AND EQUITY	44,760,268	45,237,138	44,988,820	−476,870	−1.05	248,318	0.55

Public consolidated income statement of the Ibercaja Group

	Amount			Increase 12/11		Increase 11/10	
(Euro '000)	2012	2011	2010	Euro ' 000	%	Euro ' 000	%
Interest and similar income	1,245,140	1,231,507	1,098,103	13,633	1.11	133,404	12.15
Interest and similar charges	666,501	740,082	566,987	–73,581	–9.94	173,095	30.53
INTEREST MARGIN	578,639	491,425	531,116	87,214	17.75	–39,691	–7.47
Return on equity instruments	13,916	19,299	16,875	–5,383	–27.89	2,424	14.36
Net fee income and exchange differences	235,781	233,018	230,281	2,763	1.19	2,737	1.19
Other operating income and charges	–14,837	12,920	11,067	–27,757	–214.84	1,853	16.74
RECURRING GROSS MARGIN	813,499	756,662	789,339	56,837	7.51	–32,677	–4.14
Operating expenses	499,783	523,804	518,694	–24,021	–4.59	5,110	0.99
– Staff costs	313,496	327,895	326,186	–14,399	–4.39	1,709	0.52
– Other general administrative expenses	147,277	153,313	146,865	–6,036	–3.94	6,448	4.39
– Amortization	39,010	42,596	45,643	–3,586	–8.42	–3,047	–6.68
RECURRING RETAIL MARGIN	313,716	232,858	270,645	80,858	34.72	–37,787	–13.96
Rof and other non-retail	433,007	48,895	17,324	384,112	785.59	31,571	182.24
PROFIT OR LOSS BEFORE WRITE-DOWNS	746,723	281,753	287,969	464,970	165.03	–6,216	–2.16
Impairment allowances and other write-downs	1,432,742	212,178	154,442	1,220,564	575.25	57,736	37.38
PROFIT OR LOSS BEFORE TAXES	–686,019	69,575	133,527	–755,594	–1.086.01	–63,952	–47.89
Income tax	–200,309	12,791	32,294	–213,100	–1.666.02	–19,503	–60.39
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	–485,710	56,784	101,233	–542,494	–955.36	–44,449	–43.91
Loss attributed to the parent entity	–484,951	57,426	103,604	–542,377	–944.48	–46,178	–44.57
loss attributed to minority interests	–759	–642	–2,371	–117	–18.22	1,729	72.92

2 THE IBERCAJA SOCIAL WORK

Since 1876, the Ibercaja Social Work contributes towards the development and progress of the community by financing many initiatives and programs with the aim of achieving a better and more egalitarian future for all.

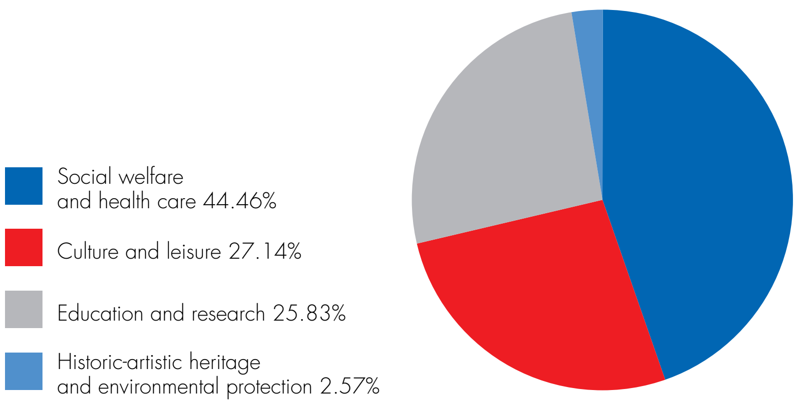
The primary lines of action in 2012 have been to meet basic needs, support education and preserve jobs. The weaker groups in the community have been particularly hard hit by the economic crisis, so the Social Work has made efforts to boost assistance and aid to the less privileged. Regarding jobs, the Social Work has promoted the integration in the community and the labor market of individuals suffering from disabilities or at risk of being excluded from the community. Among its cultural and educational activities, the Social Work has arranged exhibitions, lectures and courses. Besides, it has cooperated with non-governmental organizations by supporting initiatives and solutions for meeting the more basic needs of human beings in developing countries.

During the year, a total of 23 million euro was made available for Social Work activities. Of that amount, 16 million were allocated to own projects and to meet overhead and fixed asset maintenance expenses and seven million euro were spent on cooperating in various projects with public agencies and bodies as well as private societies. By type of project, those aimed at providing health and social welfare assistance took 44.46% of the total expenditure, those relating to culture and leisure took 27.14%, and those relating to education and research took 25.83%.

Social Work budget settlement for 2012

(Thousand euros)	Own work	Work in cooperation	Total	%
Culture and leisure	4,260	1,953	6,213	27.14
Social welfare and health care	8,079	2,098	10,177	44.46
Education and research	3,966	1,946	5,912	25.83
Historic-artistic heritage and environmental protection	0	588	588	2.57
TOTAL	16,304	6,585	22,889	100.00

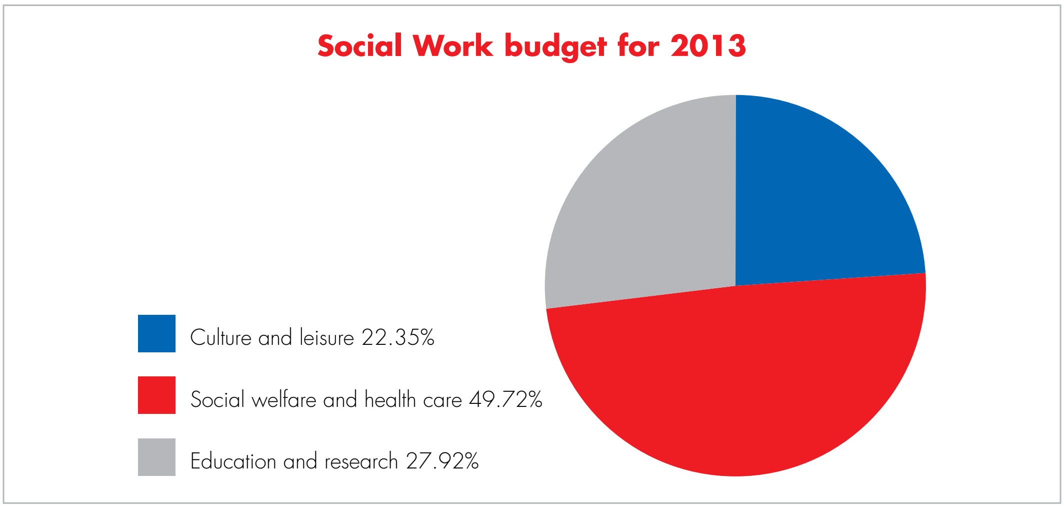
Social Work budget settlement for 2012



The amount appropriated for the Social Work in 2013 is 15 million euro, split as follows 49.72% for social welfare and health care, 27.92% for education and research, and the remaining 22.35% for cultural and leisure projects.

Social Work budget for 2013

(Thousand euros)	Own work	Work in cooperation	Total	%
Culture and leisure	3,082	271	3,353	22.35
Social welfare and health care	6,855	604	7,458	49.72
Education and research	3,849	339	4,188	27.92
TOTAL	13,786	1,214	15,000	100.00



3 GOVERNING BODIES OF CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA

Board of Directors of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja

Control Committee of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja

COMPOSITION OF THE GENERAL ASSEMBLY

List of members

Depositors

Zaragoza district

María Pilar Arana Pardo
Francisca Arnal Castillo
María Jesús Blecua Lis
Ángel Bondía Hernando
Antonio Campos Hernández
Ismael García Santamaría
Darío García Soria
María Pilar Garín Ordovás
Santiago Tomás Gil Arguedas
María Esther González Torrellas
María Pilar Herrero Hernando
Miguel Ángel Luna Capapé
Isabel Marco Sanjuán
Enrique Monzón Simón
Miriam Oliva Alcubierre
José Antonio Pueo Salvate
Jesús Serrano Sáenz
Aurelio Sicilia Pérez
Luis Valiño García
Joaquín Vallespín Tena

Huesca district

Roberto Buisán Aristimuño
Myriam Virginia Ciprés Aznar
Luis Gómez Caldú
Ana Isabel Ordás Escó
Alberto Palacio Aylagas
Sonia Vidal Laguardia

Teruel district

José Ramón Barea Benedicto
María Pilar Descalzo Rodríguez
Manuel Vicente Giménez Gascón
Ángel Torrijo Luna

La Rioja district

Carlos Angulo Ramos
María Cristina Azpeitia Larrea
María Carmen de la Fuente Ramos
Luis Miguel Jubera Olarte
Raquel Miranda Mendoza
José Luis Soldevilla Mayor

Guadalajara district

Filoromo Bartolomé Pérez
Julia Pilar Paton Delgado
María Rosa Pérez del Río
Beatriz Santamaría González
Enrique Viejo Ximénez
(Not an Assembly Member)

Madrid district

María de los Ángeles Anguita Fernández
Francisca Bravo de Lucas
María Luisa Capitán Lominchar
Enrique Carbajosa Hernández
Mateo Estaún Díaz de Villegas
Celso Forniés López
Alberto Galindo Tixaire
Antonio Horrillo Ramos
Carlos Huélamo Fernández
Patricio José Novales Pac
José Manuel Pomar Sasot
Manuel Roglán Lombarte

Catalonia-Balearic isles district

Lorenzo Bergua Lorente
Francesc Farré Coll
Gemma Gilabert Belinchón
Juan Mallol Estany

Valencia-Murcia district
Antonio Adrien Peris
Luis Latorre Moreno
Silvia López Trigueros
María Isabel Ube Ibáñez

Rest of provinces districts
María Vanesa Aranda García
Pedro Sánchez Guerrero

Autonomous region of Aragon

Manuel Alquézar Burillo
Salvador Ariste Latre
José Carlos Arnal Losilla
Juan Ramón Aso Bailo
Ángeles Aylón Baquedano
Antonio Barrachina Lupón
Martín Beneded Campo
Primitivo Cardenal Portero
Fernando Cavero López
Alejandro de la Mata Menéndez
(As from 08.06.2012)
Lorenzo Delso Ibáñez
Luis Ramón García Carús
Silvia Inés Gimeno Gascón
José Gracia Nerín
Manuel Hernández Laplana
Joaquín Pascual Juste Sanz
Ana Isabel Lasheras Meavilla
(As from 19.01.2012)
Julián López Babier
Ángel Carlos Lorén Villa
Emilio Manrique Persiva
Gregorio Martín Francos
Eugenio Nadal Reimat
Miguel Pamplona Abad
(As from 14.09.2012)
Jesús Pérez Pérez
Victoria Pérez Pérez
Salvador Plana Marsal
Carlos Queralt Solari
Eva Romeo Longares
Carmen Sánchez Asín
Pascual Germán Sanromán Sesé
Ricardo Sesé Giner
Mercedes Zagalá Pérez

Local Authorities

Zaragoza District
Local Authority of Zaragoza
Jesús Solchaga Loitegui
José Enrique Rodríguez Furriel
Local Authority of Aguilón
Andrés Herrando Oliván
Local Authority of Calatayud
José Antonio Gonzalo López
Local Authority of Ejea de los Caballeros
Domingo Malo Arilla
Local Authority of Gallur
Antonio Liz Gaspar
Local Authority of Utebo
Miguel Carmelo Dalmau Blanco

Huesca District
Local Authority of Huesca
Pending to be appointed
Local Authority of Aragüés del Puerto
Joaquín Molinos Follos
Local Authority of Monzón
José Gabriel Albas Oncins

Teruel District
Jesús Bueno Arrese (Not an Assembly Member)
Local Authority of Teruel
Lucía Gómez García
Local Authority of Alcañiz
Amor Pascual Carceller
Local Authority of Vivel del Río Martín
Ángel Valiente Moreno

La Rioja District

Local Authority of Logroño
José Luis Prado Prado

Local Authority of Calahorra
Luis Martínez-Portillo Subero

Local Authority of Tricio
Carlos Benito Benito

Guadalajara District

Local Authority of Guadalajara
Juan Antonio Pérez Borda

Local Authority of Tortuera
Jesús Ángel Sola Perdiguero

Madrid District

Local Authority of Madrid
Leocadio Bueso Zaera
José Salinas Lecina

Local Authority of Alcalá de Henares
Evaristo Luis Vargas Méndez

Local Authority of Aranjuez
Francisco J. Fernández del Valle

Local Authority of Fuenlabrada
José Santiago Sánchez Luque

Local Authority of Rivas Vaciamadrid
Guillermo Magadán Cuesta

Catalonia-Balearic isles Districts

Local Authority of Barcelona
Josep Tejedo Fernández
(As from 20.02.2012)

Local Authority of Lleida
Marta Camps Torrens

Local Authority of Granollers
Pending to be appointed

Valencia-Murcia District

Local Authority of Valencia
Joaquín Salvo Aranda

Local Authority of Almassora
Pending to be appointed

Rest of provincies District

Local Authority of A Coruña
Pending to be appointed
Xosé Enrique Rafael Tello León
(Until 06.07.2012)

Local Authority of Sevilla
Antonio Rodríguez Galindo

Local Authority of Toledo
Emiliano García-Page Sánchez
(Until 08.06.2012)
María Elisa Romero Fernández-Huidobro
(As from 23.11.2012)

Employees

Zaragoza District
José Luis Delatas Pellejero
José María Fernández Bañeres
Ignacio Ramón Liria Lafarga
Alberto Peralta Bayo

Huesca-Teruel District
Luis Miguel Español Viñola

La Rioja District
José Luis Lagunilla Martínez

Madrid-Guadalajara District
José Manuel Novo Balado
Jaime Zaro Jiménez

Catalonia-Balearic isles District
Miguel Ángel de la Fuente Aige

Valencia-Murcia District
Santiago Pino Valle

Rest of de provincies District
Manuel Jesús Martín Molina

Founding Entity

José María Abós Ferrer
Mariano Bergua Lacasta
Benjamín Blasco Segura
Valeriano Castillón Salas
Emilio Eiroa García
Amado Franco Lahoz
Emiliano Martínez Castillo
Gabriel Morales Ruiz
María Isabel Oliván Jarque
José I. Pascual de Quinto y de los Ríos
José María Ruiz-Tapiador Trallero
José María Valero Adán
Aurelio Vallespín Tena
Fernando Vicente Thomas

Entities representing other stakeholder groups

Carlos Guerrero Rica
(Virgen del Pueyo Foundation)
Pedro Herraiz Bayod
(International Cooperation NGO)
Bernardo Jiménez Moreno
(Ramón Rey Ardid Foundation)
José Luis Lucea Lafuente
(Federico Ozanam Foundation)
José Antonio Méndez Gil
(Spanish Association Against Cancer)
Francisco Juan Ratia Sopena
(Coordinator of Associations of Disabled Individuals of Huesca) (Cadis Huesca)
María Teresa Soro Andiano
(Picarral Foundation)

Board of Directors

President	Mr. Amado Franco Lahoz (Founding Entity)
Honorary Presidents	Mr. José Luis Martínez Candial
	Mr. Manuel Pizarro Moreno
1St Vice President	Mr. Eugenio Nadal Reimat (R. Auth. Aragon)
2St Vice President	Mr. Alberto Palacio Aylagas (Depositors)
Secretary	Mr. Jesús Bueno Arrese (Local Authority)
Members	Mr. Lorenzo Bergua Lorente (Depositors)
	Mr. Manuel Vicente Giménez Gascón (Depositors)
	Mr. Julián López Babier (R. Auth. Aragon)
	Ms. Lucía Gómez García (Local Authority)
	Mr. Joaquín Molinos Follos (Local Authority)
	Mr. Fernando Cavero López (R. Auth. Aragon)
	Ms. María Carmen Sánchez Asín (R. Auth. Aragon)
	Ms. Isabel Marco Sanjuán (Depositors)
	Mr. Enrique Monzón Simón (Depositors)
	Ms. María Cristina Azpeitia Larrea (Depositors)
	Mr. Enrique Viejo Ximénez (Depositors)
	Mr. Mateo Estaún Díaz de Villegas (Depositors)
	Mr. Leocadio Bueso Zaera (Local Authority)
	Mr. Mariano Bergua Lacasta (Founding Entity)
	Mr. Jesús Martín Molina (Employees)
	Mr. Francisco Juan Ratia Sopena (Eric)

Control Committe

President	Mr. Jesús Solchaga Loitegui (Local Authority)
Vice President	Mr. Luis Ramón García Carús (R. Auth. Aragon)
Secretary	Mr. Fernando Vicente Thomas (Founding Entity)
Members	Mr. José Manuel Pomar Sasot (Depositors)
	Ms. María Jesús Blecua Lis (Depositors)
	Mr. Luis Miguel Español Viñola (Employees)
	Ms. M.ª Teresa Soro Andiano (Eric)

Activities of the Governing Bodies of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja durante in 2012

General Assembly

This Governing Body held the Annual Meeting on April 19, 2012, and an extraordinary Meeting on June 26, 2012.

At the Annual Meeting of April 19, 2012, the General Assembly, after hearing and discussing the reports of the Control Committee and the External Auditors, and taking into account the proposals made by the Board of Directors on March 30, 2012, approved the Annual Accounts and the Consolidated Annual Accounts of the Entity for the year ended December 31, 2012, including the Balance Sheet, the Income Statement with the consequent profit distribution, the Statement of Changes in Net Assets and Cash Flows and the Notes to the annual accounts for the Year, as well as the directors' report. The Assembly also approved the Conduct and Settlement of Expenses of the Social Work for the year 2011 and its Budget for 2012.

Besides, in compliance with the provisions of Section 61'' of the Spanish Securities Market Act No. 24/1988, of July 28, 1988, the Assembly accepted the Annual Report on remuneration of the members of the Governing Bodies approved at the meeting of the Board of Directors of March 30, 2012, and re-appointed PricewaterhouseCoopers Auditores SL as the auditors for the individual and consolidated annual accounts of the 2012 and 2013 years.

At the extraordinary Meeting of June 26, 2012, the Assembly heard a proposal for the integration of Ibercaja Banco SAU with Liberbank SA and Banco Grupo Cajatres SA, with the Board being empowered to reduce to less than 70% the Entity's stockholding in the bank through which the financial business was to be carried on.

Board of Directors

This Governing Body held 13 meetings in 2012 in performance of its duties of conducting and managing the financial business.

The Board of Directors of the Savings Bank, as the sole stockholder of Ibercaja Banco SAU, was duly informed of the matters dealt with at the meetings of the Board of Directors of the Bank, especially those relating to the reorganization of the Spanish financial sector and to the integration processes undertaken, and in such capacity adopted the relevant resolutions.

During the first quarter, the Board formulated the Annual Accounts and the Consolidated Annual Accounts of the Entity for the year ended December 31, 2012, including the Balance Sheet, the Income Statement with the consequent profit distribution, the Statement of Changes in Net Assets and Cash Flows and the Notes to the annual accounts for the Year, as well as the relevant directors' report. The Board also approved the Corporate Social Responsibility Report of the Group, the Annual Capital Self-evaluation Report and the Remuneration Report referred to in Section 61'' of the Securities Market Act to be presented to and voted on by the General Assembly.

On February 29, 2012, the Board ratified the integration protocol executed between the presidents of Ibercaja Banco SAU, Banco Grupo Cajatres SA and the stockholder Savings Banks, and then, on May 31, 2012, the Board ratified the new Integration Protocol executed on Liberbank joining the operation. The Board resolved to propose that the General Assembly approve the integration of the three entities and a reduction to less than 70% of the Entity's share in the stock capital of the bank through which the financial business was to be carried on, provided always that such move did not result in the resulting entity falling under the description as a special foundation.

The changes in regulations, the aid requested by the Government of Spain from the Eurozone to recapitalize the financial sector and the results of the stress tests performed by Oliver Wyman altered the conditions under which the integration protocol had been executed and the financial assumptions taken into account in doing so. Therefore, at a meeting of October 9, 2012, the Board resolved not to approve the split-off of assets and liabilities of Ibercaja Banco SAU towards the new entity that was going to the formed as a result of the integration process.

Later, at a meeting held on October 26, the Board head a report on the Recapitalization Plan approved by Ibercaja Banco, to be submitted for approval by the Bank of Spain, in which, in light of the results of the stress tests performed by Oliver Wyman, the banking subsidiary described the levers available to reinforce its own funds by December 31, 2012, without having to resort to aid from the public authorities.

At the meeting of November 29, 2012, the Board ratified a new Protocol for integrating Ibercaja Banco SAU with Banco Grupo Cajatres SA, executed between the presidents of both entities and of their respective stockholder savings banks.

Control Committee

In performing its duties of examining the conduct of the business by the Board of Directors as well as the legality of Board resolutions, of liaising with the external auditors and of assuring the transparency of elections, the Committee held a total of eight meetings and drew up the reports it is required to present once every six months to the General Assembly, the Government of Aragon, and the Bank of Spain.

iberCaja