Grupo iberCaja

2013 Annual Report

Ibercaja Banco S.A.
- IBERCAJA -

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2013 Annual Report

Ibercaja Banco Group

A

Financial and business report

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1 Introducing the group and key figures

Ibercaja Banco SA is a credit entity majority-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. Ibercaja Banco SA engages the financial business activities that used to be carried on by its parent firm, the Savings Bank, until 2011.

It is registered at the Mercantile Registry Office of Zaragoza, in volume 3,865, Book 0, folio 1, Page No. Z-52186, 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.

The Banco Ibercaja Group engages mainly in retail banking, and does most of its business in Spain. 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 authorized to carry out under legislation in effect, including the rendering of investment and auxiliary services.

Integration of Banco Grupo Caja3

The acquisition of Banco Grupo Caja3 has been the most noteworthy event of the business year and the most significant corporate move since Ibercaja was established. It has taken place in the context of a process of consolidation of the Spanish financial system and has enabled the Group to gain in size at a time when organic growth is highly restricted by the economic and market circumstances. The operation is expected to generate major economies of scale and synergies, as well as significant increases in efficiency, solidity and profitability in the short and medium term. Following integration, the resulting Entity has a balance sheet totaling more than 63,000 million euro and ranks ninth in the Spanish banking system; it is the leading bank in its Traditional Territory (Aragon, La Rioja, Guadalajara, Burgos and Badajoz) and has a very outstanding position in other markets. The resulting Entity serves 3.3 million customers through 1,400 branches and more than 6,400 employees.

On May 23, 2013, once the Restructuring Plan for Caja3 was approved by the responsible European and domestic authorities and Caja3 met certain requirements, an agreement was executed to integrate Banco Grupo Caja3 within Ibercaja Banco.

On 25 July 2013, after meeting the suspensive conditions and obtaining the requisite administrative exemptions and authorisations, Ibercaja Banco achieved the ownership of 100% of the share capital of Banco Grupo Cajatres, S.A. For this purpose, it carried out a capital increase of € 325.5 million which was subscribed by the shareholders of Banco Grupo Cajatres, S.A. in exchange for this entity's entire share capital. The new shareholders obtained a joint holding of 12.2% in the share capital of Ibercaja Banco. The stockholder structure of the Bank is now as follows: Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja has a stake of 87.8%, and Caja Inmaculada, Caja Circulo de Burgos as well as Caja Badajoz jointly hold a 12.2% interest.

Having completed the first stage of the operation, full integration is foreseen to be achieved by no later than December 2014, by Ibercaja Banco absorbing the assets and liabilities of Caja3 as a whole and the latter being dissolved.

The Integration Plan is going ahead at a fast pace from the commercial, organizational and technological viewpoints, especially some key aspects such as consolidating a uniform culture and implementing the management model and way of doing business of Ibercaja throughout the organization while at the same time preserving the Group's four very valuable and centenary brands.

Stockholder structure of the Ibercaja Group

The new Group…

- Has 63,000 million euro in assets, ranking 9th among Spanish lending entities.
- Ranks 8th in business in the Spanish banking system.
- Has a leading position in Aragon and a big presence in La Rioja, Guadalajara, Burgos, Badajoz y Madrid.
- Has a customer base of more than 3.3 million that brings stability to the business and aids diversification
- Reinforces disintermediation with more than 18,000 million euro in assets managed under investment funds, pension plans and savings insurance schemes
- Will be more efficient and competitive thanks to economies of scale and synergies.
- Looks to become a benchmark entity known for the quality of its service to customers
- Confirms its commitment towards the community through its Foundation activities.

Key figures

	2013	2012	2011
Ibercaja Banco Group			
BALANCE SHEET (Million euro)			
Total Assets	63,118	44,664	45,144
Loans and advances to customers - gross	39,095	31,041	32,928
Securities portfolio	19,826	11,040	9,016
Total resources managed	61,989	43,593	47,318
– Off-balance sheet resources	*12,053*	*8,815*	*8,564*
Resources of retail customers	47,423	31,436	32,363
INDICATORS AND RATIOS			
Delinquency ratio (%)	10.25	5.48	4.16
Total cover of non-performing loans (%)	56.96	88.42	60.21
Liquid assets available / total asset (%)	16.89	12.24	13.71
Total loans / retail loans ratio (%)	99.95	119.95	119.80
Core capital (%)	10.29	10.40	10.40
Principal capital (%) as per RO-in-C 24/2012*	10.29	10.40	
* Requirement since 2013 - 9%			
RESULTS (Thousand euro)			
Net interest income	592,210	577,924	491,170
Gross margin before gains or losses on financial assets and liabilities	814,385	783,484	746,510
Profit before write-downs	352,283	747,710	284,308
Impairment allowances and other write-downs	421,448	1,432,836	212,100
Net profit or loss (attributed to the parent entity)	-29,383	-484,951	57,426
Other significant facts[1]			
Number of branches	1,407	1,047	1,052
Number of employees of parent company (total number on payroll)[2]	6,411	4,723	4,799
Number of automatic teller machine (ATM)s	1,658	1,142	1,144
Volume per office - (Million euro)[3]	71,844	71,283	76,279
Volume per employee - (Million euro)[3]	15,767	15,802	16,721

1. Data from 2013 correspond to aggregation Ibercaja Banco and Caja3 (individual entities).

2. Banking business employees.

3. Turnover: Loans and advances to customers, gross + Total funds managed

Credit rating of Ibercaja Banco SA:

	Short term	Long term
Moody's	NP	Ba3
Standard & Poor's	B	BB
Fitch Ratings	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 world economy slowed down slightly in 2013, with growth of around 2.9%, which is less than the figure recorded in 2012. This same trend was shared by both emerging and developed countries.

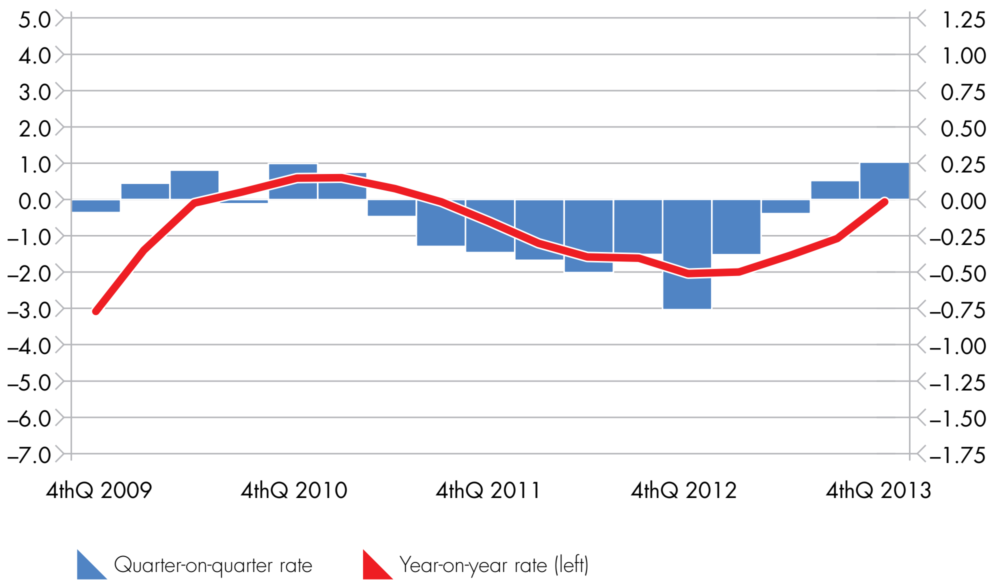
In the United States, the fiscal adjustment, the first announcement of the withdrawal of the quantitative easing program, which was subsequently delayed, and the transitional solution for the debt ceiling had a negative effect on expense and investment decisions, which slowed its economy to a year-on-year rate of 1.6%, notably lower than the preceding year. However, the latest business activity indicators provide for a positive outlook for 2014. Meanwhile, in Japan the variance in the expected GDP of 2% confirms the success of the fiscal and monetary policy change after a long period of stagnation.

China maintains a high growth rate of 7.7%, which is now more balanced as domestic consumption has become more prominent, and the authorities are expected to implement the planned structural reforms, including the financial system.

In the Eurozone, measures taken in 2012 have dissipated doubts regarding the viability of the single currency and have considerably relieved the debt crisis as the risk premium for some countries such as Spain have appreciably declined. The ECB's monetary policy and the relaxation of deficit targets have led to a recovery of growth starting in the second quarter. However, the strength of the largest countries has not been able to offset the weakness of the peripheral countries, and the aggregate decline during the year totaled 0.4%.

At the meeting held in November, the ECB cut the prime interest rate to 0.25%, the lowest level the history of the euro, and ratified its monetary policy by maintaining liquidity auctions and three-month transactions, without any limit in terms of amount and at a fixed rate until July 2015. A new long-term liquidity auction was also not ruled out.

Trend in Spain's GDP



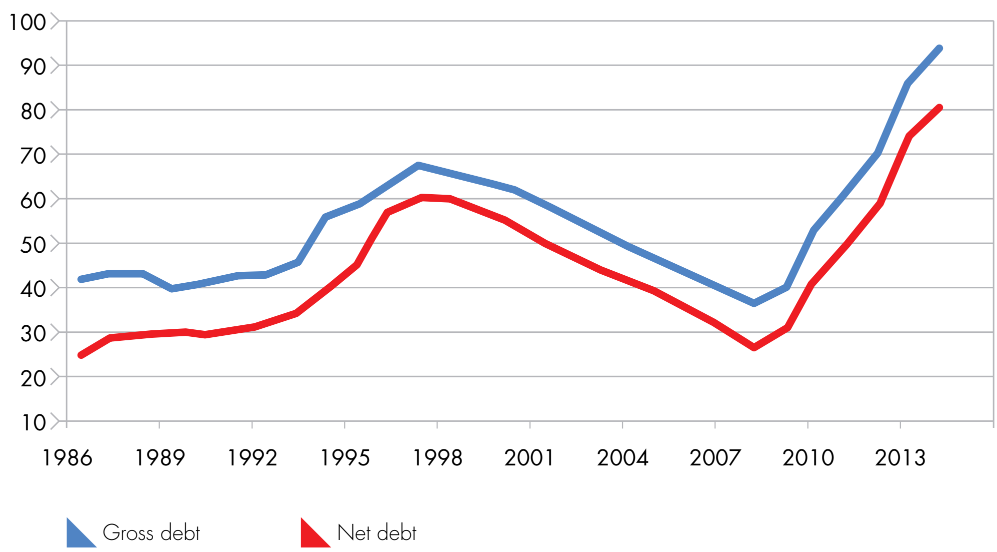
After nine consecutive quarters of declines the Spanish economy began to grow during the second half of the year. However, the year-on-year decline in GDP is 1.2%. The incipient recovery is based on the good performance of exports, which have continued to grow due to higher competitiveness as a result of price and salary moderations, together with labor market flexibility efforts. Investment developments also encourage optimism since the amounts applied to capital goods rose by 2% during the year, in contrast with the repeated declines in construction. Household consumption, while improving during the last few months of the year, continues to drag down growth due to the high unemployment rate, salary containment and tax increases..

The labor market shows signs of being close to reach the bottom and Social Security lost 85,000 registrations, compared with more than 700,000 in 2012. Even still, the unemployment rate is anchored at very high levels and according to the survey of the active population in the fourth quarter; it was 26.02% despite the appreciable decline in the number of people actively seeking employment.

Once the effects of the increase in VAT in 2012 have passed, the inflation rate ended the year at a rate of 0.3%, year-on-year. The differential within the Eurozone, which is very favorable for Spain, facilitates the internal devaluation process to which the Spanish economy is subject, allowing it to gain in competitiveness.

After the adjustments applied over the past few years, the fiscal policy involving the reduction of public deficit continues slowly. Despite the efforts made, and in the absence of definitive data, public deficit will reach 7% of GDP in 2013. The commitments made to the European Commission in subsequent years may be obtained if the best economic outlooks become reality, consequently increasing public revenues. The accelerated growth of public debt, which threatens to exceed 100% of GDP, is a negative point, as it will be difficult to sustain such a high volume and due to the expulsion effect that it has on private sector access to credit.

Spain's public-sector debt (as a % of GDP)



After three consecutive years of declines, the Spanish stock market was in positive territory at the end of 2013. Ibex 35 index rose by more than 21% within a context where the most important stock indexes obtained notable gains. Such a good performance of the Spanish index is due to a better perception of the economy, the low price levels after the sharp corrections that took place in preceding years, abundant liquidity and the return of foreign investments.

The Spanish financial sector is culminating the write-off and re-sizing process that started with the first measures adopted nearly 4 years ago. The recapitalization and restructuring plans, together with the transfer of property assets to SAREB made by banks with problems, have allowed doubts regarding the system solvency to dissipate. In addition to the extraordinary efforts with regard to provisions made in 2012, in 2013 new requirements were established with respect to re-financed balances, obtaining a high level of coverage. Installed capacity continues to be reduced at a good rate in order to adapt it to market size. The number of offices and payroll has been reduced by around 30% from their high levels set in 2008.

The outlook for the Spanish economy in 2014 is hopeful, with the challenge of sharpening the business recovery observed over the past two quarters. The consensus of analysts calls for a positive, although modest, growth rate of around 0.8%. For this to happen, internal demand must improve so that the export sector is not the only one supporting the recovery, within a context where unemployment rate is not expected to undergo significant changes.

The outlook the financial system in 2014 foresees the consolidation of economic growth and, at the same time, the activity recovery to normal flows of financing to families and businesses, without deteriorating the quality of the loan portfolio. The evolution of these factors will affect Ibercaja Banco Group's business while low interest rates will put pressure on interest margins, partially offset by the relaxation of retail costs. The rationalization of costs, together with lower impairment losses after the large write-downs that have already taken place, will be key factors to drive profitability.

3 Operations of the Ibercaja Banco group

In July, Ibercaja Banco completed the acquisition of a 100% stockholding in Banco Grupo Caja3. The operation was a major move in the growth of Ibercaja, considering the deep transformation which is taking place in the Spanish financial system, leading towards a lower number of stronger entities, and represents a significant advancement in Ibercaja's growth at a time when banking activity is contracting in Spain. The transaction will allow the Entity to obtain potential relevant synergies in the medium-term that will improve the efficiency and competitiveness of the new Group. The merger process is being carried out in accordance with the schedule and will be completed during the final quarter of 2014.

During the ended year, several factors strongly pressured banking profits: the slowdown in activity due to the economic environment in Spain, the low interest rates due to the decline in the Euribor, which affects mortgage loans in particular, the increase of defaults as well as the already mentioned provisions for the refinanced portfolio.

The Group maintained a high volume of activity as a result of the intense commercial efforts carried out. Credit contraction was lower than the one seen in the whole system and retail customer resources have advanced appreciably. The Group has promoted a higher focus on obtaining and maintaining customers in the target segments, particularly reinforcing relationships with companies, especially SMEs, and personal banking customers, while reducing dependence on individual mortgage activities. Special emphasis has been placed on developing the businesses in which Ibercaja has proven capacity, such as investment funds, pension plans and endowment insurance. A customer orientation and differentiation through excellent service are the basis on which the development of the business is sustained. To reinforce these aspects, the Entity has renewed the European 500+ Seal of Excellence in accordance with the EFQM model criteria and the certification granted by AENOR for Personal Banking Customer Advisory Services.

Income from the loan portfolio has been affected by the steep fall in the Euribor to the lowest levels since the creation of the euro and, simultaneously, significant efforts have been made in terms of provisions and therefore, the results for the year must be evaluated within this extraordinary context. Solvency indicators, asset quality above the system average, the high level of liquidity and the large write-downs applied over the past two years are notable and place the Entity in a solid position to drive business and profits.

3.1 Banking performance and distribution channels

3.1.1 Customers' funds

The Group's commercial policy has been aimed at protecting business margins through active price management and by offering products that are attractive to customers and work as incentives for them to develop closer links with the Entity.

Retail customers' funds managed by the Group, at 47,423 million euro, were up 15,986 million from December, 2012. On-balance sheet funds rose 11,927 million, while the balance for brokerage products increased by 4,059 million. Leaving out the effects of the takeover of Banco Grupo

Caja3, the organic growth of retail funds would have been 3.31%, with a 1.42% fall in on-balance sheet funds and a rise of 11.89% for those off-balance sheet.

The trend in retail customers' funds reflects, in addition to the takeover of Banco Grupo Caja3, the following factors:

- The Bank's strategy for preserving yields at a time in which the decline in loan investments gives rise to lower financing needs
- Low interest rates, leading to the migration of savings away from term deposits and promissory notes towards off-balance sheet funds, especially investment funds and savings insurance products, because of the more attractive returns customers can earn on these.
- The intense commercial activities carried out to offset the possible loss of business deriving from the restructuring of the Cajatres network.

Breakdown of customers' funds

(Million euro)

	December 2013	December 2012	Increase	% Increase
Demand deposits - public sector customers	585	252	333	132.21
Demand deposits – other customers	13,260	8,414	4,846	57.59
Time deposits	18,324	11,617	6,707	57.73
Repurchase agreements	48	7	41	613.81
On-balance sheet retail customers funds	**32,217**	**20,290**	**11,927**	**58.78**
Assets sold under agreements to repurchase on maturity	335	429	–95	–22.02
Investment funds	6,368	4,528	1,840	40.64
Pension Plans and savings insurance products	8,504	6,190	2,314	37.38
Off-balance sheet retail customers' funds	**15,206**	**11,147**	**4,059**	**36.42**
Total retail customers' funds	**47,423**	**31,436**	**15,986**	**50.85**
Total funds managed by the group*	**61,989**	**43,593**	**18,396**	**42.20**

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

On a constant perimeter basis for comparative purposes[1], demand deposits net of those from public sector customers increased by 4.44%, while the aggregate figure of time deposits plus promissory notes fell 5.73% on balance for the year. The change reflects the fact that savers seek to maintain liquid positions in the face of the somewhat uncertain picture and are reinvesting in other assets as mentioned above. Off-balance sheet retail funds grew 11.89%. The volume of assets managed through investment funds increased 21%, with this very favorable trend reflecting both increased contributions and gains in value. Significant growth, of about 7%, has likewise been achieved in pension plans and insurance savings products.

1. Leaving out the figures for Banco Grupo Caja3

The Group's share in the Spanish investment fund business has been 4.06% of the total, consolidating its ninth position in the ranking of entities operating on this market. Regarding pension plans, the Entity succeeded in increasing its market share to 6%, up five basis points from the ended year 2012, whereas in life insurance products its share has increased by 98 basis points up to 4.13%.

3.1.2 Loans and advances to customers

Gross customer loans rose by € 8,055 compared to 2012, to a total of € 39,095 million. It should be noted that within the framework of its restructuring process Cajatres transferred € 3,404 million in assets to SAREB. Organic change in credit, using constant figures, was –3.63%, a lower percentage contraction than that experienced by the whole financial system.

The evolution of financing has been conditioned by the restriction in demand, which is a reflection of the weak Spanish economy, the deterioration of the solvency of borrowers as a result of the prolonged economic crisis and the tendency of companies and households to deleverage.

In 2013 new credit transactions for an approximate amount of € 3,100 million took place. Among Ibercaja's strategic objectives: to improve the structure of the loan portfolio by diversifying it and increasing the weight of loans to SMEs. More than half of the loans originated during the period relate to production activities different from real estate development..

Classified by sectors, the financing of the private residential sector, the primary component of loans, totals € 37,938 million. In turn, loans to public administrations and the non-resident sector total € 949 million and € 208 million, respectively.

Loans secured by physical collateral, basically relating to the acquisition of primary homes, represent 72.03% of the portfolio structure, while personal loans and financing, including term loans, represent 9.95%.

Breakdown of loans and advances to customers of the Ibercaja Banco Group, by type of guarantee

(Million euro)	December 2013	December 2012	Increase	% Increase
Commercial credit	339	278	61	22.13
Secured loans / secured receivables	28,161	24,638	3,523	14.30
Other term loans receivables	3,891	3,053	838	27.46
Financial leases	183	180	3	1.61
Receivables on demand and other	1,484	1,096	387	35.33
Impaired assets	4,006	1,698	2,308	135.91
Reverse repos and other financial assets	1,046	108	938	871.37
Measurement adjustments	–15	–11	–4	40.09
Gross loans and advances to customers	39,095	31,041	8,055	25.95
Impairment allowances	–2,275	–1,506	–770	–51.13
Net loans and advances to customers	36,820	29,535	7,285	24.67

The economic situation, the effect of the new refinancing criteria and the inclusion of Cajatres loan portfolio have led the Group's default rate to 10.25% at the end of the year.

Financing of individuals

Loans and advances to private individuals for financing home purchases and renovation work, at 65%, have remained the largest single item among loans and advances to private-sector customers since taking over the assets of Caja3. These loans and advances are almost entirely secured with mortgages. Ibercaja traditionally has a prominent position in this business segment, with a market share in excess of what could be expected given its total balance sheet figure. At the end of 2013, the balance outstanding of such loans and advances has been € 24,627 million.

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, especially those for financing purchases of homes on sale at own or third-party developments advertised on the web. The essential feature of this product is that it rewards customers who are loyal to the Bank with an attractive initial rate of interest, different grace periods and a flexible repayment schedule.

Several agreements remain under effect, designed to help meet the borrowing requirements of the members of different groups, such as professional associations, civil servants and large companies' employees, under attractive terms specifically designed for them.

Consumer credit, excluding the effect of the takeover of Banco Grupo Caja3, fell 2.95%. The persistent high level of unemployment has an adverse impact on performance in this area, even though increased available income of households and the renewal of some incentive schemes such as the PIVE Plan for automobiles could reverse the trend in the near future. By volume, the fast-track products *Turbocredito and Credito Electronico de Ibercaja Directo* have been the most demanded by customers. We must note that the offering of loans to finance undergraduate and postgraduate university studies as well as master's courses for young people has been renewed.

Financing of industrial activities

Loans and advances for operations other than real estate development were 7,186 million euro, 2,356 million more than the previous year. Leaving out the share of loans and advances contributed by Caja3, business in this segment has been slow reflecting sluggish demand in the face of weak consumer spending, which is leading businesses to defer their investment projects.

Ibercaja markets the credit lines of the Government lending agency ICO, with the differential feature of the *ultralight loans campaign* in which customers are given the option of being charged a lower rate of interest if they take other products and services too. This option is available to all customers engaging in industrial activities. The loans carry a floating interest rate and mature over periods ranging from two to fifteen years. In 2013, nearly 2,000 of these facilities were arranged.

To further aid the financing of SMEs in Aragon, Ibercaja has entered into a collaboration agreement with the regional Government of Aragon to market funds provided by the European Investment Bank. Half the funds for the € 200 million credit line are provided by the EIB and the other half by the collaborating entities. Ibercaja undertakes to supplement the EIB funds with a similar amount to the offered by such entity. In addition, Ibercaja has joined the Impulso scheme of the Government of Aragon, under which undertakings may apply for aid in the form of rebates in interest rates on loans and to lease fixed assets.

The Group has a very active presence in the farming sector, keeping several agreements with organizations and operators to finance projects in rural areas. Among these we may note agreements with the regional governments of Aragon, La Rioja, Castile-La Mancha and Castile-Leon to grant soft loans with the assistance of the Ministry of Agriculture to livestock breeders, with the ICO to finance farmers taking part in irrigation projects so they can install equipment on their irrigated plots, and with the Aragon Rural Development Network to provide loans and advances for territorial development of the region.

3.1.3 The branch network

Ibercaja has an extensive branch network. This is the basic tool, supplemented with alternative channels, through which the Bank deals with customers and gives them a personalized and quality service.

Following the acquisition of Caja3 the number of branch offices has increased to 1,407 and the Group has achieved a much better balanced presence in different territorial areas. The Group has a leading position in its Traditional Territory (the autonomous regions of Aragon and La Rioja, and the provinces of Guadalajara, Burgos and Badajoz), is a benchmark entity in Madrid, and has a big presence in other places such as Barcelona, Valencia and Lerida. It has a market share of at least 15% in terms of business activity in more than seven Spanish provinces.

The breakdown of the commercial network by Autonomous Community is as follows: 559 points of sale in Aragon, 194 in Madrid, 128 in Extremadura, 113 in Castile-Leon, 112 in La Rioja, 97 in Catalonia, 71 in Castile-La Mancha, 63 in the Valencia, 32 in Andalusia, and 35 in other autonomous communities. In addition, there are three offices operating in Portugal.

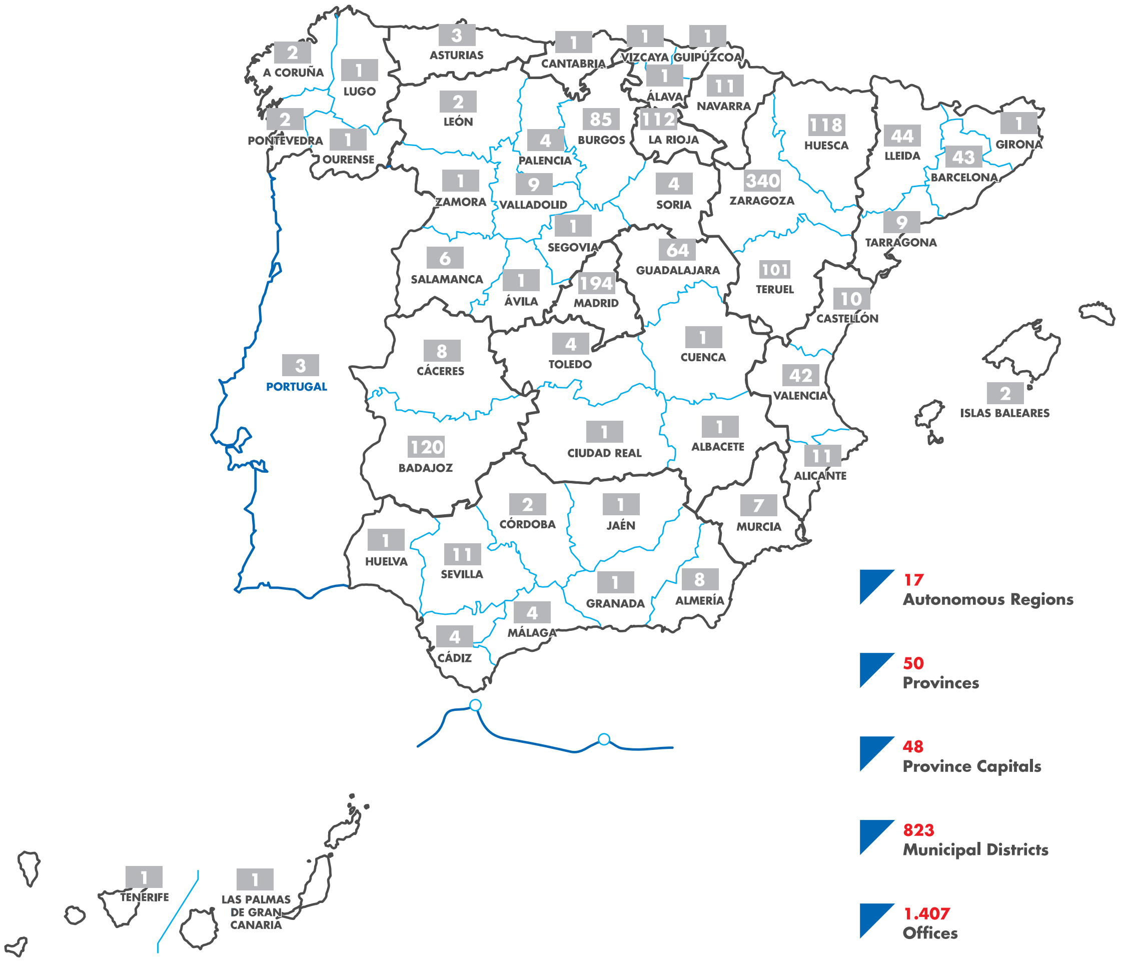
As part of the restructuring plan that Caja3 is committed to carry out, 187 of its branch offices have been closed down, thus meeting the objective fixed by the regulatory authorities. To serve all the customers who may have been adversely affected by the closure of branch offices, the Group has temporarily assigned customer service desks of Caja3 at 63 Ibercaja offices all over Spain.

For market-related reasons Ibercaja has merged some branches with low levels of business or relatively close to each other. This has resulted in the number of branch offices being cut down by 31. The rationalization has been carried out taking into account at all times the need to maintain the level of service to customers, even in rural areas.

To supplement the branch network the Group has more than 100 managers assigned to corporate banking and 200 to personal banking, as well as specific private banking centers throughout Spain.

Ibercaja has a model branch aimed at optimizing operating and commercial efficiency while at the same time providing a suitable environment for dealing with customers. Branches are designed to protect privacy and encourage a personalized approach, separating self-service and fast service areas from those used to respond to enquiries and to deal with customers individually. One of the steps taken in 2013 regarding the corporate image has been to display the Ibercaja Group name at the branches that previously belonged to Caja Inmaculada, Caja Circulo and Caja Badajoz, as a way of highlighting the process of integration of these century-old brands, each one serving many customers and with strong regional presence, to which the solidity of a large Group is added.

Ibercaja Group office network as of December 31, 2013



3.1.4 Multi-channel strategy

Ibercaja's multi-channel strategy is aimed at bringing services closer to customers so that they can use them at any place and time. The objective is to integrate the new channels with the traditional ones and ensure 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 so on.

e-Banking

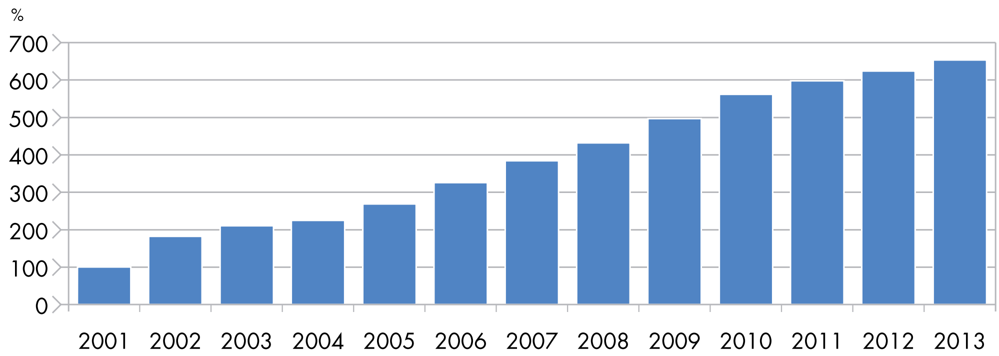
Ibercaja offers its customers a permanent access to online services and products through several distance channels, so that customers can operate through their most comfortable and easy to use channel. Customers can operate by Internet through *Ibercaja Directo* as well as by fixed and mobile telephones.

Ibercaja Directo is the Group's online banking and the most frequently-used distance platform. Different options are provided to each customer segment, with specific versions for retail and business customers, young people and stores. The number of users grew 6% in 2013, and the number of transactions has increased even further, to 154 million.

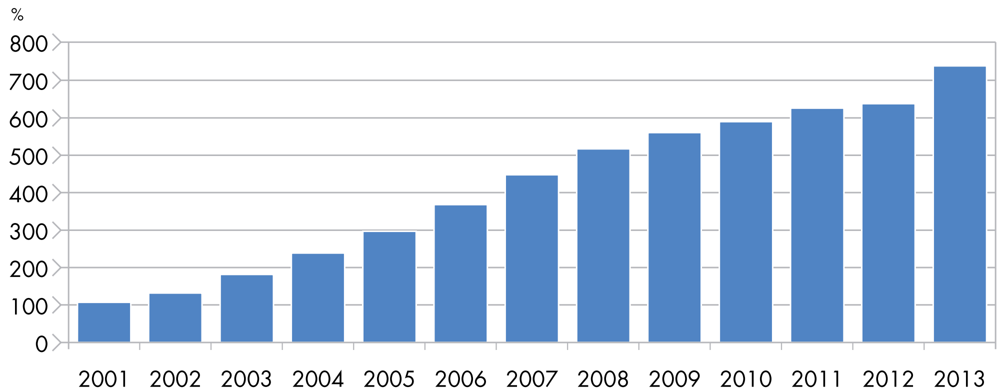
The new facilities introduced for Ibercaja Directo Business customers aim to improve and speed up the management of these users, while for Retail customers of *Ibercaja Directo* the range of products has been widened, changes have been made in the design of some operations and an option has been added enabling customers to pay bills issued by universities, chambers of commerce and other private organizations without any need to have a digital certificate.

The application specifically aimed at facilitating access by retail and corporate customers from mobile devices, put into operation in 2012, has been consolidated. To this tactile technology application that uses an Ios or *Android* operating system, new features have been added such as one for placing orders to sell or purchase domestic and foreign securities as well as warrants on the market, enquiring on the securities included in their individual portfolios, and viewing the status of orders issued through any channel. Technical improvements have been made to help download information to devices with small memories by reducing the size of the application by nearly 75% and giving the option of storing it in the SD memory card. The objective is to offer an up-to-date and constantly evolving mobile banking service in order to position the Group as a pioneer in this field among Spanish banks. The operations carried out using mobile banking devices have accounted for 8% of all multichannel banking operations in 2013.

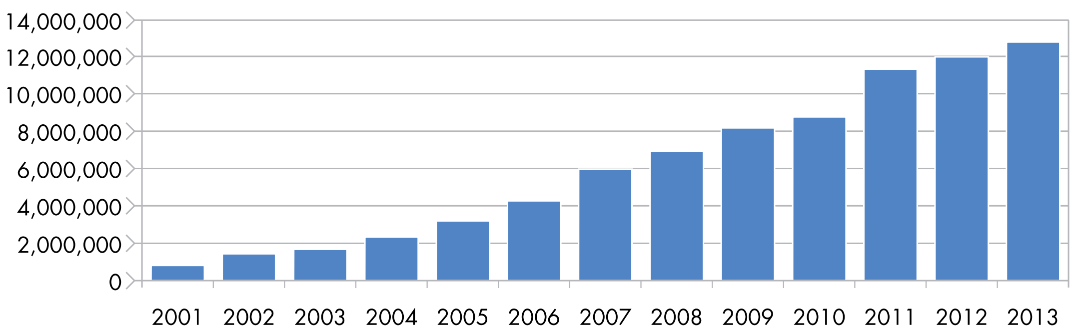
Trend in Ibercaja Directo Retail customers operating each month (2001 = 100)



Trend in Ibercaja Directo Negocios customers operating each month (2001 = 100)



Average number of operations per month through Ibercaja Directo



The Ibercaja Banco public website (www.ibercaja.es) is a customer service channel that receives nearly six million visits to its pages per month. It displays the commercial offers of products and services and has a space for interaction with visitors where further information is made available through comparative tables as well as simulators, and where visitors can subscribe to alerts and bulletins. It also has fields for users to leave their comments and for customers to provide or update their personal data.

One of the most frequently visited pages, devoted to investment funds, has been redesigned in 2013, enlarging on and providing more in-depth information as well as enhanced graphic displays concerning such funds. Content personalization options have been enhanced using means of interacting with users.

Regarding the integration of Caja3, the integracion.ibercaja.es website has been developed to report the most significant characteristics and advances related to the merger process. This includes a complete list of Group branch offices and ATMs, commercial information, a catalogue with benefits and terms offered to customers, and a telephone or email help service to clarify any doubts on the merger.

Self-service

Ibercaja has an extensive network of self-service terminals that allow customers to carry out usual transactions such as dispensing cash and providing information on account balances or movements, paying bills, activating cards, recharging mobile phones and buying tickets. Thus, transactions with less value-added are being transferred to alternative channels so as to release network offices from the burden of administrative tasks and let them concentrate on commercial and advisory activities.

One of the first steps after taking over Banco Caja3 has been the standardization of the ATM network, whose number has increased to 1,658 terminals. Since August, the same types of transactions can be carried out under the same terms at every ATM belonging to the Group.

Means of payment

Ibercaja has 1.6 million cards in circulation and in use with which nearly 100 million transactions have been carried out in 2013. There are more than one million card holders.

In 2013, the *Ibercaja Visa Dual card*, which was marketed last year, has been enhanced. Now users can withdraw or use the card to make payments of at least 100 euro at a time, for repaying in installments irrespectively of the repayment term chosen, and can find out immediately through a simple procedure the amount of each monthly installment.

As part of the Business line of cards, one called *Mastercard Negocios Cepyme* has started to be marketed under a collaboration agreement with the Confederation of Small- and Medium-sized Businesses of Aragon. It addresses member companies from that business organization and carries many benefits, some of which are specific to this card such as discounts on purchases made by Internet.

The *Ibercaja Repsol Maxima* card, offering discounts at Repsol, Campsa and Petronor gas stations, has been renewed until June 2016, and the standard credit limit has been raised to cover the total amount of fuel normally used on an automobile every month.

A range of customer loyalty cards are being marketed through the branch network of Caja3, including *Ibercaja Repsol Maxima, Aramon Oro, Aramon Roja and Astun-Candanchu*. In this way, customers benefit from belonging to the Group without any need to apply for a financial card from Ibercaja, as all of them can be linked to their own credit cards.

The Group has 19,279 Point-of-Sale (PoS) terminals at stores throughout Spain. The new mobile PoS terminal for smart phones and tablets has been marketed successfully in 2013. The terminal is particularly suitable for self-employed individuals and professionals moving to render their services.

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 giving a quality service as well as on innovation. After taking over the business of Banco Grupo Caja3, the Group now has a customer base of 3.3 million, including households, corporate customers as well as public and private institutions. The Group has specific channels and differentiated products tailored to meet the requirements of the different customer segments. With the assistance of specialist units at Financial Group member companies Ibercaja offers, besides traditional banking services, other products such as insurance products, investment funds, pension plans, and private banking services. In particular, Ibercaja targets SMEs and personal banking customers, seeking to strengthen its relationship and links with them, for which it has specialist professionals and tailored financial solutions tailored.

RETAIL BANKING CUSTOMERS

These are the basic pillar of the Group's business. They number nearly three million, and account for 80% of the business activity. Such customers include households and personal banking customers. The takeover of Caja3, an entity focused on retail banking, has consolidated this customer segment as the major element of the Group’s business structure.

Families

Households are the most relevant customer base and the main source of funds managed by the Group. They are the main borrowers and provide a steady flow of business. The branch network has concentrated its efforts on attracting new customers and consolidating the links with existing customers, developing value-added products suitable to the needs of every segment according to their income brackets and family circumstances.

Among savings products, low interest rates have led the Group to widen the range of mixed savings deposits, suitable for customers who seek a higher yield than they get on traditional deposits and, at the same time, do not wish to bear the risks involved by other investment products. In that respect, the Group has successfully marketed several issues of *Deposito Bolsa 5* with a maturity of about two years, guaranteed recovery of 100% of the principal invested, and a floating rate tied to the Ibex 35 stock exchange index. Along similar lines, the new *Deposito Euribor 4* guarantees recovery of 100% of the investment and offers an attractive rate of interest index-linked to the one year Euribor rate. *Eurodeposito* is another three-year mixed risk deposit that combines a fixed interest tranche with another on which interest accrues at a rate tied to Eurostoxx 50, with guaranteed recovery on maturity of the principal invested.

Half way through the year, a *Descubrir Ibercaja* scheme was launched. This comprises a very advantageous financial offer designed to attract new customers, and communication activities through which customers are invited to find out about the benefits of operating with the Entity.

Young customers help to achieve a balanced customer base and assure the future of the business. To support stepped-up efforts to attract youths and build tighter links with existing young customers, a zero fees campaign has been undertaken. This basically consists of a *Pack Joven* that includes a welcome gift, a savings account and the Ibercaja Directo card giving access to various services and promotional deals.

The Entity, working together 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 supports educational schemes of the Ibercaja Foundation. Together with the Regional Government of La Rioja the Group is sponsoring the Carne Joven campaign, and with the Regional Government of Aragon a *Carne Joven Financiero* tying the benefits of a pass card and a bank card.

Distance channels using new technologies are particularly important. Ibercaja maintains virtual spaces for youths on *Ibercaja Directo Joven* and on *Web Joven*, designed specifically for them. The Entity also has a presence on social networks (Twitter), giving preference to its use as well as email and text messages as a way to communicate offers and promotional deals.

Personal banking

The personal banking area serves the wealthier customers of network offices. Ibercaja offers this customer segment a management model based on a personal manager who assists them in their financial planning, advises them on their investments, and gives them detailed information on those products and services that best meet their needs. The Financial Group play a major role in offering them specific products, as does the private banking area by training personal customer managers and giving them investment advice.

In the course of 2013, the number of personal banking managers has been raised to 215, with a view to keep permanently in touch with such customers. The office managers and deputy managers also take care of this segment of more than 130,000 customers, accounting for more than € 21,000 million in business activities.

Ibercaja has an innovative tool called *Sistema Integrado de Orientacion Comercial* for preparing investment proposals and following up on them closely. In the first phase, performance and status reports, savings simulators, a utility for calculating the return on portfolios, tax savings reports, etc., have been developed. Work is being carried out on a second phase that will cover financing products and other asset products.

The *agreements for management of investment funds* have proved a useful tool at a time that falling yields on deposits are leading savers to look for more attractive controlled-risk options, suitable for their risk profile. Under this type of arrangement, investors delegate the management of their fund portfolio to experts from the Financial Group.

Investment advice is one of the most valued services provided by Ibercaja. In 2012, the Entity was among the first in Europe to have its Advisory Service for Personal Banking customers certified as complying with the ISO 22222:2010 standard. In 2013, a further step was taken by renewing that certification and extending its scope to cover the managers of offices with customer portfolios of a certain size. In addition, the majority of managers assigned to this group of personal banking customers have a solid training acknowledged by well-known entities such as the *European Financial Planning Association* (EFPA).

BUSINESS AND GOVERNMENT CUSTOMERS

Corporate banking

Developing the corporate banking area, especially in connection with SMEs, is one of the main strategic aims of the Group. The largest companies engaged in more complex operations are served by a team of about one hundred corporate account managers. These are supported by more than 220 managers at some of the branches having a critical mass of SMEs customers. The role of this group of employees is to provide solutions to the companies and give them comprehensive financial advice.

Ibercaja takes a global approach towards corporate customers as an essential driving force of the economy with a view to maintain a sustainable relationship that is profitable to both sides, rather than merely offering them scattered products. To meet the overall requirements of Spanish SMEs, the Entity is constantly fine-tuning and introducing new features in a wide range of products and services: financing of fixed assets and working capital, treasury management, insurance, leasing, factoring, hedging of interest rates…

Despite sluggish domestic demand and, consequently, the fall in business experienced by many firms, Ibercaja has arranged nearly 1,800 million euro in loans and advances to them. The Entity has marketed the *ICO Empresas y Emprendedores 2013* line supplemented with the *Ultralight Loans* that have given Ibercaja a competitive edge because these enable customers to improve the interest rate they are charged on loans from the ICO line.

To finance SMEs in region of Aragon, Ibercaja has entered into a collaboration agreement with the regional Government to market funds from the European Investment Bank. In addition, the Entity has joined the Impulso Scheme of the Government of Aragon, under which SMEs may apply for aid in the form of rebates in the interest rates they pay on loans and on leasing fixed assets.

The Group is positioned in the marketplace as an entity with special expertise in assisting firms at any stage of the internationalization process. The total volume of operations related to cross-border business carried out through our network was 230,000 in 2013, with financing of foreign trade having grown significantly from the previous year, by 14.43% in terms of volume and by 15.03% in terms of transactions.

Apart from the in-house training scheme, a course has been developed specifically for managers and executives who are responsible for portfolios of industrial firms. The employees who successfully complete the course, taught by IFRYDHE in cooperation with the Carlos III University in Madrid, are given a Financial Analyst – Corporate Banking diploma.

As in previous years, in the context of consolidation of the EFQM model, the Entity has evaluated the quality of service provided by its corporate banking executives and account managers. The average score was 8.7 out of 10, higher than that of 2012.

The Entity has sponsored several events relating to businesses, such as the National Conference for the Development and Competitiveness of SMEs and the PYME ARAGON Conference, in which experts from different fields have reviewed the economic scenario and discussed strategies and projects to promote the growth of the business sector in Aragon.

Another project to that end is the monthly issued *Ibercaja Negocios* online newsletter, reporting developments and new products and gathering articles of interest to the industrial sector.

Retailers

The trend in this area has been positive, as the customer base has grown and tighter links have been developed with customers by offering them specific products to meet retail business requirements.

Among the commercial actions undertaken we may note the PoS Terminals service, offered in very competitive terms with various options and rebates, the launching of an interest-earning account called *Cuenta Comercio Remunerada* and of a premium credit account called *Cuenta de Credito Bonificada*, as well as accident insurance and multi-risk store insurance policies.

In *Ibercaja Directo Comercios*, a distance banking service specifically designed for this group of customers, improvements have been made in the method of operation to make the search for products and services on the website more intuitive and an easier-to-use service.

The Entity has cooperation agreements with chambers of commerce, retailer associations and retailer business organizations in several provinces, whose members are offered financial services under attractive terms. In 2013, the cooperation agreements have been extended to include members of the Tobacco Retailers Associations of Madrid, Saragossa and Teruel. The agreements with the Pharmacists' Professional Associations of Saragossa and Huesca have been renewed and new options have been added under these agreements to deal with problems concerning to pharmacists, such as being paid in arrears for prescribed medicines.

Public authorities and other customer segments

Ibercaja cooperates with public authorities at national and regional levels. This gives the Entity access to an important source of business and, at the same time, helps other customers in their dealings with the Administration.

Ibercaja belongs to the top credit entities handling most of the fillings for Personal Income Tax returns with the Spanish Tax Agency. At the regional level, Ibercaja manages most of the taxes levied by the Regional Government of Aragon and cooperates with different regional authorities such as the Aragon Health Service, the Aragon Employment Institute, the Office of the Director for Families, etc. In addition, the Entity has cooperation agreements with other regional governments such as those of La Rioja, Catalonia, Castille-Leon, Castille-La Mancha, 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 many local authorities. These tasks are largely performed through the comprehensive tax collection service *Servicio de Gestion Integral de Recaudacion* (GIR), in which the authorities delegate the task of collecting taxes. The GIR reports on tax receipts online and in real time.

Within the private sector, members of several groups such as professional associations, members of the civil service and employees of large companies as well as members of condominium communities have benefited from a wide range of personalized services.

Farming sector

The Entity has a strong presence in primarily farming areas within its traditional territory, and thus has a range of products and services for farmers that has grown gradually over the years under agreements made with major operators and concerned agencies.

Ibercaja assists farmers engaged in agriculture and livestock breeding by applying for public-sector aid in the framework of the Common Agricultural Policy (CAP), advising them on how to apply for all the aid they are entitled and offering them advances in some cases. In 2013, nearly 28,000 applications have been processed for such customers.

At a time when the administration has reduced the aid provided to farmers in the form of insurance premium rebates, the Entity has made a big effort to boost the marketing of farm insurance policies covering the risks of farming, farm machinery, multi-risk livestock insurance… The volume of premiums managed by the Group has therefore increased 5.4%.

The card *Tarjeta Negocios Agrarios* is specifically designed to meet the needs of farming sector customers and offers many benefits, including the availability of credit, control of expenditure, savings on fuel, insurance and legal counselling as well as assistance in computer-related matters.

Other valuable services provided by Ibercaja to farmers are the courses and seminars on subjects relating to the agrifood industry taught at the Ibercaja Business Development Center, and a daily summary of news published in the media that also carries legal documents and reports on specific subjects.

3.2.2 The financial group

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

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

The management and marketing of brokerage products has been strengthened as a result of the integration of Banco Grupo Caja3 in the Ibercaja Group in the month of July.

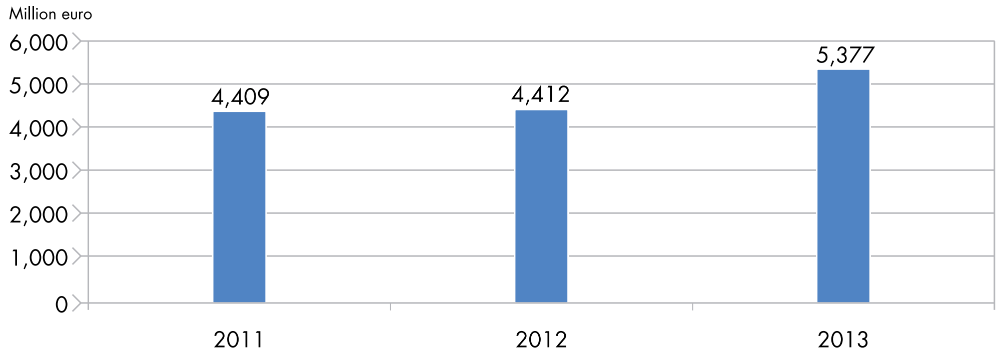
3.2.2.1 Management of investment companies

Ibercaja Gestion SGIIC SA is the Group's manager of Investment Companies.

The Spanish investment funds industry pulled out of the adverse trend of the past few years and had a brilliant year in terms of both the volume of assets contributed by investors and the returns earned on investments. The trend was aided by investors seeking to earn a better return on their savings than that afforded by bank deposits, as well as by the perception that economic prospects have improved and by the recovery of equity markets.

Ibercaja Gestion manages a total of 5,377 million euro in assets. These have grown sharply, by 21.87%, from the previous year. Net contributions, at 750 million euro, were the highest in this manager's 25-year history, and excellent returns have been achieved in practically all of the funds. The Entity, with a market share of 3.50%, has consolidated its position as the 9th largest in Spain in terms of the managed fund volumes.

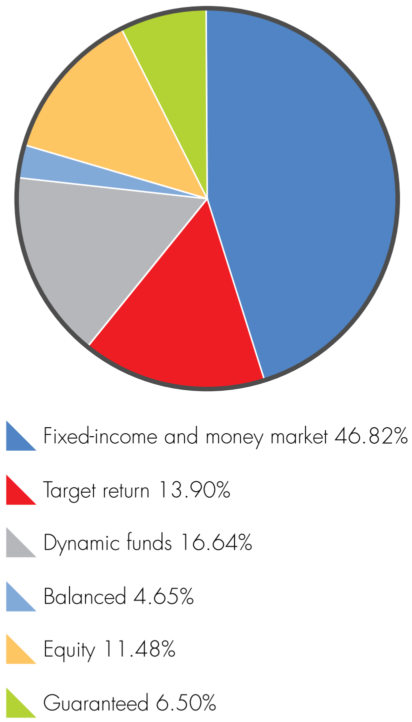
Trend in investment fund assets – Ibercaja Gestion



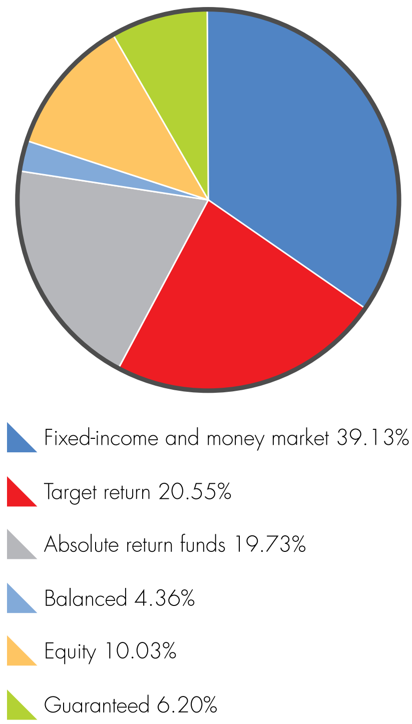
The portfolio includes a range of funds adapted to any market circumstances and investor risk profile. One of the most noteworthy features of the management service provided by Ibercaja Gestion is its ability to anticipate customer requirements.

Funds with a conservative risk profile, especially fixed income and money funds, have gained in assets at the expense of dynamic funds and target return funds. The share of equity funds, balanced funds as well as guaranteed funds has also increased, although not as much.

December 2013



December 2012



Three new target return funds that invest in public- and private-sector debt have been created in 2013. Two of them, *Ibercaja Renta Fija 2016* and *Ibercaja Renta Fija 2017*, are closed-end funds with no-fee refunds windows that invest in fixed-income assets for terms of more than three years with a return target. The other fund, having similar features, is *Ibercaja Comunidades Autonomas 2017*. It holds debt issued by Spanish regional governments, seeking the most attractive returns that can be earned on these securities compared with other assets.

The narrowing of fixed-income markets and its lower expected returns have led the manager to launch three funds linked to the Eurostoxx 50 index, thus becoming one of the first to invest in guaranteed funds tied to the performance of equities.

We must highlight the success of fund portfolio management agreements. Customers benefit from a diversified basket of suitable investment funds selected according to the customer's risk profile. In 2013, the assets managed under agreements of this type have grown three-fold, and there are more than 10,000 customers who use this service.

In addition to 74 investment funds, Ibercaja also manages 15 variable capital investment companies (known as SICAVs, for Sociedades de Inversión de Capital Variable), with nearly 71 million euro in assets.

The investment funds have been awarded from external sources for the quality of their management. Thus, *Ibercaja Capital Europa FI* has been named by Lipper (a company providing information and reviews on investment funds) the best of its class as a European equity aggressive fund with an average maturity of five years. The rating agency Citywire has given Ibercaja Gestión an "A" rating, as one of the best Spanish managers. Morningstar has given the highest rating, "five stars", to the *Ibercaja Petroquimico FI* and *Ibercaja Plus FI funds*.

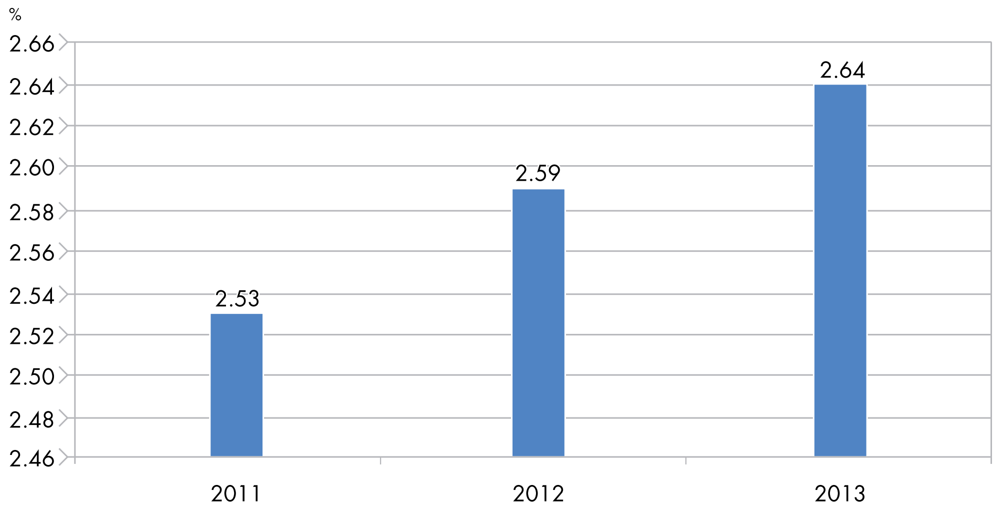
Banco Grupo Caja3, for its part, markets investment funds of other managers. The volume of assets it accounted for at the end of 2013 was 861 million euro, up 26.73% from a year earlier. Thus, the Group's share of the investment funds market, either in marketing or managed assets terms is 4.06%.

3.2.2.2 Management of pension plans

At the end of 2013, Ibercaja Pension EGFP SA managed assets totaling 5,132 million euro, under plans established by employers or by individual persons. The figure grew 6.94% over the year, a good rate compared with that for Spanish pension plans in general. The Entity ranks sixth among pension plan managers in Spain, with a market share of 5.55%, about unchanged from December, 2012. The Entity also performed well in terms of the returns earned on those assets.

The assets managed under personal plans were 1,528 million euro, with an increase of 5 basis points, to 2.64% of the market share. The number of participants in these plans is 169,461.

Trend in the market share for personal plans – Ibercaja Pension

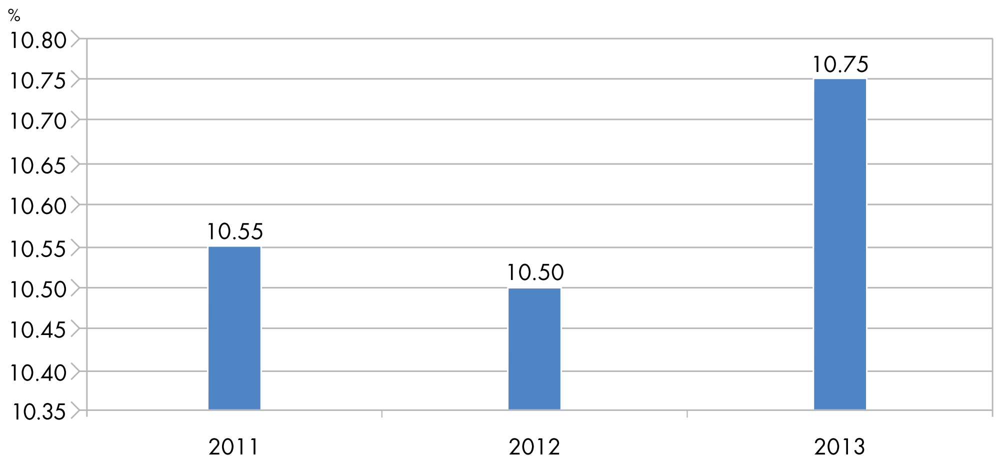


Although the good prospects for equity markets have led some investors to go for riskier plans, in order to meet the demand for guaranteed products from more risk-averse customers Ibercaja Pension has marketed the *Ibercaja Proteccion 2013* plan, that assures a minimum revaluation over a period of about six years and guarantees all of the principal invested.

As for the breakdown by types of plans, fixed-income plans continue to have a very significant weight of 36%, mixed fixed-and-variable income plans and guaranteed plans account for 33% and 17% of the total, respectively, and the weight of variable income plans has grown slightly to 14%.

Regarding plans established by employers for their employees, the assets managed grew 5.39% to 3,604 million euro. The market share here is 10.75%, with the Entity ranking third among Spanish managers. The 19 plans with a total of 70,084 participants include plans for major groups such as the employees of the Endesa utility firm, Bank of Spain, public authorities of Aragon, and local authorities of some major cities elsewhere in Spain.

Trend in the market share for employee plans – Ibercaja Pension



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 for savers, in the process of choosing the assets in which to invest, to take into account environmental protection, social and good corporate governance criteria. The Principles are also aimed at ensuring that the investment policies of institutional investors contribute to sustainable economic development. In 2013, Ibercaja Pensión has liaised with the control committees to include the principles of action for sustainable investment in the majority of pension plans established for employees.

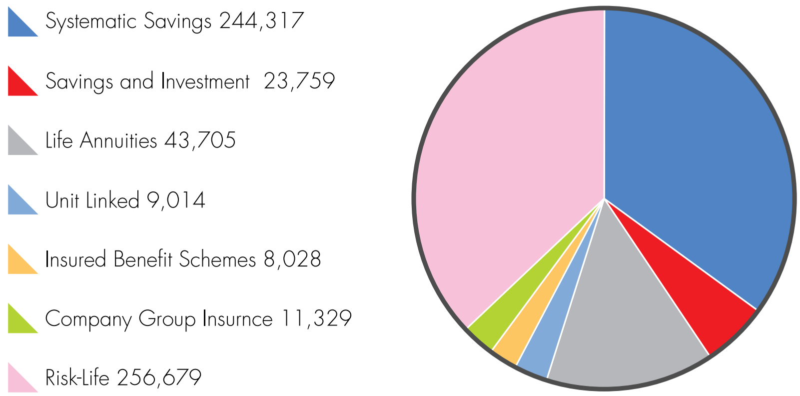
The pension business of Caja3 is handled by CAI Vida y Pensiones and by Caja Badajoz Vida y Pensiones, in which Caja3 owns a 50% equity interest. In addition, Caja3 has marketing agreements with other insurers. The volume of assets handled under management or marketing arrangements in 2013 has been 414 million euro, up 8.28% from the previous year. Thus, the market share of the pension funds of Grupo Ibercaja stands at 6%.

3.2.2.3 The insurance business of the Group

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

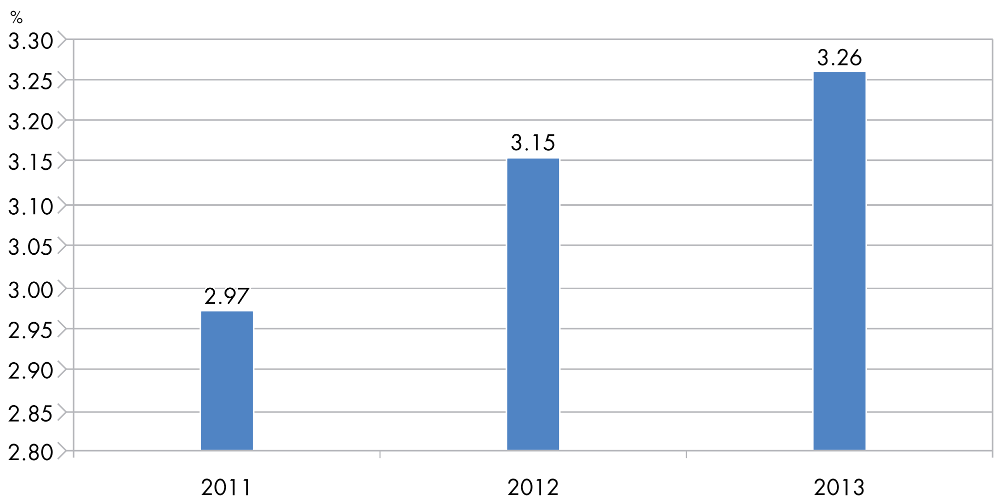
Ibercaja Vida Compañía de Seguros y Reaseguros SA, specialized in bank assurance, focuses on underwriting savings and investment insurance as well as on risk life insurance products that will be distributed through the branch network. The company has a wide range of insurance products including systematic savings as well as savings and investment insurance, life annuities and temporary annuities, individual systematic savings plans (ISSPs), insured benefit schemes and other products.

Breakdown of the number of insured by type of product



Technical provisions, at 5,250 million euro, have risen 6.72%, substantially more than the average increase of 3.21% for the Spanish system as a whole. As a result of that, the market share of the company grew 11 basis points in 2013, to 3.26%. Ibercaja Vida Compañía de Seguros y Reaseguros SA ranks 7th among the companies operating in this branch of the insurance business in Spain.

Trend in Ibercaja Vida's share of the life insurance market (as measured by policy reserves)



In terms of premiums collected, Ibercaja Vida ranked fifth among Spanish insurance companies, with a market share of 3.69%, and a volume of premiums of 933 million euro, in 2013. The number of insured was close to 600,000.

We may note the growth in insurance business linked to retirement and the elderly. The increase in individual systematic savings plans (ISSPs) has been 28%, with a market share of 17.7% in terms of insured assets and 15.6% in terms of number of policies. An excellent performance has been achieved in life annuities, with a 14% increase on balance for the year.

The life and savings business of Caja3, with a volume of 1,402 million euro in policy provisions and a rate of growth above 6.5%, is carried on through CAI Vida y Pensiones and Caja Badajoz Vida y Pensiones, in which Caja3 owns a 50% equity interest. Both have grown at a faster pace than the system as a whole.

Ibercaja Mediacion de Seguros SA, engages in general insurance brokerage. It markets risk insurance for private individuals and companies, being distributed through the branch network.

The risk insurance portfolio managed by this society has yielded 149 million euro in premiums, 7.2% more than in 2012, while the total number of policies has increased by 2.8%, to 729,561. This steady growth in business is in contrast with the widespread reduction of the risk insurance portfolio in the Spanish insurance industry in general. Recurring income has increased by 5.4%.

Different campaigns have been carried out during the year. Among these we may note that on multi-risk insurance for SMEs and another relating to the CAP (Common Agricultural Policy). Among new developments, the payment protection and home insurance products have been improved, company-chartered auto repair shops have been introduced in automobile insurance and the company has started to market new health and burial insurance policies. Regarding organizational matters, the migration to the tp-net application has been completed for condominium, home, fire and civil liability insurance.

Banco Grupo Caja3 owns a 50% stockholding in CAI Seguros Generales and has distribution agreements with other insurers. Annual premium revenue in the risk insurance segment exceeds 65 million euro and there are close to 300,000 policies in force.

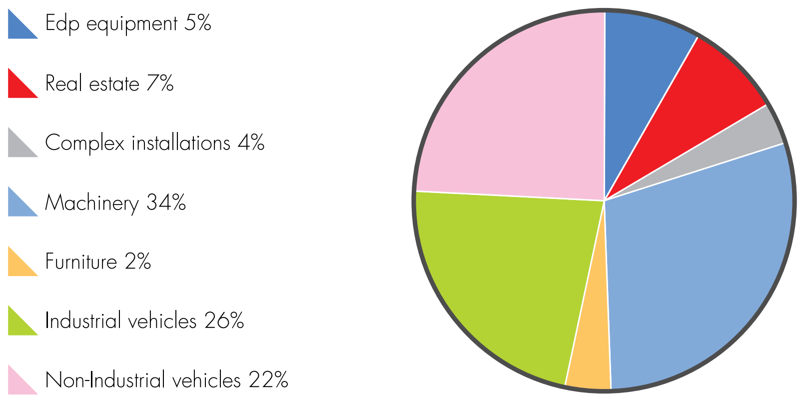
3.2.2.4 Leasing and renting

Ibercaja Leasing y Financiacion SA specializes in financing businesses through leasing and renting operations. The company makes available to the Ibercaja branch network specific products to enable SMEs and professionals to finance investments in fixed assets for themselves and to use equipment under operating leases.

The Spanish leasing industry is one of the hardest hit by the protracted economic crisis, as companies have cancelled or deferred their investment decisions because of their surplus installed capacity.

Ibercaja Leasing made 1,281 agreements in 2013, 9.86% more than the previous year. New investments increased 9.09% compared with a fall of 1.04% reported for the system as a whole. Of the agreements made, 48% were for vehicles, 34% for machinery, 7% for real estate and the rest involved investments in electronic data processing equipment and furniture. The average amount involved by the individual agreements has been 41,200 euro, similar to the figure for 2012.

Breakdown of the ageements made by Ibercaja Leasing in 2013



Outstanding investments have declined by 6.45% to 199 million. The decline seen in the system as a whole has been greater, of 8.16%.

The default rate, at 6.87%, has been contained after rising 0.75 percentage points during the year, and the relevant provisions or hedges cover 75% of doubtful balances.

At the end of the year, the company had 1,012 vehicles leased out under operating leases or renting agreements.

3.2.2.5 Private banking

Ibercaja Patrimonios SGC SA 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.

Easier time deposit rates, the good performance of equity markets and high returns on portfolios have been key factors shaping the trend in this business.

Total assets under discretionary or advisory management by the company reached 1,940 million euro, having grown 12% from the end of 2012 in volume terms, while the number of households that are private banking customers grew 8% to 3,100.

Portfolios under discretionary management arrangements made up 42% of the total volume of assets, and the number of agreements increased 20% in 2013, to 1,540, while the average volume per agreement was 500,000 euro.

Ibercaja Patrimonios offers the entire customer network an active investment fund portfolio management service and gives assistance in training as well as providing advisory services on investments to the personal banking account managers.

The commercial structure is made up of six branch offices situated in Madrid (2 offices), Saragossa, Logroño, Barcelona and Valencia. Besides, there are offices attending to customers in Guadalajara, Huesca, Teruel and Pamplona. Banco Grupo Caja3, in turn, has a private banking unit.

3.2.3 Diversifying into other lines of business

A) Operations in capital markets

A lower risk premium for Spain's public-sector debt and the growing confidence of operators in view of the shakeout and restructuring of the Spanish financial system have helped the markets to gradually return to normal. The liquidity squeeze has been mitigated substantially by the fall in demand for credit and the favorable behavior of retail customers as a source of funds.

The wholesale market has become more open towards Spanish financial entities and these have resumed issuing fixed-income securities. Thus, while in 2012 mortgage bonds were mostly retained as balance sheet assets for discounting with the ECB, in 2013 the big banks as well as smaller-sized entities have floated mortgage bonds, senior debt, additional Tier I capital (hybrid) instruments and subordinated debt.

The volume of Eurosystem funds used by Spanish banks has fallen by 48% from the peak level of August 2012, because of their reduced needs for liquidity, and they have been able to repay funds taken up in the three-year liquidity operations.

The capital markets area of Ibercaja has concentrated its efforts basically on ensuring the availability of on-balance sheet liquid resources, on managing the fixed-income and equity portfolios, on planning security issues and repurchases, as well as on hedging of structured and other deposits.

In various tender offers to repurchase financial instruments, Ibercaja has bought back 329 million euro in own issues of subordinated debt, preference shares and securitization bonds. Caja3, for its part, as part of its restructuring process, has carried out a burden sharing exercise (with the holders of hybrid instruments bearing losses) through a discretionary buyback and a compulsory exchange of subordinated debt for a nominal amount of 91.3 million euro.

In 2013, redemptions of debt, mortgage bonds and securitization bonds, along with repurchases of own issues, totaled 1,433 million euro.

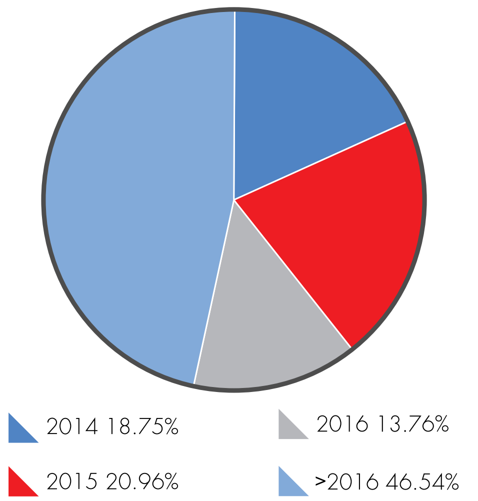
Ibercaja and Caja3 have traditionally followed a prudent policy regarding liquidity, reflecting a clear calling to finance the growth of their lending business with retail funds and resorting to wholesale markets to a limited extent. This has enabled the Group to maintain a comfortable liquidity position and to hold down its dependence on wholesale financing. At the close of 2013, according to its financial statements drawn up as required by the Bank of Spain, available liquid assets amounted to 10,661 million or 16.89% of the balance sheet total. The amount available under the ECB policy is 4,770 million. Besides, approximately 88% of the off-policy eligible assets consist of Spanish public-sector debt that would allow the Group to obtain liquidity immediately if needed.

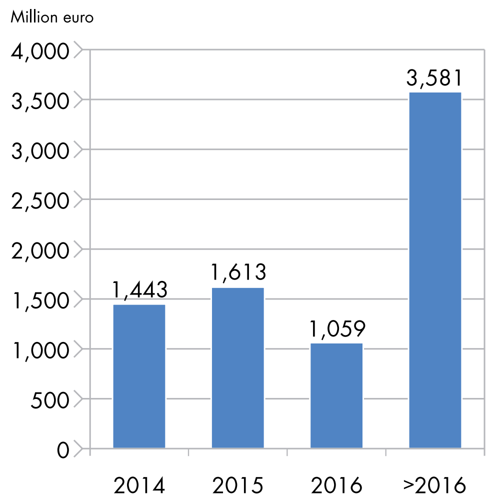
The mortgage and territorial bill issuing capacity is 6,692 million euro. The degree of over-collateralization, measured by the portfolio of eligible assets as a percentage of outstanding mortgage bonds, reaches 201%, well in excess of the statutory minimum requirement of 125% and the average for Spanish financial entities as a whole.

Retail deposits are the most important source (60%) of borrowed fund. The loan-to-deposits ratio, defined as the result of dividing loans and advances by retail deposits, is 99.95%.

Regarding issues placed on wholesale markets, maturity dates are spread evenly up to 2027. Those maturing in 2014 and 2015 total 1,443 and 1,613 million euro, respectively, and can be repaid comfortably with the available liquidity.

Breakdown of medium- and long-term debt floated on the wholesale market maturing in forthcoming years





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

The portfolio of fixed-income securities, shares of stock and equity interests in undertakings, was 19,826 million euro or 31.41% of the consolidated balance sheet total at the end of 2013.

Held-to-maturity investments, at 11,511 million euro, made up 58.06% of the total, and consisted mainly of Spanish public-sector debt. Available-for-sale financial assets, at 7,277 million euro, were 36.71% of the total.

By type of asset, fixed-income securities were 18,973 million euro or 95.70% of the total. These were basically Spanish public debt, debt of Spanish regional governments, issues of fixed-income securities by private-sector borrowers, bonds taken from Sareb in the deconsolidation of assets of Caja3, and certificates originating in issues of contingent convertible bonds. The majority of shareholdings, that totaled 853 million euro, were made up of publicly listed stocks of domestic and foreign companies as well as of unlisted equity in private companies.

Portfolio of Investments

	Balance - December 2013	
	Million Euro	Share (%)
Held for trading	1	0.00
Debt securities	1	0.00
Equity instruments	0	0.00
Other financial assets at fair value through profit or loss	69	0.35
Debt securities	13	0.07
Other equity instruments	56	0.28
Available-for-sale financial assets	7,277	36.71
Debt securities	6,687	33.73
Other equity instruments	590	2.98
Loans and receivables	760	3.83
Debt securities	760	3.83
Held-to-maturity investments	11,511	58.06
Shareholdings	207	1.05
SECURITIES PORTFOLIO	19,826	100.00
Portfolio of fixed-income securities	*18,973*	*95.70*
Portfolio of equity securities	*853*	*4.30*
– Stocks	*207*	*1.05*
– Other	*646*	*3.26*

The capital market area has handled the hedging of structured deposits marketed through the Ibercaja branch network. In addition, it has distributed the hedging products that enable customers –mainly corporate customers– to protect themselves from certain risks to their business such as changes in interest rates and fluctuations in foreign exchange rates.

B) Related parties

The Group owns shareholdings in companies operating several industries such as the financial, capital risk, manufacturing and logistics, tourism, media and other industries. Historically, investments in associated companies by Ibercaja have been limited, being aimed at supporting businesses, particularly SMEs, in projects that help to create wealth and jobs in the areas where it operates.

There are new associated companies derived from the acquisition of Banco Grupo Caja3. This portfolio is broken down into companies in the financial and insurance industries (40.7% of the total), venture capital firms (21.7%), manufacturing and logistics 13.3%, tourism (10.8%), media (9.7%) and others (the remaining 3.8%).

The Group is reviewing its investments to carry out an ordered disposal of its stakes in those companies which are not strategic for its business or do not generate an adequate profitability, whilst simultaneously ensuring the continuity of the business in the hands of qualified managers. In that respect we may mention the sale of the shareholdings in Jamcal Alimentacion SA and Comercial Logistica de Calamocha SA, an agrifood project that, upon becoming consolidated, has been transferred to a prime Spanish industrial group. Furthermore, within the framework of its re-structuring, Cajatres committed to a gradual divestment by 2015 from several companies and this plan is at an advanced stage of execution.

In the real-estate industry, following the takeover of Caja3, the Group plans to unify and simplify structures to generate economies of scale and achieve greater efficiency. Besides, fulfilling commitments signed with Brussels, Caja3 has transferred real-estate assets to the Sareb and has deadlines for putting an end to the financial relationship with construction developer partners by selling off or liquidating the investments hold in real estate companies.

3.3 Service quality

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

In 2013, Ibercaja again underwent the evaluation required to renew the European 500+ Seal of Excellence, that guarantees the quality of in-house and commercial processes. This award earned by very few organizations is the highest given to firms managed according to the standards of the EFQM model.

In 2013, the Customer Experience Management System that started to be used in 2012 has become consolidated 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. The personal banking customer experience studies have been redesigned to include significant information for making decisions. An early warning system has been implemented to detect actual or potential dissatisfaction on the part of customers. The surveys taken to find out what customers think of the service they receive have yielded a score of 8.04 points out of 10 for their average general degree of satisfaction, and a score for loyalty of more than 76%. 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 satisfaction survey of 2013

Satisfaction	Retail	Personal	Corporate
General satisfaction with the office	8.29	8.60	8.23
General satisfaction with the account manager	n.a.	8.87	8.70
Satisfaction with the advice received	8.68	8.80	8.49
Satisfaction with Ibercaja	8.06	8.30	7.76

Referral and loyalty	Retail	Personal	Corporate
Referral Index (NPS)	26.8%	35.9%	30.3%
Loyalty rate (%)	73.4%	79.5%	77%

An «expert observation» exercise is a quality audit of the commercial process, to evaluate how appropriate the product or service offered and the information provided by offices to prospective customers with specific requirements. Other indicators are taken into account too, such as: affability, closeness, waiting time, privacy and discretion. The study has been enhanced in 2013 by following up on responses at the time when specific commercial campaigns were under way. The results have been very satisfactory and have shown that the staff is highly committed with the Bank's strategy

Expert observation in 2013

Advice on savings	
Investment options offered	8.86
Clear and accurate explanations	8.64
Products fully explained	8.89
Documents provided to support explanations	8.49
Privacy	7.90

Ibercaja is the only Spanish financial entity that has succeeded in being certified to provide advisory services to its personal banking customers meeting the ISO 22222:2010 standard on *Personal financial planning - Requirements for personal financial planners*. The certification has been awarded by the Spanish standardization and certification society AENOR (*Asociación Española de Normalizacion y Certificación*). The international standard in question 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. In 2013, the scope of the certification has been extended to include managers and executives at bank offices with portfolios of personal banking customers of a certain size.

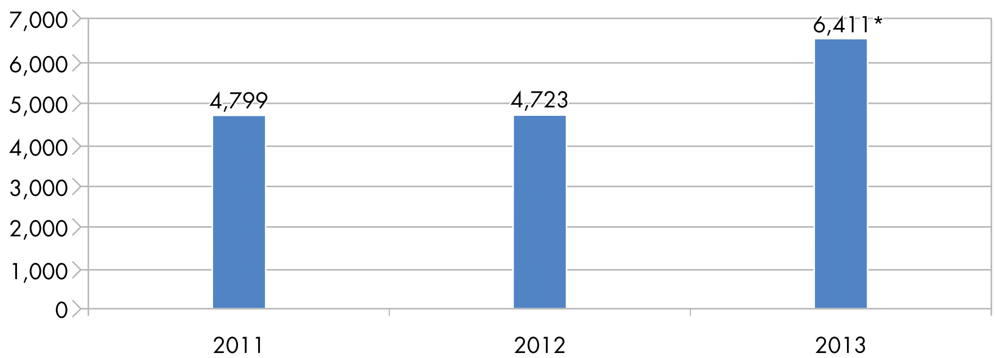
4 Employees

Employees are one of the most important assets of Ibercaja. The Entity's success depends to a large extent on their sharing of the corporate values as well as on their qualifications, professional standing and motivation. The human resources policy is aimed at ensuring the personal growth of employees and is based on strictly abiding by the laws on equal opportunity and on non-discrimination by gender or in any other way, being open to dialogue with labor and government representatives, and a commitment to reconciling work with family life.

4.1 Trend and profile of the work force

The Group's work force has increased as a result of the takeover of Banco Caja3. At the end of 2013, there were 6,927 employees on payroll, of whom 6,411 work at Ibercaja Banco and Banco Grupo Caja3.

Trend in the work force



* Includes the staff of Banco Grupo Caja3 (parent company).

Within the framework of the Spanish financial system restructuring process, the Entity has implemented actions to adapt its personnel structure to the current needs of the business. Accordingly, as a part of its restructuring plan, Cajatres reduced the number of employees by 523, as established in its commitments with Brussels. In March, Ibercaja Banco signed a labour agreement which, among several measures, intended to improve efficiency and included the possibility of early retirement and dismissal incentives. As a result of these and other causes, in 2013 the parent entity reduced its number of employees by 355.

As for their academic qualifications, employees hold degrees mainly in Business Science, Economics, Law as well as Business Administration and Management.

To promote the development of occupational skills and match the employee profiles with the requirements of the jobs, Ibercaja Banco has implemented a performance and skill evaluation system. In 2013, this has been used to evaluate 3,605 individuals. Self-evaluations by the employees themselves and the evaluations of teams by those in charge yield analyses that can be used to identify, by comparing them and bringing together the information thus obtained, the areas open to improvement by allocating a career development program to each employee.

The total number of individuals assigned to the professional career plans currently in force at the Group's head office, central services, managers as well as corporate and personal banking account managers, is 685. By the end of the year, 401 of them have been promoted to higher levels according to the criteria defined in each of the professional career plans. Under a resolution approved by the Board of Directors in July, 2013, in-house examinations are scheduled to take place in March, 2014, for employees willing to promote to several categories.

Ibercaja has a human resources policy that actively seeks to ensure equal opportunity and non-discrimination by reason of gender. An Equal Opportunity Plan agreed between the Entity and employee representatives was put under way in 2011. The aim is to gradually achieve a balanced composition of the work force among men and women at all occupational levels. Continuous progress is being made in placing women in positions of responsibility within the branch network and in the central services. About 24% of office managers, 51% of office deputy managers, 54% of personal banking executives and 66% of customer account managers are women.

To help them reconcile their work and family life Ibercaja employees may claim various types of benefits such as leaves of absence, a reduced workday, maternity leave, or leave to take care of family members. Employees who take such leaves remain entitled to claim most of the social welfare benefits and rights on equal terms with the rest of the employees who are at work.

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 financial business environment. With the current trend towards the segmentation of customers, the programs relating to corporate banking and to personal banking have become particularly important. In 2013, a specialist course on corporate banking has been added in collaboration with the Carlos III University of Madrid. At the same time, the Advanced Course on European Financial Counseling and Asset Management has started again at the Polytechnic University of Valencia.

The in-person curriculum is supplemented with the *Ibercampus* digital platform, an effective tool to meet training requirements. A very large number of employees have acquired or increased their knowledge on several key subjects for carrying on their day-to-day work. Among these we may mention: analyzing, accepting and following up on credit risks, asset management, attracting and building links with customers, financial regulations, insurance... Other training actions have included workshops on subjects such as environmental management, quality systems, spreading the corporate culture and corporate social responsibility.

There are currently 18 cooperation agreements in force with different Spanish universities. In 2013, 182 university students taking courses relating to the financial business have been given in-service training at Ibercaja offices.

More than 300,000 hours of training have been provided in total to those taking in-person and distance training courses during the year.

5 Technological resources

Ibercaja strives to continuously innovate in order to improve the quality of service to customers as well as to increase efficiency and respond to changing requirements of the business. Some of the main projects undertaken to increase internal and organizational efficiency in 2013 have been:

- The technological integration of Banco Grupo Caja3 in Ibercaja is being carried out in several stages, some of which have been completed in 2013. By October, 2014, the processes of Caja3 are scheduled to be fully integrated in the technological platform of Ibercaja.
- Adding new utilities to the Comprehensive Customer Guidance System (Sistema Integrado de Orientación Comercial – SIOC), such as differential treatment of portfolio management agreements, the new card limit management tool and a risk insurance application.
- Commissioning of an application to be used by the Assets Department to manage real properties used by the Group itself and foreclosed assets.
- Reorganizing central services operations, a project for which the methodology has been developed and the process management tools have been defined. It is scheduled to be implemented in three phases by 2015.

Demand is steadily growing for alternative channels to branch offices where transactions are carried out in person or face-to-face. Ibercaja is definitely relying on technology and is a pioneer in using the latest communication tools. Some of the actions taken to improve the multi-channel services have been:

- Making available to Ibercaja customers a digital platform that can be reached through smartphones and tablets, where a total of 28 financial transactions can be carried out. This year, new functionalities have been added, such as a securities brokerage service.
- Creating the integracion.ibercaja.es website with full information on the characteristics of the merger, the progress made in that respect, the advantages of the merger for customers, a complete list of the Group's branch offices and automatic teller machines (ATM), commercial information and a hotline to clear away any doubts as well as to receive suggestions by email or over a toll-free telephone line.

6 Solvency and asset quality

The solidity of financial entities in Spain has become a focus of attention as the economic crisis has continued; mainly because of the role played by providing the necessary financing to boost economic progress. The many regulatory changes seen in the past few years have been aimed at securing and strengthening the solvency of the banking system.

The solvency ratio of the Ibercaja Banco Group is 10.32%, with total eligible equity at 2,480 million euro.

Risk-weighted assets are 24,036 million euro. The difference with the figure for 2012 has mainly resulted from the takeover of Caja3, the trend in lending activities and the application of the provisions of Act 14/2013 on exposure to SMEs.

The principal capital ratio or Core Capital requirement in force until January 1, 2014, has stood at 10.29 % of risk-weighted assets, with the excess over 9% being 311 million euro. This ratio has fallen 97 basis points following the takeover of Caja3.

The basic own funds or Tier I equity figure is 2,480 million euro, equal to 10.32% of risk-weighted assets.

Solvency of the Ibercaja Banco Group

(million euro)

	December 2013
Eligible equity	**2,480**
Principal capital as per ROC 24/2012	2,474
Basic own funds (Tier 1)	2,480
Risk-weighted assets	**24,038**
Solvency ratio (%)	10.32
Principal capital (%) as per ROC 24/2012	10.29
Tier I (%)	10.32

In December, 2010, the Basel Committee on Banking Supervision approved the "International Regulatory Framework for Banks and Banking Systems" (Basel III) introducing more stringent quantitative and qualitative capital requirements for banks. Said Regulatory Framework has been transcribed into European law as two sets of rules: Regulation 575/2013, on prudential requirements for credit institutions and investment firms, and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV). The process of transposing the European rules to Spanish law has started with Royal Order-in-Council 14/2013, of November 29, 2013. Under the new requirements, a Common Equity Tier 1 (CET 1) ratio of 7% has been set, to be met by the end of a transitional period stretching until 2019.

Regarding the new capital standards, scheduled to become effective in January, 2014, the Common Equity Tier I ratio for the Group would be 9.96%.

After the acquisition of Caja3 was announced, Moody's and Standard & Poor's credit ratings for Ibercaja Banco were revised to "Ba3" and "BB", respectively.

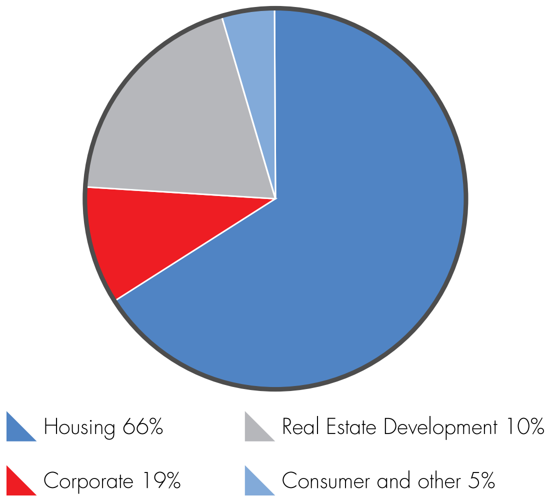
Credit rating of Ibercaja Banco SA

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

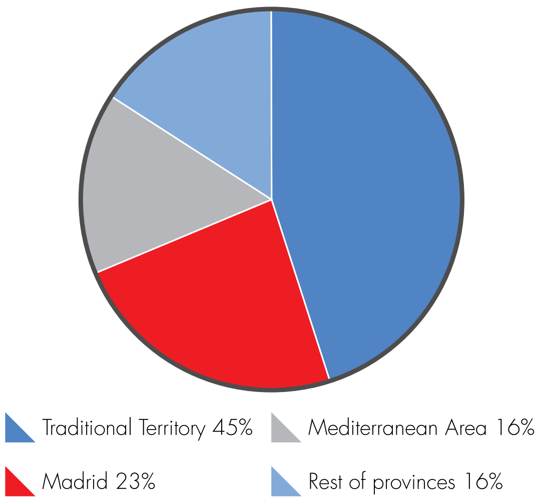
The Group's exposure to credit risk is equal to 58% of the consolidated balance sheet figure and takes up more than 90% of the capital requirement. The risk profile of the Group's portfolio is one of reduced risk in which mortgage loans to private borrowers for buying homes have a big weight. Without foregoing this specialty, the Entity is seeking to increase the weight of loans and advances to corporate customers and SMEs.

Investment is territorially diversified, even though Ibercaja's focus on its original territory results in nearly 70% of loans and advances being concentrated in that area and in Madrid.

Breakdown of loans and advances to customers by purpose for which they are granted (%)



Territorial breakdown of loans and advances to customers (%)



Financing of households, equal to 70% of loans and advances to private-sector customers residing in Spain, has been mostly (95%) for acquiring homes. Nearly all of these have been first homes, and 99% of them are 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 57%. The LTV for 91% of the total portfolio of mortgage loans granted for buying homes is less than 80%.

Loans and advances to corporate customers make up 30% of the total. Those to real estate developers are 3,771 million euro, equal to 10%. Among those secured with mortgages, which make up 89% of the total, 44% are backed by finished buildings, 16% 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 19% in the portfolio, and have been granted mainly to SMEs operating in a wide range of different sectors.

Reflecting the condition of the economy, the impact of new criteria for restructuring operations and the takeover of the portfolio of Caja3, the default rate for the Group at the end of 2013 has risen to 10.25%, yet remains lower than the average of 13.76% for all Spanish deposit-taking entities. In loans to households for purchasing homes, which account for the bulk of the loan portfolio, there is a restrained default rate of 3.54%.

Rescheduled loans and advances to customers, defined according to the criteria published by the Bank of Spain on April 30, 2013, amount to 4,821 million euro or 12.33% of the total. Of that figure, 50.16% are doubtful assets and 26.07% substandard assets. The coverage associated to these loans and advances is 1,269 million euro.

In 2012, to comply with the provisions of Act 8/2012, Ibercaja Banco funded a generic reserve of 614 million euro to cover loans and advances related to land, building and real estate development in normal condition. In 2013, the Entity has used the amount left over of this reserve, 244 million euro, which has not been needed for the purpose for which the reserve was funded, according to guidelines issued by the Bank of Spain, to increase coverage for loans and advances to customers, foreclosed assets and investments in real estate assets.

Contingency reserves are 2,321 million, covering 56.96% of doubtful loans. This solid coverage reflects the provisioning efforts made in the past two business years, as well as the recognition at fair value of the impaired assets of Caja3 at the time of taking over the latter.

The gross carrying value of the portfolio of real properties awarded to or received by the Group in settlement of debt-claims is 1,767 million euro, equal to 2.80% of total assets and to 4.52% of gross loans and advances to customers. Nearly half these assets are situated in province capital cities and municipal districts with a population of more than 100,000. The coverage associated to these real estate assets, including initial write-downs and provisions recorded after being awarded the properties, is 48.78%.

The coverage of problematic (doubtful, substandard and foreclosed) assets linked to the real estate sector is 47.31%.

7 Results for the year

The loss reported by the Group for 2013 reflects the weakness of the macroeconomic context and the impact of the steep fall in interest rates on the return earned on the mortgage portfolio that has a very large weight in the balance sheet of Ibercaja. Even so, the recurring gross margin (net of financial transactions) grew 3.94%. We must note the provisioning effort made to reinforce coverage of doubtful and rescheduled loans and advances to customers, as well as to recognize the impairment of assets of Caja3 and the losses that may appear on carrying out the mandate of selling off its interests in real estate and shareholdings. Consequently, the provisions made during the year, which were charged to profits and losses, amounted to 421 million euro and weighed heavily on profit or loss. The significant reduction of recurring expenses did not suffice to offset these unfavorable factors, which were extraordinary in large part. We must note that the Group has succeeded in maintaining a suitable degree of solvency, assets whose quality is above the average for the industry, a high level of coverage and a reinforced liquidity position.

Total assets according to the consolidated balance sheet, at 63,118 million, increased 41.32% after the takeover of Caja3. Among the main asset items, loans and advances to customers total 36,820 million euro or 58.34% of the total, while the securities portfolio accounts for 31.41% of the total. Among liabilities, customers' funds comprise deposits from customers, debt certificates including bonds, subordinated liabilities and insurance contract liabilities total 49,937 million euro. Shareholders' funds are 2,478 million euro.

The interest margin, at 592 million euro, shows an increase of 2.47% from December, 2012. Financial income is down as a result of slower business, the repricing of mortgage loans linked to euribor as a reference rate that has hit extremely low levels, and, and the increase in doubtful balances. The favorable trend in retail financing costs, the share of the margin contributed by income from shareholdings and the takeover of Caja3 have mitigated the decline in income from loans and investments. We may note the fall in interest rates has already worked itself out almost entirely, with the more stable flow of income and the steady decline in financing costs leading to a reversal of the trend that has already become noticeable in the latter part of the year and can be foreseen to continue during 2014.

The return on equity instruments accounted for nine million euro of the total gross margin, while net fee income and exchange differences increased by 12.28%. Leaving out the effect of the takeover of Caja3, the figure would be down 4.06% because of lower fee income from trading in securities and from the transfer to CECA of the personal pension plan and investment fund depositary activities.

The net balance of other operating income and expenses, –25 million euro, has subtracted 59.24% more than in 2012 from the profit or loss figure because of the increase in the share to be contributed towards the Deposit Guarantee Fund as a consequence of the changed perimeter.

The results from financial transactions are noticeably lower than in 2012 because of the particular circumstances of that year, when extraordinary operations were undertaken to meet the capital requirement as calculated by Oliver Wyman. The balance at the close of the year in December was 136 million euro, generated basically by repurchasing own debt issues and bringing to light gains in the value of fixed-income assets by taking advantage of market opportunities.

The recurring gross margin, net of the proceeds from financial transactions, has been 814 million euro, up 3.94% from the previous year.

The Group continues to implement measures to rationalize its structure as well as to cut down costs and achieve a sharper competitive edge. In that respect, as part of its restructuring plan, Caja3 has rationalized its office network by closing 187 offices in the course of the year and has reduced the number on payroll by 523. Ibercaja Banco, for its part, entered into a labor agreement in March that provides for several measures aimed at increasing the efficiency of the Entity and, at the same time, is in the process of downsizing its office network to bring it in line with the size of the market, doing away with scarcely profitable branches and merging together offices that are situated close to each other.

Operating expenses recognized according to management criteria[1] fell 12.11%, reflecting the staff cuts and efforts to rationalize costs throughout the organization. We must note the significance of this development, as extraordinary adjustments have been recorded in connection with the restructuring of the work force as well as the office network in 2013, and the synergy from integrating Caja3 in the Group has not yet materialized.

The profit before write-downs is 352 million. Write-downs and provisions charged to profit or loss for the purpose of reinforcing the funds covering risks, have reached a very large aggregate volume of 421 million euro, yet were much less than in 2012, when the write-downs required by royal decrees 2/2012 and 18/2012 were made in respect of real estate assets. The figure reflects the increase in doubtful balances, the reclassification in the books of facilities rescheduled to comply with the new Bank of Spain rules and recognition of the decline in value of some shareholdings, all of which because of the continuing economic crunch. The remaining part of the generic reserve funded in 2012 in compliance with the provisions of Act 8/2012, for its part, has been allocated to covering loans in an irregular situation and foreclosed assets, in a move that increases the coverage associated to these assets.

Because of the large volume of write-downs that have exceeded the operating profit figure, the result after tax attributed to the parent entity has been a loss of 29 million euro.

1. Including the operating expenses of Banco Grupo Caja3 as of January 1, 2012.

Public consolidated balance sheet of the ibercaja banco group

(Thousand euro)

	Balance			Increase 13/12*		Increase 12/11	
	2013	2012	2011	€ '000	%	€ '000	%
Cash in hand and on deposit at central banks	499,331	289,520	527,866	209,811	72.47	–238,346	–45.15
Held for trading	36,826	33,655	43,776	3,171	9.42	–10,121	–23.12
Other fin. assets at fair value through P/L	68,925	113,274	117,254	–44,349	–39.15	–3,980	–3.39
Available for sale financial assets	7,277,141	6,644,655	6,163,904	632,486	9.52	480,751	7.80
loans and receivables	38,947,347	30,720,703	33,031,263	8,226,644	26.78	–2,310,560	–7.00
– Loans and advances to credit institutions	1,367,026	905,328	640,923	461,698	51.00	264,405	41.25
– Loans and advances to customers	36,820,105	29,535,076	32,127,585	7,285,029	24.67	–2,592,509	–8.07
– Debt securities	760,216	280,299	262,755	479,917	171.22	17,544	6.68
Held-to-maturity investment portfolio	11,511,381	3,820,919	2,247,648	7,690,462	201.27	1,573,271	70.00
Hedging derivatives	519,043	701,018	729,603	–181,975	–25.96	–28,585	–3.92
Non-current assets held for sale	642,542	566,803	625,887	75,739	13.36	–59,084	–9.44
Shareholdings	207,396	178,279	214,795	29,117	16.33	–36,516	–17.00
Other assets	3,407,647	1,595,162	1,441,628	1,812,485	113.62	153,534	10.65
Total assets	**63,117,579**	**44,663,988**	**45,143,624**	**18,453,591**	**41.32**	**–479,636**	**–1.06**
Held for trading	27,546	16,880	24,405	10,666	63.19	–7,525	–30.83
Other fin. liabilities at fair value through P/L	48,800	0	0	48,800	–	0	–
Financial liabilities at amortized cost	52,975,734	37,094,568	37,442,435	15,881,166	42.81	–347,867	–0.93
– Balances from central banks	4,855,479	2,519,847	900,246	2,335,632	92.69	1,619,601	179.91
– Deposits from credit institutions	4,197,762	4,371,510	1,980,476	–173,748	–3.97	2,391,034	120.73
– Deposits from other creditors	39,991,664	24,772,015	27,903,354	15,219,649	61.44	–3,131,339	–11.22
– Debt certificates including bonds	2,995,125	4,861,206	5,668,282	–1,866,081	–38.39	–807,076	–14.24
– Subordinated liabilities	567,520	289,395	777,172	278,125	96.11	–487,777	–62.76
– Other financial liabilities	368,184	280,595	212,905	87,589	31.22	67,690	31.79
Hedging derivatives	297,464	172,256	211,108	125,208	72.69	–38,852	–18.40
Insurance contract liabilities	6,333,643	4,855,039	4,405,035	1,478,604	30.46	450,004	10.22
Provisions	261,821	159,434	161,200	102,387	64.22	–1,766	–1.10
Other liabilities	562,634	209,401	232,440	353,233	168.69	–23,039	–9.91
Total liabilities	**60,507,642**	**42,507,578**	**42,476,623**	**18,000,064**	**42.35**	**30,955**	**0.07**
Shareholders' funds	2,477,750	2,191,725	2,670,667	286,025	13.05	–478,942	–17.93
Measurement adjustments	130,173	–40,611	–10,126	170,784	420.54	–30,485	–301.06
Minority interests	2,014	5,296	6,460	–3,282	–61.97	–1,164	–18.02
Total equity	**2,609,937**	**2,156,410**	**2,667,001**	**453,527**	**21.03**	**–510,591**	**–19.14**
Total liabilities and equity	**63,117,579**	**44,663,988**	**45,143,624**	**18,453,591**	**41.32**	**–479,636**	**–1.06**

* The changes partly reflect the acquisition of Banco Grupo Caja3.

Public consolidated income statement of the Ibercaja Banco Group

(Thousand euro)

	Amount			Increase 13/12		Increase 12/11	
	2013*	2012	2011	€ '000	%	€ '000	%
Interest and similar income	1,223,104	1,244,867	1,231,351	−21,763	−1.75	13,516	1.10
Interest and similar charges	630,894	666,943	740,181	−36,049	−5.41	−73,238	−9.89
Interest margin	**592,210**	**577,924**	**491,170**	**14,286**	**2.47**	**86,754**	**17.66**
Return on equity instruments	8,870	13,916	19,299	−5,046	−36.26	−5,383	−27.89
Share of P/L of entities accounted for using the equity method	−26,153	−28,267	−8,529	2,114	7.48	−19,738	−231.42
Net fee income and exchange differences	264,729	235,781	233,018	28,948	12.28	2,763	1.19
Profit or loss from financial transactions	136,217	353,779	45,259	−217,562	−61.50	308,520	681.68
Other operating income and charges	−25,271	−15,870	11,552	−9,401	−59.24	−27,422	−237.38
Gross margin	**950,602**	**1,137,263**	**791,769**	**−186,661**	**−16.41**	**345,494**	**43.64**
Operating expenses	611,835	497,986	520,734	113,849	22.86	−22,748	−4.37
– Staff costs	374,934	313,266	327,665	61,668	19.69	−14,399	−4.39
– Other general administrative expenses	188,295	146,167	151,060	42,128	28.82	−4,893	−3.24
– Amortizatión	48,606	38,553	42,009	10,053	26.08	−3,456	−8.23
Other gains and losses	13,516	108,433	13,273	−94,917	−87.54	95,160	716.94
Profit or loss before write-downs	352,283	747,710	284,308	−395,427	−52.89	463,402	162.99
Impairment allowances and other write-downs	421,448	1,432,836	212,100	−1,011,388	−70.59	1,220,736	575.55
Profit or loss before taxes	**−69,165**	**−685,126**	**72,208**	**615,961**	**89.90**	**−757,334**	**−1,048.82**
Income tax	−37,912	−200,105	17,938	162,193	81.05	−218,043	−1,215.54
Consolidated profit or loss for the year	**−31,253**	**−485,021**	**54,270**	**453,768**	**93.56**	**−539,291**	**−993.72**
Loss attributed to the parent entity	−29,383	−484,261	54,914	454,878	93.93	−539,175	−981.85
Loss attributed to minority interests	−1,870	−760	−644	−1,110	−146.05	−116	−18.01

* Includes six months of Banco Grupo Caja3.

8 Governing bodies of Ibercaja Banco SA

Board of directors of Ibercaja Banco, S.A.

Board of directors

President	Mr. Amado Franco Lahoz
First Vice President (Since 25.07.2013) and Managing Director	Mr. José Luis Aguirre Loaso
Second Vice President	Mr. Francisco Manuel García Peña (Since 25.07.2013)
Members	Mr. Eugenio Nadal Reimat
	Mr. Jesús Bueno Arrese
	Mr. Manuel Pizarro Moreno
	Mr. Jesús Solchaga Loitegui (Since 25.07.2013)
	Ms. Gabriela Gonzalez-Bueno Lillo (Since 25.07.2013)
	Mr. Juan María Pemán Gavín (Since 25.07.2013)
	Mr. Vicente Eduardo Ruiz de Mencía (Since 25.07.2013)
	Mr. Alberto Palacio Aylagas (Until 01.03.2013)
	Mr. Miguel Fernández de Pinedo López (Until 19.12.2013)
Secretary (not a director)	Mr. Jesús Barreiro Sanz
Deputy Secretary (not a director)	Mr. Juan Antonio Garcia Toledo (Since 25.07.2013)

Executive committee

(Since 25.07.2013)

President	Mr. Amado Franco Lahoz
Managing Director	Mr. José Luis Aguirre Loaso
Members	Mr. Eugenio Nadal Reimat
	Mr. Jesús Bueno Arrese
	Mr. Manuel Pizarro Moreno
	Mr. Juan María Pemán Gavín
	Mr. Miguel Fernández de Pinedo López (Until 19.12.2013)
Secretary (not a director)	Mr. Jesús Barreiro Sanz

Audit Committee

President	Mr. Miguel Fernández de Pinedo López (Until 19.12.2013)
Members	Mr. Jesús Bueno Arrese
	Mr. Eugenio Nadal Reimat (Until 25.07.2013)
	Ms. Gabriela González-Bueno Lillo (Since 25.07.2013)
Secretary (not a director)	Mr. Jesús Barreiro Sanz

Nominations and compensation committee

President	Mr. Manuel Pizarro Moreno
Members	Mr. Alberto Palacio Aylagas (Until 01.03.2013)
	Mr. Jesús Bueno Arrese (Since 09.04.2013 Until 25.07.2013)
	Mr. Miguel Fernández de Pinedo López (Until 25.07.2013)
	Mr. Eugenio Nadal Reimat (Since 25.07.2013)
	Mr. Jesus Solchaga Loitegui (Since 25.07.2013)
Secretary (not a director)	Mr. Jesús Barreiro Sanz

Management team

Managing Director
Mr. José Luis Aguirre Loaso

Assistant General Manager-Secretary General
Mr. Jesús Barreiro Sanz

Assistant General Manager-Manager for the Financial Area
Mr. Luis Enrique Arrufat Guerra

Assistant General Manager- Manager for the Business Area
Mr. Víctor Iglesias Ruiz

Assistant General Manager-Manager for the Real Estate Management Area
Mr. Luis Miguel Carrasco Miguel (Since 1.11.2013)

Deputy General Manager-Manager for Human Resources and Means
Mr. José Luis Rodrigo Molla

Deputy General Manage-Manager for the Credit Risk Area
Mr. José Palma Serrano

Deputy General Manager-Manager for Technology and Systems
Mr. José Luis Lazaro Crespo

Deputy General Manager-Manager for the Financial Group
Mr. Francisco Javier Palomar Gómez

Deputy General Manager-Manager for Organizational Development
Mr. José Manuel Merino Aspiazu

Deputy General Manager-Manager for Management Control
Ms. María Pilar Segura Bas

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

Deputy Manager-Manager for the Expanded Network
Mr. José Morales Paúles

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

Deputy Manager-Manager for the Legal Counselling Office
Mr. Francisco Serrano Gill de Albornoz (Until 25.07.2013)

Deputy Manager-Manager for Operations and Back Office
Mr. José Javier Pomar Martín

Activities of the governing bodies of ibercaja banco sa in 2013

General Meeting

On March 19, 2013, Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja, as the single shareholder of Ibercaja Banco SAU at the time, held a General Meeting in which it approved the conduct of the Entity's business during the 2012 year as well as the individual and consolidated annual accounts of Ibercaja Banco SAU, consisting of the Balance Sheet, Income Statement, the Statement of Changes in Net Assets and Cash Flows, the Notes to the Financial Statements and the Management Report, as well as the application of the year's loss.

On 27 June, the single shareholder decided to apply the balance sheet restatement system provided for by Article 9 of Law 16/2012 (27 December) to Ibercaja Banco, S.A.U., which adopts several tax measures to consolidate public finances and drive economic activity, and approved the restatement of the company's balance sheet effective 1 January 2013.

Acting on a proposal approved by the Board of Directors at a meeting of July 9, the Sole Stockholder, in resolutions recorded in Minutes of July 24, 2013, resolved to increase the company's shares capital by up to **€** 325,500,000 through the issue of new shares with a par value of **€** 1 each, all of the same class and series of outstanding shares and which will be fully subscribed and paid in by the shareholders of Banco Grupo Cajatres, S.A. (Caja de Ahorros de la Inmaculada de Aragon, Monte de Piedad y Caja General de Ahorros de Badajoz and Caja de Ahorros y Monte de Piedad del Circulo Catolico de Burgos) through their contribution of all of the shares in that bank.

In addition, the single shareholder resolved to amend Articles 24, 25, 30, 46, 47 and 53 of the by-laws to establish at eleven the number of members of the Board of Directors and after receiving a favorable report from the Nominations and Compensation Committee a resolution was adopted to appoint Mrs. Gabriela González-Bueno Lillo, Mr. Jesús Solchaga Loitegui, Mr. Juan María Pemán Gavín, Mr. Vicente Eduardo Ruiz de Mencía and Mr. Francisco Manuel García Peña as company Directors for a five year term.

Lastly, on 27 November 2013 shareholders at an Extraordinary Meeting, acting on a proposal by the Board of Directors, adopted a resolution to increase share capital by charging available restatement reserves totaling **€** 7,730,000 as recognized in the Entity's balance sheet prepared for this purpose at 30 June and to amend Article 5 of the by-laws, on the stock capital of the Entity, accordingly.

Board of Directors

There were 22 meetings of the Board of Directors of Ibercaja Banco SA in 2013.

In an environment featured by the weakness of the Spanish economy, and a particularly complicated one for the financial industry, the prime business objectives have been directed, in substance, to strengthen the degree of solvency and achieve a sharper competitive edge by engaging in the types of business operations in which the Entity has proven capability and holding down operating expenses to adjust the cost structure. One of the measures the Entity succeeded in implementing has been the agreement reached with the employee's representatives in the context of mass layoff proceedings, which include several measures designed to increase efficiency.

In addition, continuing with the corporate transactions that started to be carried out in the 2012 year as part of the financial industry restructuring process, after Banco Grupo Cajatres SA completed the steps foreseen in its restructuring plan, Ibercaja Banco SA executed a merger agreement with Banco Grupo Cajatres SA. The merger operation was carried out through an increase in stock capital that was subscribed for by the savings banks that owned Banco Grupo Cajatres, and paid up by contributing their shares in the latter. The new stockholders thus acquired a joint stockholding of 12.20% in Ibercaja Banco SA.

At a meeting held on February 26, 2013, the Board of Directors formulated the individual and consolidated annual accounts of the company for the year ended on December 31, 2012 (Balance Sheet, Income Statement, Statement of Changes in Net Assets and Cash Flows, as well as the Notes to the Financial Statements) and the Directors' report, having submitted to the General Meeting a proposal on approving and applying the year's loss, and approved the Corporate Social Responsibility Report as well as the Report for prudential purposes.

At a meeting held on March 25, the Board confirmed the filing for mass layoff proceeding. Once the period for holding hearings on the subject ended on March 28, the majority of trade union representatives of the employees signed the agreement reached with them, that was ratified at a meeting held on the 9th April immediately following.

On May 28, the Board ratified the agreement for the takeover of Banco Grupo Cajatres SA by Ibercaja Banco SA, and with a view to carrying out the agreement, at its meeting of July 9, 2013, the Board approved the relevant directors' report, proposed the by-laws to be amended accordingly as well as an increase in share capital of 325.5 million euro, with the new shares to be subscribed for and paid up by the savings banks that owned Banco Grupo Cajatres SA (Caja de Ahorros de la Inmaculada de Aragon, Monte de Piedad y Caja General de Ahorros de Badajoz, and Caja de Ahorros y Monte de Piedad del Circulo Catolico de Burgos) by contributing and transferring ownership to Ibercaja Banco SA of their shares in Banco Grupo Cajatres, S.A.

Following the increase in share capital carried out on 25 July 2013, the new directors -Ms. Gabriela Gonzalez-Bueno Lillo, Mr. Jesus Solchaga Loitegui, Mr. Juan Maria Peman Gavin, Mr. Vicente Eduardo Ruiz de Mencia and Mr. Francisco Manuel Garcia Peña- joined the Board.

On August 29, the Board resolved to publish and circulate the Half-year Financial Report of the Entity and its dependent companies for the first half of the 2013 year.

Later, at a meeting held on November 27, among the measures taken to increase solvency, the Board formulated the Balance Sheet at June 30, 2013, audited by PricewaterhouseCoopers, and resolved to propose to its shareholders a share capital increase out of available reserves after having approved the Directors' Report related to the transaction and amended the by-laws accordingly.

Executive Committee

The Committee held six meetings in all during the year.

Using the powers delegated in the Committee by the Board of Directors, the Committee resolved on proposals made by the Managing Director, especially those on granting or denying risks.

Audit Committee

The Committee held eight meetings during 2013, at which it has received timely information on notices and circulars issued by the Bank of Spain.

At the first meeting, that of January 23, 2013, the Committee heard a report on performance of the Annual In-house Audit Operational Plan for the 2012 year and on the In-house Audit Plan for 2013, and took note of the Bank of Spain's notice to financial entities on tightening up management of problematic risks. The Committee was informed by the external auditors on the close of the 2012 year as well as on additional services the provided to the Entity, and approved the activity report for the 2012 year for hearing and evaluation by the Board of Directors.

At the meeting of February 25, 2013, the Committee received information from PricewaterhouseCoopers Auditores SL, the external auditors, on the individual and consolidated annual accounts at December 31, 2012.

At a meeting held on June 11, 2013, the Committee discussed supplementary reports from the external auditors on the audit reports and a report on the protection of customer assets as well as on compliance with Bank of Spain notices on rescheduling and restructuring policy.

At the meeting of August 29, 2013, the Committee resolved to propose to the Board of Directors that the Half-year Financial Report of the Entity and its dependent companies for the first half of the 2013 year be published and circulated, and reviewed internal control measures to prevent money laundering and the financing of terrorism as required by the SEPBLAC. At the same meeting, the Committee approved a report justifying the amendment of articles 8 and 10 of the Board Rules to adjust their wording to that of the Bye-laws as amended at the Stockholders' Meeting held on July 24.

At a meeting on November 20, 2013, the Committee considered the Balance Sheet of the Company at June 30, 2013, and the Report drawn up on this by PricewaterhouseCoopers Auditores SL, with a view to a possible increase in stock capital. The external auditors also reported to the Committee on the work done for the Entity in 2013, and the In-house Audit Department informed the Committee about following up on the Annual Operational Plan.

Nominations and Compensation Committee

The Appointments and Remuneration Committee held five meetings in 2013.

At the meeting held on March 7, 2013, the Committee took note of the evaluation on fulfilment of objectives for the 2012 year by Central Services staff falling under the variable remuneration system linked to objectives, and on April 9 the Committee submitted for approval by the Board the overall objectives and criteria for applying the variable remuneration system in the 2013 year. At the latter meeting, the Committee approved the Annual Report on its activities for evaluation by the Board.

The Committee took particularly into consideration the entry into force, as of April 14, of Royal Decree 256/2013 of April 12, 2013, including in Spanish regulations for credit entities the criteria set forth by the European Banking Authority on November 22, 2012, on evaluating the adequacy of board members and of those who hold key positions.

In compliance with the provisions of said Royal Decree, at a meeting held on June 25 the Committee submitted a favorable report to the Board proposing that the latter, at a meeting held the same day, approved the Policy of Ibercaja Banco SA on evaluating the adequacy of members of the Board of Directors and of persons holding key positions, as well as of other persons subject to the adequacy requirements.

At the meeting held on July 23, the Committee issued a favorable report on the adequacy of those appointed to fill positions in the Board of Directors at the Stockholders Meeting that took place on July 24. These became directors once the increase in share capital was carried out on July 25, 2013, to acquire Banco Grupo Cajatres SA. At the meeting of October 8, the Committee issued a favorable report on the adequacy of the rest of the members of the Board of Directors and of all the employees subject to the adequacy requirements.

Legal documentation of the consolidated annual accounts of Ibercaja Banco

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Ibercaja Banco, S.A.
and subsidiaries

Auditor’s report, consolidated annual accounts
as at 31 December 2013 and consolidated
directors’ report for 2013

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INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS

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

Hemos auditado las cuentas anuales consolidadas de Ibercaja Banco, S.A. y sociedades dependientes que componen el Grupo Ibercaja Banco, que comprenden el balance consolidado al 31 de diciembre de 2013, la cuenta de pérdidas y ganancias consolidada, el estado de ingresos y gastos reconocidos consolidado, el estado total de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio anual terminado en dicha fecha. Como se indica en la Nota 1.2 de la memoria consolidada adjunta, los administradores son responsables de la formulación de las cuentas anuales del Grupo, de acuerdo con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales consolidadas en su conjunto, basada en el trabajo realizado de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, que requiere el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales consolidadas y la evaluación de si su presentación, los principios y criterios contables utilizados y las estimaciones realizadas están de acuerdo con el marco normativo de información financiera que resulta de aplicación.

En nuestra opinión, las cuentas anuales consolidadas del ejercicio 2013 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Ibercaja Banco, S.A. y sociedades dependientes al 31 de diciembre de 2013, así como de los resultados consolidados de sus operaciones y de los flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación.

El informe de gestión consolidado adjunto del ejercicio 2013 contiene las explicaciones que los administradores de Ibercaja Banco, S.A. consideran oportunas sobre la situación del Grupo, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2013. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de Ibercaja Banco, S.A. y sociedades dependientes.

PricewaterhouseCoopers Auditores, S.L.

Antonio Greño Hidalgo
Socio-Auditor de Cuentas

28 de marzo de 2014

Auditores

Miembro ejerciente:

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Año 2014 Nº 08/14/00105
SELLO CORPORATIVO: 96,00 EUR

Informe sujeto a la tasa establecida en el artículo 44 del texto refundido de la Ley de Auditoría de Cuentas, aprobado por Real Decreto Legislativo 1/2011, de 1 de julio

PricewaterhouseCoopers Auditores, S.L., Paseo de la Constitución, 4 – 7ª Planta, 50008 Zaragoza, España
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Ibercaja Banco, S.A. and subsidiaries

Consolidated annual accounts at 31 December 2013 and consolidated directors' report for 2013

Ibercaja Banco, S.A.

Preparation of the consolidated annual accounts and consolidated directors' report

On 26 March 2014, the Board of Directors of Ibercaja Banco, S.A. have met in Zaragoza and, in compliance with prevailing legislation, have drawn up the consolidated annual accounts for 2013, 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 Schedules I and II) and the consolidated Directors' Report for 2013. These documents have been drawn up on official government paper and numbered correlatively.

To the best of our knowledge, the consolidated annual accounts for 2013, 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 2013 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
CEO and 1st Deputy Chairman

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

MR. EUGENIO NADAL REIMAT
National ID number: 40.826.634-R
Board Member

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

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

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

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

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

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

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

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

(*) This director has abstained from signing the present annual accounts and directors' report because he was appointed after 31 December 2013 and therefore has not taken part in management of the year ended on that date.

Ibercaja Banco, S.A. and subsidiaries

Consolidated annual accounts at 31 December 2013

Consolidated balance sheets as at 31 December 2013 and 2012

(Thousand euro)

Assets	Note	2013	2012
Cash and deposits with central banks	6	499,331	289,520
Financial assets held for trading	7	36,826	33,655
Debt securities		890	2,132
Derivatives held for trading		35,936	31,523
Memorandum item: loaned or pledged		–	–
Other financial assets at fair value through profit or loss	8	68,925	113,274
Debt securities		13,119	57,556
Other equity instruments		55,806	55,718
Memorandum item: loaned or pledged		–	–
Available-for-sale financial assets	9	7,277,141	6,644,655
Debt securities		6,686,936	6,241,581
Other equity instruments		590,205	403,074
Memorandum item: loaned or pledged	*27.2*	*1,670,247*	*1,894,250*
Loans and receivables	10	38,947,347	30,720,703
Loans and advances to credit institutions		1,367,026	905,328
Loans and advances to customers		36,820,105	29,535,076
Debt securities		760,216	280,299
Memorandum item: loaned or pledged	27.2	6,157,779	5,756,868
Held-to-maturity investments	11	11,511,381	3,820,919
Memorandum item: loaned or pledged	*27.2*	*7,432,597*	*2,825,197*
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	12.3	40,135	–
Hedging derivatives	12.1	519,043	701,018
Non-current assets held for sale	13	642,542	566,803
Shareholdings	14	207,396	178,279
Associates		147,085	131,216
Jointly-controlled entities		60,311	47,063
Reinsurance assets	15	1,214	963
Tangible assets	16	1,285,344	689,291
Property, plant and equipment		877,080	576,388
For own use		*860,658*	*559,209*
Assigned under operating lease		*16,422*	*17,179*
Investment property		408,264	112,903
Memorandum item: Acquired under finance lease		–	–
Intangible assets		196,676	12,194
Goodwill	17.1	131,320	–
Other intangible assets	17.2	65,356	12,194
Tax assets		1,559,690	604,451
Current		33,433	31,594
Deferred	25	1,526,257	572,857
Other assets	18	324,588	288,263
Inventories		265,201	256,518
Other		59,387	31,745
TOTAL ASSETS		63,117,579	44,663,988
Memorandum item			
Contingent exposures	27.1	725,937	451,098
Contingent commitments	27.3	3,086,978	2,019,919

Ibercaja Banco, S.A. and subsidiaries

Consolidated balance sheets as at 31 December 2013 and 2012

(Thousand euro)

Liabilities and equity	Note	2013	2012
Financial liabilities held for trading	7	27,546	16,880
Derivatives held for trading		27,546	16,880
Other financial liabilities at fair value through profit or loss		48,800	–
Customer deposits		48,800	–
Financial liabilities at amortised cost	19	52,975,734	37,094,568
Deposits from central banks		4,855,479	2,519,847
Deposits from credit institutions		4,197,762	4,371,510
Customer deposits		39,991,664	24,772,015
Marketable debt securities		2,995,125	4,861,206
Subordinated liabilities		567,520	289,395
Other financial liabilities		368,184	280,595
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	12.3	6,474	–
Hedging derivatives	12.1	297,464	172,256
Insurance contract liabilities	20	6,333,643	4,855,039
Provisions	21	261,821	159,434
Pension funds and obligations of a similar nature		152,267	111,840
Provisions for taxes and other legal contingencies		5,949	5,798
Provisions for contingent exposures and commitments		22,382	7,723
Other provisions		81,223	34,073
Tax liabilities		442,330	132,630
Current		6,786	2,106
Deferred	25	435,544	130,524
Other liabilities	22	113,830	76,771
TOTAL LIABILITIES		60,507,642	42,507,578
Shareholders' funds	24.1	2,477,750	2,191,725
Capital		2,611,730	2,278,500
Reserves		(104,597)	397,486
Accumulated reserves		*(45,375)*	*430,486*
Reserves in entities measured under the equity method		*(59,222)*	*(33,000)*
Profit attributed to the parent entity		(29,383)	(484,261)
Valuation adjustments		130,173	(40,611)
Available –for– sale financial assets	23.1	240,969	(30,726)
Entities measured under the equity measure		1,901	995
Other measurement adjustments	23.2	(112,697)	(10,880)
Non–controlling interests	24.2	2,014	5,296
Valuation adjustments		–	2,191
Remainder		2,014	3,105
TOTAL EQUITY		2,609,937	2,156,410
TOTAL LIABILITIES AND EQUITY		63,117,579	44,663,988

Ibercaja Banco, S.A. and subsidiaries

Consolidated income statements for the years ended 31 December 2013 and 2012

(Thousand euro)

	Note	2013	2012
Interest and similar income	28	1,223,104	1,244,867
Interest and similar charges	29	630,894	666,943
NET INTEREST INCOME		592,210	577,924
Return on equity instruments	30	8,870	13,916
Share of profit/(loss) of equity–accounted entities		(26,153)	(28,267)
Fee and commission income	31	280,663	249,230
Fee and commission expense	32	17,423	13,956
Net gains(losses) on financial assets and liabilities	33	136,217	353,779
Held for trading		3,925	55,455
Other financial instruments at fair value through profit or loss		999	3,403
Financial instruments not measured at fair value through profit or loss		130,156	298,703
Other		1,137	(3,782)
Exchange differences (net)	34	1,489	507
Other operating income		1,092,855	1,211,559
Income from insurance and reinsurance contracts	20.2	1,037,490	1,164,511
Sales and income from non–financial services		32,499	29,669
Rest of other operating income		22,866	17,379
Other operating charges		1,118,126	1,227,429
Expenses on insurance and reinsurance contract	20.2	1,046,420	1,162,091
Rest of other operating expenses		71,706	65,338
GROSS INCOME		950,602	1,137,263
Administrative expenses		563,229	459,433
Personnel expenses	35	374,934	313,266
Other administration expenses	36	188,295	146,167
Depreciation and amortisation	16 and 17	48,606	38,553
Provisions (net)	21	(42,819)	12,089
Financial asset impairment losses (net)		355,796	1,120,783
Loans and receivables	10.6	309,316	1,111,271
Other financial instruments not carried at fair value through profit or loss	9.3	46,480	9,512
INCOME FROM OPERATING ACTIVITIES		25,790	(493,595)
Other asset impairment losses (net)	37	38,160	138,281
Goodwill and other intangibles		3,260	–
Other assets		34,900	138,281
Gains(losses) from disposals of assets not classified as non–current available for sale	38	10,881	111,815
Negative difference on business combinations		2,635	–
Gains(losses) from non–current assets available for sale not classified as discontinued operations	39	(70,311)	(165,065)
PROFIT/(LOSS) BEFORE TAX		(69,165)	(685,126)
Corporate income tax	25	(37,912)	(200,105)
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS		(31,253)	(485,021)
Profit (loss) from discontinued operations (net)		–	–
PROFIT/(LOSS) FOR THE YEAR		(31,253)	(485,021)
Profit/(loss) attributed to the parent entity		(29,383)	(484,261)
Profit attributed to non–controlling interests		(1,870)	(760)

Ibercaja Banco, S.A. and subsidiaries

Consolidated statements of recognised income and expense for the years ended 31 December 2013 and 2012

(Thousand euro)

	2013	2012
A) PROFIT/(LOSS) FOR THE YEAR	(31,253)	(485,021)
B) OTHER RECOGNISED INCOME AND EXPENSE	189,140	(25,666)
B.1) Items not to be reclassified to income statement	619	3,457
Actuarial gains /(losses) in defined benefit pension plans	884	4,939
Non-current assets held for sale	–	–
Entities accounted for by the equity method	–	–
Corporate income tax relating to items not to be reclassified to income statement	(265)	(1,482)
B.2) Items that may be reclassified to income statement	188,521	(29,123)
Available-for-sale financial assets	388,136	27,449
Valuation gains/(losses)	399,670	53,219
Amounts transferred to income statement	(11,534)	(25,770)
Other reclassifications	–	–
Cash flow hedges	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Amounts transferred to initial carrying amount of hedged items	–	–
Other reclassifications	–	–
Hedges of net investment in foreign operations	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Exchange differences	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Non-current assets held for sale	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Entities accounted for by the equity method	906	673
Valuation gains/(losses)	906	673
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Other recognised income and expense	(120,115)	(70,014)
Corporate income tax relating to items that may be reclassified to income statement	(80,406)	12,769
A) TOTAL RECOGNISED INCOME AND EXPENSE	157,886	(510,687)

Ibercaja Banco, S.A. and subsidiaries

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

(Thousand euro)

	Shareholders' funds								
	Capital	Accumulated reserves	Reserves in entities carried under equity method	Profit for the year attributed to the parent company	Dividends	Total shareholders' funds	Valuation adjustments	Non-controlling interests	Total equity
I. Closing balance at 31/12/2012	2,278,500	430,486	(33,000)	(484,261)	–	2,191,725	(40,611)	5,296	2,156,410
Adjustments due to changes in accounting policies	–	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,278,500	430,486	(33,000)	(484,261)	–	2,191,725	(40,611)	5,296	2,156,410
Total recognised income and expenses	–	18,355	–	(29,383)	–	(11,028)	170,784	(1,870)	157,886
Other changes in equity	333,230	(494,216)	(26,222)	484,261	–	297,053	–	(1,412)	295,641
Capital increases	325,500	–	–	–	–	325,500	–	–	325,500
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	(28,447)	–	–	–	(28,447)	–	28,447	–
Transfers between equity items	7,730	(465,769)	(26,222)	484,261	–	–	–	–	–
Increases /(decreases) due to business combinations	–	–	–	–	–	–	–	(29,859)	(29,859)
Equity settled payments	–	–	–	–	–	–	–	–	–
Other increases/(decreases) in equity	–	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2013	2,611,730	(45,375)	(59,222)	(29,383)	–	2,477,750	130,173	2,014	2,609,937

Ibercaja Banco, S.A. and subsidiaries

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

(Thousand euro)

	Shareholders' funds								
	Capital	Accumulated reserves	Reserves in entities carried under equity method	Profit for the year attributed to the parent company	Dividends	Total shareholders' funds	Valuation adjustments	Non-controlling interests	Total equity
I. Closing balance at 31/12/2011	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 policies	–	–	–	–	–	–	–	–	–
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 expenses	–	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	–	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	–	–	–	–	–	–	–	–
Transfers between equity items	144,000	(93,046)	(8,840)	(54,914)	12,800	–	–	–	–
Increases /(decreases) due to business combinations	–	–	–	–	–	–	–	96	96
Equity settled payments	–	–	–	–	–	–	–	–	–
Other increases/(decreases) 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., y sociedades dependientes

Consolidated cash flow statements for the years ended 31 December 2013 and 2012

(Thousand euro)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES	(524,709)	471,924
Profit/(loss) for the year	(31,253)	(485,021)
Adjustments to obtain cash flows from operating activities	467,208	1,029,793
Depreciation and amortisation	48,606	38,553
Other adjustments	418,602	991,240
Net increase/decrease in operating assets	1,026,375	(481,955)
Held for trading	3,998	10,121
Other financial assets at fair value through profit or loss	57,875	3,980
Available-for-sale financial assets	(696,334)	(1,526,004)
Loans and receivables	1,435,025	1,039,442
Other operating assets	225,811	(9,494)
Net increase/decrease in operating liabilities	(2,042,555)	474,344
Held for trading	2,546	(7,525)
Other financial liabilities at fair value through profit or loss	706	–
Financial liabilities at amortised cost	(2,310,814)	150,762
Other operating liabilities	265,007	331,107
Corporate income tax income/expense	55,516	(65,237)
CASH FLOWS FROM INVESTING ACTIVITIES	464,655	(347,304)
Payments	(58,020)	(488,668)
Tangible assets	(29,677)	(15,779)
Intangible assets	(2,934)	(1,943)
Investments	(3,537)	(8,635)
Other business units	–	–
Non-current assets held for sale and associated liabilities	(21,871)	(19,018)
Held-to-maturity investments	(1)	(443,293)
Other payments related to investing activities	–	–
Payments received	522,675	141,364
Tangible assets	62,791	42,325
Intangible assets	–	–
Investments	2,504	7,785
Other business units	–	–
Non-current assets held for sale and associated liabilities	69,039	91,254
Held-to-maturity investments	388,341	–
Other collections related to investing activities	–	–

Ibercaja Banco, S.A., y sociedades dependientes

Consolidated cash flow statements for the years ended 31 December 2013 and 2012

(Thousand euro)

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES	269,635	(371,042)
Payments	(29,340)	(371,042)
Dividends	–	–
Subordinated liabilities	(29,340)	(371,042)
Other payments related to financing activities	–	–
Payments received	298,975	–
Subordinated liabilities	–	–
Issue of treasury shares	298,975	–
Other collections related to financing activities	–	–
EFFECT OF EXCHANGE RATE FLUCTUATIONS	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	209,581	(246,422)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	497,010	743,432
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	706,591	497,010
Memorandum item:		
Components of cash and cash equivalents at year end		
Cash	199,917	143,452
Cash equivalent balances in central banks	299,414	146,068
Other financial assets	207,260	207,490
Less: At sight reimbursable bank overdrafts	–	–
Total cash and cash equivalents at the year end	706,591	497,010

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the year ended 31 December 2013

Ibercaja Banco, S.A. and subsidiaries

Notes to the consolidated annual accounts for the year ended 31 December 2013

1 Basis of presentation of the consolidated annual accounts

1.1 Introduction

Ibercaja Banco, S.A. (Ibercaja Banco, the Bank, the Entity or the Company) is a credit institution, 87.8% 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.

La 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. Its corporate website (electronic head office) is www.ibercaja.es, where its bylaws and other public information can be accessed.

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

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).

During 2013, 100% of the shares of Banco Grupo Cajatres, S.A. were acquired by Ibercaja Banco, S.A., as described in Note 1.11.2.

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

The Entity 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 2013 and 2012, 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 2013 consolidated annual accounts of the Ibercaja Banco Group were drawn up and signed by the Company's Directors during the Board meeting held on 26 March 2014 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 2012 were approved by the Bank's General Meeting of Shareholders held on 19 March 2013.

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

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

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 2013 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 2013 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 EU-IFRS applied by the Company.

1.3 Estimates made

Estimates have occasionally been used to quantify some of the assets, liabilities, revenues and commitments recognised in the consolidated annual accounts for 2013. These estimates basically refer to:

- Impairment losses on certain assets (Notes 9, 10, 11, 13, 14, 16 and 18).
- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.13 and 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 2013 in connection with the facts analysed; nonetheless, future events could generate adjustments in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognise the impact of the change in the estimate on the consolidated income statement for the years in question.

1.4 Information concerning the year 2012

As required under current legislation, the information contained in these notes related to the accounts for 2012 is presented exclusively for comparison.

The acquisition of Grupo Cajatres, S.A.U. described in Note 1.11.2 has resulted in the inclusion of its balances and transactions in these consolidated annual accounts as from 1 July 2013. This should be taken into account when comparing the financial information for 2013 with that for the previous year.

1.5 Agency contracts

The consolidated entities have not been party to any agency contracts during or at the end of 2013 in the terms in which these are envisaged in Article 22 of Royal Decree 1245/1995.

1.6 Equity investments in credit institutions

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

	% interest	
Entity	2013	2012
Sociedad Española de Banca de Negocios, S.A.	21.09%	21.09%
Banco de Caja España de Inversiones, Salamanca y Soria, S.A.	11.46%	–

1.7 Capital management and requirements

1.7.1 Minimum capital ratio

Bank of Spain Circular 3/2008 concerning the calculation and supervision of minimum capital resources ("Circular 3/2008") and subsequent amendments thereto regulates the minimum capital to be held by Spanish credit institutions on both an individual and consolidated group basis, and the manner in which such resources are to be calculated, as well as the various capital self-assessment procedures to be carried out by the institutions and the public information to be disclosed to the market in this connection.

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

In addition, the Entity's core capital should stand at 9%, in accordance with the provisions of Royal Decree law 24/2012 which amended Royal Decree Law 2/2011.

1.7.2 Quantitative information

As at 31 December 2013, the Ibercaja Banco Group easily meets the minimum solvency ratio (Pillar I Basel) established by current banking regulations (8%), the Group's figure being 10.32%, as is detailed below:

Thousand euro	2013	2012
Tier one equity	2,479,627	2,026,192
Tier two equity	–	163,027
Group's total qualifying equity	**2,479,627**	**2,189,219**
Equity requirements	1,923,001	1,551,475
Surplus	**556,626**	**637,744**

	Group's position	
	2013	2012
Core capital	10.29%	10.40%
Tier I	10.32%	10.45%
Solvency ratio	10.32%	11.29%
Main capital	10.29%	10.40%

At 31 December 2013 the Group has core capital of 10.29%, 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). This proposal was approved by the European Parliament on 26 June 2013 and it replaced 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.

Said Directive came into force on 1 January 2014. The Ibercaja Group has analysed the impacts that the new regulations entails and is ready to adapt to them.

1.7.3 Capital management

The objective of Basel Pillar II is to ensure an appropriate relation between the Group's risk profile and its actual capital resources. To this end, the Group is carrying out a recurring process which, in accordance with 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.
- 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 website when the consolidated annual accounts for 2013 are approved and published.

1.8 Deposit Guarantee Fund

Both Ibercaja Banco, S.A. and the subsidiary Banco Grupo Cajatres, S.A.U. form part 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 0.1 to 0.2 per cent of the calculation base.

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 present value of the amount pending payment figures under Other financial assets in "Loans and receivables: customer loans" on the balance sheet (**€** 63,315 thousand at 31 December 2013 and **€** 45,186 thousand at 31 December 2012) and in Other financial liabilities (**€** 65,0 14 thousand at 31 December 2013 and **€** 45,746 thousand at 31 December 2012). The difference between these figures has been recorded as a financial expense under Interest and similar charges on the income statement.

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

This increase will be effective in two tranches:

a) A first tranche equivalent to two fifths of the total, payable within 20 business days as from 31 December 2013. This tranche has been reduced as a result of the deductions stipulated by the regulations of up to € 2,225 thousand, which has been recorded as an expense in the accompanying income statement for 2013.

b) A second tranche equivalent to the remaining three fifths, amounting to € 53,501 thousand, to be paid as from 1 January 2004 in accordance with the payment schedule set by the Management Committee within a maximum term of seven years. This amount will be recorded in the income statement as the payments are made. This treatment has been notified by the Bank of Spain to the concerned institutions and complies with Interpretation 21 of the International Financial Reporting Interpretations Committee (IFRIC), whereby levies are to be recognised as an expense when the obligation to pay them arises. Although this interpretation has still not been adopted by the European Union, the Entity expects it to be adopted shortly and considers that its conclusion is correct and consistent with the applicable financial information legislative framework.

In 2013, the expense incurred in respect of contributions to this Fund totalled € 49,680 thousand (€ 49,013 thousand in 2012), recognised under "Other operating expenses" in the accompanying income statement. It consists of € 38,583 thousand incurred by Ibercaja Banco and € 11,097 thousand accrued by Banco Grupo Cajatres, S.A.U. in this respect since it was included in the Group.

1.9 Minimum reserve ratio

At 31 December 2013 and throughout the year, the Group met the minimum reserve ratio (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 2013 amounted to € 287,023 thousand (€ 190,651 thousand at 31 December 2012). The Group has met the legally established minimum.

In January 2012 the amendment of legislation applicable to minimum reserves came into effect, 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. is authorised to issue debentures or other fixed income securities and has empowered the Board of Directors to issue any kind of loans for a maximum amount, including mortgage securities.

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage bonds issued by an entity and not matured may not exceed 80% of unamortised capital on all loans and mortgages in the eligible portfolio. The Entity's Board of Directors approved a more restrictive limit, and therefore the above percentage of bonds issued may not exceed 65%. At 31 December 2013, the figure was 53.29% (56.59% at 31 December 2012).

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

The level of overcollateralization or backing of mortgage bonds is 201% at 31 December 2013 (178% at 31 December 2012).

At 31 December 2013, 99% of transactions in the mortgage portfolio have been formalised through loans (99% at 31 December 2012). Of these, instalments are collected on a monthly basis for 95% (95% at 31 December 2012) . The operations formalised at variable interest rates are 99% of the total (99% at 31 December 2012) and of these, 83% are tied to Euribor (81% at 31 December 2012).

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):

	Nominal value	
(Thousand euro)	2013	2012
Total loans	**32,489,335**	**27,411,207**
Mortgage securities issued	**2,338,987**	**2,568,936**
Of which: loans on the balance sheet	2,238,674	2,452,387
Mortgage transfer certificates	**2,940,994**	**2,910,235**
Of which: loans on the balance sheet	2,897,148	2,861,098
Mortgage loans pledged as security for financing received	**–**	**–**
Loans backing the issue of secured bonds and mortgage bonds	**27,209,354**	**21,932,036**
Ineligible loans	7,113,205	6,620,332
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	5,708,794	5,525,687
Remainder	1,404,411	1,094,645
Eligible loans	20,096,149	15,311,704
Non-qualifying portions	149,828	16,268
Qualifying portions	19,946,321	15,295,436
Loans covering mortgage bond issues	–	–
Qualifying loans to cover covered bond issues	19,946,321	15,295,436

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:

	2013				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
(Thousand euro)	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					20,096,149
Home	3,536,925	5,882,188	8,598,210	18,736	18,036,059
Over other assets	778,561	906,634	374,895		2,060,090

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

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

(Thousand euro)	2013 Loans backing the issue of secured bonds and mortgage bonds	2013 Of which: Eligible loans	2012 Loans backing the issue of secured bonds and mortgage bonds	2012 Of which: Eligible loans
Total	27,209,354	20,096,149	21,932,036	15,311,704
Origin of operations	27,209,354	20,096,149	21,932,036	15,311,704
Originated by the Bank	26,533,972	19,444,357	21,214,323	14,618,040
Subrogated other entities	675,382	651,792	717,713	693,664
Currency	27,209,354	20,096,149	21,932,036	15,311,704
Euro	27,206,245	20,096,149	21,927,544	15,311,704
Other currencies	3,109	-	4,492	-
Payment status	27,209,354	20,096,149	21,932,036	15,311,704
Payment normality	24,289,883	19,239,890	20,586,268	15,035,571
Other situations	2,919,471	856,259	1,345,768	276,133
Average residual period to maturity	27,209,354	20,096,149	21,932,036	15,311,704
Up to 10 years	4,506,410	2,162,702	3,257,408	1,127,925
More than 10 years and up to 20 years	7,018,827	5,581,671	4,640,518	3,442,722
More than 20 years and up to 30 years	11,022,738	8,706,458	9,337,829	7,251,307
More than 30 years	4,661,379	3,645,318	4,696,281	3,489,750
Interest rate	27,209,354	20,096,149	21,932,036	15,311,704
Fixed	304,048	131,283	152,532	43,125
Variable	26,328,010	19,637,464	20,921,839	14,734,419
Mixed	577,296	327,402	857,665	534,160
Holders	27,209,354	20,096,149	21,932,036	15,311,704
Entities and individual entrepreneurs	7,012,146	3,290,543	5,977,962	2,358,218
Of which: real estate developments	3,444,906	1,222,786	3,724,819	1,387,972
Other home-help individuals and non-profit institutions	20,197,208	16,805,606	15,954,074	12,953,486
Type of guarantee	27,209,354	20,096,149	21,932,036	15,311,704
Assets /finished buildings	24,439,328	19,362,367	19,369,368	14,856,951
Residential	17,370,687	13,725,524	18,114,810	14,153,341
Of which: Official housing	1,728,144	1,613,814	1,803,335	1,679,330
Purchased for resale	817,505	512,680	501,196	292,268
Other	6,251,136	5,124,163	753,362	411,342
Assets/ buildings under construction	657,144	202,057	731,376	170,961
Residential	640,169	190,949	718,441	165,674
Of which: Official housing	25,683	4,814	47,914	20,486
Purchased for resale	6,142	5,652	4,234	803
Other	10,833	5,456	8,701	4,484
Land	2,112,882	531,725	1,831,292	283,792
Developed	1,574,076	214,184	1,372,319	44,141
Remainder	538,806	317,541	458,973	239,651

- Nominal value of the bonds issued by the Entity:

	Nominal value	
(Thousand euro)	2013	2012
Mortgage bonds (Notes 19.3 and 19.4)	9,928,835	8,655,000
Ibercaja Banco: Singular mortgage bonds	3,501,613	3,950,000
Ibercaja Banco: Mortgage bonds October 2009	–	225,000
Ibercaja Banco: Mortgage bonds November 2009	500,000	500,000
Ibercaja Banco: Mortgage bonds January 2010	–	50,000
Ibercaja Banco: Mortgage bonds April 2010	500,000	500,000
Ibercaja Banco: Mortgage bonds April-II 2010	100,000	100,000
Ibercaja Banco: Mortgage bonds March-II 2011	30,000	30,000
Ibercaja Banco: Mortgage bonds March-II 2011	1,000,000	1,000,000
Ibercaja Banco: Mortgage bonds March-II 2012	750,000	750,000
Ibercaja Banco: Mortgage bonds March-II 2012	750,000	750,000
Ibercaja Banco: Mortgage bonds September 2012	800,000	800,000
Caja Inmaculada: Investment financing (BEI I)	9,000	–
Caja Inmaculada: Investment financing (BEI II)	16,000	–
Caja Inmaculada: Cajas IX-A bonds	100,000	–
Caja Inmaculada: Cajas IX-B bonds	100,000	–
Caja Inmaculada: Investment financing (BEI III)	15,000	–
Caja Inmaculada: Cajas Global Series IV bonds	50,000	–
Caja Inmaculada: Cajas Global (extension) Series III bonds	25,000	–
Caja Inmaculada: Cajas Global Series VII bonds	50,000	–
Caja Inmaculada: Cajas Global Series XIII bonds	50,000	–
Caja Inmaculada: Cajas Global Series XVI bonds	120,000	–
Caja Inmaculada: Cajas Global Series XX bonds	125,000	–
Caja Inmaculada: Global Series XXIII bonds	150,000	–
Caja Círculo: Cajas X Series A bonds	99,872	–
Caja Círculo: Cajas X Series B bonds	105,128	–
Caja Círculo: Global Series II bonds	27,778	–
Caja Círculo: Series II bonds extension	25,000	–
Caja Círculo: Global Series III bonds	19,444	–
Caja Círculo: Global Series VI bonds	75,000	–
Caja Círculo: Global Series VIII bonds	50,000	–
Caja Círculo: Global Series X bonds	75,000	–
Caja Círculo: Global Series XI bonds	50,000	–
Caja Círculo: Global Series XIII bonds	25,000	–
Caja Círculo: Global Series XIV bonds	25,000	–
Caja Círculo: Global Series XXIII bonds	100,000	–
Caja Badajoz: Cajas VIII-A bonds	65,854	–
Caja Badajoz: Cajas VIII-B bonds	24,146	–
Caja Badajoz: Cajas Global Series VIII bonds	120,000	–
Caja Badajoz: Cajas X-A bonds	29,231	–
Caja Badajoz: Cajas X-B bonds	30,769	–
Caja Badajoz: Cajas Global Series XIII bonds	90,000	–
Caja Badajoz: Cajas Global Series XXIII bonds	60,000	–
Caja Badajoz: Cajas Global Series XXVI bonds	90,000	–

- Information on period remaining to maturity of mortgage market securities:

(Thousand euro)	2013 Amount	2013 Average period to maturity (months)	2012 Amount	2012 Average period to maturity (months)
Outstanding secured bonds	–		–	–
Mortgage bonds in issue	**9,928,835**	**–**	**8,655,000**	**–**
Of which: Not reflected under liabilities on the balance sheet	*3,300,000*	–	*3,300,000*	–
Debt securities Issued through public offering	–	–	–	–
Debt securities Other issues	4,430,000	–	4,705,000	–
Time to maturity up to one year	500,000	–	275,000	–
Time to maturity more than one year and up to two years	500,000	–	500,000	–
Time to maturity more than two years and up to three years	780,000	–	500,000	–
Time to maturity more than three years and up to five years	1,000,000	–	780,000	–
Time to maturity more than five years and up to 10 years	1,650,000	–	2,650,000	–
Time to maturity more than 10 years	–	–	–	–
Deposits	5,498,835	–	3,950,000	–
Time to maturity up to one year	394,366	–	448,387	–
Time to maturity more than one year and up to two years	991,233	–	319,513	–
Time to maturity more than two years and up to three years	749,854	–	478,205	–
Time to maturity more than three years and up to five years	1,091,613	–	850,000	–
Time to maturity more than five years and up to 10 years	1,265,745	–	1,148,767	–
Time to maturity more than 10 years	1,006,024	–	705,128	–
Mortgage securities issued	**2,238,674**	**126**	**2,452,387**	**127**
Other issues	2,238,674	126	2,452,387	127
Mortgage transfer certificates	**2,897,148**	**156**	**2,861,098**	**148**
Other issues	2,897,148	156	2,861,098	148

None of the issues has been completed through a public offering and all are denominated in euro. The Entity does not issue secured 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 euro)	2013		2012	
	Eligible loans	Ineligible loans	Eligible loans	Ineligible loans
Opening balance	**15,311,704**	**6,620,332**	**15,644,920**	**6,888,731**
Acquisition of Cajatres (*)	5,473,163	1,305,111	–	–
Disposals in the year	**1,215,073**	**1,191,830**	**1,092,109**	**783,128**
Repayment at maturity	11,096	53,414	10,813	11,465
Early repayment	203,268	332,140	127,329	66,086
Subrogation other entities	4,875	4,630	384	23
Maturities and other	995,834	801,646	953,583	705,554
Additions in the year	**526,355**	**379,592**	**758,893**	**514,729**
Originated by the Bank	525,783	379,592	757,981	514,729
Subrogation other entities	572	–	912	–
Closing balance	**20,096,149**	**7,113,205**	**15,311,704**	**6,620,332**

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

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

(Thousand euro)	2013	2012
Total	228,855	173,780
Potentially eligible	154,351	85,634
Ineligible	74,504	88,146

1.11 Merger with Cajatres

1.11.1 Provisional take-over agreement

1.11.1.1 Signing of take-over protocol

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

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

In accordance with the provisions of Chapter III of Law 9/2012 on the restructuring of Credit Institutions, the FROB was presented with the "Combination Plan for Grupo Ibercaja + Cajatres", dated 5 December 2012, which includes the Bank's restructuring plan (Note 1.11.1.2) and which was approved by the European Commission on 20 December 2012. This entailed a capital injection of **€** 407 million through the subscription of contingent convertible bonds (CoCos) by the FROB (Note 1.11.1.4) and the exercising of hybrid securities management (assumption of losses by holders of subordinated debt and bonds). This financial support was contingent on the inclusion of the Bank in Ibercaja Banco, S.A.U. and the fulfilment of certain measures specified in the Grupo Cajatres Restructuring Plan (Note 1.11.1.2).

1.11.1.2 Restructuring Plan

El "Combination Plan for Grupo Ibercaja + Cajatres" dated 5 December 2012 (Note 1.11.1.1) includes a specific section with a "Cajatres Restructuring Plan which sets out certain measures to be taken by Banco Grupo Cajatres, S.A. in the coming years in the course of its business as a credit institution, within the framework of its integration into Ibercaja Banco, S.A.U. These measures were also reported to the European Commission (in the document titled "*Term Sheet of the Spanish authorities commitments for the approval of the restructuring plan of Banco Cajatres by the European Commission*") in order to obtain the capital injection mentioned in Note 1.11.1.1. These measures are summarised below:

- Closure of 187 branches (Note 21) and reduction of the bank's workforce by 592 employees (on 15 March 2013 an agreement was concluded which contained the conditions for these redundancies; (see Notes 21 and 35). At 31 December 2013, 187 branches were closed and the workforce was reduced by 544 employees (the commitment for the reduction of the workforce at 31 December 2013 was 528 employees).
- Transfer of assets related to the real-estate sector to SAREB, the carrying value of which at 30 June 2012 amounted to approximately **€** 2,404 million (as mentioned in Note 1.11.1.3, assets worth **€** 2,212 million were eventually transferred in February 2013).
- Divestment in non-strategic business areas, including the divestment in 2013-2014 of holdings in 87 companies in the real-estate industry and the divestment in the period 2013-2015 of holdings in another 42 non-strategic companies, with a total consolidated carrying value at 30 June 2012 of **€** 153 million (the consolidated carrying value at 31 December 2013 was reduced by **€** 40 million due to certain write-downs and sales). It is also provided that if the holdings have not been sold when these terms terminate, Banco Grupo Cajatres, S.A. or the entity resulting from the combination will write off their carrying value in full.
- Burden sharing through the repurchase of subordinated loans or exchange for equity instruments, for an amount below their carrying value, generating at least **€** 36 million in Core Tier 1 capital (this was completed before the acquisition, generating **€** 6 million and **€** 34 million net of the tax effect in 2012 and 2013, respectively).

The directors consider that the significant cost saving resulting from these measures, and the synergies derived from the combination with Ibercaja Banco, will generate recurring profits which will enable it to return the financial assistance received before the end of 2016 (5% in 2014, 40% in

2015 and 55% in 2016), and the recovery of the net deferred tax assets contributed by Banco Grupo Cajatres at the time of the acquisition (Note 25.4), in a maximum term of ten years.

1.11.1.3 Transfer of assets to SAREB

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

As mentioned in Note 1.11.1.1, one of the conditions imposed for the approval of the financial assistance was the transfer of certain assets related to the real-estate business to SAREB. Under those conditions, the criteria for selecting the assets to be transferred to SAREB was basically the following:

- Foreclosed properties recognised on the Bank's consolidated balance sheet at 30 June 2012 with an individual carrying value over € 100,000.
- Loans and credits to property developers recorded under the Bank's consolidated assets at 30 June 2012 with a minimum exposure, in terms of carrying value, of € 250,000.

Under the Asset Transfer Contract dated 25 February 2013, the price at which the assets were transferred by Banco Grupo Cajatres, S.A. was € 2,212,085,000, determined by applying the criteria and rates set by the Bank of Spain as provided in law 9/2012 and Royal Decree 1559, on the basis of estimated carrying value of the assets at the date of transfer. The price of the transfer breaks down as follows:

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

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

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

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

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

Given the nature of the process through which certain assets were transferred to SAREB and the price at which the assets were transferred, the Bank's directors consider that the potential impact arising, if any, from the review of that price cannot be objectively quantified at the present time, although based on the information available at present, they estimate that it is not foreseeable that said impact could be significant for accompanying annual accounts as a whole.

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

Subscription	Interest rate	Maturity date	Nominal amount (Thousand euro)
SAREB 2013-1 Senior Bond	Euribor 3 months + 1.24%	28 February 2014	663,600
SAREB 2013-2 Senior Bond	Euribor 3 months + 2.08%	28 February 2015	995,400
SAREB 2013-3 Senior Bond	Euribor 3 months + 2.46%	28 February 2016	553,000
			2,212,000

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

1.11.1.4 Issuance of contingent convertible bonds (CoCos)

At a meeting held on 15 February 2013, the shareholders of Banco Grupo Cajatres, S.A. approved the issuance of contingent convertible bonds (CoCos) convertible into Bank shares amounting to € 407 million, to be subscribed by the FROB. The bond are to be treated, on an unlimited basis, as tier 1 capital in accordance with Bank of Spain Circular 3/2008 to credit institutions on the determination and control of minimum capital requirements, and on an unlimited basis as core pursuant to Royal Decree Law 2/2011 on the strengthening of the financial system (Note 1.7). The bonds are to be issued at par (100% of face value). The unitary face value of the bonds is € 100,000.

This issuance is classed as government financial support provided to the Bank under Law 9/2012, and within the framework of the Restructuring Plan (Note 1.11.1.2).

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

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

Unless they have been repurchased and redeemed or converted, the bonds shall be perpetual in nature, without a specific amortisation date. However, under Law 9/2012, the Bank must repurchase or redeemed the bonds as soon as it is able to do so in the terms set out in the Restructuring Plan (Note 1.11.1.2).

The order of seniority of the bonds is as follows:

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

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

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

1.11.2 Definitive take-over

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

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

The business combination entailed the termination of the pre-existing relations with Banco Grupo Cajatres, S.A., due to the fact that this entity held financial instruments issued by Ibercaja Banco. The fair value of these financial instruments at the acquisition date stood at € 67,361 thousand. As a result of this operation, revenue totalling € 27,419 thousand was recognised in the consolidated annual accounts of Ibercaja Banco, based on the difference between the carrying value of the liabilities of Ibercaja Banco that had been written off, and their fair value at the acquisition date. This revenue was recorded under Net income/(expense) on financial operations in the consolidated income statement and has not been recognised in the individual annual accounts of Ibercaja Banco, in accordance with applicable legislation.

The consideration for the business of Banco Grupo Cajatres, S.A., after terminating the pre-existing relationship amounts to € 258,139 thousand (acquisition cost of the holding in Banco Grupo Cajatres, S.A. totalling € 325,500 thousand less the cost of the cancellation of separate transactions).

The merger balance sheet at 1 July 2013, the acquisition date for accounting purposes, which includes the fair value of the consolidated assets and liabilities of Banco Grupo Cajatres, S.A. after eliminating the financial instruments relating to the separate transactions mentioned above, is as follows (thousand euro):

Assets	01/07/2013
Cash and deposits with central banks	174,917
Held for trading	7,169
Other assets at fair value through profit or loss	13,526
Available-for-sale financial assets	1,370,079
Loans and receivables	10,254,998
Held-to-maturity investments	6,176,785
Changes in the fair value of hedged items in portfolio hedges on interest rate risk	(10,348)
Hedging derivatives	26,026
Non-current assets held for sale	77,270
Investments	77,639
Reinsurance assets	1,385
Tangible assets	661,140
Intangible assets	63,204
Tax assets	1,023,405
Other assets	78,929
Total assets	**19,996,124**

Liabilities and equity	01/07/2013
Held for trading	8,120
Other financial assets at fair value through profit or loss	48,094
Financial liabilities at amortised cost	18,185,641
Changes in the fair value of hedged items in portfolio hedges on interest rate risk	6,296
Hedging derivatives	187,766
Insurance contract liabilities	993,311
Provisions	183,465
Tax liabilities	266,165
Other liabilities	20,509
Total liabilities	**19,899,367**
Shareholders' funds	130,074
Non-controlling interests	(33,317)
Total equity	**96,757**
Total liabilities and equity	**19,996,124**

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

The adjustments effected at the acquisition date to the equity of Banco Grupo Cajatres, S.A. totalled € 23,451 thousand, net of taxes. These adjustments include (before tax) the recognition of contingent liabilities and contract breach costs amounting to € 6,000 and € 11,695 thousand, respectively, a negative adjustment to loans and receivables of € 140 million, as the best estimate of the difference between the carrying value of the customer loans of Banco Grupo Cajatres, S.A. at the acquisition date and their fair value (present value of expected cash flows). Additionally, intangible assets were recognised amounting to € 52,531 thousand that were not recognised in acquired institution.

Current accounting legislation establishes a one year period during which the measurement of the assets and liabilities acquired is not considered to be definitive as the acquirer needs one year to obtain the necessary information to measure them correctly. Therefore, the valuations made are the best available estimate at the date of preparation of the annual accounts and are provisional. Therefore, the total amount of the goodwill that is expected to be tax deductible has still not been determined.

The expenses incurred on the acquisition amount to € 463 thousand and are recorded under "Other management expenses" on the income statement of Ibercaja Banco. In addition, share capital increase expenses amounted to € 103 thousand.

According to the consolidated annual accounts for 2013 of Banco Grupo Cajatres, S.A.U., ordinary income (i.e. gross income) amounted to € 428,608 thousand and after-tax losses totalled € –121,872 thousand. Ordinary income from the acquisition date included in the consolidated income statement for 2013 amounts to € 147,305 thousand. Part of these losses (€ 84,544 thousand) was recorded against the Group's equity during the fair value adjustment. The ordinary income and results contributed to the income statement if the date of the business combination had been 1 January 2013 are not disclosed, since that would require the estimation of fair value adjustments at January 1.

1.11.3 Full combination

The full combination through the merger and absorption of Banco Grupo Cajatres, S.A. by Ibercaja Banco is expected to take place towards the end of 2014.

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 policies

During 2013 amendments have been made to accounting legislation applicable to the Group with respect to that applied in the previous period. Set out below is a list of the changes that may be considered to be significant:

The mandatory standards, amendments and interpretations for all years starting 01 January 2013, which have not significantly impacted the Group, are as follows:

- IAS 1 (Amendment) "Presentation of the Financial Statements"
- IFRS 13 "Fair Value Measurement"

- IFRS 7 (Amendment) Financial instruments - Disclosures"
- IAS 19 (Amendment), "Employee benefits"

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 19 (Amendment) "Defined Benefit Plans: employee contributions"
- IAS 27 (Amendment), "Separate financial statements".
- IAS 28 (Amendment) "Investments in associates and joint ventures"
- IAS 32 (Amendment) "Financial Instruments: disclosure".
- IAS 36 (Amendment) "Disclosures of the recoverable amount of non-financial assets".
- IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting".
- IFRS 9 "Financial Instruments".
- IFRS 10 "Consolidated financial statements"
- IFRS 11, "Joint arrangements"
- IFRS 12 "Disclosure of interests in other entities"
- IFRIC 21 "Levies".

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

1.13.2 Changes in accounting estimates

The only significant change relates to the estimate of impairment losses on refinanced and restructured assets, described in Note 3.1.5.2.

1.14 Credit ratings

	Date		Short-term		Long-term		Outlook	
Entity	2013	2012	2013	2012	2013	2012	2013	2012
Standard&Poors	December 2013	November 2012	B	B	BB	BB+	Stable	Negative
Moody's	November 2013	October 2012	NP	NP	Ba3	Ba2	Negative	Under review
Fitch Ratings	February 2014	–	B	–	BB+	–	Stable	–

Credit ratings pertain to Ibercaja Banco, S.A.

2 Accounting principles and policies and measurement methods applied

The following principles, accounting policies and measurement criteria have been applied in the preparation of the Group's consolidated annual accounts for 2013.

2.1 Consolidation and business combinations

2.1.1 Subsidiaries

"Subsidiaries" are those in which the Entity has the capacity to exercise control. This is generally, though not exclusively, reflected by the direct or indirect ownership interests of 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 relevant information on these entities.

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

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

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

2.1.2 Jointly-controlled entities

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

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

Schedules I and II provide relevant information on these entities.

2.1.3 Associates

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

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

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

Schedules I and II provide relevant information on these entities.

2.1.4 Business combinations

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

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

Positive differences between the cost of shareholdings in subsidiaries, jointly controlled entities or associates and the relevant attributable potion of equity adjusted on the date of first consolidation, are accounted for as follows:

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

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

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

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

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

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

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

2.2.2 Derecognition of financial instruments

Financial assets are derecognised when one of the following occurs:

- The contractual rights to the cash flows generated expire; or
- the financial asset is transferred and substantially all the risks and rewards pertaining to it are transferred or, even when there is no transfer or substantial retention of such risks and rewards, control is transferred (Note 2.7.).

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

2.2.3 Fair value and amortised cost of financial instruments

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

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

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

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

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

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

2.2.4 Classification and measurement of financial assets and liabilities

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

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

vailing 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. Other changes arising in said fair value are recognised against Gains/(losses) on financial transactions in the consolidated income statement.

However, financial derivatives whose underlying assets are equity instruments the fair value of which cannot be determined with sufficient objectivity and are settled by delivery thereof are valued at cost.

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

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

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

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

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

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

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

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

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

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

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

  The above notwithstanding, equity instruments whose fair value cannot be determined with sufficiently objectivity are carried in these annual accounts at cost, net of any impairment, calculated on the basis of the criteria explained in Note 2.8.

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

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

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

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

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

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

The above notwithstanding, financial instruments that must be treated as non-current assets held for sale under current regulations are disclosed in the consolidated annual accounts based on the criteria 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 an operation as being a hedge from the outset. In the documentation relating to hedge operations, the hedged and hedging instruments are identified along with the nature of the risk to be covered and the criteria or methods followed by the Group to appraise their efficiency over the term of the operation.

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

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

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

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

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

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

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

2.4 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.

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

	Equivalent value in thousand euro			
	2013		2012	
	Assets	Liabilities/ Equity	Assets	Liabilities/ Equity
Breakdown by portfolio type				
Financial assets/liabilities at fair value through profit or loss	28,724	(916)	34,956	(4,344)
Loans and discounts /Liabilities at amortised cost	59,875	48,586	42,899	30,394
Remainder	121	131	152	1,054
	88,720	47,801	78,007	27,104
Breakdown by currency type				
US dollars	54,583	43,745	49,519	27,951
Pounds sterling	13,125	992	9,948	(118)
Swiss francs	13,284	1,757	13,688	(351)
Japanese yen	2,737	917	2,306	44
Other	4,991	390	2,546	(422)
	88,720	47,801	78,007	27,104

2.4.2 Foreign currency translation methods:

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

In addition:

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

2.4.3 Recognition of exchange differences

Exchange differences that arise when translating balances in foreign currency to the entities' functional currency are recorded in general at net value under "Differences on exchange (net)" on the consolidated income statement, with the exception of exchange differences on financial instruments recognised at fair value through profit or loss, which are recorded on the consolidated income statement under "Net gains/(losses) on financial assets and liabilities" without being differentiated from other changes in their fair value.

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

At 31 December 2013 and 2012 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 Income and expenses on interest, dividends and similar items

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

2.5.2 Commissions, fees, and similar

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

- Those linked to acquisitions of financial assets and liabilities carried at fair value through profit or loss, which are reflected in the income statement when payment is made.
- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated income statement over the term of the transaction or service.
- Those relating to a one-off event, which are recorded when the originating event takes place.

2.5.3 Non-financial income and expense

These are recognised 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

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

2.7 Financial asset transfers

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

- If the risks and rewards relating to the transferred assets are substantially transferred to a third party, the asset is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is recognised.
- If the risks and rewards associated with the financial asset transferred are substantially retained, as in the case of fixed asset securitisations in which subordinated financing or another kind of credit improvement is maintained which substantially absorbs the loan losses expected for the securitised assets, the financial asset transferred is not written off the consolidated balance sheet and continues to be measured using the criteria used prior the transfer. Conversely, the following items are recognised and not offset:
  - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.
  - The income from the financial asset which is transferred but not derecognised, and the expenses derived from the new financial liability.
- If the risks and rewards associated with the transferred financial asset are not transferred or substantially retained, a distinction is drawn between:
  - 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.

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

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

2.8 Financial asset impairment

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

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

In 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) significant financial difficulty being faced by the issuer or obligor;

b) breach of contract such as default or delinquency in payments of interest or 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 a specific financial asset because of the financial difficulties of the debtor or the counterparty of the risk contracted by the Group, or

f) the observable data indicate that there is a decrease in the estimated future cash flows in a group of financial assets with similar characteristics from the initial recognition of those assets, even though the decrease cannot yet be identified with the Group's individual financial assets, including:

   in) adverse changes in the payment conditions for a group of similar borrowers which, for instance, accumulate a growing volume of delays in payment or whose financial structure is inadequate; 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 abovementioned percentages for considering all their operations to be doubtful are not met, the conclusion is reached that there are reasonable doubts as to the payment of their debts, contingent risks in which the guaranteed parties are insolvent, etc.

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

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

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

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

2.8.1 Debt instruments measured at amortised cost

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

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

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

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

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

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

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

For impairment losses arising due to the insolvency of the issuer of debt instruments classified as available for sale, the procedure followed by the Group to calculate the losses coincides with the policy explained above in 2.8.1. for debt instruments measured at amortised cost.

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

2.8.3 Available-for-sale equity instruments

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

The criteria for recognising impairment losses on equity instruments classified as available for sale are similar to those applicable to debt instruments (as explained in Note 2.8.2.), except for the fact that any recovery of these losses is recognised in equity under the caption "Valuation Adjustments - available-for-sale financial assets".

For listed equity instruments, the criteria used by the Group for the determination of impairment evidence are based, firstly, on the definition of timing or percentage ranges for comparing the average cost with the instrument's share price. In particular, the time or percentage ranges established in the Group's policies are a decrease of 40% of the share price relative to the average acquisition cost or a sustained decline in the share price for 18 months. The Group considers evidence of impairment situations in which the issuer has entered into, or is likely to enter into, an agreement with creditors or has significant financial difficulties. In this respect, the objective evidence is more pronounced in the event of a decrease of 40% in the share price for a continuous period of one and a half years.

Once the existence of evidence of impairment has been determined in accordance with the above parameters, a specific analysis of the instrument's main figures which confirms or contradicts the need for a provision is performed.

At 31 December 2013 and 2012 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 are accounted for as the difference between the carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities.

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

2.9 Financial guarantees and provisions made thereon

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

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

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

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

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

2.10 Accounting for leases

2.10.1 Finance leases

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

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

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

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

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

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

2.10.2 Operating leases

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

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

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

Note 27.7.2 sets out information on these leases.

2.11 Assets managed

Third party assets managed by the consolidated companies are not included in the consolidated balance sheet. Fees generated by this activity are recorded under "Fees and commissions received" in the consolidated income statement. Note 27.4 provides information on the third-party assets managed at the year end.

2.12 Investment funds and pension funds managed by the Group

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

2.13 Personnel expenses

2.13.1 Post-employment remuneration

Post-employment remuneration is remuneration paid to employees after the end of their period of employment. All post-employment obligations, including those covered by internal allowances or external pension plans, are classified as defined contribution plans or defined benefit plans, based on the conditions of these obligations.

The Bank's post-employment commitments with its employees are treated as defined-contribution plans when the Bank makes predetermined contributions to a separate entity, 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 plans.

The spin-off of financial activities in 2011 by Ibercaja to Ibercaja Banco, S.A.U. described in Note 1.1. has not entailed any change in employees' pre-existing rights.

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

Defined contribution plans

The Group makes predetermined contributions to a separate entity for a certain group of employees in accordance with agreements based on the respective Collective Agreements applicable to each company of origin. Each Group company arranged its defined contribution pension plan for employee retirement and defined benefit plan for death and disability, the latter being covered by annual insurance policies. The defined contribution plans are the following:

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

The contributions made each year are recognised under "Personnel expenses - Staff welfare expenses" in the consolidated income statement. The contributions made by the defined contribution plan promoters amounted to € 3,553 thousand in 2013 and € 12,086 thousand in 2012.

Defined benefit plans

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

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

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

The Group records its reimbursement right under assets on the balance sheet in the caption "Insurance contracts linked to pensions" which for other purposes is treated as a plan asset. The assets that cover commitments with personnel hired by Ibercaja Vida, S.A. and CAI Vida, S.A. de Seguros y Reaseguros are not plan assets as these are related Group companies, and are recorded as "Insurance contracts linked to pensions".

The amendment to IAS 19 in 2013 entailed the following of changes in the treatment of post-employment benefits:

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

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

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

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

Pension supplements for serving or retired personnel

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

- Post-employment commitments with employees from Ibercaja Banco

Post-employment commitments acquired by the Company with retired personnel included in the Ibercaja employee pension plan derived from the Collective Agreement are related to supplements to Social Security pensions in cases retirement, widowhood, orphanhood, permanent disability or major disability.

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

- Post-employment commitments with employees from Banco Grupo Cajatres

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

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

2.13.2 Other long-term employee remuneration

Widowhood and disability commitments prior to retirement that depend on length of service and other similar items will be processed for accounting purposes, as applicable, as established in defined benefit post-employment plans, except that actuarial gains and losses are recognised immediately in the income statement.

The commitments undertaken with early retirees are as follows:

- Employees from Ibercaja Banco, S.A.:

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

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

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

Agreement for integration and creation of the SIP ("Sistema Institucional de Protección" - institutional protection system)

As a result of the merger process and the creation of the SIP and due to the personnel reorganisation measures that were deemed necessary, on 28 December 2010 the savings banks participating in said system and the trade union representatives concluded an agreement for the acceptance of redundancy proceedings to be applied in the three participating savings banks. The redundancy proceedings were authorised by the Directorate General for Employment on 21 January 2011.

The final agreement for the acceptance of the redundancy proceedings envisaged, among other measures, the establishment of an early retirement plan whose main features were:

- Employees who had reached 57 years of age at 31 December 2010, were regarded as eligible for the plan. A time limit of 60 days was established as from the effective date of the agreement to sign up to the plan.
- The effective date for early retirement was set by each savings bank by the deadline of 31 December 2012; however, in certain circumstances the savings banks could set a later date, the limit being 30 June 2013.
- Between taking early retirement and reaching the age of 64, the employees receive an indemnity for the termination of their employment contracts which, together with their unemployment benefit, includes the following coverage:
  - 80% of the employee's gross fixed remuneration, excluding the employee's Social Security contribution, received in the 12 months immediately prior to early retirement.
  - These employees may not receive severance compensation which, taken together with unemployment benefit, is less than 90% or more than 95% of the net fixed salary for the 12 months immediately preceding early retirement.
  - The savings banks will continue to pay the contributions to the employees' pension plan which pertain to the coverage of the retirement contingency. In the case of employees taking part in a defined benefit sub-plan, the above contribution will be equal to the contribution made during the year prior to early retirement with a limit of € 8,000 per year. In the case of members of a defined benefit sub-plan, their rights will vest at the effective date of early retirement and the contribution to be made will be equal to that made during the year prior to early retirement, subject to a limit of € 8,000 per year.

At the end of 2013, 152 employees of the savings banks had availed themselves of the early retirement option and all of them terminated their employment (211 persons in 2012).

Finally, the above Agreement lays down the remuneration conditions applicable as from 1 January 2011 for the employees of the three participating savings banks and to employees joining the Bank. It also lays down the obligation for the Bank to promote a defined contribution retirement pension plan for the Bank's employees. At the date of these annual accounts the Bank's pension plan has still not been arranged and therefore, in accordance with the above-mentioned agreement between management and the employees, on a temporary basis and as long as the new pension plan is not formally arranged, the employees transferred from the savings banks to the Bank continue to be members of the pension plans of their banks of origin, with the same rights and conditions as if they were still employed by them.

Early retirement plan with employees from Caja Círculo

On 10 October 2006, the Board of Directors of Caja Círculo approved an early retirement plan for 2007 with the following main characteristics:

- it addresses employees who are 57 or older before 31 December 2007 with a minimum length of service of 20 years. Employees had to become members of the plan by 30 November 2006.

- During the early retirement period employees receive 80% of their salary for the 12 months immediately preceding the date of early retirement and 70% of the variable remuneration stipulated for 2006.

At 31 December 2013 the number of employees that had taken up the early retirement option was 17 (26 employees during 2012).

Commitments with early retirees are covered by an internal fund.

2.13.3 Severance indemnities

Severance indemnities are recognised as a provision for pension funds and similar obligations and as a personnel expense only when the Entity is demonstrably committed to terminating its relationship with an employee or group of employees before the normal retirement date, or to pay severance indemnities as a result of an offer made to encourage voluntary termination of employment by employees.

In March 2013, Ibercaja management and the employees' representatives, within the framework of redundancy proceedings, reached an agreement covering various measures aimed at improving the Entity's efficiency. These include a voluntary retirement plan for which 275 employees are eligible who, for reasons of age or due to the closure of their work centre, decide to terminate their contracts. The redundancies will take place in stages until March 2014.

This plan has resulted in personnel expenses amounting to **€** 17,988 thousand.

In addition, at end 2013 the Bank recorded a provision for the estimated employee costs derived from the restructuring plan described in Note 1.11.1.2 (Note 21).

2.13.4 Other welfare benefits

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

Banco Grupo Cajatres employees have the following welfare benefits:

- Home purchase loans: the maximum amount financed is the value of the dwelling plus acquisition costs, subject to the limits laid down in the Collective Agreement and in the Corporate or Company Agreements. The maximum term is 35 years and the applicable interest rate is equal to 70% of the one-year Euribor rate.
- Personal loans for various purposes: the maximum amount and duration are laid down in the Collective Agreement and in the Corporate or Company Agreements. The variable 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 six monthly salaries. Monthly repayments are equal to 10% of the gross salary.

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

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

2.14 Corporate income tax

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

As mentioned in Note 25, Ibercaja Banco forms part of a Tax Group, the parent of which is 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 for deductions and rebates and for tax-loss carryforwards are items which, after having completed the activity or obtained the results that generate the relevant rights, are not applied for tax purposes in the relevant return until the fulfilment of the conditions laid down by tax legislation to this end, it being considered probable by the Group that they will be applied in future years. Note 25 gives details of the assets recorded in this respect.

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

Deferred tax liabilities are recognised for almost all temporary differences. However, deferred tax liabilities are recognised for taxable temporary differences deriving from investments in subsidiaries, associates and jointly-controlled entities, except when the Group is able to control the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

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

2.15 Tangible assets

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. Tangible fixed assets for own use are recognised at cost, consisting of fair value of any consideration delivered plus cash payments made or committed to as a whole, less:

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

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

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

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

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

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

Similarly, where there are indications that the value of impaired property, plant and equipment has been recovered, the consolidated entities recognise the reversal of the impairment loss shown in previous periods by crediting the consolidated income statement caption "Asset impairment losses (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 expenses relating to fixed assets for own use are charged to results for the year in which they are incurred, under "Other management expenses" on the consolidated income statement. Finance costs incurred due to the financing of tangible assets for own use are taken to 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 caption "Tangible Assets - Property, plant and equipment - assigned under operating lease" on the consolidated balance sheet reflects net values of tangible assets other than land and buildings which are assigned by the Group under operating leases.

The policies followed for the recognition of acquisition costs and in accounting for depreciation, estimating remaining useful lives and recording impairment losses, are the same as those described above for tangible assets for own use (Note 2.15.1).

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 policies followed for the recognition of acquisition costs and in accounting for depreciation, estimating remaining useful lives and recording impairment losses, are the same as those described above for tangible assets for own use (Note 2.15.1).

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. Only intangible assets whose cost can be estimated in a reasonably objective manner, from which the consolidated companies consider it probable that profits will be made in the future, are recognised in the accounts.

2.16.1 Goodwill

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

To detect possible indications of goodwill impairment value appraisals are undertaken, generally on a present value of future distributable earnings basis, having regard to the following parameters:

- Key business assumptions. These assumptions are used as a basis for cash flow projections as part of the valuation. For businesses engaging in financial operations, projections are made for variables such as: changes in lending volumes, default rates, customer deposits and interest rates, as well as capital requirements.
- The period covered by the projections. This is usually five years, after which a recurring level is attained in terms of both income and profitability. These projections take account of the economic outlook at the time of the valuation.
- The discount rate. The present value of future dividends, from which a value in use is derived, is calculated from a discount rate taken as the capital cost of the entity from the standpoint of a market participant. To do this the Capital Asset Pricing Model (CAPM) is used.
- The rate of growth used to extrapolate cash flow projections beyond the end of the period covered by the most recent projections. Based on long-term estimates for the main macroeconomic numbers and key business variables, and bearing in mind the current financial market outlook at all times, an estimate of a rate of growth in perpetuity can be arrived at.

Impairment losses recognised for goodwill cannot subsequently be reversed.

2.16.2 Other intangible assets

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

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

Intangible assets with defined useful lives are amortised on the basis of their useful lives using rates similar to those adopted to amortise Property, plant and equipment. Annual amortisation of intangible assets with a definite useful life is recognised in "Amortisation- Intangible assets" in the income statement and is calculated on the basis of the useful lives initially estimated, generally 3 to 5 years, except for intangible assets relating to customer relations described in Note 17.2, in which an estimated useful life of 10 years has been estimated for relations associated with sight deposits and six years to those associated with term deposits.

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

2.17 Inventories

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

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

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

The cost of inventories which are not ordinarily interchangeable is determined on an individual basis and the cost of other inventories is determined by applying the average weighted cost method. Decreases in and, if applicable, subsequent recoveries of the net realisable value of inventories, below their carrying amount, are recognised in the consolidated income statement in the financial year they are incurred, in the caption "Other asset impairment losses (net) - other assets".

The carrying value of inventories 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.

Investments in jointly controlled entities or associates that meet the requirements mentioned in the above paragraph are also regarded as non-current assets held for sale. It can therefore be assumed that the carrying value of an asset of this kind, which may be of a financial or non-financial nature, will be recovered through the disposal of the item concerned rather than from its continued use.

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

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

2.19 Insurance operations

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

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

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

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

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

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

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

2.20 Provisions and contingent liabilities

When preparing the annual accounts of the consolidated companies, their respective directors made a distinction between:

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

The Group's consolidated 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 (Note 27.1).

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

Provisions considered necessary in accordance with the above criteria are debited or credited to the caption "Provisioning expenses (net)" on the consolidated income statement.

A the year end certain litigation and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the consolidated annual accounts for future years.

2.21 Consolidated statement of recognised income and expenses

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

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

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

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

The largest figure in the income and expense recognised directly in equity relates to measurement adjustments, which break down as follows:

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

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

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

2.22 Total statement of changes in consolidated equity

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

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

2.23 Consolidated cash flow statements

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

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

For the purposes of preparing the consolidated cash flow statement, the Group has considered "Cash and cash equivalents" to be highly liquid short term investments which are exposed to a negligible risk of change in value. The Group therefore treats the following financial assets and liabilities as cash or cash equivalents:

- The Group's own cash, which is recognised in the consolidated balance sheet caption "Cash and deposits with central banks" (Note 6).
- Net demand deposits at central banks, which are recognised in the captions "Cash and deposits with 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 although risk management also provides for the counterparty, concentration, market, liquidity, interest rate, operational, reputational, business, insurance 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 lay down the guidelines for investment and risk policies, which will be developed and applied by the rest of the organisation in the course of their functions for both the parent and the remaining companies that make up the Group.
- Strategy and risk profile: To establish these guidelines the governing bodies receive information and technical support from specialised committees and boards. In particular, the Global Risk Committee defines and carries out the 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 Group.

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

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

- To assess the key business risks on the basis of their relevance and probability of occurrence, quantifying them with greater accuracy and the increase in the level of detail.
- To integrate the measurement of risk in operating and decision processes (establishing limits and policies, acceptance of operations, 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).
- Increase the efficiency of processes for the recognition, monitoring and recovery of risks through the utilisation of statistical tools and appropriate information systems which facilitate decision-taking.

- Ensuring the integrity and quality of information on risk, which leads to improvements in the internal and external reporting and communication systems at all levels involved in risk management.
- Establishing an environment where models and tools are followed up systematically, ensuring their predictive ability.

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

3.1 Credit risk

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

3.1.1 Credit risk management strategies and policies

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

The Board of Directors establishes the strategies, policies and limits on the management of this risk, documented in the "Loans and receivables risk management policy and procedures manual", at the suggestion of the Global Risk Committee. This manual includes the action guidelines for the main operation segments and maximum risk lines with the main borrowers, sectors, markets and products. The Board (or Executive Committee) is responsible for authorising risks that exceed the competence of the Entity'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:

- Classifications of risk for borrower groups through the establishment of prior exposure limits, in order to avoid inappropriate risk concentrations.
- Criteria for the admission of new operations and limits to granting powers, depending on the customer segment being financed.
- Methodology for operations analysis based on type and correspondence to different segments.
- Internal credit rating models integrated with decision-taking systems for the various areas of the retail business.

- Requirements necessary to provide each operation with legal safeguards.
- Risk mitigation techniques.
- Pricing policies in line with customers' credit quality.

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

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

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

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

3.1.3 Country risk

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

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

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

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

3.1.4 Information on the credit risk of financial instruments

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

(Thousand euro)	2013	2012
With no appreciable risk	20,256,400	10,780,372
Low risk	23,378,699	20,499,975
Medium – low risk	3,094,634	2,957,276
Medium risk	5,458,167	3,964,550
Medium-high risk	1,103,048	1,641,615
High risk	189,032	155,542
	53,479,980	**39,999,330**

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

(Thousand euro)	2013	2012
Public sector	948,894	653,838
Credit institutions	1,545,508	1,054,598
Real estate construction and development	3,770,865	3,511,234
Other interest generating operations	7,255,750	4,257,234
Housing acquisition and refurbishment	25,178,943	21,263,383
Consumer and other household lending	1,600,309	981,995
Other sectors not classified	923,582	503,966
	41,223,851	**32,226,248**

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

(Thousand euro)	2013	2012
Mortgages	31,993,861	26,752,551
Pledges – financial assets	40,173	6,653
Off-balance sheet guarantees – Public Sector and credit institutions	26,614	32,541
Guarantee – Government debt securities	685,378	54,859
	32,746,026	**26,846,604**

At December 2013 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 58.41% (59.86% at December 2012).

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

(Thousand euro)	2013	2012
Customer default	2,791,072	1,361,609
Other factors	1,242,821	359,223
	4,033,893	**1,720,832**

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.

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

3.1.5 Information concerning risk concentration, refinancing and restructuring

3.1.5.1 Information concerning risk concentration

Set out below is a breakdown of the carrying value of the distribution of customer loans by customer type and activity at 31 December 2013 and 2012:

	31/12/2013							
				Secured loans Loan to value				
(Thousand euro)	Total	Of which: mortgage guarantee	Of which: other real-estate guaran-tees	40% or less	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public authorities	878,458	89,604	3	42,053	12,571	34,983	–	–
Other financial institutions	944,804	1,126	7	337	581	59	121	35
Non-financial companies and individual entrepreneurs	8,350,010	5,184,163	48,357	1,154,195	1,375,167	1,729,445	559,370	414,343
Real estate construction and development	2,315,399	2,191,678	292	215,166	409,876	960,204	365,376	241,348
Civil engineering construction	145,286	3,482	23	1,985	555	807	–	158
Other uses	5,889,325	2,989,003	48,042	937,044	964,736	768,434	193,994	172,837
Large companies	*1,160,712*	*304,399*	*5,973*	*52,171*	*70,946*	*74,524*	*77,638*	*35,093*
SMEs and individual entrepreneurs	*4,728,613*	*2,684,604*	*42,069*	*884,873*	*893,790*	*693,910*	*116,356*	*137,744*
Other home-help and non-profit institutions	26,646,833	25,128,495	22,215	4,857,739	7,776,817	10,322,316	1,963,224	230,614
Home loans	24,533,150	24,043,161	8,591	4,391,063	7,454,373	10,101,469	1,917,862	186,985
Personal loans	487,881	103,585	2,999	64,081	24,238	13,141	3,351	1,773
Other uses	1,625,802	981,749	10,625	402,595	298,206	207,706	42,011	41,856
Subtotal	36,820,105	30,403,388	70,582	6,054,324	9,165,136	12,086,803	2,522,715	644,992
Less: value adjustments for asset impairment not allocated to operations	–	–	–	–	–	–	–	–
Total	36,820,105	–	–	–	–	–	–	–
Memorandum accounts: refinancing, refinanced and restructured operations	3,103,700	2,678,724	3,480	360,047	515,790	1,104,009	477,463	224,895

	31/12/2012							
				Secured loans Loan to value				
(Thousand euro)	Total	Of which: mortgage guarantee	Of which: other real-estate guaran-tees	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	102,093	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	2,762,463	2,678,086	125	246,084	466,136	1,297,524	471,916	196,551
Civil engineering construction	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 individual entrepreneurs	*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
Home loans	20,824,741	20,540,415	1,345	3,342,352	6,005,927	8,990,862	2,041,078	161,541
Personal loans	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	30,149,145	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	29,535,076	–	–	–	–	–	–	–
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

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

- Total activity:

	31/12/2013				
(Thousand euro)	Spain	Rest of EU	America	Rest of the world	Total
Credit institutions	4,194,280	438,882	29,969	225,321	4,888,452
Public authorities	12,620,826	522,238	49	–	13,143,113
Central government	10,456,325	522,238	49	–	10,978,612
Rest	2,164,501	–	–	–	2,164,501
Other financial institutions	4,567,749	464,678	4,501	–	5,036,928
Non-financial companies and individual entrepreneurs	9,323,097	102,028	27,023	11,445	9,463,593
Real estate construction and development	2,436,154	1,588	–	–	2,437,742
Civil engineering construction	143,271	1,492	–	2,529	147,292
Other uses	6,743,672	98,948	27,023	8,916	6,878,559
Large companies	*1,442,552*	*16,034*	*22,306*	–	*1,480,892*
SMEs and individual entrepreneurs	*5,301,120*	*82,914*	*4,717*	*8,916*	*5,397,667*
Other home-help and non-profit institutions	26,662,378	64,232	7,657	27,643	26,761,910
Home loans	24,437,588	61,944	6,998	26,619	24,533,149
Personal loans	487,222	187	423	49	487,881
Other uses	1,737,568	2,101	236	975	1,740,880
Subtotal	57,368,330	1,592,058	69,199	264,409	59,293,996
Less: Value adjustments for asset impairment not allocated to operations					–
Total					59,293,996

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

(Thousand euro)	31/12/2012 Spain	Rest of EU	America	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
Rest	593,968	–	–	–	593,968
Other financial institutions	1,083,739	24,336	–	–	1,108,075
Non-financial companies and individual entrepreneurs	7,742,317	98,625	16,052	2,740	7,859,734
Real estate construction and development	2,898,871	–	–	–	2,898,871
Civil engineering construction	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 individual entrepreneurs	*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	26,522	22,547,882
Home loans	20,749,102	52,621	7,218	25,014	20,833,955
Personal loans	421,914	395	489	76	422,874
Other uses	1,289,188	404	29	1,432	1,291,053
Subtotal	41,551,014	1,634,484	62,391	29,781	43,277,670
Less: Value adjustments for asset impairment not allocated to operations					614,069
Total					42,663,601

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

- Activities in Spain

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

(Thousand euro)	31/12/2012								
	Aragon	Madrid	Catalonia	Valencia	Castilla La Mancha	Andalusia	La Rioja	Rest	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
Rest	149,484	152,310	22,594	115,234	16,054	3,581	62,255	72,456	593,968
Other financial institutions	506,388	551,960	502	6,890	27	2	860	17,110	1,083,739
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	641,297	750,521	209,691	148,150	295,767	350,710	144,183	358,552	2,898,871
Civil engineering construction	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 individual entrepreneurs	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
Home loans	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
Personal loans	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	9,680,063	3,393,366	2,995,943	2,288,378	2,019,331	1,161,752	3,077,904	41,551,014
Less: Value adjustments for asset impairment not allocated to operations									614,069
Total									40,936,945

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 (grant of interest free periods, increase in timeframes, etc.).
- Improving as far as possible the Entity's risk position through the delivery of additional effective guarantees and the review of existing guarantee.

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

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

The Group carries out a thorough follow-up of these operations, detecting potential risks of non-compliance and recognising the amounts which are considered irrecoverable and the necessary provisions are established to cover the loss.

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

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

During 2013, the Group revised the operations that it had classified as refinancing or restructuring operations after it emerged that some of them did not meet the requirements to be thus classified.

The criteria applied by the Entity to classify refinanced and restructured operations as normal, doubtful or substandard were also revised, taking into account the indications of the Bank of Spain circular letter dated 30 April 2013 and the *EBA Implementing Technical Standards On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013*.

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

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

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

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

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

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

Set out below is a breakdown of refinancing and restructuring balances outstanding at 31 December 2012:

	Normal					
	Fully secured by mortgage		Other real-estate guarantees		Unsecured	
(Thousand euro)	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public institutions	18	26,453	–	–	6	61,860
Other corporate borrowers 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 individual borrowers	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

	Substandard						
	Fully secured by mortgage		Other real-estate guarantees		Unsecured		
(Thousand euro)	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public institutions	–	–	–	–	–	–	–
Other corporate borrowers and individual entrepreneurs	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 individual borrowers	–	–	–	–	–	–	–
Total	108	404,028	14	59,457	25	57,828	212,039

	Doubtful						
	Fully secured by mortgage		Other real-estate guarantees		Unsecured		
(Thousand euro)	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific cover
Public institutions	–	–	–	–	–	–	–
Other corporate borrowers and individual entrepreneurs	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 individual borrowers	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 at 31 December 2012:

	Total		
(Thousand euro)	Number of operations	Gross amount	Specific cover
Public institutions	24	88,313	–
Other corporate borrowers 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 individual borrowers	25,337	1,431,603	22,657
Total	35,060	5,205,924	559,545

A breakdown of operations refinanced or restructured which, following the relevant restructuring or refinancing, have been classified as doubtful during 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Public institutions	1,002	–
Other corporate borrowers and individual entrepreneurs	762,089	464,765
Of which: financing of construction and real estate development activities.	565,707	428,824
Other individual borrowers	307,080	89,239
Total	1,070,171	554,004

At 31 December 2013, 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 € 1,256,821 thousand (€ 521,313 thousand at 31 December 2012) 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 a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.

3.2.1 Operational risk management strategies and policies

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

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

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

The scope of application of this model for the management and evaluation of operational risk extends to Ibercaja Banco and the Financial Group's subsidiaries at 1 January 2013.

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 702 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).

The quantification of real losses recorded in the losses date base (average for 2011-2013) reflects that the net annual total (taking into account direct recoveries and those due to insurance) of losses due to operational risk events is **€** 3,532 thousand, corresponding to an average of 6,607 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 the Group since December 2010 to calculate capital consumption owing to Operational Risk using the standard method, in accordance with Rule 97 of Bank of Spain Circular 3/2008 on the calculation and control of minimum equity. However, since the acquisition of Banco Grupo Cajatres in July 2013, this standard method is applied together with the application, on an exceptional and transitory basis, of the basic indicator method to the Banco Grupo Cajatres sub-group, in accordance with Rule 95.10 of Bank of Spain Circular 3/2008. The standard method is expected to be applied to the entire Group once the activities of Banco Grupo Cajatres are fully integrated into the systems and procedures of Ibercaja Banco.

3.3 Exposure to interest rate risk

This is defined as the possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.

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

3.3.1 Interest rate risk management strategies and policies

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

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

3.3.2 Measurement and control procedures

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

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

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

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

The following table shows the sensitivity profile of Ibercaja Banco's individual balance sheet to interest rate risk, at 31 December 2013 and 31 December 2012, 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 2013:

(Million euro)	Time to the review of the effective interest rate or maturity						
	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Sensitive balance	Insensitive balance	Between 1 and 5 years	More than 5 years
Assets	**9,173**	**11,380**	**19,315**	**39,868**	**18,837**	**7,411**	**11,426**
Financial assets with fixed interest rate and other assets without set maturity date	852	(24)	1,375	2,203	18,349	6,929	11,420
Fixed-rate financial assets hedged by derivatives	721	111	56	888	(4)	–	(4)
Financial assets at variable interest rates	7,600	11,293	17,884	36,777	492	482	10
Liabilities	**13,089**	**7,789**	**16,028**	**36,906**	**21,799**	**15,373**	**6,426**
Financial liabilities with fixed interest rate and other liabilities without set maturity date	6,152	4,631	11,512	22,295	21,573	15,365	6,208
Fixed-rate financial liabilities hedged by derivatives	1,254	1,279	4,477	7,010	(219)	(431)	212
Financial liabilities at variable interest rates	5,683	1,879	39	7,601	445	439	6
Difference or gap for the period	**(3,916)**	**3,591**	**3,287**	**2,962**	**(2,962)**	**(7,962)**	**5,000**
Accumulated difference or gap	**(3,916)**	**(325)**	**2,962**	**2,962**	**(2,962)**	**(5,000)**	**–**
Average gap	(3,916)	(1,223)	3,415	1,294	–	–	–
% of total assets	(6.67)	(2.08)	5.82	2.21	–	–	–

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 and 1 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)	–	–	–

Sensitive balances are those maturing, or repriced, within the coming twelve months. This period is established as a reference for the quantification of the impact of the variation in interest rates on the Group's annual net interest income.

The Gap shown in the table represents the difference between sensitive assets and liabilities in each period, i.e. the net balance exposed to price fluctuations. The average Gap for the period is **€** 1,294 million, 2.21% of assets (**€** –1,240 million, –2.99% of assets at 31 December 2012).

Using data at 31 December 2013 the impact on the Entity's net interest income in the event of a 100 base point rise or fall in interest rates is an increase or decrease, respectively, of **€** 12.3 million, representing a 2.17% increase or decrease, as appropriate, in net interest income for the next 12 months (**€** 13 million and 2.41% in 2012), 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 **€** –26 million, –0.48% with respect to its equity value, and in the event of a 100 base point fall, **€** 99.4 million, 1.83% with respect to its equity value, (in December 2012 **€** –121 million and –2.79% in the event of an increase and **€** 139 million and 3.22% 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 the management of liquidity risk, which are documented in the "Liquidity risk management policy and procedures manual" at the suggestion of the Global Risk Committee.

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

3.4.2 Measurement and control procedures

Liquidity risk is measured taking into account estimated cash flows for assets and liabilities and additional guarantees or instruments which are available to ensure alternative sources of liquidity if such proves necessary.

It also includes the forecast development of the business and expectations in respect of interest rates, as well as management and hedging proposals, simulating different behavioural scenarios. These procedures and analysis techniques are revised as frequently as is necessary to ensure that they function efficiently.

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

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

At 31 December 2013 the Group's available liquidity amounts to € 10,661 million, 18.2% of consolidated assets, while issuance capacity amounts to € 6,692 million. Total available liquidity therefore amounts to € 17,354 million, which is € 7,969 million more than at the previous year end. At Ibercaja Banco, wholesale maturities during the year amounted to € 903 million, arranged through mortgage bonds and territorial bonds (€ 723 million) and securitization bonds held by third parties (€ 180 million). Moreover, buybacks of treasury shares have taken place amounting to € 329 million, arranged through subordinated debt (€ 36 million), preference shares (€ 3 million) and securitization bonds (€ 290 million). In the case of Banco Grupo Cajatres, mortgage bonds decreased by € 110 million.

Set out below is a breakdown of available liquidity:

(Thousand euro)	2013	2012
Cash on hand and on deposit at central banks	499,316	289,513
Available through policy	4,769,818	2,734,811
Eligible assets outside policy	5,192,752	2,095,028
Other marketable assets not eligible Central Bank	199,540	347,924
Accumulated available balance	**10,661,426**	**5,467,276**

At 31 December 2013 the mortgage bond issue capacity amounts to € 6,692,425 thousand (€ 3,917,694 thousand at 31 December 2012).

Set out below is a breakdown by period of the contractual maturities of assets and liabilities (liquidity gap) at 31 December 2013 and 2012:

(Thousand euro)	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							
Loans and advances to credit institutions	124,877	57,199	60,593	14,157	26,502	188,603	471,931
Loans to other financial institutions	–	3,751	282	1,292	2,428	5,034	12,787
Temporary acquisitions of securities and security loans	–	984,807	–	–	–	–	984,807
Loans (including overdue, doubtful, non-performing and foreclosed)	68,368	440,669	674,029	2,276,384	7,648,551	29,047,290	40,155,291
Liquidation of securities portfolio	–	154,053	263,649	1,723,482	7,239,382	4,427,324	13,807,890
Net interest income	–	111,815	60,095	307,302	–	–	479,212
Total at 31 December 2013	193,245	1,640,479	998,553	4,015,315	14,916,863	33,668,251	55,432,706
Total at 31 December 2012	304,917	955,477	833,880	2,924,098	10,883,934	24,021,829	39,924,135
LIABILITIES							
Wholesale issues	–	7,898	14,914	1,505,455	4,117,788	3,351,983	8,998,038
Deposits from credit institutions	5,006	70,225	53,995	45,605	3,500	–	178,331
Deposits from other financial institutions and bodies	286,866	45,750	473,489	998,318	765,184	47,365	2,616,972
Deposits from large non-financial companies	17,461	10,000	50	850	2,446	–	30,807
Financing other customers	13,803,521	1,308,943	1,523,501	8,436,258	6,324,619	14,535	31,411,377
Funds for intermediary lending	43	4,219	9,128	46,910	552,097	26,479	638,876
Financing securities collateral	–	1,853,536	2,484,964	68,039	5,138,850	–	9,545,389
Other net outflows	851	29,451	67,605	296,485	7,941	85,505	487,838
Total at 31 December 2013	14,113,748	3,330,022	4,627,646	11,397,920	16,912,425	3,525,867	53,907,628
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
Gap 2013	(13,920,503)	(1,689,543)	(3,629,093)	(7,382,605)	(1,995,562)	30,142,384	
Gap 2012	(8,894,801)	(2,947,435)	(2,117,220)	(3,789,425)	(272,293)	20,363,724	
Accumulated gap (without at sight savings account) 2013	–	(1,689,543)	(5,318,636)	(12,701,241)	(14,696,803)	15,445,581	
Accumulated gap (without at sight savings account) 2012	–	(2,947,435)	(5,064,655)	(8,854,080)	(9,126,373)	11,237,351	

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 2013:

(Thousand euro)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 5 years	Total
Senior debt	–	–	–	35,393	11,748	–	47,141
Government secured debt	–	–	–	493,600	–	–	493,600
Subordinated and preferred	–	–	–	20,000	429,209	81,253	530,462
Bonds and mortgage and territorial bonds	–	–	–	893,866	3,359,199	2,371,771	6,624,836
Securitization	–	6,942	12,093	61,170	317,632	898,957	1,296,794
Promissory notes and deposit certificates	–	957	2,822	1,426	–	–	5,205
Wholesale issues	–	7,899	14,915	1,505,455	4,117,788	3,351,981	8,998,038
Long-term financing with securities collateral	–	–	–	–	4,790,000	–	4,790,000
Period maturities	–	7,899	14,915	1,505,455	8,907,788	3,351,981	13,788,038
Accumulated maturities	–	7,899	22,814	1,528,269	10,436,057	13,788,038	

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

At 31 December 2012:

(Thousand euro)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 2 years	More than 5 years	Total
Senior debt	–	–	–	–	–	–	–
Government secured debt	–	–	–	–	493,600	–	493,600
Subordinated and preferred	–	–	–	–	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.

The diversification policy on timing the maturity of wholesale issues will enable the Group to cover maturities in the next few years, with a comfortable equity position. Bearing in mind available liquidity (€ 10,661 million), the Entity could cover long-term wholesale loans maturing in five years (€ 5,646 million). If, in addition, the issuance capacity is taken into consideration (total available resources of € 17,354 million), total wholesale issue maturities (€ 8,998 million) would be amply covered.

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

The Group only expects cash outflow in relation to financial guarantee contracts classified as doubtful.The amount which is expected to be paid under such doubtful contracts is reflected under Provisions for contingent risks and commitments (Note 12) in the amount of € 22,382 thousand (€ 7,723 thousand at 31 December 2012).

3.5 Exposure to other risks

3.5.1 Exposure to market and counterparty risk

3.5.1.1 Market and counterparty risk management strategies and policies

a) Market risk

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

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

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

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

b) Counterparty risk

This is defined as the possibility that counterparties may default on obligations deriving from financial transactions (fixed income, interbank, derivatives, etc.).

The Board of Directors establishes the strategies, policies and limits on the management of this risk, which are documented in the "Capital Markets 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.

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 Bank's equity.

At 31 December 2013 the VaR measurement generates the following values:

(Thousand euro)	Diversified parametric VaR	Parametric VaR v. Equity	Non-diversified parametric VaR	Non-diversified parametric VaR v. Equity	VaR Historical Simulatio	VaR Historical Simulation v. Equity	VaR Shortfall	VaR Shortfall v. Equity
Confidence level: 99%								
Timeframe: 1 day	(27,231)	1.10%	(43,115)	1.74%	(31,102)	1.25%	(33,643)	1.36%
Timeframe: 10 days	(86,398)	3.48%	(136,343)	5.50%				

The VaR calculation at 31 December 2012 recorded the following values:

(Thousand euro)	Diversified parametric VaR	Parametric VaR v. Equity	Non-diversified parametric VaR	Non-diversified parametric VaR v. Equity	VaR Historical Simulatio	VaR Historical Simulation v. Equity	VaR Shortfall	VaR Shortfall v. Equity
Confidence level: 99%								
Timeframe: 1 day	(29,480)	1.35%	(44,568)	2.04%	(26,687)	1.22%	(36,729)	1.66%
Timeframe: 10 days	(93,223)	4.26%	(140,936)	6.44%				

During 2013, the VaR has varied due to differing perceptions in the market of sovereign risk in Euro-zone countries and due to market volatilities (stock market indices and interest rates), remaining on limited levels with respect to equity. In general terms the environment has improved and the Spanish risk premium has fallen, reflecting an improvement in expectations of an economic recovery.

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. 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 Foreign exchange risk management

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

The Group maintains no positions of a speculative nature in foreign currency. Nor are there any material positions in foreign currency of a non-speculative nature.

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

3.5.3 Reputational risk management

This is defined as the risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the 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, 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 those relating to the prevention of money laundering and terrorism financing, investor protection in the marketing of financial instruments and the provision of investment services (MIFID), Internal Rules of Conduct in Securities Markets, legislation on suspected market abuse etc.

3.6 Risk control

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

The Group has risk control systems in place based on:

- Procedures for the identification and measurement of risks, permitting their monitoring and control.
- A structure of limits for the main counterparties, instruments, markets and terms which is subject to the approval of the Board of Directors on an annual basis, in order to define prudent policies and avoid risk concentrations.
- The Global Risk Committee which defines and carries out the follow-up of the Group's risk strategy and policies.
- A hierarchical structure of authorisations for the granting or assumption of risk on the basis of the amount and nature thereof.
- Direct controls distributed over the various decision-making levels, to ensure that transactions are carried out in accordance with the authorised terms.
- A Risk Control Unit, independent of business management, which verifies, among other issues, compliance with the risk limits approved by the Board of Directors or others set by the Global Risk Committee, and reports regularly to Senior Management.
- A Regulatory Compliance Unit, included in the Risk Control function, that supervises compliance with certain legal rules governing some of the Group's activities in order to minimise the penalties and loss of reputation which non-compliance may bring about.
- The Internal Audit area reviews the adequate functioning of risk control systems, also verifying compliance with established policies, procedures and internal rules, and reporting to a committee at management level, which adopts such decisions as may be necessary to correct the weaknesses or mitigate the weaknesses observed. Information is also provided concerning the annual internal audit planning and the most relevant conclusions obtained, to the relevant Group governing bodies.
- The Board of Directors' Audit and Compliance Committee, which is responsible for supervising the internal control system, internal audit and risk management systems, among other areas, and for regularly revising them so that the main risks may be adequately identified, managed and disclosed.

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:

	Gross amount		Excess over guarantee value (*)		Impairment adjustment Specific cover	
(Thousand euro)	2013	2012	2013	2012	2013	2012
Financing of construction and real estate development activities recorded by: group credit institutions (businesses in Spain)	3,770,865	3,511,234	1,178,280	907,145	1,259,421	1,271,956
Of which: doubtful	1,854,830	972,266	333,648	341,789	1,045,368	446,531
Of which: substandard	852,879	486,017	649,256	154,349	209,706	211,356
Memorandum items: write-off assets	95,144	10,421	–	–	–	–

	Carrying value	
(Thousand euro)	2013	2012
Memorandum items: Figures public consolidated balance sheet		
Total customer loans, excluding Public Administrations (businesses in Spain)	35,871,211	28,881,238
Total consolidated assets (total businesses)	63,117,579	44,663,988
Value adjustments and provisions for credit risk. General total cover (total businesses)	–	–

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

- Financing of construction and real estate development activities.

(Thousand euro)	Financing of construction and real estate development activities. Gross amount 2013	2012
Unsecured	**429,161**	**180,208**
With mortgage guarantee	**3,341,704**	**3,331,026**
Finished buildings	1,460,816	1,587,625
Housing	1,173,437	1,383,556
Rest	287,379	204,069
Buildings under construction	539,976	468,085
Housing	501,258	447,287
Rest	38,718	20,798
Land	1,340,912	1,275,316
Developed land	1,295,177	1,229,335
Other land	45,735	45,981
Total	**3,770,865**	**3,511,234**

	Gross amount		Of which: doubtful	
(Thousand euro)	2013	2012	2013	2012
Home loans	**24,626,638**	**20,878,191**	**872,194**	**368,662**
Unsecured	291,632	155,509	56,544	19,782
With mortgage guarantee	24,335,006	20,722,682	815,650	348,880

- 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 2013 and 31 December 2012, the detail is as follows:

	Risk with respect to latest available valuation (LTV)					
	2013					
(Thousand euro)	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	4,460,414	7,502,092	10,172,276	1,972,889	227,335	**24,335,006**
Of which: doubtful	50,639	131,811	380,291	221,397	31,513	**815,651**

	Risk with respect to latest available valuation (LTV)					
	2013					
(Thousand euro)	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**

At 31 December 2013 91% of home loan mortgages has a LTV of less than 80% (89% at 31 December 2012).

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 2013 and 2012:

(Thousand euro)	2013			2012		
	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	656,902	419,918	694,096	580,520	394,976	614,663
Finished buildings	234,914	79,791	172,780	215,082	55,929	120,139
Housing	175,047	63,752	136,321	174,642	49,588	101,123
Rest	59,867	16,039	36,459	40,440	6,341	19,016
Buildings under construction	17,854	2,498	17,612	26,866	9,722	21,182
Housing	17,632	2,498	17,477	26,866	9,722	21,182
Rest	222	–	135	–	–	–
Land	404,134	337,629	503,704	338,572	329,325	473,342
Developed land	264,384	194,192	307,007	202,690	189,165	281,401
Other land	139,750	143,437	196,697	135,882	140,160	191,941
Real estate assets deriving from home loan mortgages	212,056	44,153	134,977	170,610	17,050	89,845
Real estate assets acquired n payment of debts	30,268	7,127	26,325	15,665	3,972	17,501
Equity instruments, interests and financing non-consolidated companies holding such assets	5,976	5,026	6,713	5,061	–	1,687
Total	905,202	476,224	862,111	771,856	415,998	723,696

1. Value adjustments after the acquisition date.
2. Total cover at acquisition and subsequent dates.

3.7.3 Problematic asset management policies.

Ibercaja Banco S.A. establishes specific policies in relation to the management of real estate sector assets, which have been particularly affected by the 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, including all positions with public institutions, at 31 December 2013 and 2012:

- Breakdown of carrying value of exposure by country:

(Thousand euro)	2013	2012
Spain	13,248,309	7,971,669
Italy	511,620	509,595
France	15,952	183,259
Rest	5,727	–
	13,781,608	**8,664,523**
of which: the insurance company	3,268,434	1,851,095

- Breakdown of carrying value of exposure by portfolio in which the assets are reflected:

(Thousand euro)	2013	2012
Held for trading	604	1,624
Available-for-sale financial assets	4,731,811	4,603,384
Loans and receivables	948,894	653,838
Held-to-maturity investments	8,100,299	3,405,677
	13,781,608	**8,664,523**
of which: the insurance company	3,268,434	1,851,095

The carrying value shown in the above table represents the maximum credit risk exposure with respect to the financial instruments indicated.

- Breakdown of term to maturity of exposure by portfolio in which the assets are reflected:

(Thousand euro)	2013					
	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	69	429	50	–	56	**604**
Available-for-sale financial assets	80,100	466,458	1,645,707	703,948	1,835,598	**4,731,811**
Loans and receivables	37,162	170,386	91,561	194,767	455,018	**948,894**
Held-to-maturity investments	149,969	1,307,368	3,369,030	1,605,741	1,668,191	**8,100,299**
Total	**267,300**	**1,944,641**	**5,106,348**	**2,504,456**	**3,958,863**	**13,781,608**
of which: the insurance company	56,227	171,091	585,831	585,519	1,869,766	**3,268,434**

(Thousand euro)	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 receivables	84,219	63,362	63,166	161,726	281,365	**653,838**
Held-to-maturity investments	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**

- Other disclosures
  - Fair value. The fair value of the instruments recognised as held for trading and available for sale agrees with the aforementioned carrying value. The fair value of the held to maturity portfolio is detailed in Note 26.1.
  - 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 point variation in the interest rate would have an effect of 2.43% on fair value (2.80% in 2012).
  - Impaired loans to public institutions total € 5,675 thousand (€ 438 thousand at 31 December 2012), 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. for 2013 and the approved distribution for 2012 are as follows:

(Thousand euro)	2013	2012
Distribution		
To dividends:	–	–
To reserves		
Legal reserve	–	–
Voluntary reserve	–	–
Prior-year losses	*(39,523)*	*(518,946)*
Profit/(loss) for the year	(39,523)	(518,946)

5 Remuneration paid to the Board of Directors and Senior Management

5.1 Remuneration of the Board of Directors

The table below sets out a breakdown of the remuneration accrued by the members of the Company's Board of Directors, solely in their capacity as Directors, in respect of per diems for attendance and travel to Board meetings and the delegated committees, as well as meetings of the governing bodies of Group companies, during 2013 and 2012:

Per diems for Board meeting attendance and travel		2013	2012
(Thousand euro)			
Amado Franco Lahoz	Chairman	21.90	20.3
Mr José Luis Aguirre Loaso	1st Deputy Chairman and CEO	23.90	20.3
Francisco Manuel García Peña	2nd Deputy Chairman	17.60	–
Alberto Palacio Aylagas*	Board Member	2.80	21.7
Eugenio Nadal Reimat	Board Member	26.10	23.1
Jesús Bueno Arrese	Board Member	29.70	23.1
Manuel Pizarro Moreno	Board Member	–	–
Miguel Fernández De Pinedo López*	Board Member	89.30	70.1
Gabriela González–Bueno Lillo	Board Member	4.90	–
Jesús Solchaga Loitegui	Board Member	4.90	–
Juan María Pemán Gavín	Board Member	8.40	–
Vicente Eduardo Ruiz de Mencía	Board Member	1.40	–

* Directors of the Entity who resigned from the Board during 2013.

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 (same number in 2012) forming part of the management team of Ibercaja Banco S.A., 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 by the Company in favour of senior management:

	Short-term compensation		Post-employment benefits		Total	
Thousand euro	2013	2012	2013	2012	2013	2012
Senior management	3,245	3,203	352	449	3,597	3,652

5.3 Directors' duty of loyalty

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., with the following exceptions:

Director	Entity	Position/Duty
Amado Franco Lahoz	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	Chairman
Mr Jose Luis Aguirre Loaso	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	General Manager
Eugenio Nadal Reimat	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	1st Deputy Chairman
Jesús Bueno Arrese	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	Secretary
Vicente Eduardo Ruiz de Mencía*	Caja de Ahorros y Monte de Piedad del Círculo Católico de Obrero de Burgos (Cajacírculo)	Chairman

* Director until resignation on 16 December 2013.

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.

6 Cash and deposits with central banks

This heading on the consolidated balance sheets at 31 December 2013 and 2012 breaks down as follows:

(Thousand euro)	2013	2012
Cash	199,917	143,452
Deposits at the Bank of Spain	298,559	145,989
Deposits at other central banks	813	–
Valuation adjustments	42	79
	499,331	289,520

The average effective interest rate on debt instruments classified in this portfolio during 2013 has been 0.36% (0.50% in 2012).

7 Asset and liability trading portfolios

7.1 Composition of the balance and the maximum credit risk - debtor balances

Set out below is a breakdown of the financial assets included in this category at 31 December 2013 and 2012, classified by geographical area, class of counterparty and type of instrument:

(Thousand euro)	2013	2012
Geographical area		
Spain	24,676	29,069
Other European Union countries	7,571	2,939
Rest of the world	4,579	1,647
	36,826	**33,655**
Counterparty category		
Credit institutions	26,971	22,774
Resident public administrations	595	1,624
Non-resident public administrations	9	–
Other resident sectors	9,251	9,111
Other non-resident sectors	–	146
	36,826	**33,655**
Instrument type		
Listed bonds and debentures	890	2,132
Derivatives not traded on organised markets	35,936	31,523
	36,826	**33,655**

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 2013 has been 3.94% (4.73% in 2012).

7.2 Breakdown of balance - creditor balances

Set out below is a breakdown of the financial liabilities included in this category at 31 December 2013 and 2012, classified by geographical area, class of counterparty and type of instrument:

(Thousand euro)	2013	2012
Geographical area		
Spain	26,429	15,199
Other European Union countries	1,097	1,678
Rest of the world	20	3
	27,546	**16,880**
Counterparty category		
Credit institutions	24,933	16,880
Other resident sectors	2,613	–
	27,546	**16,880**
Instrument type		
Derivatives not traded on organised markets	27,546	16,880
Of which: embedded derivatives segregated from hybrid financial instruments	*18,249*	*10,680*
	27,546	**16,880**

7.3 Traded financial derivatives

Traded financial derivatives break down as follows at 31 December 2013 and 2012 by product type, fair value and notional value:

	Fair value			
	Debtor balances		Balances payable	
(Thousand euro)	2013	2012	2013	2012
Unexpired foreign exchange forward purchases/sales	547	23	1	560
Securities options/ indexes	17,305	11,013	16,970	10,679
Interest-rate options	1,747	827	1,984	1,476
Other interest rate transactions	16,337	19,660	8,591	4,165
Interest rate swaps (IRS)	16,337	19,660	8,591	4,165
	35,936	31,523	27,546	16,880

(Thousand euro)	Notional amount 2013	Notional amount 2012
Unexpired foreign exchange forward purchases/sales	52,609	59,736
Securities options/ indexes	667,740	417,001
Interest-rate options	122,980	25,949
Embedded derivatives on securities /indexes	650,296	652,146
Other interest rate transactions	696,461	646,895
Embedded interest rate derivatives	106,839	23,938
Derivatives, wholesale market	476,055	510,291
Distribution of derivatives	113,567	112,666
	2,190,086	1,801,727

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 2013 totals € 1,731,230 thousand (€ 1,287,070 thousand at 31 December 2012).

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

Set out below is a breakdown of the financial assets included in this category at 31 December 2013 and 2012, classified by geographical area, class of counterparty and type of instrument:

(Thousand euro)	2013	2012
Geographical area		
Spain	59,347	55,718
Other European Union countries	9,578	–
Rest of the world	–	57,556
	68,925	113,274
Counterparty category		
Credit institutions	10,772	–
Resident public administrations	3,542	–
Other resident sectors	54,611	113,274
	68,925	113,274
Instrument types		
Debt securities	13,119	57,556
Shares in investment funds	55,806	55,718
	68,925	113,274

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

Set out below is a breakdown of the financial assets included in this category at 31 December 2013 and 2012, classified by geographical area, class of counterparty and type of instrument:

(Thousand euro)	2013	2012
Geographical area		
Spain	6,300,838	5,665,653
Other European Union countries	387,401	301,712
Rest of Europe	6,495	26,657
Rest of the world	604,933	673,193
Total gross amount	7,299,667	6,667,215
(Impairment losses)	(22,526)	(22,560)
Total net amount	7,277,141	6,644,655
Counterparty category		
Credit institutions	1,328,845	1,206,168
Resident public administrations	4,572,426	4,451,855
Non–resident public administrations	159,385	151,529
Other resident sectors	838,280	515,461
Other non–resident sectors	400,731	342,202
Total gross amount	7,299,667	6,667,215
Instrument type		
Debt securities	6,709,462	6,264,141
Government debt securities	*4,520,296*	*4,451,855*
Foreign government debt securities	*159,385*	*151,529*
Issued by financial institutions	*1,270,051*	*1,169,697*
Other fixed income securities	*759,730*	*491,060*
Other equity instruments:	590,205	403,074
Shares in listed Spanish companies	*153,033*	*139,509*
Shares in unlisted Spanish companies	*332,449*	*190,307*
Shares in listed foreign companies	*78,272*	*62,050*
Shares in unlisted foreign companies	*6,997*	*265*
Shares in investment funds	*19,454*	*10,943*
Total gross amount	7,299,667	6,667,215

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 **€** 62,532 thousand at 31 December 2013 (**€** 35,519 thousand at 31 December 2012). 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 2013 amounts to 3.62% (3.45% in 2012), which includes the effect of adjustments to revenues on interest rate risk hedging operations.

9.2 Impaired debt securities

At 31 December 2013 there are impaired debt securities amounting to € 22,526 thousand (€ 22,560 thousand at 31 December 2012), of which € 7,000 thousand has fallen due (€ 7,000 thousand at 31 December 2012).

9.3 Hedging of credit risk and other risks

Movements in impairment losses recorded on credit risk hedges for Debt Securities during 2013 and 2012 are as follows:

(Thousand euro)	2013	2012
Balance at start of the year	**22,560**	**26,549**
Acquisition of Cajatres*	–	–
Transfer charged to profit for the year	224	1
Reversal of provisions by credit to income	(60)	(2,288)
Applications	–	–
Exchange differences and other movements	(198)	(1,702)
Balance at the end of the year	**22,526**	**22,560**
Of which:		
Specifically calculated	22,303	22,560
Calculated in general	–	–
Calculated based on country risk	223	–

Additionally, in 2013 impairment losses have been recognised on Other equity instruments measured at fair value amounting to € 32,491 thousand (€ 5,567 thousand in 2012). Additionally, in 2013 impairment losses have been recognised on Other equity instruments measured at cost amounting to € 13,825 thousand. There were no losses in respect of this item in 2012.

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 2013 and 2012 are as follows:

(Thousand euro)	2013	2012
Deposits at credit institutions (Note 10.2)	1,367,026	905,328
Customer loans (Note 10.3)	36,820,105	29,535,076
Debt securities (Note 10.4)	760,216	280,299
	38,947,347	**30,720,703**

10.1 Composition of the balance and the maximum credit risk

Set out below is a breakdown of the financial assets included in this category at 31 December 2013 and 2012, classified by geographical area, class of counterparty and type of instrument:

(Thousand euro)	2013	2012
Geographical area		
Spain	40,707,830	31,524,622
Rest of the world	516,021	701,626
Total gross amount	**41,223,851**	**32,226,248**
(Impairment losses)	(2,276,504)	(1,505,545)
Total net amount	**38,947,347**	**30,720,703**
Counterparty category		
Credit institutions	1,545,508	1,054,598
Resident public administrations	948,869	653,838
Non-resident public administrations	25	–
Other resident sectors	38,520,597	30,378,708
Other non-resident sectors	208,852	139,104
Total gross amount	**41,223,851**	**32,226,248**
Instrument type		
Debt securities	760,216	280,299
Loans and credit	38,049,271	30,932,923
Temporary acquisition of assets	984,859	54,859
Term deposits at credit institutions	771,905	494,757
Rest	657,600	463,410
Total gross amount	**41,223,851**	**32,226,248**

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 **€** 2,287 thousand at 31 December 2013 (**€** 1,657 thousand at 31 December 2012). 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 2013 total **€** 5,135,823 thousand (**€** 5,313,485 thousand at 31 December 2012) 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 **€** 4,094,578 thousand at 31 December 2013 (**€** 3,815,319 thousand at 31 December 2012). Bonds issued by securitization funds subscribed by non-Group third parties amount to **€** 1,236,005 thousand at 31 December 2013 (**€** 1,696,189 thousand at 31 December 2012).

10.2 Loans and advances to credit institutions

The analysis of financial assets included under the category Deposits at Credit institutions at 31 December 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Demand deposits:	**343,207**	**300,997**
Other accounts	343,207	300,997
Term or with advance notice:	**880,613**	**553,160**
Fixed-term deposits	771,905	494,757
Assets acquired under repo agreements	106,772	54,859
Other accounts	1,936	3,544
Other financial assets:	**136,410**	**49,941**
Cheques due from financial institutions	9,733	607
Cash guarantees provided	9,250	9,678
Clearing houses	32,306	7,687
Other items	85,121	31,969
Impaired assets	**4,755**	**–**
Valuation adjustments	**3,230**	**1,230**
Total gross amount	**1,368,215**	**905,328**
(Impairment losses)	(1,189)	–
Total net amount	**1,367,026**	**905,328**

The average effective interest rate on debt instruments classified in this portfolio during 2013 has been 0.92% (0.66% in 2012).

10.3 Loans and advances to customers

The analysis of financial assets included under the category Customer loans at 31 December 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Loans and credit	**38,049,271**	**30,932,923**
Trade credit	339,409	277,914
Secured loans	28,160,745	24,638,127
Other term loans	3,890,795	3,052,668
Finance leases	182,964	180,058
Demand loans and other	1,483,818	1,096,429
Impaired assets	4,006,313	1,698,272
Valuation adjustments	(14,773)	(10,545)
Assets acquired under repo agreements	**878,086**	**–**
Other financial assets	**168,063**	**107,698**
Financial transactions pending settlement	12,150	9,034
Cash guarantees provided	43,510	2,519
Fees on financial guarantees	2,287	1,657
Other items	110,116	94,488
Total gross amount	**39,095,420**	**31,040,621**
(Impairment losses)	(2,275,315)	(1,505,545)
Total net amount	**36,820,105**	**29,535,076**

The average effective interest rate on debt instruments classified in this portfolio during 2013 has been 2.23% (2.85% in 2012).

10.4 Debt securities

The analysis of financial assets included under the category Debt securities at 31 December 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Total gross amount	760,216	280,299
(Impairment losses)	–	–
Total net amount	760,216	280,299

The average effective interest rate on debt instruments classified in this portfolio during 2013 has been 1.53% (2.03% in 2012).

10.5 Impaired and substandard assets

Financial assets classified under loans and receivables and regarded as impaired due to the related credit risk at 31 December 2013 and 2012, analysed by the length of time that has elapsed since the oldest unpaid amounts fell due as at the above dates, are as follows:

(Thousand euro)	Not due	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Balances at 31 December 2013	944,220	676,299	278,438	336,333	1,775,778	**4,011,068**
Balances at 31 December 2012	348,111	245,801	231,810	155,028	717,522	**1,698,272**

The breakdown of impaired assets by counterparty category is as follows:

(Thousand euro)	2013	2012
Credit institutions	4,755	–
Resident public administrations	5,675	438
Other resident sectors	3,946,420	1,687,886
Other non-resident sectors	54,218	9,948
	4,011,068	**1,698,272**

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 euro)	2013	2012
Credit institutions	70	123
Resident public administrations	1,811	39,722
Non-resident public administrations	25	–
Other resident sectors	223,827	254,524
Other non-resident sectors	2,516	530
	228,249	**294,899**

Financial assets classified as loans and receivables and regarded as substandard amount to € 1,609,933 thousand at 31 December 2013 (€ 560,649 thousand at 31 December 2012).

10.6 Hedging of credit risk

Movements in 2013 and 2012 in measurement adjustments due to impairment and the accumulated amount at the start and end of those years for loans and receivables, are set out below (thousand euro):

(Thousand euro)	Balance at 01/01/2013	Inclusion of Cajatres*	Movements reflected in the income statement: Appropriations	Movements reflected in the income statement: Recoveries	Applications	Other	Balance at 31/12/2013
Specifically calculated	1,505,263	586,934	1,485,576	(1,175,297)	(70,042)	(56,223)	2,276,211
Calculated in general	–	–	–	–	–	–	–
Country risk	282	–	309	(298)	–	–	293
Total impairment losses	1,505,545	586,934	1,485,885	(1,175,595)	(70,042)	(56,223)	2,276,504

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

Movements in 2012:

(Thousand euro)	Balance at 01/01/2012	Movements reflected in the income statement: Transfers	Movements reflected in the income statement: Recoveries	Applications	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

"Other" includes bad debt provisions totalling € 4,095 related to a purchase of loans from another entity made during the year. The other items recorded under this heading include transfers of the provisions for bad debts on credit transactions settled through foreclosure or dation as payment for assets for the total or partial settlement of the debt. As indicated in Notes 2.15.3 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 bad debt provisions transferred.

Of the value adjustments for impairment, specifically calculated indicated above, € 389,659 thousand relates to adjustments for substandard risks at 31 December 2013 (€ 222,116 thousand at 31 December 2012).

The impairment adjustments estimated on an individual basis total an accumulated amount of € 522,189 thousand at 31 December 2013 (€ 175,924 thousand at 31 December 2012).

Recoveries for 2013 include the release of impairment losses on ordinary loans recorded in 2012 totalling € 614,069 thousand. These losses were recorded as a result of the extraordinary non-recurring requirements derived from Royal Decree-Law 2/2012 and Royal Decree-law 18/2012, the purpose of which was to raise confidence in the Spanish financial sector by performing the requisite write-downs of real-estate assets and financing related to property construction and promotion.

Under the above legislation, these provisions could only be used for specific cover necessary as a result of the subsequent reclassification as doubtful or substandard of any financing classified as normal or the foreclosure or receipt of assets as payment for such debts. Nonetheless, the rule also envisaged that these provisions could be used to cover other assets insofar as they had not been fully applied for the use described above by December 2013 and in accordance with the guidance established by the Bank of Spain on that date.

In this respect, the provisions that have been reversed and reassigned to specific coverage amounted to € 369,726 thousand. The remaining provisions recorded in December 2012, amounting to € 244,343 thousand, were reversed at the year end and the following provisions have been created in the same amount, in accordance with Bank of Spain guidelines:

(Thousand euro)	
Specific provision for bad debts	191,550
Impairment of foreclosure assets	28,652
Impairment of investments in real-estate companies	24,141
	244,343

The breakdown of impaired assets by counterparty category is as follows:

(Thousand euro)	2013	2012
Credit institutions	1,189	–
Other resident sectors	2,231,650	1,501,780
Other non-resident sectors	43,665	3,765
	2,276,504	**1,505,545**

Set out below are the different items recorded in 2013 and 2012 under "Asset impairment losses (net)- Loans and discounts" in the consolidated income statement for those years:

(Thousand euro)	2013	2012
Net transfers for the year	310,290	1,114,173
Doubtful loans recovered	(974)	(2,902)
	309,316	**1,111,271**

The movement in Loans and discounts written off in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Balances at the beginning of the year	**161,237**	**391,741**
Acquisition of Cajatres*	221,272	–
Asset additions	70,042	345,256
Additions accrued interest receivable	4,156	26,869
Write-offs owing to asset recoveries	(974)	(2,902)
Write-offs accrued interest receivable	(904)	(221)
Other items	(35,463)	(599,506)
Balances at the end of the year	**419,366**	**161,237**

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

The increase in Other items in 2012 mainly reflects the derecognition 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" under the sub-heading "Other financial assets" (Note 33).

11 Held-to-maturity investments

11.1 Composition of the balance and the maximum credit risk

Set out below is a breakdown of the financial assets included in this category at 31 December 2013 and 2012, classified by geographical area, class of counterparty and type of instrument:

(Thousand euro)	2013	2012
Geographical area		
Spain	10,729,172	3,279,595
Other European Union countries	781,202	541,324
Rest of the world	1,007	–
Total gross amount	11,511,381	3,820,919
(Impairment losses)	–	–
Total net amount	11,511,381	3,820,919
Counterparty category		
Resident credit institutions	496,647	139,669
Non-resident credit institutions	1,007	–
Resident public administrations	7,726,417	2,864,353
Non-resident public administrations	373,882	541,324
Other resident sectors	2,506,108	275,573
Other non-resident sectors	407,320	–
Total gross amount	11,511,381	3,820,919
Instrument type		
Government debt	6,448,403	2,864,353
Foreign government debt	372,811	541,324
Debt issued by European Stability Mechanism (Notes 1.11.1.4 and 19)	407,320	–
SAREB bonds (Note 1.11.1.3)	2,216,442	–
Other fixed income securities	2,066,405	415,242
Total gross amount	11,511,381	3,820,919

At the beginning of 2013, Ibercaja Banco sold assets classified in this portfolio for a nominal aggregate value of € 160 million, generating a profit of € 28.5 million. This decision resulted from the entry into force, on 1 January 2014, of the new core capital requirements under which the risk weighted assets requirement was increased from 8% to 9%. The amount sold is insignificant in relation to the volume of the Entity's held-to-maturity investment portfolio.

These sales were made in accordance with accounting legislation, which envisages situations in which such sales can be made without raising any doubts about the Entity's intention to maintain the rest of the held-to-maturity portfolio, and are attributable to a one-off, non-recurring event which could not reasonably have been foreseen by the Entity.

In addition, during 2013 the Group reclassified € 1,799 million from the available for sale financial asset portfolio to investments held to maturity (€ 1,106 million in 2012) 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 2013 has been 3.94% (4.18% in 2012).

11.2 Overdue and impaired assets

There are no overdue or impaired assets in this portfolio at 31 December 2013 and 2012

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

12.1 Fair value hedges

Financial derivatives designated as hedging instruments in hair-value hedging operations break down as follows by product type, fair value and notional value at 31 December 2013 and 2012:

	Fair value			
	Debtor balances		Balances payable	
(Thousand euro)	2013	2012	2013	2012
Options	2,661	–	205,563	–
Stock options	1,486	–	815	–
Shares swaps	1,175	–	1,620	–
Interest-rate options	–	–	203,128	–
Other interest rate transactions	516,382	701,018	91,901	172,256
Interest rate swaps (IRS)	516,382	701,018	91,901	172,256
	519,043	701,018	297,464	172,256

The carrying value figuring in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for the asset derivatives contracted for which there are netting or compensation agreements in place and which are also covered by a collateral agreement which consists of formalising deposits in an amount equivalent to the net fair value of the derivative transactions, such that in the event of any default affecting the derivative obligations by one of the parties, the other party does not have to satisfy the obligations associated with the deposit.

The Entity has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.6. are fulfilled. The carrying value of financial instruments covered by these agreements and the deposits payable and receivable generated with the counterparties are as follows:

	Financial instruments subject to offset agreements	
(Thousand euro)	2013	2012
Assets resulting from derivatives	59,533	107,283
Liabilities resulting from derivatives	710,416	671,723

	Deposits subject to derivative offset agreements	
(Thousand euro)	2013	2012
Deposits recognised under assets	230,620	–
Deposits recognised under liabilities	410,024	554,740

Almost all fair value hedges obtained by the Group are for the purpose of hedging the risk of changes in the fair value of asset and liability debt instruments issued at a fixed rate of interest, in the event of changes in the interest rate of reference. This risk involves an increase in the fair value of financial liabilities should the interest rate of reference decline, and a decrease in the fair value of financial assets if the rate should increase. To mitigate this risk the Group obtains mainly financial swaps, whose value varies in line and symmetrically with the changes in the value of the hedged items.

The following table contains details regarding the face value of hedges, set out by hedged and hedging items:

(Thousand euro)	2013	2012
Hedging item	10,969,259	9,028,086
Stock options	170,600	–
Interest-rate options	2,672,423	–
Interest rate swaps (IRS)	8,025,567	9,028,086
Shares swaps	100,669	–
Hedged item	10,969,259	9,028,086
Customer transactions	5,219,011	2,499,944
Debenture loans	4,757,905	5,079,728
Fixed interest	992,343	1,448,414

12.2 Hedges of a net investment in a foreign operation

There are no hedges of a net investment in foreign operations at 31 December 2013 or 2012.

12.3 Changes in the fair value of hedged items in portfolio hedges on interest rate risk

As explained In Note 2.3, gains or losses arising from changes in fair value of interest-rate risk relating to financial instruments which are efficiently covered in fair-value macro-hedging operations are credited or debited to this heading on the consolidated balance sheet.

These changes amounted to € 40,135 thousand (assets) and € 6,474 thousand (liabilities) at 31 December 2013.

The nominal value of financial liabilities covered amounted to € 456,884 thousand at 31 December 2013.

Concerning the assets affected by macro-hedges, in 2012 Banco Grupo Cajatres, S.A.U. entered into an interest-rate option agreement under which, during the period 2013-2026, it shall pay, over and above the relevant face value in each period, the positive difference between the floor rate and the 12-month Euribor rate (or zero if the difference is negative). The initial face value and maximum value of the option is € 2,672 million and covers any change in value of the implicit floor rate in the migrate loans against interest rate fluctuations.

The nominal value of mortgage loans covered amounted to € 2,672,423 thousand at 31 December 2013.

13 Non-current assets held for sale

At 31 December 2013 and 2012 the balances in this caption on the consolidated balance sheets were as follows:

(Thousand euro)	2013	2012
Foreclosure assets	960,342	823,178
Other assets	35,162	23,214
Total gross amount	**995,504**	**846,392**
(Impairment losses)	(352,962)	(279,589)
Total net amount	**642,542**	**566,803**

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 held for sale remain on the balance sheet for an average of between one and three years. Since most non-current assets held for sale relate to real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the situation of the market.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,
- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan and
- The financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

Loans granted during the year to finance sales of this type of assets amount to **€** 56,646 thousand (**€** 65,203 thousand at 31 December 2012) and the accumulated amount of loans granted is **€** 197,063 thousand (**€** 140,417 thousand at 31 December 2012).

At 31 December 2013 the average sales percentage financed for the purchaser amounts to 69.28% (73.71% at 31 December 2012).

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 euro)	2013	2012	2013	2012
Non-current assets held for sale	995,504	846,392	963,226	824,916
Residential	921,674	796,285	918,877	794,554
Industrial	54,253	35,259	27,995	16,417
Agricultural	19,577	14,848	16,354	13,945

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. and TINSA, 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).
- Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and / or present rent, taking into account the return required on each type of asset.
- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties the value of which is known. The methodology is based on the obtainment of comparable homogeneous products, taking into account purchase-sales operations in the area, the supply of similar properties and the opinions of other real estate market operators. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

14 Investments

14.1 Investments in associates

Investments in associates break down as follows on the consolidated balance sheets at 31 December 2013 and 2012:

(Thousand euro)	2013	2012
Equity instruments	148,496	149,011
(Impairment losses)	(1,411)	(17,795)
Total net amount	147,085	131,216

The balance of "Interests - associates" in the consolidated balance sheets at 31 December 2013 and 2012 includes the goodwill associated with these ownership interests. This goodwill is analysed below, indicating the entity from which it has originated:

Entity	2013	2012
(Thousand euro)		
Heraldo de Aragón, S.A.	15,308	15,635
Campusport, S.L.	759	–
CAI Seguros Generales, Seguros y Reaseguros, S.A.	6,699	–
	22,766	15,635

Set out below are movements in impairment losses in associates in 2013 and 2012:

Entity	2013	2012
(Thousand euro)		
Balance at start of the year	17,795	7,313
Acquisition of Cajatres*	–	–
Net transfers (Note 37)	5,893	11,107
Transfer charged to profit for the year	36,626	11,107
Recovered amount credited to profit for the year	(30,733)	–
Applications	(1,751)	–
Other movements	(20,526)	(625)
Balance at the end of the year	1,411	17,795

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

On 28 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 undertook to exercise, as a unit, the voting rights deriving from the syndicate shares and in particular, undertook 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. This meant that this company could be treated as an associate at 31 December 2012.

The agreement terminated on 10 October 2013 and Ibercaja Banco sold all its shares in NH Hoteles, S.A., making a profit of € 1,133 thousand.

14.2 Shareholdings in jointly-controlled entities

Schedules I and II shows a breakdown of the investments treated as jointly-controlled entities at 31 December 2013 and 2012, together with relevant information regarding these companies.

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

14.3 Notifications concerning share acquisitions

Pursuant to Article 155 of the Spanish Companies Act 2010, it is reported that during the year acquisitions exceeding a 10% shareholding have been made in Banco Grupo Cajatres, S.A.U., Dopar Servicios, S.L., Enclama, S.L., Titulización de Activos, S.G.F.T., S.A. and Genética el Bardal, S.A.

15 Reinsurance assets

At 31 December 2013 and 2012, the entire balance recorded under this consolidated balance sheet heading relates to profit sharing arising from reinsurance policies.

16 Tangible assets

Movements in this consolidated balance sheet caption in 2013 and 2012 are as follows:

(Thousand euro)	For own use	Investment property	Assigned under operating lease	Total
Cost				
Balances at 01 January 2012	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
Acquisition of Cajatres*	750,825	323,666	8,479	1,082,970
Additions	12,446	16,019	4,244	32,709
Disposals due to sales or through other means	(98,434)	(1,157)	(6,755)	(106,346)
Other transfers and other movements	(64,632)	69,061	–	4,429
Balances at 31 December 2013	1,598,589	566,614	30,935	2,196,138
Accumulated depreciation				
Balances at 01 January 2012	(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)
Acquisition of Cajatres*	(327,419)	(50,890)	(6,452)	(384,761)
Disposals due to sales or through other means	51,062	621	3,594	55,277
Transfers against the income statement	(31,098)	(4,994)	(3,827)	(39,919)
Other transfers and other movements	10,760	(8,263)	–	2,497
Balances at 31 December 2013	(735,541)	(75,194)	(14,363)	(825,098)
Impairment losses				
Balances at 01 January 2012	(329)	(16,980)	(140)	(17,449)
Transfer 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)
Acquisition of Cajatres*	–	(34,569)	–	(34,569)
Transfer charged to profit for the year	(11,521)	(18,090)	–	(29,611)
Recovered amount credited to profit	–	953	–	953
Applications and other movements	9,460	3,004	(40)	12,424
Balances at 31 December 2013	(2,390)	(83,156)	(150)	(85,696)
Net property, plant and equipment				
Balances at 31 December 2012	559,209	112,903	17,179	689,291
Balances at 31 December 2013	860,658	408,264	16,422	1,285,344

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

At 31 December 2013 fully-depreciated property, plant and equipment still in use amount to € 325,108 thousand (€ 107,213 at 31 December 2012).

During 2013, Ibercaja Banco, S.A. availed itself of the option allowed under Article 9 of Law 16/2012 to restate its tangible assets for tax purposes. Accordingly, certain properties for own use and investment properties were restated.

The restatement for tax purposes totalled € 17,888 thousand, generating tax payable of 5% of this amount, i.e. € 894 thousand. Since the restatement of assets due to tax legislation is not permitted under EU-IFRS, the assets' carrying values have not changed in consolidated terms. Under Article 9 of Law 16/2012, the restatement will become effective with respect to the tax depreciation of the assets as from 1 January 2015.

Due to the accounting restatement performed as a result of the first application of EU-IFRS, deferred tax liabilities were recorded to reflect the tax effect of the difference between the carrying value and the value for tax purposes of the assets concerned. The tax restatement led to the reversal of deferred tax assets totalling € 4,631 thousand against the caption Corporate income tax on the income statement.

Banco Grupo Cajatres, S.A.U. also performed an asset restatement for tax purposes during the first half of 2013 prior to its take-over by Grupo Ibercaja; for this reason, the tax payable of € 1,805 thousand and the reversal of deferred tax liabilities of € 10,828 thousand were not reflected in the consolidated accounts of Grupo Ibercaja. The restatement for tax purposes amounted to € 36,094 thousand.

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 2013 and 2012, not taking into account impairment losses, is as follows:

(Thousand euro)	Coste	Amortización acumulada	Saldo neto
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**
Computer equipment and facilities	222,547	(189,007)	33,540
Furniture, vehicles and other installations	467,172	(378,466)	88,706
Buildings	907,843	(168,068)	739,775
Work in progress	1,027	–	1,027
Balances at 31 December 2013	**1,598,589**	**(735,541)**	**863,048**

In 2013 no indemnities from third parties were received for asset impairment and no indemnities are receivable at 31 December 2013.

There are no major commitments to purchase property, plant and equipment for own use or restrictions on their ownership at 31 December 2013 and 2012.

16.2 Investment property

In 2013 rental income from the Group's investment property amounted to € 5,864 thousand (€ 3,987 thousand in 2012), other related expenses amounted to € 756 thousand (€ 778 thousand in 2012) and operating expenses were incurred in respect of depreciation in 2013 amounting to € 4,994 thousand (€ 3,195 thousand in 2012).

80% (72% in 2012) of the carrying amount is based on valuations carried out by experts with recognised professional capacity and recent experience in the location and category of investment properties under valuation. The valuation of these properties has been carried out mainly by TINSA, Tasaciones Inmobiliarias, S.A.

Note 13 sets out the criteria applied to determine the fair value of these assets.

The following table sets out a classification by type of investment properties. Similarly, the carrying amount of these assets (not taking into account impairment losses) which has been valued by an independent valuer is indicated.

	Carrying value		Of which: valued by an independent valuer	
(Thousand euro)	2013	2012	2013	2012
Investment property	491,420	147,357	395,622	105,909
Residential	112,306	49,842	80,930	37,706
Industrial	379,055	97,510	314,638	68,203
Agricultural	59	5	54	-

The valuations indicated above were mostly carried out in 2013 and 2012.

There are no major commitments to acquire or hold investment properties, or restrictions on their ownership at 31 December 2013.

16.3 Other assets assigned under operating lease

The Group includes in this caption mainly the assets subject to leasing contracts, which amount to € 14,806 thousand at 31 December 2013 (€ 17,179 thousand at 31 December 2012). In 2013 rental income from these assets amounted to € 6,277 thousand (€ 5,717 thousand in 2012), while operating expenses in respect of depreciation and other related expenses amounted to € 3,827 thousand and € 1,239 thousand, respectively (€ 4,130 thousand and € 1,382 thousand in 2012).

16.4 Impairment losses

During 2013 impairment losses amounting to € 11,521 thousand were recognised on property, plant and equipment for own use and € 17,137 thousand on investment properties (€ 923 thousand and € 17,068 thousand in 2012) (Note 37).

17 Intangible assets

17.1 Goodwill

Almost all the goodwill was generated from the acquisition of Banco Grupo Cajatres, S.A.U. described in Note 1.11.2, amounting to € 128,065 thousand. The rest of the balance relates to Tintas Arzubialde, S.L.

At the year end, the Entity has calculated the value in use of the cash generating unit consisting of Banco Grupo Cajatres, S.A.U. and concluded that no impairment needs to be reflected in that CGU.

The value in use was calculated based on estimated future cash flows derived from business projects to 2018, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of € 74,059 thousand and a growth rate in that cash flow of 1%. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 10.12%.

A sensitivity analysis was performed of the valuation in the face of reasonably foreseeable changes in the key valuation variables (distributable cash flow used to calculate the terminal value, perpetual growth rate of said cash flow and discount rate), and it was observed that these changes would not, in any event, entail the need to recognise impairment of the investment since the value in use calculated would continue to exceed the carrying value of the investment.

17.2 Other intangible assets

This heading is analysed below:

(Thousand euro)	Cost	Accum. depreciation and impairment losses	Net balance
Computer applications	71,665	(59,471)	12,194
Balances at 31 December 2012	**71,665**	**(59,471)**	**12,194**
Computer applications	131,755	(118,945)	12,810
Brand name Banco Grupo Cajatres, S.A.U.	7,500	(750)	6,750
Customer relations Banco Grupo Cajatres, S.A.U.	45,031	(2,252)	42,779
Rest	4,444	(1,427)	3,017
Balances at 31 December 2013	**188,730**	**(123,374)**	**65,356**

The cost of the asset termed customer relations Banco Grupo Cajatres, S.A.U. reflects the net present value, at the time of the acquisition of this entity, of the cost savings represented by the sight and term deposits of this entity with respect to other sources of alternative financing.

Movements under this consolidated balance sheet caption in 2013 and 2012 were as follows:

(Thousand euro)	2013	2012
Balance at the beginning of the year	**12,194**	**18,434**
Acquisition of Cajatres*	59,949	–
Additions	5,291	1,673
Depreciation and amortisation	(8,687)	(8,183)
Impairment	(3,260)	–
Other movements	(131)	270
Balance at year end	65,356	12,194

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

At 31 December 2013 fully-amortised intangible assets still in use amount to € 85,966 thousand (€ 36,959 thousand at 31 December 2012).

18 Other assets

The balances under this heading on the consolidated balance sheets at 31 December 2013 and 2012 are analysed below:

(Thousand euro)	2013	2012
Accruals and deferred income	24,486	10,830
Inventories	495,619	439,108
Transactions in transit	13,159	1,308
Rest	21,742	19,607
Total gross amount	**555,006**	**470,853**
(Impairment losses)	(230,418)	(182,590)
Total net amount	**324,588**	**288,263**

Impairment analysed above relates in full to Inventories.

Within the inventory balance, € 489,538 thousand pertains to residential real-estate assets (€ 424,824 thousand at 31 December 2012).

The valuations of the above 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.

19 Financial liabilities at amortised cost

The items making up this consolidated balance sheet caption at 31 December 2013 and 2012 are as follows:

(Thousand euro)	2013	2012
Central bank deposits (Note 19.1)	4,855,479	2,519,847
Deposits from credit institutions (Note 19.2)	4,197,762	4,371,510
Customer funds (Note 19.3)	39,991,664	24,772,015
Marketable debt securities (Note 19.4)	2,995,125	4,861,206
Subordinated debt financing (Note 19.5)	567,520	289,395
Other financial liabilities (Note 19.6)	368,184	280,595
	52,975,734	**37,094,568**

19.1 Deposits from central banks

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2013 and 2012, based on the nature of the transaction concerned, is indicated below:

(Thousand euro)	2013	2012
Bank of Spain	4,790,000	2,500,000
Valuation adjustments	65,479	19,847
	4,855,479	**2,519,847**

Includes liquidity obtained from ECB on extraordinary 3 year options.

The average effective interest rate on debt instruments classified in this caption during 2013 has been 0.57% (0.88% at 31 December 2012).

19.2 Deposits from credit institutions

The composition of the balances under this caption in the consolidated balance sheets at 31 December 2013 and 2012, based on the nature of the transaction concerned, is indicated below:

(Thousand euro)	2013	2012
On demand	**135,947**	**94,001**
Other accounts	135,947	94,001
Term or subject to prior notice	**4,053,850**	**4,270,394**
Fixed-term deposits	1,255,395	1,177,914
Repo agreements	2,788,239	3,080,744
Other accounts	10,216	11,736
Valuation adjustments	**7,965**	**7,115**
	4,197,762	4,371,510

The average effective interest rate on debt instruments classified in this caption during 2013 was 0.51% (0.91% in 2012).

Sight accounts include the deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repo or simultaneous operations.

The Entity has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.6. are fulfilled. The carrying value of financial instruments covered by these agreements and the deposits payable and receivable generated with the counterparties are as follows:

	Financial instruments subject to offset agreements	
Thousand euro	2013	2012
Assets under repos	14,098	844
Liabilities under repos	5,732	249

	Deposits subject to repo offset agreements	
Thousand euro	2013	2012
Deposits recognised under assets	2,500	–
Deposits recognised under liabilities	11,735	4,595

19.3 Customer deposits

The composition of the balance under this caption in the consolidated balance sheets at 31 December 2013 and 2012, based on the geographic location, nature and counterparties of the transaction concerned, is indicated below:

(Thousand euro)	2013	2012
Geographical location		
Spain	39,843,960	24,694,148
Rest of the world	147,704	77,867
	39,991,664	**24,772,015**
Nature		
Current accounts	7,267,372	5,694,517
Savings deposits	6,703,773	3,317,446
Term deposits	17,756,465	10,489,653
Temporary assignment of assets	2,181,720	709,018
Unique mortgage and territorial bonds	5,498,835	3,950,000
Valuation adjustments	583,499	611,381
	39,991,664	**24,772,015**
Counterparty		
Resident public administrations	838,140	326,657
Other resident sectors	39,005,820	24,367,491
Non-resident public administrations	10	11
Other non-resident sectors	147,694	77,856
	39,991,664	**24,772,015**

The average effective interest rate on debt instruments classified in this caption during 2013 was 1.20% (1.43% in 2012).

The heading Mortgage and territorial bonds (in the breakdown by nature) includes mortgage bonds issued under Law 2/1981 governing the Mortgage Market for amounts of € 5,498,835 thousand (€ 3,950,000 thousand at 31 December 2012). The territorial mortgage bonds have been issued at floating interest rates while issues at fixed interest rates are hedged against interest-rate risk through interest rate swaps.

19.4 Marketable debt securities

The balance under this heading on the consolidated balance sheets at 31 December 2013 and 2012 are analysed below:

(Thousand euro)	2013	2012
Promissory notes and bills	150,213	1,267,719
Nominal - mortgage bonds	4,430,000	4,705,000
Nominal value of other securities linked to transferred financial assets	1,236,005	1,696,189
Nominal value - other non-convertible securities	547,140	500,000
Treasury shares	(3,436,206)	(3,426,318)
Valuation adjustments	67,973	118,616
	2,995,125	**4,861,206**

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

Type	Nominal interest	Issuance date	Maturity date	Nominal issue	Amount subscribed 2013	Amount subscribed 2012
(Thousand euro)						
TDA2 securitization bonds	Variable	13.10.2005	(*)	904,500	261,977	301,821
TDA3 securitization bonds	Variable	12.05.2006	(*)	1,007,000	269,008	395,100
TDA4 securitization bonds	Variable	18.10.2006	(*)	1,410,500	268,001	453,596
TDA5 securitization bonds	Variable	11.05.2007	(*)	1,207,000	227,401	313,129
TDA6 securitization bonds	Variable	25.06.2008	(*)	1,521,000	24,042	27,180
TDA ICO-FTVPO securitization bonds	Variable	15.07.2009	(*)	447,200	185,576	205,363
					1,236,005	1,696,189

* 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	Issuance date	Maturity date	Nominal issue	Amount subscribed 2013	Amount subscribed 2012
(Thousand euro)						
Government ordinary bonds	4.44%	04.04.2011	30.07.2014	500,000	500,000	500,000
Ordinary bonds	Variable	24.06.2013	29.06.2014	35,393	35,393	–
Ordinary bonds	Variable	24.06.2013	25.05.2016	10,508	10,508	–
Ordinary bonds	Variable	10.07.2013	25.05.2016	1,239	1,239	–
					547,140	**500,000**

The average effective interest rate on debt instruments classified in this caption during 2013 was 2.35% (2.06% in 2012).

19.5 Subordinated liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2013 and 2012 are analysed below:

(Thousand euro)	2013	2012
Nominal subordinated bonds	153,071	280,826
Nominal preference shares	5,350	8,450
Contingent convertible bonds	407,000	–
Valuation adjustments	2,099	119
	567,520	**289,395**

In 2006 Ibercaja issued preference shares with a total nominal value of € 150,000 thousand with an indefinite duration and an interest rate of the 3-month Euribor plus 113 basis points. They may be redeemed at the Company's discretion once 10 years have elapsed as from the issue date, subject to Bank of Spain authorisation. If the advance redemption right is not exercised, the nominal annual variable interest rate applicable to this issue will be increased as from that date by 100 base points.

Details regarding each issue of subordinated bonds are as follows:

Issuance	Nominal interest	Expiration	Importe nominal 2013	Importe nominal 2012
(Thousand euro)				
20 April 2006	Variable	20 April 2018	62,468	108,565
25 April 2007	Variable	25 April 2019	90,504	172,261
28 February 2007	Variable	28 February 2019	50	–
18 October 2001	Mixed	18 October 2021	18	–
15 June 2007	Mixed	15 June 2022	31	–
			153,071	**280,826**

Although maturity has been set for the above issuances between 2018 and 2019, the Company reserves the right to redeem them after 7 years, although this may be reduced to 5 years through the agreement of the Meeting of Debenture Holders, after the date of issue, subject to Bank of Spain authorisation. These issues are subordinated and come behind all common creditors with respect to debt seniority.

Issues of preference shares and subordinated bonds are authorised by the Bank of Spain for their classification as computable tier 1 and tier 2 capital, respectively.

Accrued interest payable on subordinated liabilities amounts to € 17,805 thousand at 31 December 2013 (€ 6,830 thousand at 31 December 2012).

The average effective interest rate on debt instruments classified in this caption during 2013 was 5.03% (1.24% in 2012).

19.6 Other financial liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2013 and 2012 are analysed below:

(Thousand euro)	2013	2012
Debentures payable	56,305	45,234
Guarantee deposits received	16	2,449
Collection accounts	140,819	153,651
Special accounts	30,634	12,676
Financial guarantees	3,333	1,593
Other items	137,077	64,992
	368,184	**280,595**

At 31 December 2013, the balance in "Other items" includes € 65,014 thousand (€ 45,746 thousand at 31 December 2012) relating to the present value of the amount pending payment to the Deposit Guarantee Fund due to the extraordinary expense agreed on 30 July 2012 (Note 1.8).

19.7 Information on delays in payments to suppliers Additional Provision Three. Disclosure requirement Law 15/2010:

Set out below is information on the payments made and pending to suppliers:

	Thousand euro		%	
	2013	2012	2013	2012
Within the maximum legal limit	268,854	209,017	93%	97%
Rest	18,984	7,471	7%	3%
Total payments during the year	287,838	216,488	100%	100%
Average weighted payment period exceeded (days)	73	27		
Deferrals that at the year-end date exceed the maximum legal period	7,630	2,105		

* The legal limit was 75 days for 2012 and 60 days for 2013.

20 Insurance contract liabilities

At 31 December 2013 and 2012 the balances in this caption on the consolidated balance sheets were as follows:

(Thousand euro)	2013	2012
Technical reserves for:		
Life insurance:	6,204,847	4,740,502
Unearned premium reserve	13,869	13,226
Mathematical reserves	6,190,978	4,727,276
Benefits pending payment	39,457	24,273
Profit sharing and returned premiums	14,622	13,134
Life insurance in which the investment risk is borne by the policyholders	74,717	77,130
	6,333,643	**4,855,039**

There is no accepted reinsurance at 31 December 2013 or 31 December 2012.

20.1 Risk management under insurance contracts

The Group's risk exposure under the insurance contracts arranged and related operations are market (interest rate, concentration, spread and variable income); counterparty, operational and underwriting - life.

Market, counterparty and operational risks on this activity are managed consistently throughout the Ibercaja group as indicated in Note 3 Risk Management. The risk in the underwriting - life insurance activity derives from a possible increase in liabilities resulting from the non-fulfilment of the assumptions under which the policies were concluded and encompasses a variety of risks, the most significant of which are the following:

- Longevity risk: deriving from adverse variations in complying with the mortality table (survival risk). It is not significant in the arrangement of life annuities and liability policies managed by the insurance company. Concerning the longevity risk, there is a monthly follow-up of the technical result on the portfolios affected and the part of this result affected by the survival risk is analysed.
- Risk of fall: this indicates the sensitivity of the value of liabilities to shifts in surrender rates. Its impact is associated with the volatility of the savings business. A follow-up is carried out of the historical performance of the surrender level, taking into account prior year experience. The assumptions obtained from this analysis are taken into account when calculating liabilities for matching flows (joint management of assets and liabilities) so that they reflect the actual situation as accurately as possible at all times. In this way, it is verified that the flows expected from the assets are sufficient in time and quantity to meet expected future commitments.
- 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.

Likewise, for controlling and monitoring mortality risk the Company performs a monthly review of the claims ratio associated with each product sold, as well as the impact of this variable on each product's performance.

Irrespective of the mortality table applied to calculate the premium, which depends on the type of product, date on which it is first sold or other aspects, mortality tables PERM/F-2000P that were approved by the Resolution of the Directorate General for Insurance and Pension Funds of 3 October 2000, that conforms to transitional provision 2.5 of the Private Insurance Regulations, have been taken as a reference.

Set out below is the performance of the claims ratio for direct life insurance and its comparison with the forecast claims ratio.

	Life insurance - saving		Life annuities		Unit-linked insurance		Individual life (risk) insurance		Total life insurance	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Portfolio at 31 December (No. contracts)	377,120	256,790	46,457	39,214	10,059	10,149	313,041	249,502	746,677	555,655
No. expected claims	1,563	1,214	1,947	1,625	70	67	410	304	3,990	3,210
No. actual claims	917	732	1,635	1,630	54	42	319	224	2,925	2,628
Percentage (actual/expected)	58.67%	60.30%	83.98%	100.31%	77.14%	62.69%	77.80%	73.68%	73.31%	81.87%

The insurance companies have established a policy for assigning risks to leading reinsurers in the sector, mitigating the risk through the dispersion of the sums insured and the accumulation of claims deriving from the same event. The reinsurance policy is revised annually.

20.2 Classification of the insurance risk

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

(Thousand euro)	2013	2012
Life insurance premiums	43,612	38,957
Savings insurance premiums	988,506	1,120,240
	1,032,118	**1,159,197**
Premiums for individual policies	1,019,112	1,140,513
Premiums for group policies	13,006	18,684
	1,032,118	**1,159,197**
Regular premiums	330,693	229,035
Single premiums	701,425	930,162
	1,032,118	**1,159,197**
Premiums for policies with no profit-sharing	1,017,120	1,138,412
Premiums for policies with profit-sharing	12,568	17,965
Premiums for policies where the investment risk is assumed by the policyholder	2,430	2,820
	1,032,118	**1,159,197**

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 € 5,372 thousand at 31 December 2012 (€ 5,314 thousand at 31 December 2012).

According to the Directorate General of Insurance, those insurance policies where, although a group policy is formalised, the premium payment obligations and inherent rights pertain to the insured are classed as individual policies. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2013 amounting to € 1,046,420 thousand, (€ 1,162,091 thousand in 2012) 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 2013 while the impact resulting from a variation in the interest rate curve is as follows:

- A parallel increase of 50 base points in the discount curve entails a reduction of 1.75% in the value of the asset and 3.33% in the value of the liability.
- A parallel fall of 50 base points in the discount curve entails an increase of 1.83% in the value of the asset and 3.59% in the value of the liability.

As most of the insurers' portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the income statement.

21 Provisions

Movements in 2013 and 2012, and the purpose of the provisions recorded under these captions in the consolidated balance sheet at 31 December 2013 and 2012, are as follows:

(Thousand euro)	Provisions for pensions and similar obligations	Provisions for taxes and other legal contingencies	Provisions for contingent exposures and commitments	Other provisions
Balances at 01 January 2012	122,891	8,532	8,152	21,625
Appropriations charged to income statement				
Interest and similar charges	29	–	–	–
Transfers to provisions and other	137	–	195	12,408
Reversal of provisions by credit to income	–	–	(651)	–
Provisions utilised	(718)	(2,108)	(5)	–
Other movements	(10,499)	(626)	32	40
Balances at 31 December 2012	111,840	5,798	7,723	34,073
Acquisition of Cajatres*	99,475	492	10,267	73,231
Appropriations charged to income statement				
Interest and similar charges	281	–	–	–
Transfers to provisions and other	1,558	–	10,864	–
Reversal of provisions by credit to income	(697)	(112)	(6,520)	(47,912)
Provisions utilised	(35,869)	–	(2)	(2,468)
Transfers (Note 35.2)	(21,872)	–	–	21,872
Other movements	(2,449)	(229)	50	2,427
Balances at 31 December 2013	152,267	5,949	22,382	81,223

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

At 31 December 2013 the caption "Provisions - pension funds and similar obligations" includes a balance of € 14,497 thousand corresponding to part of the personnel cost of the restructuring plan pending payment of Banco Grupo Cajatres, S.A.U. (Note 1.11.1.2 y 35). A breakdown of this caption is included in Note 35 on personnel expenses.

The balance in utilised provisions under "Provisions - Pension Funds and similar obligations" in 2013 includes € 31,054 thousand for the payments made as a result of the restructuring plan.

The caption "Provisions – Provisions for contingent exposures and commitments" includes impairment losses related to the financial guarantees granted by the Entity (Note 27.1).

From the balance at 31 December 2013 in the caption "Provisions - other provisions", € 21,872 thousand relates to the remaining personnel costs derived from the restructuring plan of Banco Grupo Cajatres, S.A.U. pending payment and the estimated cost of the closure of branches under this entity's restructuring plan amounting to € 6,950 thousand (Note 1.11.12). This heading also contains provisions amounting to € 11,695 thousand for contract rescission costs. The remainder of the balance relates to the coverage of other ordinary business risks for the Group.

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term compensation commitments are described below, which are recorded as provisions on the balance sheet at 31 December 2013 and 2012:

(Thousand euro)	2013	2012
Liabilities		
Pre-retirement agreement	6,066	884
Externalised post-employment benefits	125,428	110,956
Non-externalised post-employment benefits	6,275	–
Fund for labour-related costs of the restructuring plan (Notes 1.2 and 34.2)	14,498	–
	152,267	**111,840**

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

(Thousand euro)	2013	2012
Commitments relating to:		
Post–employment benefits (Note 35.2)	2,479	11
Other long-term compensation - pre-retirement (Note 35.3)	(20,564)	(884)
Other long-term compensation - remainder	–	–
(Shortfall)/Surplus	**(18,085)**	**(873)**
Impact of limit on assets	–	–
Net liability figuring on balance sheet:	**(18,085)**	**(873)**
Insurance contracts linked to pensions	124,285	110,948
Net pension assets	9,897	19
Net pension (provision)	(152,267)	(111,840)

The costs recognised in the income statement for employee benefits are as follows:

(Thousand euro)	2013	2012
Defined benefit plans	(1,484)	(1,476)
Contributions to defined contribution plans	(3,728)	(12,092)
Interest and similar charges	555	(29)
Transfers to provisions	(861)	(137)
Actuarial gains/(losses) on long-term employee benefits	(92)	(31)
	(5,610)	**(13,765)**

Amounts recognised on the statement of changes in equity:

(Thousand euro)	2013	2012
Actuarial gains/(losses) on post–employment benefits	884	4,939
Limitation on assets	–	–
	884	**4,939**

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

	2013	2012
Technical interest rate	0.77% - 3.15%	2.50% - 4.00%
Expected yield on assets	0.87% - 3.15%	2.50% - 4.00%
Annual pension revision rate	1.00%	1.00%
Annual salary increase rate	2.00% (1.00% pre-retired personnel)	2.00% (1.00% pre-retired personnel)
Growth in Social Security contribution bases	5% in 2014; 1.00% rest	5% in 2014; 1.00% rest
Retirement age	60 – 65 and agreed age	60 – 65 and agreed age
Disability tables	75% Disability rates Soc. Seg.	75% Disability rates Soc. Seg.
Mortality tables	PER 2000P - PER 2000C	PER 2000P - PER 2000C
Life expectancy		
Employees retiring in 2013		
Men	22.31	22.20
Women	26.80	26.68
Employees retiring in 2033		
Men	24.67	24.56
Women	29.04	28.94

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality AA corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the annual accounts. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the plans and the discount rate used for the various plans on the basis of their origin were as follows in 2013: Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja: 2.84% for a duration of 7.76 years; Ibercaja Banco: average rate of 3.08% for durations of approximately 10.93 years; Caja Inmaculada: post-employment plans: 2.91% for 10.02 years; pre-retirements: 0.89% for 1.93 years; Caja Círculo: post-employment plans: 3.02% for 9.58 years; pre-retirement:0.77% and 1.03% for 0.4 and 1.47 years respectively; Caja Badajoz: post-employment plans: retired personnel 2.92% for a duration of 8.25 years and serving personnel 3.46 years for a duration of 27.32 years; pre-retirement: 1.05% for a duration of 1.48 years.

22 Other liabilities

The balance under this heading on the consolidated balance sheets at 31 December 2013 and 2012 are analysed below:

(Thousand euro)	2013	2012
Staff cost time apportionment	36,466	39,292
Transactions in transit	3,301	4,066
Remainder	74,063	33,413
	113,830	**76,771**

23 Valuation adjustments

23.1 Available-for-sale financial assets

This caption on the consolidated balance sheets reflects the net amount of changes in fair value of assets classified as available for sale which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4). These changes are recorded in the income statements when the assets that gave rise to them are sold or impaired.

The detail of measurement adjustments, net of the tax effect, and fair value hierarchies (detailed in Note 26.1) is as follows:

			Fair value hierarchy		
2013	Valuation adjustments	Fair value	Level 1	Level 2	Level 3
(Thousand euro)					
Listed equity instruments	(25,338)	244,199	244,199	–	–
Unlisted equity instruments	40,797	200,636	–	–	200,636
Listed fixed interest securities	225,510	6,686,937	6,441,601	245,336	–
Total	240,969	7,131,772	6,685,800	245,336	200,636

			Fair value hierarchy		
2012	Valuation adjustments	Fair value	Level 1	Level 2	Level 3
(Thousand euro)					
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

At 31 December 2013, 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 43.50% (50.10% at 31 December 2012) while the amount of the difference between the acquisition cost and fair value totals € 2,621 thousand (€ 21,522 thousand at 31 December 2012).

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:

	Capital losses	
(Thousand euro)	2013	2012
Duration of the fall		
More than 42 months	6,912	2,190
Between 31 and 42 months	3,900	3,881
Between 18 and 30 months	11,987	6,663
	22,799	12,734

23.2 Other valuation adjustments

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

24 Shareholders' funds and non-controlling interests

24.1 Shareholders' funds

As at 31 December 2013 and 2012, this heading breaks down as follows:

(Thousand euro)	2013	2012
Capital	2,611,730	2,278,500
Reserves	(104,597)	397,486
Revaluation reserves	3,306	11,072
Reserves in companies measured under the equity method	(59,222)	(33,000)
Other reserves	(48,681)	419,414
Profit/(loss) for the year	(29,383)	(484,261)
Total	**2,477,750**	**2,191,725**

24.1.1 Capital

Share capital at 31 December 2013 consists of 2,611,730,000 shares (2,278,500,000 shares at 31 December 2012) with a par value of **€** 1 each, of a single class and series. The Bank's shares are represented by registered shares.

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

(Thousand euro)	2013	2012
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja)	87.80%	100.00%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%	–
Fundación Bancaria Caja Círculo	3.45%	–
Fundación Caja Badajoz	3.90%	–

During the year a capital increase of **€** 325,500 thousand was carried out as a result of the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2. Capital was also increased against available revaluation reserves amounting to **€** 7,730 thousand.

24.1.2 Reserves

Appendix II includes a breakdown by companies generating the balance of "Accumulated reserve" and "Reserves in entities carried under the equity method".

24.2 Non-controlling interests

Movements in non-controlling interests in 2013 and 2012 are set out below for each of the dependent companies concerned:

Movements in 2013:

Entity	Balance at 01/01/2013	Acquisition of Cajatres*	Increases in shareholding	Decreases in shareholding	Results attributed	Other changes in equity	Balance at 31/12/2013
(Thousand euro)							
Agencia de Viajes de la Caja de Ahorros de Badajoz, S.A.	–	10	–	(12)	(55)	–	(57)
Arcai Inmuebles, S.A.	–	(33,168)	34,603	–	(1,435)	(2)	(2)
Comercial Logística Calamocha, S.A.	(698)	–	–	982	(284)	–	–
Dopar, S.L.	–	–	105	–	–	–	105
Enclama, S.L.	–	–	96	–	–	–	96
Gestora Valle de Tena, S.A.	67	–	–	–	3	–	70
Grupo Alimentario Naturiber, S.A.	1,088	–	–	–	(53)	907	1,942
Interchip, S.A.	–	19	–	(11)	(16)	–	(8)
Jamcal Alimentación, S.A.	4,839	–	–	(4,877)	38	–	–
Tintas Arzubialde, S.L.	–	(88)	151	–	(10)	–	53
Viajes Caja Círculo, S.A	–	(91)	–	(36)	(58)	–	(185)
Total	5,296	(33,318)	34,955	(3,954)	(1,870)	905	2,014

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

Movements in 2012:

Entity	Balance at 01/01/2012	Increases in shareholding	Decreases in shareholding	Results attributed	Other changes in equity	Balance at 31/12/2012
(Thousand euro)						
Comercial Logística Calamocha, S.A.	207	–	–	(663)	(242)	(698)
Gestora Valle de Tena, S.A.	65	–	–	1	312	67
Grupo Alimentario Naturiber, S.A.	1,679	–	–	(115)	1	1,088
Jamcal Alimentación, S.A.	4,509	–	–	18	(476)	4,839
Total	6,460	–	–	(759)	(405)	5,296

Relevant financial information concerning the companies making up non-controlling interests is set out below at 31 December 2013:

Entity	Assets	Liabilities	Profit/(loss) after taxes	Cash flow
(Thousand euro)				
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	41	45	(273)	–
Arcai Inmuebles, S.A.	30,250	111,561	(5,518)	56
Dopar, S.L.	442	197	(14)	–
Enclama, S.L.	490	266	40	–
Gestora Valle de Tena, S.A.	1,039	204	29	52
Grupo Alimentario Naturiber, S.A.	73,592	64,177	(714)	(1,644)
Interchip, S.A.	657	559	10	–
Tintas Arzubialde, S.L.	12,313	11,889	25	3
Viajes Caja Círculo, S.A	35	167	(575)	–

Relevant financial information concerning the companies making up non-controlling interests is set out below at 31 December 2012:

Entity	Assets	Liabilities	Profit/(loss) after taxes	Cash flow
(Thousand euro)				
Comercial Logística Calamocha, S.A.	22,921	21,181	(2,003)	173
Jamcal Alimentación, S.A.	17,376	6,815	(1,466)	11
Gestora Valle de Tena, S.A.	1,009	210	10	186
Grupo Alimentario Naturiber, S.A.	67,478	57,103	(1,278)	549

25 Tax situation

25.1 Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja decided to form a Corporate Income Tax Consolidated Tax Group (No. 579/11). In 2012 the other Group companies qualifying for this regime were included. Therefore corporate income tax has been assessed on a consolidated basis.

At 31 December 2013 "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 and the rest of the Group's subsidiaries, as a result of the above.

Banco Grupo Cajatres has paid tax under the tax consolidation regime, in accordance with Chapter VII of Title VII of the Corporate Income Tax Act (No. 415/11), approved by Legislative Royal Decree 4/2004 since the start of the tax period pertaining to 2011.

During the 2013 fiscal year, the tax group was made up of Banco Grupo Cajatres as the parent company and the entities meeting the legal requirements to be treated as subsidiaries. During the year, the entities that have ceased to meet those requirements have been excluded from the group. Specifically, the three savings banks that were the original shareholders of the Bank have been excluded from the tax consolidation system due to the share swap operation carried out with Ibercaja Banco in 2013. Similarly, due to that share swap the Bank ceased to meet the requirements for being regarded as the consolidation group's parent entity. As a result, the Bank and the remaining qualifying companies are to be included, as from the financial year commencing on 1 January 2014, in the tax consolidation group headed by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja.

Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja is also the parent company of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to form part of said group.

25.2 Years open to tax inspection

Ibercaja Banco was incorporated in 2011 as a result of the spin-off for the indirect performance of the financial activities of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja. On acquiring en bloc all the assets and liabilities effectively spun off, it assumed all the obligations and was subrogated to all the rights and relationships associated therewith, including those related to tax.

In this respect, the years 2005 and subsequent years are open to inspection 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 2009 are open to inspection.

In 2013 the tax authorities commenced tax audit proceedings of a general nature in relation to the Savings Bank in respect of corporate income tax for 2005 to 2008 and value added tax (VAT) and tax withholdings from June 2009 to December 2010. Said proceedings were still under way at 31 December 2013. An inspection is also under way on Ibercaja Vida (corporate income tax for 2008 to 2011 and the periods June 2009 to December 2011 for VAT, insurance premium tax and withholdings on the earnings of professionals and non-residents), Cerro Murillo (corporate income tax for 2009 to 2011 and VAT for January 2010 to December 2011), and Residencial Murillo (corporate income tax for 2009 to 2011 and VAT for the 2nd and 4th quarters of 2011).

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 were appealed against and the corresponding provision was recognised under liabilities on the balance sheet amounting to **€** 1,231 thousand. The National Court rejected the appeal and the payment will be made in the near future.

For its part, Banco Grupo Cajatres is open to inspection for all taxes applicable to it since its incorporation in 2010. As a result, only taxes relating to 2010 and subsequent fiscal years applicable to it are open to inspection.

When Banco Grupo Cajatres, S.A. acquired en bloc the segregated equity of Caja de Ahorros de la Inmaculada de Aragón, Caja de Ahorros y Monte de Piedad del Círculo Católico de Obreros de Burgos, y Monte de Piedad and Caja General de Ahorros de Badajoz, it assumed all the obligations and was subrogated to all the rights and actions attaching to that equity which had previously pertained to said entities. Both Caja de Ahorros de la Inmaculada de Aragón, and Caja de Ahorros y Monte de Piedad del Círculo Católico de Obreros de Burgos, are undergoing inspections for corporate income tax for financial years 2008 to 2010 and other taxes for periods subsequent to June 2009. Monte de Piedad y Caja General de Ahorros de Badajoz is open to inspection for 2009 and subsequent years with respect to corporate income tax. For other taxes, the periods after December 2009 are open to inspection.

The Group companies CAI Inmuebles, S.A., CAI División de Servicios Generales, S.L. and CAI Vida y Pensiones Seguros y Reaseguros, S.A. are undergoing inspections for corporate income tax for financial years 2008 to 2010 and other taxes for periods subsequent to June 2009. The remaining Group entities are open to inspection for 2009 and subsequent years with respect to corporate income tax. For other taxes, the periods after December 2009 are open to inspection. An inspection has also been instigated concerning ARCAI Inmuebles (corporate income tax for 2009 to 2011 and VAT from February 2010 to December 2011), and inspection proceedings are being completed with respect to Impulso XXI (corporate income tax for 2010 and 2011 and quarterly VAT for 2010, 2011 and 2012).

At present there are no tax assessments that have been appealed against.

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 2013 and 2012 and the corporate income tax expense is as follows:

(Thousand euro)	2013	2012
Consolidated profit before tax	**(69,165)**	**(685,126)**
Corporate income tax at the general tax rate	(20,750)	(205,538)
Effect of permanent differences	(1,328)	(2,338)
Other adjustments on consolidation	(10,390)	10,653
Balance sheet restatement*	(3,859)	–
Tax deductions and tax credits	(1,560)	(2,882)
Corporate income tax expense for the year	**(37,887)**	**(200,105)**
Adjustments to prior year tax expense	(25)	–
Total corporate income tax expense	**(37,912)**	**(200,105)**

* Includes tax paid on the restatement and reversal of deferred tax liabilities indicated in Note 16.

In 2013 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 euro)		
1998	3,498	2001
1999	190	2001
2001	6,001	2002
2002	6,017	2002
2003	4,181	2003
2004	6,707	2004
2005	4,486	2007
2006	14,633	2005 -2007
2007	3,380	2007
2008	101,953	2007-2011
2009	1,598	2008-2012
2010	4,403	2009-2010
2011	17,729	2010-2011
2012	1,406	2012
2013 (forecast)	929	2013

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, there are certain timing differences and tax credits that should be taken into account when calculating the consolidated corporate income tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2013 and 2012 are as follows:

(Thousand euro)	Deferred tax assets	Deferred tax liabilities
Balance at 01 January 2012	**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**
Acquisition of Cajatres (*)	904,179	129,259
Prior year restatement and other	(15,063)	7,687
Generated during the year	508,822	126,295
Applied during the year	(426,159)	(6,229)
Change in deferred tax assets and liabilities applied to equity	(18,379)	48,008
Balance at 31 December 2013	**1,526,257**	**435,544**

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

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 euro)	2013	2012	2013	2012
Impairment of financial assets	806,968	43,462	67,997	3,746
Pension commitments and other provisions	30,001	13,546	–	–
Fixed assets	–	–	172,336	72,145
foreclosure assets	47,110	58,020	–	–
Other adjustments	53,160	5,754	125,285	51,530
Total temporary differences with a balancing entry in the income statement	**937,239**	**120,782**	**365,618**	**127,421**
Total temporary differences with balancing entry in equity	**13,697**	**20,934**	**69,926**	**3,103**
Credit in respect of available tax losses	537,466	382,776	–	–
Credit for available deductions	37,855	48,365	–	–
Total tax credits	**575,321**	**431,141**	**–**	**–**
	1,526,257	**572,857**	**435,544**	**130,524**

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.

Royal Decree Law 14/2013 amended the Corporate Income Tax Law as follows:

a) Effective for tax periods beginning on or after 1 January 2011, provisions for impairment of loans and other assets arising from the possible insolvency of debtors not related to the taxpayer and those pertaining to apportionments or contributions to social welfare systems and, where appropriate, early retirement, which might have generated deferred tax assets, are to be included in the tax base in accordance with the provisions of the corporate income tax act, subject to the limit of the positive taxable base prior to their inclusion and the offsetting of tax losses. The application of this rule has meant a decrease in tax credits for tax loss carryforwards and deductions pending application as well as an increase in deferred tax assets related to loan impairment, foreclosure asset impairment and expenses related to pension obligations, amounting to **€** 353,939 thousand.

b) The deferred tax assets relating to provisions for the impairment of loans and other assets arising from possible debtor insolvency not related to the taxpayer, as well as those derived from appropriations or contributions to social welfare systems and, if applicable, early retirement, will become an enforceable claim against the tax authorities in cases where the taxpayer incurs accounting losses or the entity is liquidated or is judicially declared insolvent. Deferred tax assets arising from the right to offset tax losses in subsequent years will become an enforceable claim against the tax authorities when they result from the inclusion in the tax base, as from the first fiscal year commencing 2014, the provisions for impairment of loans and other assets arising from possible borrower insolvency, as well as appropriations or contributions to employee welfare systems and, where appropriate, early retirement, which generated the deferred tax assets referred to above. These assets may be exchanged for public debt securities once the term for offsetting tax loss carryforwards stipulated in the Corporate Income Tax Law expires, calculated as from the accounting recognition of said assets. In the case of assets recorded prior to the entry into force of this Law, said term is calculated as from the entry into force of the Law.

The Entity has recorded the deferred tax assets that figure on the balance sheet since it considers that there are no reasonable doubts that it will generate sufficient profits in the coming years to recover them. Therefore, the Entity does not foresee a scenario in which the deferred tax assets related to insolvencies, repossessions or pensions might be recovered through an exchange for government securities, which would be possible under the amendment introduced by Royal Decree-Law 14/2013, as mentioned above.

26 Fair value of financial assets and liabilities

Set out below is the breakdown of the fair value of financial assets and liabilities at 31 December 2013 and 2012 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		
2013	Total balance sheet	Fair value	Level 1	Level 2	Level 3
(Thousand euro)					
Cash and deposits with central banks	499,331	499,387	–	499,387	–
Held for trading	36,826	34,153	587	14,523	19,043
Other financial assets at fair value through profit or loss	68,925	68,925	68,925	–	–
Available -for- sale financial assets	7,277,141	7,131,772	6,685,800	245,336	200,636
Loans and receivables	38,947,347	41,275,926	350,231	1,360,313	39,565,382
Held-to-maturity investments	11,511,381	11,785,749	8,502,489	3,283,260	–
Of which: Sovereign risk	*8,100,299*	*8,356,497*	*7,715,075*	*641,422*	–
Hedging derivatives	519,043	519,043	–	519,043	–
Total financial assets	**58,859,994**	**61,314,955**	**15,608,032**	**5,921,862**	**39,785,061**
Held for trading	27,546	27,546	–	8,592	18,954
Other financial liabilities at fair value through profit or loss	48,800	48,800	–	48,800	–
Financial liabilities at amortised cost	52,975,734	54,442,686	–	54,442,686	–
Hedging derivatives	297,464	297,464	–	297,464	–
Total financial liabilities	**53,349,544**	**54,816,496**	**–**	**54,797,542**	**18,954**

			Fair value hierarchy		
2012	Total balance sheet	Fair value	Level 1	Level 2	Level 3
(Thousand euro)					
Cash and deposits with central banks	289,520	289,520	–	289,520	–
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 receivables	30,720,703	32,906,813	–	935,304	31,971,509
Held-to-maturity investments	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	**42,323,744**	**44,404,661**	**10,191,052**	**2,113,442**	**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**

The criteria used to determine fair value have been as follows:

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

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.
- Options are valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.
- Equity instruments measured at fair value: Generally fair value is determined by discounting the estimated cash flows, which are derived from business plans in the investees generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.
- Customer loans (loans and receivables): The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early amortisation of 5% of the total has been taken into account. This percentage is based on the Group's historical data and is used in internal management.

The impact of a 100 basis point rise in the interbank interest rate curve would bring about a 0.60% reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, in an economic and financial crisis such as the present crisis and since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the losses incurred and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.
- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on the evolution of market interest rates. The longer the residual life of the instrument, the greater the variation.

- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins are held constant, the fair value coincides with the carrying value only on repricing dates. On all other dates there is an interest rate risk for the flows that have already been calculated.

The Entity 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 2013 there were financial instruments no longer measured using level 2 and 3 criteria and which have been measured with level 1 criteria amounting to € 30,622 thousand (zero in 2012).

For certain financial instruments (mainly the trading portfolio and operations related to financial derivatives), there is a balancing entry in the income statement for changes in fair value. The detail of the effect on the income statement arising from changes in fair value is as follows, classified on the basis of the hierarchical level of the fair value on which the financial instruments are located:

(Thousand euro)	2013	2012
Level 1	852	1,554
Level 2	4,536	53,166
Level 3	(212)	(452)
	5,176	**54,268**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances to closing balances, revealing separately changes during the year attributable to the following:

(Thousand euro)	Controlling interests - Assets	Available-for-sale financial assets	Held for trading - Liabilities
Balance at 01 January 2012	**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**
Acquisition of Cajatres*	–	62,054	–
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense.	7,333	62	7,393
Purchases	6,538	6,881	6,091
Sales	–	(1,268)	–
Issues	–	–	–
Settlements and maturities	(6,691)	–	(6,686)
Transfers from or to level 3 in or out of the above portfolios	–	16,112	–
Balance at 31 December 2013	**19,043**	**200,636**	**18,954**

* Derived from the acquisition of Banco Grupo Cajatres, S.A.U., described in Note 1.11.2.

27 Other significant information

27.1 Contingent exposures

The following table breaks down financial guarantees granted at 31 December 2013 and 2012 in accordance with the maximum risk assumed by the Group:

(Thousand euro)	2013	2012
Guarantees and other sureties	**704,233**	**436,982**
Financial guarantees	163,034	65,530
Other guarantees and sureties	541,199	371,452
Irrevocable letters of credit	**20,775**	**13,882**
Irrevocable documents issued	20,775	13,882
Assets associated with third party obligations	**929**	**234**
	725,937	**451,098**

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 2013 and 2012, 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 2013 and 2012, the Group had not identified any contingent liability.

27.2 Assets loaned or pledged

The breakdown of these assets is as follows:

(Thousand euro)	2013	2012
Securitized assets (net of measurement adjustments)	5,106,789	5,297,865
Assets under repos	4,961,595	3,853,724
Assets associated with Bank of Spain policy*	4,890,881	948,302
Rest	301,358	376,424
	15,260,623	**10,476,315**

* Additionally, € 4,834,315 thousand (€ 4,286,978 thousand in 2012) relating to own securitization bonds and secured bonds that are also associated with the policy with the Bank of Spain, to secure monetary policy operations in the Euro system which at 31 December 2013 and 2012 was not available.

27.3 Contingent commitments

At 31 December 2013 and 2012, the limits on financing contracts granted and the undrawn balances were as follows:

(Thousand euro)	2013 Limit granted	2013 Undrawn balance	2012 Limit granted	2012 Undrawn balance
Drawable by third parties	6,552,865	2,382,854	6,257,471	1,672,950
Available immediately	2,647,539	1,856,759	1,761,098	1,115,366
Available subject to conditions	3,905,326	526,095	4,496,373	557,584
Financial asset forward purchase commitments	–	11,270	–	–
Securities subscribed pending disbursement	–	10,037	–	3,971
Documents in clearing houses	–	611,188	–	342,998
Other items	–	71,629	–	–
	6,552,865	3,086,978	6,257,471	2,019,919

The amounts available relate to variable interest operations.

27.4 Third-party resources managed and marketed by the Group and securities deposit taker

Details of the balance of off-balance sheet customer funds that have been marketed by the Group in 2013 and 2012 are indicated in the following table:

(Thousand euro)	2013	2012
Investment funds	6,422,126	4,551,920
Pension funds	4,264,265	3,527,962
Insurance products	432,281	–
Third party equity managed on a discretionary basis	933,891	735,317
	12,052,563	**8,815,199**
Of which: managed by the Group	10,893,072	8,787,221

Set out below is a breakdown of the securities deposited by the third parties in the Group at 31 December 2013 and 2012:

(Thousand euro)	2013	2012
Fixed income	4,779,786	8,942,170
Equities	5,060,576	4,663,090
	9,840,362	**13,605,260**

27.5 Securitization of assets

The Group carried out various asset securitization operations before 1 January 2004 which were derecognised from the consolidated balance sheet (Note 2.7). Securitized assets outstanding at 31 December 2013 and 2012 are analysed below:

(Thousand euro)	2013	2012
Assets transferred to TDA Ibercaja 1, FTA in 2003	144,158	165,686
	144,158	**165,686**

In addition, the Group has securitized assets by assigning loans from its portfolio to a securitization fund in which it continued to bear the related substantial risks and benefits over the securitized assets in accordance with the transfer conditions agreed (granting of subordinated financing to the fund which substantially absorb the loan losses expected on securitized assets), and therefore these assets have been retained in full on the balance sheet. Details of the balances recorded in relation to these operations are set out below:

(Thousand euro)	2013	2012
Assets transferred to TDA Ibercaja 2, FTA in 2005	355,304	395,052
Assets transferred to TDA Ibercaja 3, FTA in 2006	444,098	488,330
Assets transferred to TDA Ibercaja 4, FTA in 2006	663,465	725,084
Assets transferred to TDA Ibercaja 5, FTA in 2007	649,965	706,798
Assets transferred to TDA Ibercaja 6, FTA in 2008	941,914	1,025,714
Assets transferred to TDA Ibercaja ICO.–TVPO, FTH in 2009	278,669	308,192
Assets transferred to TDA Ibercaja 7, FTA in 2009	1,567,295	1,664,315
Assets transferred to AyT Colaterales Global Empresas, FTA in 2008	41,816	–
Assets transferred to AyT Colaterales Global Hipotecario, FTA in 2008	102,860	–
Assets transferred to AyT ICO – FT VPO III, FTA in 2009	90,437	–
	5,135,823	**5,313,485**

Note 10.1 provides details concerning the Entity's exposure in securitization funds and the amount of the liabilities of securitization funds that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitized assets included in the above table are recorded.

The fair value of the liabilities issued by securitization funds at 31 December 2013 and 2012, which are backed by the transferred assets mentioned above, is as follows:

(Thousand euro)	2013	2012
Liabilities issued by TDA Ibercaja 2, FTA in 2005	286,831	332,123
Liabilities issued by TDA Ibercaja 3, FTA in 2006	358,749	401,499
Liabilities issued by TDA Ibercaja 4, FTA in 2006	487,588	544,302
Liabilities issued by TDA Ibercaja 5, FTA in 2007	505,830	572,623
Liabilities issued by TDA Ibercaja 6, FTA in 2008	741,374	839,387
Liabilities issued by TDA Ibercaja ICO–FTVPO, FTH in 2009	228,930	211,112
Liabilities issued by TDA Ibercaja 7, FTA in 2009	1,177,929	1,251,838
Liabilities issued by AyT Colaterales Global Empresas, FTA	34,592	–
Liabilities issued by AyT Colaterales Global Hipotecario, FTA	82,101	–
Liabilities issued by AyT ICO – FT VPO III, FTH	79,144	–
	3,983,068	4,152,884

27.6 Assets received under guarantees

Assets received under guarantee at 31 December 2013 amount to € 43,236 thousand (€ 33,194 thousand at 31 December 2012).

27.7 Leases

27.7.1 Finance leases

Finance leases in which the Group is the lessor are characterized as follows:

- The interest rate is variable.
- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise this purchase option, its value is recorded as a debt-claim together with the rest of the minimum payments to be made by the lessee.

27.7.2 Operating leases

Most operating leases in which the Group participates may be cancelled and normally the initial term of the lease is five years. Rental income is adjusted annually based on the consumer price index.

Nonetheless, for a set of properties, there are lease contracts which establish a 15 year mandatory compliance period, with a total term of up to 35 years. 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 € 2,098 thousand within one year, € 8,989 thousand within one to five years and € 19,482 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 € 23,725 thousand (€ 20,497 thousand in 2012).

Refurbishing expenses and capital investment relating to leased assets for which the Group is the lessee, net of depreciation, total € 36,301 thousand at 31 December 2013 (€ 32,508 thousand at 31 December 2012).

27.8 Environment

The Group's operations as a whole are subject to environmental protection legislation. The Group considers that it complies substantially with these laws and that it has procedures in place designed to ensure they are met.

The Group has adopted the appropriate measures to protect and improve the environment and to minimise possible environmental impact and complies with current environmental legislation. During 2013 and 2012 the Entity has not made any environment-related investments and neither does it consider that there are any significant environment-related contingencies.

27.9 Segmentation

27.9.1 Segmenting by lines of business

Reporting (consolidated income statement) by business segment at 31 December 2013 and 2012 is as follows:

At 31 December 2013	Total	Financial sector	Insurance sector	Other sectors
(Thousand euro)				
Net interest income	**592,210**	**477,613**	**119,051**	**(4,454)**
Fees	263,240	278,308	(13,110)	(1,958)
Results on financial transactions and other	95,152	78,094	784	16,274
Gross income	**950,602**	**834,015**	**106,725**	**9,862**
Administration and depreciation expenses	(611,835)	(589,679)	(3,920)	(18,236)
Provisions (net)	42,819	42,760	–	59
Financial asset impairment losses (net)	(355,796)	(355,485)	116	(427)
Operating margin	**25,790**	**(68,389)**	**102,921**	**(8,742)**
Other asset impairment losses (net)	(38,160)	(38,154)	–	(6)
Other gains / (losses)	(56,795)	(56,765)	–	(30)
Profit /(loss) before taxes	**(69,165)**	**(163,308)**	**102,921**	**(8,778)**
Corporate income tax	37,912	68,185	(31,079)	806
Consolidated profit/(loss) for the year	**(31,253)**	**(95,123)**	**71,842**	**(7,972)**

At 31 December 2012	Total	Financial sector	Insurance sector	Other sectors
(Thousand euro)				
Net interest income	**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 income	**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
Financial asset impairment losses (net)	(1,120,784)	(1,120,176)	(446)	(162)
Operating margin	**(493,595)**	**(581,202)**	**91,761**	**(4,154)**
Other 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/(loss) for the year	**(485,021)**	**(545,310)**	**64,008**	**(3,719)**

The breakdown of assets and liabilities associated with the business segments is as follows at 31 December 2013 and 2012:

	2013				2012			
(Thousand euro)	Total	Sector Financiero	Sector Seguros	Otros Sectores	Total	Sector Financiero	Sector Seguros	Otros Sectores
Assets	**63,117,579**	55,764,610	7,177,980	174,989	**44,663,988**	39,291,461	5,249,555	122,972
Liabilities	**60,507,642**	53,475,930	6,749,237	282,475	**42,507,578**	37,443,942	4,973,326	90,310

27.9.2 Geographical segmenting

The Group carries out almost all of its activities in Spain, except for the three branches in Portugal, and the type of customer is similar throughout its area of action. The Group therefore considers it as a single geographical segment for operating purposes.

28 Interest and similar income

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Deposits at the Bank of Spain and other central banks	1,285	2,188
Loans and advances to credit institutions	7,426	5,918
Money market transactions through counterparties	100	466
Loans and advances to customers	705,031	865,622
Debt securities	519,891	382,439
Doubtful assets	15,879	14,706
Rectification of products due to hedging operations	(27,321)	(26,923)
Income from insurance contracts linked to pensions (Note 35.2)	813	451
	1,223,104	**1,244,867**

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

(Thousand euro)	2013	2012
Financial assets at fair value through profit or loss	111	196
Available-for-sale financial assets	383,609	269,894
Held-to-maturity investments	136,171	112,349
Loans and receivables	728,436	886,712
Rectification of income due to hedging operations	(27,321)	(26,923)
Other revenues	2,098	2,639
	1,223,104	**1,244,867**

29 Interest and similar charges

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Deposits at the Bank of Spain and other central banks	24,591	19,688
Deposits from credit institutions	31,015	34,913
Money market transactions through counterparties	2,750	1,002
Deposits from public administrations	7,222	5,731
Deposits from other resident sectors	508,537	471,740
Non-resident deposits	1,363	1,194
Marketable debt securities	86,792	140,667
Subordinated liabilities	17,805	6,830
Rectification of expenses due to hedging operations	(167,181)	(135,919)
Interest expense pension funds (Note 35.2)	281	29
Financial cost of savings life insurance contracts	117,719	121,068
	630,894	**666,943**

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

(Thousand euro)	2013	2012
Financial liabilities at amortised cost	680,075	681,765
Adjustment of costs deriving from book hedges	(167,181)	(135,919)
Insurance contracts	117,719	121,068
Other expenses	281	29
	630,894	**666,943**

30 Return on equity instruments

The amount recorded under this caption relates in full to dividends from equity instruments and other shares in the Available-for-sale assets portfolio amounting to € 8,870 thousand at 31 December 2013 (€ 13,916 thousand at 31 December 2012).

31 Fee and commission income

Fees and commission income accrued in 2013 and 2012, classified in accordance with the item generating the fees, are reflected in the following table:

(Thousand euro)	2013	2012
Fees for contingent exposures	6,778	5,134
Fees for contingent commitments	2,779	1,863
Fees for foreign currency exchange	184	191
Fees for collection and payment services	109,857	91,710
Securities service fees	9,920	17,871
Non-bank financial product marketing fees	119,671	107,611
Other fees	31,474	24,850
	280,663	**249,230**

32 Fee and commission expense

Expenses for fees accrued in 2013 and 2012, classified in accordance with the item generating the fees, are reflected in the following table:

(Thousand euro)	2013	2012
Fees paid to other entities and correspondent banks	13,341	10,108
Fees paid on securities transactions	1,676	2,197
Other fees	2,406	1,651
	17,423	**13,956**

33 Net gains/(losses) on financial transactions

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012, based on the financial instrument portfolios from which they originate, is as follows:

(Thousand euro)	2013	2012
Financial assets at fair value through profit or loss (trading portfolio)	**3,925**	**55,455**
Other financial instruments at fair value through profit or loss	**999**	**3,403**
Financial instruments not carried at fair value through profit or loss	**130,156**	**298,703**
Available-for-sale financial assets	11,534	25,770
Other financial assets	28,498	34,568
Liabilities at amortised cost	90,124	238,365
Other gains/(losses) from financial transactions	**1,137**	**(3,782)**
Adjustments to hedged instruments (fair value hedges)	217,957	(121,964)
Hedging derivative (fair value hedges)	(217,267)	117,374
Other	447	808
	136,217	**353,779**

Results associated with liabilities at amortised cost relate to repurchases made during the year of preference shares (€ 1,401 thousand in 2013 and € 44,939 thousand in 2012; Note 19.5), subordinated debt (€ 39,409 thousand in 2013 and € 68,291 thousand in 2012; Note 19.5) and securitization bonds (€ 49,314 thousand in 2013 and € 125,135 thousand in 2012; Note 19.4).

34 Exchange differences

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Translation into euro of monetary items denominated in foreign currency	1,862	(63)
Foreign currency trading	(373)	570
	1,489	**507**

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 Personnel expenses

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Wages and salaries	273,562	243,570
Social Security	67,770	52,405
Contributions to pension funds and insurance policies	5,212	13,568
Other personnel expenses	28,390	3,723
	374,934	**313,266**

Changes in "Contributions to pension funds and insurance policies" and "Other personnel expense" result from the agreements between the Group and employees described in Notes 2.13.1 and 2.13.3.

35.1 Number of employees

The distribution by category and gender of the Group's employees at 31 December 2013 and 2012 is as follows:

	Workforce 31/12/2013		Workforce 31/12/2012	
(Thousand euro)	Men	Women	Men	Women
GR. 1 Senior management	14	1	13	1
GR. 1 Levels I to V	1,854	679	1,511	528
GR. 1 Levels VI to X	1,531	1,605	1,044	1,080
GR. 1 Levels XI to XIII	510	659	465	536
GR. 2 and cleaners	62	12	39	12
	3,971	**2,956**	**3,072**	**2,157**

At 31 December 2013 the workforce includes 14 employees working in Portugal (Note 27.9.2.).

The average number of Group employees in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
GR. 1 Senior management	14	14
GR. 1 Levels I to V	2,703	2,035
GR. 1 Levels VI to X	3,314	2,133
GR. 1 Levels XI to XIII	1,277	1,039
GR. 2 and cleaners	89	52
	7,397	5,273

35.2 Personnel expenses - post-employment benefits

Net figures recognised on the balance sheet for defined benefit post-employment plans at 31 December 2013 and 2012 are as follows:

(Thousand euro)	2013	2012
Present value of the obligations financed	(297,009)	(224,044)
Fair value of plan assets	299,488	224,055
Surplus/(Shortfall)	2,479	11
Impact of limit on assets	–	–
Net liability figuring on balance sheet:	2,479	11
Insurance contracts linked to pensions	124,285	110,948
Net pension assets	9,897	19
Net pension (provision)	(131,703)	(110,956)

The reconciliation of the opening to the closing balances of the present value of post-employment defined benefit plan obligations during 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Initial present value of obligations	(224,044)	(242,251)
Cajatres acquisition	(86,346)	–
Cost of services for the current year	–	–
Interest costs	(7,243)	(8,134)
Past service cost	–	–
Profit and loss on plan reductions, settlements	–	–
Recalculation of valuations:		
Gains/(losses) on changes in demographic assumptions	(5,512)	–
Gains/(losses) on changes in financial assumptions	(6,714)	2,459
Gains/(losses) due to experience	5,105	4,937
Benefits paid	27,745	18,945
Acquired in business combination and other	–	–
Final present value of obligations	(297,009)	(224,044)

The reconciliation of the opening to the closing balances of the present value of post-employment defined benefit plan assets during 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Initial fair value of the assets	**224,055**	**237,314**
Cajatres acquisition	88,089	–
Interest income	7,815	8,134
Profit and loss on plan reductions, settlements	–	–
Recalculation of valuations:		
Yield on plan assets excluding interest income/(expense)	–	–
Gains/(losses) on changes in financial assumptions	3,503	(2,460)
Gains/(losses) due to experience	4,502	–
Change in asset limit, excluding interest expense	–	–
Employer contributions	414	–
Member contributions	–	–
Benefits paid	(27,745)	(18,933)
Acquired in business combination and other	(1,145)	–
Final fair value of the assets	**299,488**	**224,055**

An analysis of the main types of asset that comprise the plan assets concerned at 31 December 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Shares	1.72%	1.24%
Debt instruments	61.11%	60.07%
Land and buildings	–	–
Insurance policies	23.23%	21.46%
Other assets	13.94%	17.23%
Total	100.00%	100.00%

No contributions are expected to be made to defined benefit post-employment plans during 2014.

An analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

	2014	2015	2016	2017	2018	2019-2023
Probable post-employment benefits	30,437	22,749	22,581	21,402	21,696	93,235

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of the post-employment plan obligations to changes in the main assumptions is explained below:

	Variación en p.b.	Incremento en hipótesis	Decremento en hipótesis
Discount rate	50	(4.45%)	4.94%
Salary increase rate	50	0.71%	(0.44%)
Pension increase rate	50	5.32%	(4.81%)

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

35.3 Long-term personnel expenses, early retirees

Net figures recognised on the balance sheet for long-term compensation payable to early retirees under defined benefit plans at 31 December 2013 and 2012 are as follows:

(Thousand euro)	2013	2012
Present value of the obligations financed	(20,564)	(884)
Fair value of plan assets	–	–
Net liability figuring on balance sheet:	(20,564)	(884)
Insurance contracts linked to pensions	–	–
Net pension assets	–	–
Net pension (provision)	(20,564)	(884)

The reconciliation of the opening to the closing balances of the present value of long-term defined benefit plan obligations for early retirees during 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Initial present value of obligations	(884)	(1,407)
Cajatres acquisition	(77,312)	–
Cost of services for the current year	–	–
Interest costs	(17)	(29)
Past service cost	–	–
Profit and loss on plan reductions, settlements	–	–
Recalculation of valuations:		
Gains/(losses) on changes in demographic assumptions	–	–
Gains/(losses) on changes in financial assumptions	–	(31)
Gains/(losses) due to experience	(92)	–
Benefits paid	35,869	583
Transfers (Note 21)	21,872	–
Final present value of obligations	(20,564)	(884)

36 Other administration expenses

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Buildings, installations and office equipment	50,597	42,148
Equipment maintenance, licences, work and computer programs	24,479	14,656
Communications	17,278	12,033
Advertising and publicity	7,820	6,861
Contributions and taxes	18,415	12,931
Other management and administration expenses	69,706	57,538
	188,295	**146,167**

- Other disclosures

Fees payable to PricewaterhouseCoopers Auditores, S,L, for auditing the 2013 annual accounts of Ibercaja and Group companies (including securitization funds) amount to **€** 805 thousand (**€** 496 thousand in 2012). Additionally, the audit company has received fees for other services amounting to **€** 376 thousand (**€** 247 thousand in 2012).

Audit fees payable to other auditors in relation to the auditing of the annual accounts of certain Group companies in 2013 amounted to **€** 272 thousand.

The fees for other services provided by other companies operating under the PricewaterhouseCoopers name amounted to **€** 441 thousand in 2013 (**€** 60 thousand in 2012) of which **€** 26 thousand relates to tax advisory services (**€** 20 thousand in 2012).

37 Other asset impairment losses

The breakdown of the balance under this consolidated income statement caption in 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Goodwill and other intangibles	3,260	–
Impairment losses on inventories	349	109,183
Impairment losses on property, plant and equipment for own use (Note 16.4)	11,521	923
Impairment losses on investment property (Note 16.4)	17,137	17,068
Impairment losses on shareholdings (Note 14.1)	5,893	11,107
	38,160	**138,281**

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 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Gains from disposals of assets not classified as non-current available for sale	10,915	20,933
Losses on sale of shareholdings	(1,125)	(1)
Gains on other items	1,091	90,883
	10,881	111,815

Gains on asset disposals relate almost entirely to profits on property sales.

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 2013 and 2012 is as follows:

(Thousand euro)	2013	2012
Impairment losses on non-current assets for sale	(68,528)	(170,323)
Results on disposal of shareholdings considered strategic	(1,783)	3,676
Results on disposal of other non-current assets held for sale	–	1,582
	(70,311)	(165,065)

40 Related parties

The balances recorded on the consolidate balance sheets at 31 December 2013 and 2012 and in the consolidated income statements for 2013 and 2012 are as follows:

(Thousand euro)	2013					2012				
	Group comp.	Associate comp.*	Jointly-cont. comp.	Other related parties **	Related individuals ***	Group comp.	Associate comp.	Jointly-cont. comp.	Other related parties**	Related individuals***
ASSETS										
Loans and credits	–	121,025	41,501	22,368	22,334	–	94,596	46,493	149	18,009
Counterparties insurance contracts	–	–	–	–	–	–	–	–	–	–
LIABILITIES										
Customer deposits	123,729	17,365	131,593	493,169	24,130	64,162	3,496	1,845	512,895	25,040
Liabilities from insurance contracts linked to pensions	–	–	–	506,438	–	–	–	–	484,088	–
Provisions	–	–	–	–	–	–	–	–	–	–
INCOME STATEMENT										
Expenses										
Interest and similar charges	454	273	1,309	11,508	335	529	77	108	8,939	485
Fees and other expenses	–	–	–	–	–	–	–	–	–	–
Income										
Interest and similar income	252	1,761	1,745	233	426	258	3,393	2,082	1	572
Fees and other income	–	9	519	198	4	–	–	–	–	–
Dividends	–	1,732	–	–	–	–	467	–	–	–
OTHER										
Contingent liabilities	–	37,789	2,032	–	797	–	475	662	–	434
Commitments	–	7,200	11,113	–	1,755	–	6,366	487	–	1,599

* The balances include the amounts corresponding to companies that are now regarded as associates due to the joint interest held between Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U., as mentioned in Note 14.1.

** Investment funds and companies and Pension funds.

*** Senior management, Board of Directors, relatives to the second degree and entities related thereto.

The financial operations included have been carried out in accordance with the usual operating processes of the Group parent entity, in arm's length conditions. Arm's length conditions are also applied in other operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable market price method.

41 Customer service

41.1 Ibercaja Group

Within the framework of protection measures for customers of financial institutions established by Law 44/2002 (22 November) on financial system reform measures and with the double aim of preserving and strengthening customer confidence, at a meeting held on 22 September 2011 the Board of Directors of Ibercaja Banco, S.A. approved the Customer Care Regulations which governs the activity of the Ibercaja Group's Customer Care Service, in order to attend to and resolve customer complaints regarding their interests and legally recognised rights concerning transactions, contracts or financial services rendered by Group companies.

The content of the Regulations can be consulted at any Ibercaja Group branch and on the website www.ibercaja.es. Users can also use the branches and web site to present complaints or claims, or consult the relevant procedures.

For these purposes, Ibercaja Group is made up of Ibercaja Banco, S.A. and the following companies: Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Patrimonios, S.A., Sociedad Gestora de Carteras; Ibercaja Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva; Ibercaja Vida, S.A., Compañía de Seguros y Reaseguros; Ibercaja Pensión, S.A., Sociedad Gestora de Fondos de Pensiones; and Ibercaja Mediación de Seguros, S.A.

In accordance with the above-mentioned legislation, the Customer Care Service at Ibercaja Group presented a statistical report to the Board of Directors of Ibercaja Banco S.A. 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 performance. A summary of this information is included below:

a) Claims handled

The 4,209 incidents dealt with by the Customer Care Service represents an increase of 33.92% compared with 2012.

Complaints, suggestions and claims numbered 3,298 in total, this being an increase of 1,444 (77.89%) compared with the previous year.

However, following the completion of the conversion into a Bank, the cases relating to the Data Protection Law have diminished considerably, from 1,289 applications in 2012 to 911 in 2013.

Money-related claims amounted to 2,486, involving a total sum of € 294,794.82. Of this total, 488 cases were resolved in the customers' favour, representing a sum of € 19,004.23 (€ 14,938.85 in 2012), this being 6.44% of the total amount claimed (8.30% in 2012).

As a result of this increase, the average response time for the issues handled by the Customer Care Service was 41.37 days for total cases and 44.66 days for claims. In 2012 these same periods were 30.19 and 38.98 days, respectively.

b) General criteria contained in the decisions

These have formed the basis for the decisions which were taken with strict observance of corporate governance and banking practice standards, transparency and protection of financial users, the opinions formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. The decisions were based on contractual documents signed with customers.

The processing of the complaints, suggestions, requests under the Data Protection Law and claims made by customers has revealed a number of matters that may be improved and relate, in some cases, to the speed 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.

41.2 Cajatres Group

Within the framework of protection measures for customers of financial institutions established by Law 44/2002 (22 November) on financial system reform measures and with the double aim of preserving and strengthening customer confidence, at a meeting held on 29 December 2010 the Board of Directors of Banco Grupo Cajatres, S.A.U. approved the Customer Care Regulations which governs the activity of Banco Grupo Cajatres, S.A.U.'s Customer Care Service, in order to attend to and resolve customer complaints regarding their interests and legally recognised rights concerning transactions, contracts or financial services rendered by Cajatres Group companies.

The content of the Regulations can be consulted at any branch of Banco Grupo Cajatres, S.A.U and on the web site www.caja3.es Users can also use the branches and web site to present complaints or claims, or consult the relevant procedures.

The Cajatres Group comprises, for these purposes, Caja3 Bolsa Sociedad de Valores, Caja Círculo operador de Banca-Seguros Vinculado S.A.U., Viajes Cajacírculo, S.A., Viviendas Caja Círculo, S.A.U, CAI Vida y Pensiones Seguros y Reaseguros, S.A., CAI Mediación de Seguros, S.A., CAI Viajes, S.A., CAI Inmuebles, S.A., Caja Inmaculada Gestión Inmobiliaria, S.A., CAI División de Servicios Generales, S.L., Caja Badajoz Vida y Pensiones S.A. de Seguros and Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.

In accordance with the Asset Management and Administration Agreement signed by Banco Cajatres and the SAREB on 25 February 2013, the Customer Care Service of Banco Cajatres is required to address and resolve all complaints and claims that users present related to their legally recognised interests and rights in respect of the financing contracts it administers and manages on behalf of the SAREB.

In accordance with the above-mentioned legislation, the Customer care service at Grupo Cajatres presented a statistical report for 2013 to the Board of Directors of Banco Grupo Cajatres, 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

During 2013, 2,436 cases were instigated to meet customers' applications for assistance, an increase of 38.96% compared with 2012. The main reason for the increase related to claims for the application of minimum interest rates in mortgage loans (floor clauses).

During 2013, 2,076 cases have been resolved after carrying out an analysis of the existing information and documentation in each of the matters or interest to customers. This is an increase of 24.54% compared with the preceding year. Of the total applications received, 34 were not admitted.

242 cases were passed on to higher customer care instances, this being 9.93% of the total claims, although this figure is considerably higher than the 79 cases handled in the previous year, due to the claims concerning floor clauses. Of these cases, 228 were presented to the Bank of Spain Conduct and Claims Department and 14 to the National Securities Market Commission.

Of the 313 cases in which the ruling was in the claimant's favour, in 161 (51.44 %) this favourable ruling by the Customer Care Service involved the recognition of a monetary component, which has resulted in payments totalling **€** 22,832 being made to customers (**€** 39,513 in 2012) due to their pretensions being partly or totally acknowledged.

The average response times for the issues handled by the Customer care service was 31 days (17 days in 2012).

b) General decision-making criteria

These have formed the basis for the decisions which were issued with strict observance of corporate governance and banking practice standards, transparency and protection of financial users, the opinions formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. The decisions were based on contractual documents signed with customers.

The processing of the complaints, suggestions, requests under the Data Protection Law and claims made by customers has revealed a number of matters that may be improved and relate, in some cases, to the speed 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 Cajatres.

42 Balance sheets at 31 December 2013 and 2012, Income statements, Statements of recognised income and expense, Total statements of changes in equity and Cash-flow Statements of Ibercaja Banco, S.A. for the years ended 31 December 2013 and 2012

Balance sheet as at 31 december 2013 and 2012

Assets	2013	2012
(Thousand euro)		
Cash and deposits with central banks	345,653	289,508
Financial assets held for trading	27,875	30,097
Debt securities	890	2,132
Derivatives held for trading	26,985	27,965
Memorandum item: loaned or pledged	–	–
Available-for-sale financial assets	2,231,274	3,650,898
Debt securities	1,841,830	3,274,221
Equity instruments	389,444	376,677
Memorandum item: loaned or pledged	*1,164,045*	*1,894,250*
Loans and receivables	30,214,951	31,198,177
Loans and advances to credit institutions	1,005,948	787,024
Loans and advances to customers	29,031,453	30,244,215
Debt securities	177,550	166,938
Memorandum item: loaned or pledged	*5,533,556*	*5,756,868*
Held-to-maturity investments	4,088,342	3,820,919
Memorandum item: loaned or pledged	*2,580,362*	*2,825,197*
Hedging derivatives	491,597	686,858
Non-current assets held for sale	72,556	70,994
Investments	855,327	627,011
Associates	60,979	132,482
Jointly-controlled entities	46,685	51,084
Group companies	747,663	443,445
Insurance contracts		
linked to pensions	102,339	110,948
Tangible assets	384,687	408,423
Property, plant and equipment	359,445	376,321
For own use	*359,445*	*376,321*
Investment property	25,242	32,102
Memorandum item: Acquired under finance leases	–	–
Intangible assets	9,737	11,416
Other intangible assets	9,737	11,416
Tax assets	546,011	503,111
Current	–	–
Deferred	546,011	503,111
Other assets	65,130	60,736
TOTAL ASSETS	39,435,479	41,469,096
Memorandum item		
Contingent exposures	429,575	464,732
Contingent commitments	2,556,361	2,663,995

Liabilities and equity	2013	2012
(Thousand euro)		
Financial liabilities held for trading	21,630	16,880
Derivatives held for trading	21,630	16,880
Financial liabilities at cost amortised cost	36,558,891	38,980,573
Deposits from central bank	2,534,006	2,519,847
Deposits from credit institutions	3,635,782	4,368,009
Customer deposits	28,021,882	28,261,923
Marketable debt securities	1,837,877	3,293,812
Subordinated liabilities	250,372	289,395
Other financial liabilities	278,972	247,587
Hedging derivatives	74,541	145,250
Provisions	150,802	150,477
Pension funds and similar obligations	102,083	111,826
Provisions for taxes and other legal contingencies	5,224	5,224
Provisions liabilities and Contingent commitments	7,291	7,723
Other provisions	36,204	25,704
Tax liabilities	123,259	74,432
Current	–	–
Deferred	123,259	74,432
Other liabilities	67,941	81,428
TOTAL LIABILITIES	36,997,064	39,449,040
Shareholders' funds	2,374,108	2,074,832
Capital	2,611,730	2,278,500
Reserves	(198,099)	315,278
Profit/(loss) for the year	(39,523)	(518,946)
Valuation adjustments	64,307	(54,776)
Available–for–sale financial assets financial assets	64,123	(54,992)
Other	184	216
TOTAL EQUITY	2,438,415	2,020,056
TOTAL LIABILITIES AND EQUITY	39,435,479	41,469,096

Income statements for the years ended 31 December 2013 and 2012

(Thousand euro)	2013	2012
Interest and similar income	813,157	1,129,658
Interest and similar charges	407,892	605,333
NET INTEREST INCOME	405,265	524,325
Return on equity instruments	116,085	77,102
Fee and commission income	183,666	190,694
Fee and commission expense	12,224	13,305
Net gains(losses) on financial assets and liabilities	87,196	340,828
Held for trading	3,873	55,009
Financial instruments not measured at fair value through profit or loss	81,776	289,601
Other	1,547	(3,782)
Exchange differences (net)	1,327	507
Other operating income	9,329	10,062
Other operating charges	39,659	50,600
GROSS INCOME	750,985	1,079,613
Administrative expenses	414,332	417,991
Personnel expenses	285,600	293,005
Other administration expenses	128,732	124,986
Depreciation and amortisation	25,938	28,727
Provisions (net)	10,221	10,645
Financial asset impairment losses (net)	268,901	1,118,064
Loans and receivables	246,674	1,107,455
Other financial instruments not carried at fair value through profit or loss	22,227	10,609
INCOME FROM OPERATING ACTIVITIES	31,593	(495,814)
Other asset impairment losses (net)	134,967	334,908
Goodwill and other intangibles	–	–
Other assets	134,967	334,908
Gains(losses) from disposals of assets not classified as non-current available for sale	10,427	62,807
Negative difference on business combinations	–	–
Gains(losses) from non–current assets available for sale not classified as discontinued operations	(5,295)	(6,198)
PROFIT/(LOSS) BEFORE TAX	(98,242)	(774,113)
Corporate income tax	(58,719)	(255,167)
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS	(39,523)	(518,946)
Profit (loss) from discontinued operations (net)	–	–
PROFIT/(LOSS) FOR THE YEAR	(39,523)	(518,946)

Statements of recognised income and expense for the years ended 31 December 2013 and 2012

(Thousand euro)	2013	2012
A) PROFIT/(LOSS) FOR THE YEAR	(39,523)	(518,946)
B) OTHER RECOGNISED INCOME AND EXPENSE	132,382	(30,942)
B.1) Items not to be reclassified to income statement	7,102	3,456
Actuarial gains/(losses) in defined benefit pension plans	10,146	4,937
Non–current assets held for sale	–	–
Corporate income tax relating to items not to be reclassified to income statement	(3,044)	(1,481)
B.2) Items that may be reclassified to income statement	125,280	(34,398)
Available–for–sale financial assets	170,165	(49,331)
Valuation gains/(losses)	164,185	(24,080)
Amounts transferred to income statement	5,980	(25,251)
Other reclassifications	–	–
Cash flow hedges	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Amounts transferred to initial carrying amount of hedged items	–	–
Other reclassifications	–	–
Hedges of net investment in foreign operations	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Exchange differences	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Non–current assets held for sale	–	–
Valuation gains/(losses)	–	–
Amounts transferred to income statement	–	–
Other reclassifications	–	–
Other recognised income and expense	6,155	145
Corporate income tax relating to items that may be reclassified to income statement	(51,040)	14,788
C) TOTAL RECOGNISED INCOME AND EXPENSE	92,859	(549,888)

Total statement of changes in equity for the year ended 31 December 2013

(Thousand euro)	Shareholders' funds							
	Capital	Share premium account	Reserves	Profit/(loss) for the year	Dividends	Total share-holders' funds	Valuation adjustments	Total equity
I. Closing balance at 31/12/2012	2,278,500	–	315,278	(518,946)	–	2,074,832	(54,776)	2,020,056
Adjustments due to changes in accounting policies	–	–	–	–	–	–	–	–
Adjustments due to errors	–	–	–	–	–	–	–	–
II. Adjusted opening balance	2,278,500	–	315,278	(518,946)	–	2,074,832	(54,776)	2,020,056
Total recognised income and expenses	–	–	13,299	(39,523)	–	(26,224)	119,083	92,859
Other changes in equity	333,230	–	(526,676)	518,946	–	325,500	–	325,500
Capital increases	325,500	–	–	–	–	325,500	–	325,500
Conversion of financial liabilities into capital	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	–	–	–	–	–	–	–
Transfers between equity items	7,730	–	(526,676)	518,946	–	–	–	–
Increases/(decreases) due to business combinations	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–
Other increases/(decreases) in equity	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2013	2,611,730	–	(198,099)	(39,523)	–	2,374,108	64,307	2,438,415

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

(Thousand euro)	Shareholders' funds						Valuation adjustments	Total equity
	Capital	Share premium account	Reserves	Profit/(loss) for the year	Dividends	Total share-holders' funds		
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 policies	–	–	–	–	–	–	–	–
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 expenses	–	–	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	–	–	–	–	–	–	–	–
Increase in other equity instruments	–	–	–	–	–	–	–	–
Reclassification of financial liabilities to other equity instruments	–	–	–	–	–	–	–	–
Reclassification of other equity instruments to financial liabilities	–	–	–	–	–	–	–	–
Distribution of dividends	–	–	–	–	–	–	–	–
Transactions involving own equity instruments (net)	–	–	–	–	–	–	–	–
Transfers between equity items	144,000	–	(128,115)	(28,685)	12,800	–	–	–
Increases/(decreases) due to business combinations	–	–	–	–	–	–	–	–
Equity settled payments	–	–	–	–	–	–	–	–
Other increases/(decreases) in equity	–	–	–	–	–	–	–	–
III. Closing balance at 31/12/2012	2,278,500	–	315,278	(518,946)	–	2,074,832	(54,776)	2,020,056

Cash flow statements for the years ended 31 December 2013 and 2012

(Thousand euro)	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES	(505,808)	918,133
Profit/(loss) for the year	(39,523)	(518,946)
Adjustments to obtain cash flows from operating activities	375,631	997,503
Depreciation and amortisation	25,938	28,727
Other adjustments	349,693	968,776
Net increase/decrease in operating assets	1,926,129	247,261
Held for trading	2,189	9,171
Other financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	873,765	(1,360,820)
Loans and receivables	842,193	1,594,488
Other operating assets	207,982	4,422
Net increase/decrease in operating liabilities	(2,733,026)	219,731
Held for trading	4,750	(7,525)
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(2,670,756)	259,396
Other operating liabilities	(67,020)	(32,140)
Corporate income tax collections/payments	(35,019)	(27,416)
CASH FLOWS FROM INVESTING ACTIVITIES	301,453	(788,986)
Payments	(122,757)	(874,156)
Tangible assets	(15,850)	(7,122)
Intangible assets	(4,643)	(1,321)
Investments	(99,979)	(422,420)
Other business units	-	-
Non-current assets held for sale and associated liabilities	(2,285)	-
Held-to-maturity investments	-	(443,293)
Other payments related to investing activities	-	-
Payments received	424,210	85,170
Tangible assets	18,098	68,995
Intangible assets	-	-
Investments	12,396	2,525
Other business units	-	-
Non-current assets held for sale and associated liabilities	5,376	13,650
Held-to-maturity investments	388,340	-
Other collections related to investing activities	-	-

Cash flow statements for the years ended 31 December 2013 and 2012

(Thousand euro)	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES	(29,339)	(371,042)
Payments	(29,339)	(371,042)
Dividends	–	–
Subordinated liabilities	(29,339)	(371,042)
Other payments related to financing activities	–	–
Payments received	–	–
Issue of treasury shares	–	–
Other collections related to financing activities	–	–
EFFECT OF EXCHANGE RATE FLUCTUATIONS	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(233,694)	(241,895)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	242,185	484,080
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8,491	242,185
Memorandum item:		
Components of cash and cash equivalents at year end		
Cash	124,855	143,440
Cash equivalent balances in central banks	220,798	146,068
Other financial assets	–	–
Less: At sight reimbursable bank overdrafts	337,162	47,323
Total cash and cash equivalents at the year end	8,491	242,185

APPENDIX I

Relevant information on subsidiaries, jointly-controlled entities and associates

Group companies:

		Porcentaje de participación			
		2013		2012	
Entity	Country of residence	Direct	Indirect	Direct	Indirect
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	Spain	–	80.00%	–	–
Araprom, S.A.	Spain	–	100.00%	–	–
Arcai Inmuebles, S.A.	Spain	–	98.98%	–	–
Badajoz Siglo XXI	Spain	–	100.00%	–	–
Banco Grupo Cajatres, S.A.U.	Spain	100.00%	–	–	–
CAI Desarrollo Empresarial S.C.R., S.A. (Anexa Capital S.C.R., S.A.)	Spain	–	100.00%	–	–
CAI División de Servicios Generales, S.L.	Spain	–	100.00%	–	–
CAI Inmuebles, S.A.	Spain	–	100.00%	–	–
CAI Mediación de Seguros, S.A.	Spain	–	100.00%	–	–
CAI Viajes, S.A.	Spain	–	100.00%	–	–
CAI Vida y Pensiones, Seguros y Reaseguros, S.A.	Spain	–	100.00%	–	–
Caja 3 Bolsa Sociedad de Valores, S.A.	Spain	–	100.00%	–	–
Caja Círculo Correduría de Seguros, S.A.	Spain	–	100.00%	–	–
Caja Inmaculada Energía e Infraestructuras, S.A.	Spain	–	100.00%	–	–
Caja Inmaculada Gestión Inmobiliaria, S.L.	Spain	–	100.00%	–	–
Cajaragón, S.L.	Spain	75.00%	25.00%	75.00%	25.00%
Cartera de Inversiones Lusitania, S.L.	Spain	–	100.00%	–	–
Cerro Goya, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Cerro Murillo, S.A	Spain	99.29%	0.71%	98.66%	1.34%
Comercial Logística Calamocha, S.A.	Spain	–	–	–	77.38%
Dopar Servicios, S.L.	Spain	50.00%	7.50%	–	7.50%
Enclama, S.L.	Spain	50.00%	7.50%	–	7.50%
Espacio Industrial Cronos, S.A.	Spain	–	100.00%	–	–
Gedeco Zona Centro, S.L.	Spain	–	100.00%	–	–
Genética el Bardal, S.A.	Spain	–	100.00%	–	–
Gestora Valle de Tena, S.A.	Spain	–	90.10%	–	90.10%
Golf del Puerto, S.A.	Spain	–	98.98%	–	–
Grupo Alimentario Naturiber, S.A.	Spain	89.41%	–	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%	–	100.00%	–
Ibercaja Leasing y Financiación, S.A., E.F.C.	Spain	99.80%	0.20%	99.80%	0.20%
Ibercaja Mediación de Seguros, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Paticipaciones Empresariales, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Patrimonios, S.A.	Spain	0.01%	99.99%	0.01%	99.99%
Ibercaja Pensión, S.A.	Spain	1.00%	99.00%	1.00%	99.00%

Entity	Country of residence	Porcentaje de participación 2013 Direct	Porcentaje de participación 2013 Indirect	Porcentaje de participación 2012 Direct	Porcentaje de participación 2012 Indirect
Ibercaja Servicios Financieros, S.A.	Spain	99.77%	0.23%	99.77%	0.23%
Ibercaja Servicios Inmobiliarios, S.A.	Spain	99.00%	1.00%	99.00%	1.00%
Ibercaja Viajes, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja Vida, S.A.	Spain	100.00%	–	100.00%	–
Ibercaja, S.A.	Spain	100.00%	–	100.00%	–
Iberprofin, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Inmobiliaria Impulso XXI, S.A.	Spain	–	100.00%	–	–
Inmobinsa Inversiones Inmobiliarias, S.A.	Spain	–	100.00%	–	100.00%
Interchip, S.A.	Spain	–	88.88%	–	–
Inversiones Turísticas y Deportivas, S.L.	Spain	–	98.98%	–	–
Jamcal Alimentación, S.A.	Spain	–	–	72.61%	–
Mantenimiento de Promociones Urbanas, S.A.	Spain	100.00%	–	100.00%	–
Método 21 S.L.	Spain	–	100.00%	–	–
Nuevas Inversiones Aragonesas 2011, S.L.	Spain	–	100.00%	–	–
Plattea Canna, S.A.	Spain	–	100.00%	–	–
Promociones Inmobiliarias Berben el Puerto, S.L.	Spain	–	98.98%	–	–
Promur Viviendas, S.A.	Spain	–	100.00%	–	100.00%
Radio Huesca, S.A.	Spain	100.00%	–	100.00%	–
Residencial Murillo, S.A.	Spain	–	100.00%	–	100.00%
Servicios a Distancia IBD, S.L.	Spain	95.00%	5.00%	95.00%	5.00%
Telehuesca, S.L.	Spain	–	100.00%	–	100.00%
Tintas Arzubialde, S.L.	Spain	–	88.88%	–	–
Tipo Línea, S.A.	Spain	100.00%	–	100.00%	–
Viajes Caja Círculo, S.A.	Spain	–	75.00%	–	–
Viviendas Caja Círculo, S.A.	Spain	–	100.00%	–	–

Jointly-controlled entities

Entity	Country of residence	Porcentaje de participación 2013 Direct	Porcentaje de participación 2013 Indirect	Porcentaje de participación 2012 Direct	Porcentaje de participación 2012 Indirect
Aramón Montañas de Aragón, S.A.	Spain	50.00%	–	50.00%	–
Caja de Badajoz Vida y Pensiones, S.A. de Seguros	Spain	–	50.00%	–	–
Ciudad del Corredor, S.L.	Spain	–	50.00%	–	50.00%
Corredor del Iregua, S.L.	Spain	–	50.00%	–	50.00%
Desarrollos Vivir Zaragoza, S.A.	Spain	–	50.00%	–	50.00%
Ibervalor Energía Aragonesa, S.A.	Spain	50.00%	–	50.00%	–
Montis Locare, S.L.	Spain	–	47.73%	–	–
Promociones Palacete del Cerrillo, S.L.	Spain	–	33.33%	–	33.33%
Torrecerredo Moncayo, S.L.	Spain	–	50.00%	–	–
Urbanizadora Arcas Reales, S.A.	Spain	–	50.00%	–	–

Associates

		Porcentaje de participación			
		2013		2012	
Entity	Country of residence	Direct	Indirect	Direct	Indirect
ACB Sportrust Zaragoza, S.L.	Spain	–	20.00%	–	–
Accipit et Addest, S.L.	Spain	–	40.00%	–	–
Aliancia Inversiones en Inmuebles Dos, S.L.	Spain	–	25.75%	–	–
Anglia Real Estate, S.L.	Spain	–	35.56%	–	–
Araven, S.L.	Spain	–	50.00%	–	–
Asociación Técnica de Cajas de Ahorro, A.I.E.	Spain	–	31.00%	–	–
C y E Badajoz Servicios Sociosanitarios, S.A.	Spain	–	33.00%	–	–
CAI Seguros Generales, Seguros y Reaseguros, S.A.	Spain	–	50.00%	–	–
Campusport, S.L.	Spain	–	21.09%	–	–
Centro de Transportes Aduana de Burgos, S.A.	Spain	–	25.45%	–	–
Cerro de Mahí, S.L.	Spain	–	33.33%	–	33.33%
Chip Audiovisual, S.A.	Spain	25.00%	25.00%	25.00%	–
Concessia Cartera y Gestión de Infraestructuras, S.A.	Spain	6.30%	17.43%	6.30%	–
Cuatro Estaciones Inmobiliaria Siglo XXI, S.L.	Spain	–	10.00%	–	–
Desarrollo Agrícola y Social de Aragón, S.A.	Spain	–	–	25.00%	–
Desarrollo Urbanísticos Cedra, S.A.	Spain	–	33.00%	–	–
Desarrollos Inmobiliarios Salamanca, S.L.	Spain	–	25.00%	–	–
Desarrollos Sud–57, S.L.	Spain	–	35.00%	–	–
Desarrollos Urbanos Orión, S.L.	Spain	–	34.00%	–	–
Districlima Zaragoza, S.L.	Spain	20.00%	15.00%	20.00%	–
Edificios y Chalets 2000, S.A.	Spain	–	44.61%	–	–
Europea Desarrollos Urbanos, S.L.	Spain	–	20.00%	–	20.00%
Gestión de Activos de Aragón, S.A.	Spain	–	–	20.00%	–
Heraldo de Aragón, S.A.	Spain	25.34%	14.60%	25.34%	–
Imaginarium, S.A. (a)	Spain	–	27.03%	–	–
Inmobiliaria Monte Arenal 2000, S.L.	Spain	–	49.00%	–	–
Inmobiliaria Montesoto, S.L.	Spain	–	40.71%	–	–
Inmourbe, F.I.I.F	Portugal	–	40.87%	–	–
Inverzona Seis Participaciones Aragonesas, S.A.	Spain	27.02%	–	27.02%	–
Mobart Circulo Participaciones, S.L.	Spain	–	50.00%	–	–
Negio Constructora, S.A.	Spain	–	20.00%	–	–
NH Hoteles S.A.	Spain	–	–	5.04%	–
Nuevas Energías de Castilla S.A.	Spain	–	48.00%	–	–
Nuevos Materiales de Construcción, S.A.	Spain	21.93%	–	21.93%	–
Ocho17 Eficiencia Energética, S.L.	Spain	–	21.68%	–	–
Parque Tecnológico del Motor de Aragón, S.A.	Spain	12.46%	12.46%	12.46%	–
Plataforma Logística de Zaragoza, PLAZA, S.A.	Spain	18.18%	18.18%	18.18%	–
Prames Audiovisual, S.A.	Spain	20.00%	20.00%	20.00%	–

Entity	Country of residence	Porcentaje de participación 2013 Direct	2013 Indirect	2012 Direct	2012 Indirect
Promocas 2005, S.L.	Spain	–	45.00%	–	–
Promociones Empresariales Área 9, S.L.	Spain	–	40.00%	–	–
Promopuerto 2006, S.L.	Spain	–	45.70%	–	–
Proyectos y Realizaciones Aragonesas de Montaña, Escalada y Senderismo, S.A.	Spain	15.64%	15.64%	15.64%	–
Publicaciones y Ediciones Alto Aragón, S.A.	Spain	46.78%	–	46.78%	–
Residencia Jardín Nuestra Señora María Auxiliadora, S.A.	Spain	–	40.00%	–	–
Rioja Nueva Economía, S.A.	Spain	42.54%	–	42.54%	–
Savia Capital Innovación y Crecimiento, S.A., S.C.R.	Spain	26.64%	19.13%	29.91%	–
Segóbrida del Eresma, S.A.	Spain	–	32.26%	–	–
Sevilla Gestión del Suelo, S.L.	Spain	–	50.00%	–	–
Soc. Española de Banca de Negocios, S.A.	Spain	21.09%	–	21.09%	–
Sociedad Gestora del Conjunto Paleontológico de Teruel, S.A.	Spain	10.16%	13.25%	10.16%	–
Sociedad para la Promoción y Desarrollo Empresarial de Teruel, S.A.	Spain	11.08%	11.08%	11.08%	–
Solavanti, S.L.	Spain	–	20.00%	–	–
Titulización de Activos, S.G.F.T., S.A.	Spain	38.56%	–	12.86%	–
Tom Sagan Sports, S.L.	Spain	–	40.00%	–	–
Turolense del Viento, S.L.	Spain	–	20.00%	–	–
Valora Capital Inmuebles, S.A.	Spain	–	30.00%	–	–
Viacaias, S.L.	Spain	19.07%	5.34%	18.40%	–

(a) Quoted on the Alternative Stock Market. Fair value at 31 December 2013 and 2012 is € 2,449 thousand (€ 3,396 thousand at 31 December 2012)

APPENDIX II

Relevant information on subsidiaries, jointly-controlled entities and associates

Group companies:

Entity	Date financial statements	Contribution to consolidated profits		Contribution to consolidated reserves		Non-controlling interests	
		2013	2012	2013	2012	2013	2012
(Thousand euro)							
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	Dec–13	175	–	–	–	(57)	–
Araprom, S.A.	Dec–13	–	–	–	–	–	–
Arcai Inmuebles, S.A.	Nov–13	(4,276)	–	–	–	–	–
Badajoz Siglo XXI	Dec–13	(8,007)	–	–	–	–	–
Banco Grupo Cajatres, S.A.U.	Dec–13	(110,574)	–	–	–	–	–
CAI Desarrollo Empresarial S.C.R., S.A. (Anexa Capital S.C.R., S.A.)	Dec–13	(9,737)	–	–	–	–	–
CAI División de Servicios Generales, S.L.	Dec–13	(50,479)	–	–	–	–	–
CAI Inmuebles, S.A.	Dec–13	(126,635)	–	–	–	–	–
CAI Mediación de Seguros, S.A.	Dec–13	1,158	–	–	–	–	–
CAI Viajes, S.A.	Dec–13	32	–	–	–	–	–
CAI Vida y Pensiones, Seguros y Reaseguros, S.A.	Dec–13	16,923	–	–	–	–	–
Caja 3 Bolsa Sociedad de Valores, S.A.	Dec–13	5	–	–	–	–	–
Caja Círculo Correduría de Seguros, S.A.	Dec–13	189	–	–	–	–	–
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec–13	(38)	–	–	–	–	–
Caja Inmaculada Gestión Inmobiliaria, S.L.	Dec–13	(79)	–	–	–	–	–
Cajaragón, S.L.	Dec–13	–	–	(2)	(1)	–	–
Cartera de Inversiones Lusitana, S.L.	Dec–13	(315)	–	–	–	–	
Cerro Goya, S.L.	Dec–13	(3,148)	(3,407)	(11)	(3,893)	–	–
Cerro Murillo, S.A	Dec–13	(85,752)	(338,197)	(562)	43,396	–	–
Comercial Logística Calamocha, S.A.	Dec–13	(284)	(1,501)	–	(4,659)	–	(698)
Dopar Servicios, S.L.	Dec–13	–	–	–	–	105	–
Enclama, S.L.	Dec–13	–	–	–	–	96	–
Espacio Industrial Cronos, S.A.	Dec–13	(81)	–	–	–	–	–
Gedeco Zona Centro, S.L.	Dec–13	(4,081)	–	–	–	–	–
Gestora Valle de Tena, S.A.	Dec–13	27	9	655	630	70	67
Genetica El Bardal	Dec–13	(29)	–	–	–	–	–
Golf del Puerto, S.A.	Nov–13	(1,324)	–	–	–	–	–

Entity	Date financial statements	Contribution to consolidated profits		Contribution to consolidated reserves		Non-controlling interests	
		2013	2012	2013	2012	2013	2012
(Thousand euro)							
Grupo Alimentario Naturiber, S.A.	Dec–13	(1,781)	(840)	(5,368)	(4,253)	1,940	1,088
I.C. Inmuebles, S.A.	Dec–13	(37,297)	(62,426)	(3)	(13,548)	–	–
Ibercaja Gestión, S.A.	Dec–13	19,825	17,751	44,816	44,566	–	–
Ibercaja Gestión de Inmuebles, S.A.	Dec–13	10	22	21	(1)	–	–
Ibercaja Leasing y Financiación, S.A., E.F.C.	Dec–13	1,490	2,489	13,081	10,592	–	–
Ibercaja Mediación de Seguros, S.A.	Dec–13	15,846	54,510	31,587	29,077	–	–
Ibercaja Paticipaciones Empresariales, S.A.	Dec–13	7	3	69	68	–	–
Ibercaja Patrimonios, S.A.	Dec–13	277	93	1,712	1,619	–	–
Ibercaja Pensión, S.A.	Dec–13	8,723	7,747	21,082	20,935	–	–
Ibercaja Servicios Financieros, S.A.	Dec–13	7,696	7,629	23,537	23,408	–	–
Ibercaja Servicios Inmobiliarios, S.A.	Dec–13	240	99	279	180	–	–
Ibercaja Viajes, S.A.	Dec–13	(97)	3	216	212	–	–
Ibercaja Vida, S.A.	Dec–13	64,828	64,006	136,145	102,139	–	–
Ibercaja, S.A.	Dec–13	697	(7,608)	(20,342)	(12,733)	–	–
Iberprofin, S.L.	Dec–13	28	3	(4)	(7)	–	–
Inmobiliaria Impulso XXI, S.A.	Dec–13	(7,878)	–	–	–	–	–
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec–13	2,643	12,509	22,449	11,312	–	–
Interchip, S.A.	Dec–13	7	–	–	–	–	–
Inversiones Turísticas y Deportivas, S.L.	Nov–13	(360)	–	–	–	–	–
Jamcal Alimentación, S.A.	Dec–13	38	146	–	(5,956)	–	4,839
Mantenimiento de Promociones Urbanas, S.A.	Dec–13	82	64	220	219	–	–
Método 21 S.L.	Dec–13	(1,989)	–	–	–	–	–
Nuevas Inversiones Aragonesas 2011, S.L.	Dec–13	(879)	–	–	–	–	–
Plattea Canna, S.A.	Dec–13	(3,229)	–	–	–	–	–
Promociones Inmobiliarias Berben el Puerto, S.L.	Nov–13	–	–	–	–	–	–
Promur Viviendas, S.A.	Dec–13	(7,158)	(20,181)	(1)	2,991	–	–
Radio Huesca, S.A.	Dec–13	(446)	(469)	1,501	1,971	–	–
Residencial Murillo, S.A.	Dec–13	(38,278)	(60,121)	(50)	15,239	–	–
Servicios a Distancia IBD, S.L.	Dec–13	116	59	25	18	–	–
Telehuesca, S.L.	Dec–13	(88)	(60)	(123)	(63)	–	–
Tintas Arzubialde, S.L.	Dec–13	–	–	–	–	45	–
Tipo Línea, S.A.	Dec–13	(154)	(371)	1,729	2,041	–	–
Viajes Caja Círculo, S.A.	Dec–13	(323)	–	–	–	(185)	–
Viviendas Caja Círculo, S.A.	Dec–13	(20,208)	–	–	–	–	–

Entity	Date financial statements	Financial information					
		2013			2012		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val. adj.	Profit/(loss)
(Thousand euro)							
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	Dec–13	273	(58)	(219)	–	–	–
Araprom, S.A.	Dec–13	60	52	–	–	–	–
Arcai Inmuebles, S.A.	Nov–13	60	(77,051)	(4,320)	–	–	–
Badajoz Siglo XXI	Dec–13	40,950	(1,436)	(8,007)	–	–	–
Banco Grupo Cajatres, S.A.U.	Dec–13	204,865	(32,937)	(121,872)	–	–	–
CAI Desarrollo Empresarial S.C.R., S.A. (Anexa Capital S.C.R., S.A.)	Dec–13	31,700	(18,939)	(9,737)	–	–	–
CAI División de Servicios Generales, S.L.	Dec–13	9,914	(107,029)	(50,479)	–	–	–
CAI Inmuebles, S.A.	Dec–13	49,170	(289,494)	(126,635)	–	–	–
CAI Mediación de Seguros, S.A.	Dec–13	60	2,355	1,158	–	–	–
CAI Viajes, S.A.	Dec–13	60	268	32	–	–	–
CAI Vida y Pensiones, Seguros y Reaseguros, S.A.	Dec–13	22,500	41,119	16,923	–	–	–
Caja 3 Bolsa Sociedad de Valores, S.A.	Dec–13	5,000	1,490	5	–	–	–
Caja Círculo Correduría de Seguros, S.A.	Dec–13	60	1,526	189	–	–	–
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec–13	1,154	62	(38)	–	–	–
Caja Inmaculada Gestión Inmobiliaria, S.L.	Dec–13	100	435	(79)	–	–	–
Cajaragón, S.L.	Dec–13	4	(2)	–	4	(1)	–
Cartera de Inversiones Lusitana, S.L.	Dec–13	16,814	(2,881)	(315)	–	–	–
Cerro Goya, S.L.	Dec–13	660	(11)	(3,148)	9,000	(3,893)	(3,407)
Cerro Murillo, S.L.	Dec–13	158,627	(562)	(85,752)	377,870	43,396	(338,197)
Comercial Logística Calamocha, S.A.	Dec–13	–	–	–	9,860	(6,118)	(2,002)
Dopar Servicios, S.L.	Dec–13	20	238	(13)	–	–	–
Enclama, S.L.	Dec–13	20	164	40	–	–	–
Espacio Industrial Cronos, S.A.	Dec–13	28	(7,644)	(81)	–	–	–
Gedeco Zona Centro, S.L.	Dec–13	7,185	(14,748)	(4,081)	–	–	–
Genetica El Bardal, S.A.	Dec–13	60	76	(29)	–	–	–
Gestora Valle de Tena, S.A.	Dec–13	60	745	30	60	729	10
Golf del Puerto, S.A.	Nov–13	9,006	(38,738)	(1,338)	–	–	–
Grupo Alimentario Naturiber, S.A.	Dec–13	12,216	(809)	(1,992)	12,217	(564)	(1,278)
I.C. Inmuebles, S.A.	Dec–13	51,998	(3)	(37,297)	115,987	(13,548)	(62,426)
Ibercaja Banco, S.A.	Dec–13	2,611,730	(133,792)	(39,523)	2,278,500	260,502	(518,946)
Ibercaja Gestión, S.A.	Dec–13	2,705	48,403	19,825	2,704	45,278	17,751

Entity	Date financial statements	Financial information					
		2013			2012		
		Capital	Reserves and val. adj.	Profit/(loss)	Capital	Reserves and val. adj.	Profit/(loss)
(Thousand euro)							
Ibercaja Gestión de Inmuebles, S.A.	Dec–13	120	21	10	120	(1)	22
Ibercaja Leasing y Financiación, S.A., E.F.C.	Dec–13	3,006	13,081	1,490	3,006	10,592	2,489
Ibercaja Mediación de Seguros, S.A.	Dec–13	60	31,792	15,846	60	29,137	54,510
Ibercaja Paticipaciones Empresariales, S.A.	Dec–13	150	69	7	150	68	3
Ibercaja Patrimonios, S.A.	Dec–13	4,417	1,949	277	4,417	1,749	93
Ibercaja Pensión, S.A.	Dec–13	11,010	21,082	8,723	11,010	20,937	7,747
Ibercaja Servicios Financieros, S.A.	Dec–13	2,644	23,595	7,696	2,644	23,412	7,629
Ibercaja Servicios Inmobiliarios, S.A.	Dec–13	60	279	240	60	180	99
Ibercaja Viajes, S.A.	Dec–13	60	216	(97)	60	212	3
Ibercaja Vida, S.A.	Dec–13	105,065	155,808	64,828	105,064	107,158	64,006
Ibercaja, S.A.	Dec–13	73,715	(20,342)	697	73,715	(12,733)	(7,608)
Iberprofin, S.L.	Dec–13	50	(4)	28	50	(7)	3
Inmobiliaria Impulso XXI, S.A.	Dec–13	18,000	(19,977)	(7,878)	–	–	–
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec–13	40,051	22,449	2,643	40,051	11,312	12,509
Interchip, S.A.	Dec–13	80	10	8	–	–	–
Inversiones Turísticas y Deportivas, S.L.	Nov–13	8,892	(8,991)	(364)	–	–	–
Jamcal Alimentación, S.A.	Dec–13	–	–	–	15,806	(3,779)	(1,466)
Mantenimiento de Promociones Urbanas, S.A.	Dec–13	65	220	82	65	219	64
Método 21, S.L.	Dec–13	8,892	(8,991)	(364)	–	–	–
Nuevas Inversiones Aragonesas 2011, S.L.	Dec–13	3	(30,417)	(879)	–	–	–
Plattea Canna, S.A.	Dec–13	17,747	(19,321)	(3,229)	–	–	–
Promociones Inmobiliarias Berben el Puerto, S.L.	Nov–13	121	(714)	–	–	–	–
Promur Viviendas, S.A.	Dec–13	13,139	(1)	(7,158)	22,828	2,991	(20,181)
Radio Huesca, S.A.	Dec–13	1,291	1,506	(446)	1,291	1,981	(469)
Residencial Murillo, S.L.	Dec–13	50,270	96	(38,278)	70,117	15,546	(60,121)
Servicios a Distancia IBD, S.L.	Dec–13	480	25	116	480	18	59
Telehuesca, S.L.	Dec–13	752	(123)	(88)	752	(63)	(60)
Tintas Arzubialde, S.L.	Dec–13	800	(396)	20	–	–	–
Tipo Línea, S.A.	Dec–13	120	1,729	(154)	120	2,011	(371)
Viajes Caja Círculo, S.A.	Dec–13	472	(173)	(431)	–	–	–
Viviendas Caja Círculo, S.A.	Dec–13	21,918	(71,880)	(20,208)	–	–	–

Jointly–controlled entities

Entity	Date financial statements	Contribution to consolidated profits 2013	Contribution to consolidated profits 2012	Contribution to consolidated reserves 2013	Contribution to consolidated reserves 2012	Value of interest 2013	Value of interest 2012
(Thousand euro)							
Aramón Montañas de Aragón, S.A.*	Sept-13*	(5,674)	(8,029)	(20,383)	(12,351)	39,086	40,569
Caja de Badajoz Vida y Pensiones, S.A.	Dec-13	1,464	–	–	–	16,031	–
Rest of companies		(881)	(3,841)	(23,968)	(1,407)	5,194	6,494

Financial information 2013

Siginficant jointly-controlled entities	Assets	Liabilities	Income	Operating profit/(loss)	Profit/(loss) after taxes	Other recognised income and expenses	Total recognised income and expenses
(Thousand euro)							
Aramón Montañas de Aragón, S.A.	180,810	92,557	32,495	(8,504)	(12,310)	575	(11,735)
Caja de Badajoz Vida y Pensiones, S.A.	366,320	334,258	97,351	7,804	5,462	(80)	5,382
Rest of companies	–	–	–	(6,979)	(17,549)	–	(17,549)

Financial information 2012

Siginficant jointly-controlled entities	Assets	Liabilities	Income	Operating profit/(loss)	Profit/(loss) after taxes	Other recognised income and expenses	Total recognised income and expenses
(Thousand euro)							
Aramón Montañas de Aragón, S.A.	194,502	100,873	28,391	(11,502)	(17,442)	(581)	(18,023)
Rest of companies	–	–	–	(4,349)	(5,919)	–	(5,919)

Siginficant jointly-controlled entities	Financial information 2013						
	Cash	Total liabilities	Total depreciation	Total amortisation	Interest income	Interest costs	Tax expense / (income)
(Thousand euro)							
Aramón Montañas de Aragón, S.A.	1,166	92,557	3,592	13,210	54	5,306	197
Caja de Badajoz Vida y Pensiones, S.A.	933	334,258	–	(3)	7,996	(220)	(2,342)

Entidades multigrupo significativas	Financial information 2012						
	Cash	Total liabilities	Total depreciation	Total amortisation	Interest income	Interest costs	Tax expense / (income)
(Thousand euro)							
Aramón Montañas de Aragón, S.A.	661	100,873	2,419	13,641	14	5,515	(177)

* The financial information of this company relates to the date included, except in relation to the contribution to consolidated results, where results at 31 December 2013 have been estimated.

Associates

Entity	Date financial statements	Contribution to consolidated profits 2013	Contribution to consolidated profits 2012	Contribution to consolidated reserves 2013	Contribution to consolidated reserves 2012	Value of interest 2013	Value of interest 2012
(Thousand euro)							
Concessia Cartera y Gestión de Infraestructuras, S.A.	Nov–13*	99	–	–	–	16,462	–
Heraldo de Aragón, S.A.	Sept–13*	382	(974)	4,451	5,500	27,494	33,071
NH Hoteles S.A.	Sept–13*	(17,467)	(3,750)	–	(2,517)	–	68,380
Soc. Española de Banca de Negocios, S.A.	Sept–13*	350	(6,954)	(2,762)	3,971	13,454	10,701
Rest of companies		(6,180)	(4,718)	(16,530)	(26,196)	73,836	19,064

Financial information 2013

Significant associates	Assets	Liabilities	Income	Operating profit/(loss)	Profit/(loss) after taxes	Other recognised income and expenses	Total recognised income and expenses
(Thousand euro)							
Concessia Cartera y Gestión de Infraestructuras, S.A.	92,431	23,047	4,143	2,168	1,641	–	1,641
Heraldo de Aragón, S.A.	120,273	43,725	72,043	401	409	280	689
Soc. Española de Banca de Negocios, S.A.	1,027,040	962,728	23,817	(2,488)	(1,590)	(4,847)	3,257
Rest of companies	–	–	–	(43,394)	(68,075)	(2,847)	(70,882)

Financial information 2012

Significant associates	Assets	Liabilities	Income	Operating profit/(loss)	Profit/(loss) after taxes	Other recognised income and expenses	Total recognised income and expenses
(Thousand euro)							
Heraldo de Aragón, S.A.	124,019	48,025	97,439	(714)	(320)	–	(320)
NH Hoteles S.A.	2,825,335	1,825,502	1,286,033	(293,577)	(336,095)	(2,337)	(338,432)
Soc. Española de Banca de Negocios, S.A.	1,016,766	951,966	31,590	(17,289)	(18,722)	–	(18,722)
Rest of companies	–	–	–	8	(132)	–	(132)

* 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 2013 have been estimated.

Ibercaja Banco, S.A. and subsidiaries

Consolidated directors' report 2013

Section I: Directors' report

Economic environment

The world economy slowed down slightly in 2013, with growth of around 2.9%, which is less than the figure recorded in 2012. This same trend was shared by both emerging and developed countries.

In the United States, the fiscal adjustment, the first announcement of the withdrawal of the quantitative easing program, which was subsequently delayed, and the transitional solution for the debt ceiling had a negative effect on expense and investment decisions, which slowed its economy to a year-on-year rate of 1.6%, notably lower than the preceding year. However, the latest business activity indicators provide for a positive outlook for 2014. Meanwhile, in Japan the variance in the expected GDP of 2% confirms the success of the fiscal and monetary policy change after a long period of stagnation.

China maintains a high growth rate of 7.7%, which is now more balanced as domestic consumption has become more prominent, and the authorities are expected to implement the planned structural reforms, including the financial system.

In the Eurozone, measures taken in 2012 have dissipated doubts regarding the viability of the single currency and have considerably relieved the debt crisis as the risk premium for some countries such as Spain have appreciably declined. The ECB's monetary policy and the relaxation of deficit targets have led to a recovery of growth starting in the second quarter. However, the strength of the largest countries has not been able to offset the weakness of the peripheral countries, and the aggregate decline during the year totalled 0.4%.

At the meeting held in November, the ECB cut the prime interest rate to 0.25%, the lowest level the history of the euro, and ratified its monetary policy by maintaining liquidity auctions and three-month transactions, without any limit in terms of amount and at a fixed rate until July 2015. A new long-term liquidity auction was also not ruled out.

After nine consecutive quarters of declines the Spanish economy began to grow during the second half of the year. However, the year-on-year decline in GDP is 1.2%. The incipient recovery is based on the good performance of exports, which have continued to grow due to higher competitiveness as a result of price and salary moderations, together with labour market flexibility efforts. Investment developments also encourage optimism since the amounts applied to capital goods rose by 2% during the year, in contrast with the repeated declines in construction. Household consumption, while improving during the last few months of the year, continues to drag down growth due to the high unemployment rate, salary containment and tax increases.

The labour market shows signs of being close to reach the bottom and Social Security lost 85,000 registrations, compared with more than 700,000 in 2012. Even still, the unemployment rate is anchored at very high levels and according to the survey of the active population in the fourth quarter, it was 26.02% despite the appreciable decline in the number of people actively seeking employment.

Once the effects of the increase in VAT in 2012 have passed, the inflation rate ended the year at a rate of 0.3%, year-on-year. The differential within the Eurozone, which is very favourable for Spain, facilitates the internal devaluation process to which the Spanish economy is subject, allowing it to gain competitiveness.

After the adjustments applied over the past few years, the fiscal policy involving the reduction of public deficit continues slowly. Despite the efforts made, and in the absence of definitive data, public deficit will reach 7% of GDP in 2013. The commitments made to the European Commission in subsequent years may be obtained if the best economic outlooks become reality, consequently increasing public revenues. The accelerated growth of public debt, which threatens to exceed 100% of GDP, is a negative point, as it will be difficult to sustain such a high volume and due to the expulsion effect that it has on private sector access to credit.

After three consecutive years of declines, the Spanish stock market was in positive territory at the end of 2013. Ibex 35 index rose by more than 21% within a context where the most important stock indexes obtained notable gains. Such a good performance of the Spanish index is due to a better perception of the economy, the low price levels after the sharp corrections that took place in preceding years, abundant liquidity and the return of foreign investments.

The Spanish financial sector is culminating the write-off and re-sizing process that started with the first measures adopted nearly 4 years ago. The recapitalization and restructuring plans, together with the transfer of property assets to SAREB made by banks with problems, have allowed doubts regarding the system solvency to dissipate. In addition to the extraordinary efforts with regard to provisions made in 2012, in 2013 new requirements were established with respect to re-financed balances, obtaining a high level of coverage. Installed capacity continues to be reduced at a good rate in order to adapt it to market size. The number of offices and payroll has been reduced by around 30% from their high levels set in 2008. During the ended year, several factors strongly pressured banking profits: the slowdown in activity due to the economic environment in Spain, the low interest rates due to the decline in the Euribor, which affects mortgage loans in particular, the increase of defaults as well as the already mentioned provisions for the refinanced portfolio.

Unique events

After the approval of the restructuring plan for Cajatres by the competent European and Spanish authorities, just like the compliance with the obligations established for the Entity, on 23 May the agreement to merge Banco Grupo Cajatres into Ibercaja Banco was signed.

After complying with the established conditions and obtaining the necessary administrative exemptions and authorizations, on 25 July 2013 Ibercaja Banco became the sole owner of the share capital in Banco Grupo Cajatres. To carry out this transaction it increased its share capital by € 325.5 million, which was subscribed by the shareholders of Cajatres, who obtained 12.2% of the shares in Ibercaja Banco in exchange of all the share capital and voting rights they held in Banco Grupo Cajatres. The Bank's current shareholder composition consists of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja with 87.8% and Caja Inmaculada, Caja Círculo de Burgos and Caja Badajoz, which jointly hold 12.2% of share capital.

Once the first phase has been completed, it is expected that, not later than December 2014, Ibercaja Banco will fully merge with Banco Grupo Cajatres.

Evolution of the activity carried out by Ibercaja Bank, S.A. and subsidiaries.

The acquisition of Cajatres is framed within the deep transformation which is taking place in the Spanish financial system, leading towards a lower number of stronger entities, and represents a significant advancement in Ibercaja's growth at a time when banking activity is contracting in Spain. The transaction will allow the Entity to obtain potential relevant synergies in the medium-term that will improve the efficiency and competitiveness of the new Group. The merger process is being carried out in accordance with the schedule and will be completed during the final quarter of 2014.

The Group has promoted a higher focus on obtaining and maintaining customers in the target segments, particularly reinforcing relationships with companies, especially SMEs, and personal banking customers, while reducing dependence on individual mortgage activities. Special emphasis has been placed on developing the businesses in which Ibercaja has proven capacity, such as investment funds, pension plans and endowment insurance. A customer orientation and differentiation through excellent service are the basis on which the development of the business is sustained. To reinforce these aspects, the Entity has renewed the European 500+ Seal of Excellence in accordance with the EFQM model criteria and the certification granted by AENOR for Personal Banking Customer Advisory Services.

After the acquisition of Cajatres, the number of branch offices increased to 1,407, significantly improving its territorial balance. Ibercaja maintains a leadership position in its traditional area of influence (Aragón, La Rioja and Guadalajara, Burgos and Badajoz), being a bank of reference in Madrid and having a notable presence in some other places such as Barcelona, Valencia and Lérida. The transaction also gave rise to an increase in the number of Group employees which totalled 6,927 at the end of 2013. Within the framework of the Spanish financial system restructuring process, the Entity has implemented actions to adapt its personnel structure to the current needs of the business. Accordingly, as a part of its restructuring plan, Cajatres reduced the number of employees by 523, as established in its commitments with Brussels. In March, Ibercaja Banco signed a labour agreement which, among several measures, intended to improve efficiency and included the possibility of early retirement and dismissal incentives. As a result of these and other causes, in 2013 the parent entity reduced its number of employees by 355.

Ibercaja maintained a high volume of activity as a result of the intense commercial efforts carried out. Credit contraction was lower than the one seen in the whole system and retail customer resources have advanced appreciably. Income from the loan portfolio has been affected by the steep fall in the Euribor to the lowest levels since the creation of the euro and, simultaneously, significant efforts have been made in terms of provisions and therefore, the results for the year must be evaluated within this extraordinary context. Solvency indicators, asset quality above the system average, the high level of liquidity and the large write-downs applied over the past two years are notable and place the Entity in a solid position to drive business and profits.

Balance sheet

After the merger with Cajatres, the Group's total consolidated balance sheet assets increased by € 18,454 million, or 41.32% in relative terms, up to € 63,118 million.

Gross customer loans rose by € 8,055 compared to 2012, to a total of € 39,095 million. It should be noted that within the framework of its restructuring process Cajatres transferred € 3,404 million in assets to SAREB. Organic change in credit, using constant figures, was –3.63%, a lower percentage contraction than that experienced by the whole financial system. The evolution of financing has been conditioned by the restriction in demand, which is a reflection of the weak Spanish economy, the deterioration of the solvency of borrowers as a result of the prolonged economic crisis and the tendency of companies and households to deleverage.

In 2013 new credit transactions for an approximate amount of **€** 3,100 million took place. Among Ibercaja's strategic objectives: to improve the structure of the loan portfolio by diversifying it and increasing the weight of loans to SMEs. More than half of the loans originated during the period relate to production activities different from real estate development.

Classified by sectors, the financing of the private residential sector, the primary component of loans, totals **€** 37,938 million. In turn, loans to public administrations and the non-resident sector totals **€** 949 million and **€** 208 million, respectively.

Loans secured by physical collateral, basically relating to the acquisition of primary homes, represent 72.03% of the portfolio structure, while personal loans and financing, including term loans, represent 9.95%.

Financing with the purpose of acquiring and rehabilitating homes by individuals continues to have, after the merger with Cajatres, the highest weight of the portfolio, representing 66% of loans, while financing granted to production activities other than real estate development totalled 19%. Loans and credit associated with the development business represent just 10% of the portfolio.

The economic situation, the effect of the new refinancing criteria and the inclusion of Cajatres loan portfolio have led the Group's default rate to 10.25% at the end of the year, which is below 13.6% recorded by all deposit-taking entities as a whole. By segment, financing for the acquisition of homes by households, which has the highest weight within all the investment, presents a restrained default rate of 3.54%.

The amount of refinanced transactions, defined in accordance with the criteria published by the Bank of Spain on 30 April 2013, come to **€** 4,829 million, or 12.33% of gross credit. 50.16% of this figure relates to doubtful assets and 26.07% to substandard assets. The hedge associated with these transactions amounts to **€** 1,269 million.

Bad debt provisions, including those associated with contingent risks and liabilities, total **€** 2,321 million, which represents a coverage rate of 56.96% over doubtful risks. This solid level arises from the effort made with provisions over the last two years, as well as the recognition of the impairment of Cajatres assets to fair value at the time of its acquisition.

In 2012 Ibercaja Banco, in compliance with Royal Decree-Law 18/2012, created a general fund totalling **€** 614 million to cover financing relating to land, construction and real estate development in a normal situation. The exceeding **€** 244 million from this fund, which did not have to be assigned to its intended purpose in 2013, has been used to increase coverage for loans, foreclosed assets and investment properties, in accordance with the guidelines issued by the Bank of Spain.

The gross carrying value of the Group's property portfolio, foreclosed or acquired as payment of debts, totals **€** 1,767 million and represents 2.80% of assets and 4.52% of gross credit. The coverage associated with real estate assets (including initial write-downs and the provisions recorded subsequent to the foreclosure of the property) is 48.78%. The coverage for problematic assets (doubtful, substandard and foreclosed) associated with the real estate sector is 47.31%.

The portfolio of fixed-income securities, shares and holdings in companies amounts to € 19,826 million, 31.41% of the balance sheet. The held-to-maturity investment portfolio totals € 11,511 million, and has the highest weight at 58.06%, consisting primarily of Spanish government debt. Available-for-sale assets total € 7,277 million and represent 36.71%.

By type of asset, the fixed-income portfolio, amounting € 18,973 million, makes up 95.70%. It consists basically of Spanish government debt, regional government debt, private bond issues, SAREB bonds received during the deconsolidation of the assets held by Cajatres and equities from the issue of contingent convertible bonds. The equities portfolio totalling € 853 million mainly consists of listed shares from domestic and foreign companies, in addition to unlisted shares. The Group is reviewing its investments to carry out an ordered disposal of its stakes in those companies which are not strategic for its business or do not generate an adequate profitability, whilst simultaneously ensuring the continuity of the business in the hands of qualified managers. Furthermore, within the framework of its re-structuring, Cajatres committed to a gradual divestment by 2015 from several companies and this plan is at an advanced stage of execution.

The current cash and bank deposit balance total € 1,866 million while liability positions with credit institutions and central banks total € 9,053 million, of which € 4,790 million relates to the financing obtained from the ECB through long-term transactions maturing in 2015.

Property, plant and equipment net of depreciation total € 1,285 million, and 67% relates to assets being used by the Entity. Intangible assets totalling € 197 million mainly consist of the goodwill generated on the acquisition of Cajatres and computer software.

Customer deposits total € 61,989 million. Balance sheet resources total € 49,937 million and increased by € 15,159 million, while intermediation products rose by € 3,237 million to € 12,053 million. The evolution of customer funds is due to the intense commercial activities carried out to offset the possible loss of business deriving from the restructuring of the Cajatres network, the migration of savings from term deposits and promissory notes to off-balance sheet resources, especially investment funds and endowments insurance, paid to the more attractive compensation offered to customers, in addition to the merger with Cajatres, and the Bank's strategy for preserving yields at a time in which the decline in loan investments gives rise to lower financing needs.

Retail customer resources under management total € 47,423 million, which is a € 15,986 million increase compared to December 2012. Excluding the effect of the merger with Banco Grupo Cajatres, the organic growth of retail resources would have been 3.31%.

The companies pertaining to Ibercaja Financial Group have been leaders in investment funds, pension plans and life insurance since they were created. The merger with Cajatres, which has a high growth potential, reinforces the intermediation product management and marketing business. Equity under management in investment funds increased by almost 22% (40% if Cajatres is included) and the Group's market share grew by 45 basis points up to 4.06%. The volume of pension plans and endowment insurance under management or marketed exceeds € 12,000 million and the market share is 6% for pension plans and 4.13% for life insurance.

Ibercaja and Cajatres have been traditionally characterized by a prudent liquidity policy based on a clear vocation of financing the growth of credit activities using retail resources, limiting the use of wholesale markets. This circumstance has allowed the Group to maintain a comfortable liquidity position and reduced dependency on wholesale financing. At the end of 2013, the availability of liquid assets, in accordance with the statements defined by the Bank of Spain, totalled € 10,661 million, which is 16.89% of the balance sheet. The available amount of the ECB policies totals € 4,770 million. Approximately 88% of the qualifying assets outside of those policies relates to Spanish government debt which would allow for immediate liquidity if necessary. The loan to deposits ratio is 99.95%.

The capacity to issue mortgage and territorial bonds is measured at € 6,692 million. Over collateralization, measured as the qualifying portfolio in excess of active mortgage bonds, is 201% which easily exceeds the legal minimum of 125% and the average for all financial institutions.

Through several offers made in 2013, Ibercaja bought back some of its own issues of subordinated debt, preferred shares and securitization bonds for a total of € 329 million. Within the framework of the restructuring process, Cajatres, carried out a burden sharing operation (assuming the losses of the holders of hybrid instruments) through a voluntary buyback and a swap of subordinated debt with a nominal value of € 91.3 million. Taken as a whole, the redemption of debt issues, mortgage bonds and securitization bonds, together with the buybacks of the Group's own issues, total € 1,433 million.

The maturity dates of issues on wholesale markets (senior debt, preferred shares, mortgage bonds and subordinated debt) are distributed in a balanced manner until 2027. In 2014 and 2015 rates over € 1,443 million and € 1,613 million, respectively, and they may be comfortably covered with available liquidity.

Equity totals € 2,610 million. This also includes positive measurement adjustments, mainly affecting available-for-sell assets, and minority shareholdings, in addition to equity totalling € 2,478 million

Total computable equity for the Group totals € 2,480 million and represents a solvency ratio of 10.32%. The primary capital ratio or Core Tier I is 10.29% of risk-weighted assets, and there is an excess of € 311 million over the minimum requirement established by regulations. The Common Equity Tier I ratio, which is one of the new capital standards that will enter into force starting in January 2014, would be 9.96%.

Income Statement

The results obtained by the Group in 2013 reflect the weakness of the macro-economic environment in which the business has taken place and the impact of the sharp decline in interest rates on mortgage portfolio yields, which has a significant weight in Ibercaja's balance sheet. Nonetheless, the recurring gross margin (excluding results from financial transactions) improved by 3.94%. The efforts made with respect to provisions to reinforce the coverage of doubtful and refinanced loans, recognising the impairment of Cajatres assets and the losses that may be generated by the execution of the mandated sale of Cajatres' stakes in businesses and properties should be noted. As a result, provisions created during the year, charged against the income statement, totalled € 421 million and placed great pressure on profits. These unfavourable factors, which are extraordinary to a significant extent, could not be offset by the large reduction in recurring costs. The Group has notably been able to maintain an adequate solvency level, asset quality above the average, a high degree of coverage and a reinforced liquidity position.

The interest margin totals € 592 million, which is 2.47% higher than in December 2012. Financial income declined due to the drop in volume as a result of the business slowdown, the repricing of the mortgage portfolio indexed to the Euribor, which has reached an extremely low level, and the increase in doubtful balances. The good evolution of retail financing costs, the contribution of fixed-income yields to the margin and the merger with Cajatres mitigate the fall in income from loans. It is noteworthy that the decline in interest rates has been practically fully recorded and therefore the stabilisation of income and the sustained reduction in financing costs is giving rise to a change in the trend, which was already observed during the last part of the year and will foreseeably continue in 2014.

Yields from equity instruments contributed € 9 million, while net commissions and exchange differences grew by 12.28%. Isolating the effect of the merger with Cajatres, there would be a 4.06% decline due to the fall in commissions from securities transactions and the transfer of the depository activity for investment funds and individual pension plans to CECA.

The heading Other operating income and charges, € -25 million, reduced results by 59.24% more than in 2012 due to the fact that the change in the scope of consolidation gave rise to an increase in the contribution to the Deposit Guarantee Fund.

The results from financial transactions are notably lower than in 2012 due to the particularities of that year, in which extraordinary action was taken to cover the capital requirements of Oliver Wyman. They totalled € 136 million at the end of December, mainly generated by the buyback of the Entity's own issues and the materialisation of capital gains on fixed-income assets by taking advantage of market opportunities.

The recurring gross margin, excluding the results obtained on financial transactions totalled € 814 million, 3.94% more than last year.

Operating expenses using same-scope criteria declined by 12.11% as a result of fewer employees and the efforts made throughout the organisation to optimise costs. The importance of this information must be emphasised since in 2013 there were extraordinary adjustments associated with the restructuring of employees and the branch office network; and synergies that will arise from the merger with Cajatres have not yet been materialised.

Profits before write-downs amount to € 352 million. All the provisions and write-downs charged against the income statement were very significant at € 421 million, although notably fewer than in 2012, the year in which the write-downs deriving from the application of the Royal Decrees 2/2012 and 18/2012 on real estate assets were recognised. The high figure is due to the persistence of the financial crisis that has given rise to an increase in doubtful balances, the accounting reclassification of refinanced transactions to adapt them to the new Bank of Spain regulations and the write-down of some subsidiary investments.

The high volume of write-downs, which exceeded operating profit gives rise to a net loss of € 29 million attributed to the parent entity.

Risk management

Overall risk management is essential to preserve the Entity's solvency. Among the strategic priorities: the development of systems, tools and structures allowing to measure, monitor and control risk exposure levels at all times, ensuring that they are adequate for the resources being managed and respond to the demands of regulators and markets.

Credit risk is most relevant within the banking activity, although the management of risk includes counterparty, concentration, market, liquidity, interest rate, operating, reputation and insurance and other risks. 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 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 adaptation to Basle III with respect to solvency and liquidity due to the entry into force of the Capital Requirements Directive (CRD IV) in 2014. Similarly, among the new authorities given to the European Central Bank within the framework of the launch of the Single Supervisory Mechanism, the Entity complied with the requirements of the ECB's Risk Assessment System (RAS) at the end of 2013 and it is prepared to undergo the ECB balance sheet quality examination during the first part of 2014 and, subsequently, the stress tests by the EBA.

Note 3 of Ibercaja Bank Group's notes to the annual accounts for 2013 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.

During 2013, one of the most relevant projects has been the launch of the technological integration of Banco Grupo Cajatres. This multi-stage project has already passed some milestones in 2013 and it is expected to end in October 2014 with the full integration of the acquired bank's integration into Ibercaja.

Notable with respect to internal and organisational efficiency are the new tools in the Integrated Sales Orientation System (ISOS) as a differentiating treatment of portfolio management agreements, a new card limit administration tool and an application for casualty insurance. The Asset Department was provided with a new property management tool for foreclosed properties and those in use by the bank.

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. This year new functions, such a securities broker service, were added for these devices.

As part of the strategic project for the operational transformation of central services, the project for the process management methodology and tools was defined. It is expected to be implemented in three phases, ending in 2015.

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 complies with environmental legislation and it maintains procedures to ensure and guarantee compliance. During 2013 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 outlook for the Spanish economy in 2014 is hopeful, with the challenge of sharpening the business recovery observed over the past two quarters. The consensus of analysts calls for a positive, although modest, growth rate of around 0.8%. For this to happen, internal demand must improve so that it is not just the export sector the only one supporting the recovery, within a context where unemployment rate is not expected to undergo significant changes.

The outlook for the new year in the financial system foresees the consolidation of economic growth and, at the same time, the activity recovery to normal flows of financing to families and businesses, without deteriorating the quality of the loan portfolio. The evolution of these factors will affect Ibercaja Banco Group's business while low interest rates will put pressure on interest margins, partially offset by the relaxation of retail costs. The rationalisation of costs, together with lower impairment losses after the large write-downs that have already taken place, will be key factors to drive profitability.

On the regulatory side, the Single Supervisory Mechanism will take effect and the ECB will assume the responsibility for supervising the largest banks in the Eurozone. Previously, entities will submit to a risk review, an asset quality review and a stress test in order to uncover potential weaknesses.

Subsequent events

There have been no subsequent events worthy of mention.

Treasury shares

There have been no transactions involving Treasury shares in 2013.

Section II: Annual corporate governance report for entities other than savings banks that issue securities traded on official markets

A Structure of ownership

A.1 Details regarding shareholders or most significant members of the company at the year-end:

Name	% of share capital
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%
Fundación Caja Badajoz	3.90%
Fundación Bancaria Caja Círculo	3.45%

A.2 Indicate if there are family, commercial, contractual or corporate relationships between owners of significant shareholdings and, to the extent that the company has knowledge of them, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description

A.3 Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, detail them below unless they are scantly relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description
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. To do so CAMPZAR segregated all assets and liabilities associated with its financial activity to IBERCAJA BANCO, S.A. which subrogated to all the rights, actions, obligations, responsibilities and equity charges, as well as the human and material resources associated with that activity.

A.4 Indicate the legal and bylaw restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock:

Yes ☐ No ☑

Description of the restrictions

B General meeting or equivalent body

B.1 List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the Articles of Association. Describe how this is different from the minimum system established by the Spanish Companies Act 2010 or any other applicable legislation.

A General Meeting, whether ordinary or extraordinary, will be validly called to order on first call or on second call when the shareholders that are present or represented hold the percentage of voting rights established by law. Notwithstanding the above, a General Meeting will be validly called to order as a Universal Meeting provided that all share capital is present or represented and those in attendance unanimously agree to hold the meeting and approve the agenda.

The validity of calling the meeting to order will be determined with respect to each of the resolutions that must be adopted and any absences that take place once the General Meeting has been validly called to order will not affect the holding of the meeting.

In order to validly call the meeting to order, even if held as a Universal Meeting, the attendance of the Company's administrators is not necessary.

B.2 Explain the system for adopting corporate resolutions. Describe how this is different from the system established by the Spanish Companies Act 2010 or any other applicable legislation.

The system for adopting corporate resolutions is in line with the system established by the Spanish Companies Act. With the exception of those cases for which the Law or the Articles 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 vote for each share that they possess or represent.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

B.3 Briefly indicate the Resolutions adopted by shareholders at a General Meeting or equivalent body held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

The single shareholder, exercising the functions corresponding to the General Ordinary Meeting, in accordance with the Article 15 of the Spanish Companies Act 2010, approved on 19 March 2013 the individual and consolidated annual accounts of Ibercaja Banco, S.A.U., for 2012, 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 and signed by all its members at a meeting held on 26 February 2013.

On 27 June, the single shareholder decided to apply the balance sheet restatement system provided for by Article 9 of Law 16/2012 (27 December) to Ibercaja Banco, S.A.U., which adopts several tax measures to consolidate public finances and drive economic activity, and approved the restatement of the company's balance sheet effective 1 January 2013.

On 24 July, the single shareholder adopted a resolution to increase the company's shares capital by up to € 325,500,000 through the issue of new shares with a par value of € 1 each, all of the same class and series of outstanding shares and which will be fully subscribed and paid in by the shareholders of Banco Grupo Cajatres, S.A. through their contribution of all of the shares in that bank. As a result of that transaction, Ibercaja Banco ceased to be a single shareholder company.

On that same date a resolution was adopted to amend Articles 24, 25, 30, 46, 47 and 53 of the by-laws to include the corporate governance commitments acquired in the merger agreement with Banco Grupo Cajatres. It established 11 members of the Board of Directors and after receiving a favourable report from the Nominations and Compensation Committee a resolution was adopted to appoint Mrs. Gabriela González-Bueno Lillo, Mr. Jesús Solchaga Loitegui, Mr. Juan María Pemán Gavín, Mr. Vicente Eduardo Ruiz de Mencía and Mr. Francisco Manuel García Peña as company Directors for a five year term.

On 27 November 2013 shareholders at an Extraordinary Meeting, and at the proposal of the Board of Directors, unanimously adopted a resolution to increase share capital by charging available restatement reserves totalling € 7,730,000 as recognised in the Entity's balance sheet prepared for this purpose at 30 June.

B.4 State the address and manner of accessing the entity's website to obtain information regarding corporate governance.

The information regarding corporate governance at IBERCAJA BANCO is accessible through the website http://www.ibercaja.es under the section "Corporate Information" under the menu "Information regarding the Entity". "Information for investors" is available under the same menu.

B.5 Indicate whether or not meetings have been held with any unions that may exist, holders of securities issued by the entity, the purpose of the meetings held during the year to which this report relates and the main agreements reached.

In 2013 no meeting was held with the various unions of the holders of securities issued by the Entity.

C Management structure of the company

C.1 Board or governing body

C.1.1 State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of Director/member of the governing body	15
Minimum number of Director/member of the governing body	5

C.1.2 Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Directors/members of the governing body

Name of the Director/Member of the governing body	Representative	Latest date of appointment
Amado Franco Lahoz	n/a	22/09/2011
José Luis Aguirre Loaso	n/a	22/09/2011
Francisco Manuel García Peña	n/a	24/07/2013
Jesús Máximo Bueno Arrese	n/a	22/09/2011
Eugenio Nadal Reimat	n/a	22/09/2011
Manuel Pizarro Moreno	n/a	22/09/2011
Gabriela González-Bueno Lillo	n/a	24/07/2013
Jesús Solchaga Loitegui	n/a	24/07/2013
Juan María Pemán Gavín	n/a	24/07/2013
Vicente-Eduardo Ruiz de Mencía	n/a	24/07/2013
Jesús Barreiro Sanz	n/a	22/09/2011

C.1.3 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of the Director/Member of the governing body	Name of the Group company	Position
Amado Franco Lahoz	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	Chairman
Amado Franco Lahoz	Banco Grupo Cajatres, S.A.U.	Chairman
José Luis Aguirre Loaso	Banco Grupo Cajatres, S.A.U.	Director
Jesús Máximo Bueno Arrese	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	Secretary and Board Member
Jesús Máximo Bueno Arrese	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Chairman
Jesús Máximo Bueno Arrese	Ibercaja Mediación de Seguros, S.A.U.	Director
Jesús Máximo Bueno Arrese	Banco Grupo Cajatres, S.A.U.	Director
Eugenio Nadal Reimat	Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	First Vice-Chairman
Eugenio Nadal Reimat	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Director
Eugenio Nadal Reimat	Banco Grupo Cajatres, S.A.U.	Director
Francisco Manuel García Peña	Banco Grupo Cajatres, S.A.U.	Director
Jesús Solchaga Loitegui	Cerro Murillo, S.A.	Director
Jesús Solchaga Loitegui	Ibercaja Mediación de Seguros, S.A.U.	Director

C.1.4 Fill-in the following table with information regarding the number of female Directors on the Board Directors and Committees, and the evolution of this figure over the past four years:

	Number of Directors							
	2013		2012		2011		2010	
	No.	%	No.	%	No.	%	No.	%
Board of Directors	1	10%	0	0%	0	0%	0	0%
Executive Committee	0	0%	0	0%	0	0%	0	0%
Audit Committee	1	33%	0	0%	0	0%	0	0%
Nominations and Compensation Committee	0	0%	0	0%	0	0%	0	0%

C.1.5 Complete the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year.

Compensation	Individual	Group
(Thousand euro)		
Fixed compensation	871	141
Variable compensation	57	0
Per Diems	141	34
Other compensation	46	8
Total	1,115	183

C.1.6 Identify the members of senior management who are not Executive Directors and indicate the aggregate compensation accrued to them during the year:

Name	Position
Jesús Barreiro Sanz	Assistant General Manager
Luis Enrique Arrufat Guerra	Assistant General Manager
Víctor Manuel Iglesias Ruiz	Assistant General Manager
Luis Miguel Carrasco Miguel	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
José Javier Pomar Martín	Sub-Director
Luis Fernando Allué Escobar	Sub-Director

Total senior management compensation (thousand euros)
2,413

C.1.7 Indicate whether the Articles of Association or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

Yes ☑ No ☐

Maximum term (years)
5

C.1.8 Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

Yes ☐ No ☑

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or Governing Body:

Name	Position

C.1.9 Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

The Audit and Compliance Committee authorities granted by the Articles of Association are intended to serve as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors' recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the annual accountsents. In addition, the Audit and Compliance Committee is also responsible for receiving information regarding the audit plan from the external auditor as well as the results of its execution and verifying that senior management takes into account the recommendations made, ensuring that the opinion on the annual accounts and the main content of the audit report are worded clearly and precisely.

C.1.10 Is the Secretary to the Board of Directors or Governing Body a Director?

Yes ☐ No ☑

C.1.11 Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Among the duties assigned to the Audit and Compliance Committee, Article 35 of the Board Regulations includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor's independence at risk.

In any event, the Audit and Compliance Committee must receive a written statement of independence from the auditor with respect to the Company or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor, or by persons or companies associated with the auditor in accordance with the provisions of Law on Audits.

Furthermore, on an annual basis, before the issue of the audit report, the Committee will issue a report in which an opinion will be expressed as to the auditor's opinion and must ensure that the Company reports to the National Stock Market Committee any change in the auditor as a Relevant Event accompanied, if appropriate, by a statement regarding the existence of any disagreements with the outgoing auditor and their content.

It must also ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors and examine the circumstances of any resignation of an external auditor.

C.2 Board of Directors or Governing Body Committees.

C.2.1 List the committees:

Name	No. of members	Function
CEO	1	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	7	The Executive Committee will dispatch all issues falling within the scope of authority of the Board of Directors which, in the opinion of the committee, must be resolved without delay, with the only exception of the matters that cannot be delegated. The Board of Directors will be informed of the resolutions adopted at the first meeting held after the date of the Committee's meeting.
Audit and Compliance Committee	3	– Inform the Shareholders' Meeting about issues raised by shareholders regarding matters within its sphere of competence. – Supervise the effectiveness of internal control, internal audit and risk management systems, as well as the process of preparing and presenting regulated financial information. – Make proposals to the Board of Directors regarding the submission to Shareholders of the proposals for appointing the Company's auditor. – Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor's independence and others relating to the audit process. – Receive written confirmation from the external auditor regarding its independence with respect to the Company or associated companies and information regarding additional services of any kind rendered to those companies by the auditor or any associated person or company, and issued the relevant report.
Nominations and Compensation Committee	3	– Prepare and review the criteria to be followed with respect to the composition of the Board and the selection of candidates. Evaluate competencies, knowledge and experience that are necessary. – Report the proposed appointment of directors for the Board of Directors to be submitted to shareholders at a general meeting, as well as the proposals for the re-election or dismissal of those Directors. – Provide information regarding the members of each Committee. – Propose and report to the Board, Directors' compensation policy, the individual compensation for executive directors and the conditions in their contracts and the basic conditions for special contracts. – Regularly review compensation programs. – Oversee the transparency of the remuneration process. – Report any transactions that could give rise to conflicts of interest. – Report on the senior officer appointments and removals which the chief executive proposes to the Board.

C.2.2 State all the committees of the Board of Directors or Governing Body and the members thereof:

Executive or delegate committee

Name	Position
Amado Franco Lahoz	Chairman
José Luis Aguirre Loaso	Director
Jesús Bueno Arrese	Director
Eugenio Nadal Reimat	Director
Manuel Pizarro Moreno	Director
Juan María Pemán Gavín	Director
Jesús Barreiro Sanz	Secretary

Audit committee

Name	Position
Jesús Bueno Arrese	Director
Gabriela González-Bueno Lillo	Director
Jesús Barreiro Sanz	Secretary

Nominations and compensation committee

Name	Position
Manuel Pizarro Moreno	Chairman
Eugenio Nadal Reimat	Director
Jesús Solchaga Loitegui	Director
Jesús Barreiro Sanz	Secretary

C.2.3 Describe the rules of organization and operation and the responsibilities of each of the Board committees or members of the Governing Body. If appropriate, describe the authority of the CEO.

CEO

The CEO's duties cover the effective management of the Company's business, always in accordance with the decisions and criteria established by shareholders at a General Meeting, the Board of Directors and the Executive Committee in the areas of their respective competencies.

Executive committee

The Committee will be formed by a minimum of five and a maximum of seven Directors, of which the CEO must form part. The Chair of the Board of Directors presides over the Committee, and the Secretary is the Secretary to the Board.

The permanent delegation of authority by the Board of Directors to the Executive Committee will consist of all the Board's authorities, except for those that cannot be delegated. Its resolutions will be valid and binding without the full board having to subsequently ratify the decision. In those cases in which, in the opinion of the Chairman or three members of the executive committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote.

Audit and compliance committee

It will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience in accounting, audit or risk management.

The committee chair must be an independent Director and replaced every four years and may be re-elected again after one year elapses after leaving the position. The Secretary to the committee will be the Secretary to the Board of Directors.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. The members of the committee may appoint another member to represent them on the committee. The resolutions of the Audit and Compliance Committee will be logged in an official record book and signed by the Chairman and the Secretary.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may require the attendance of the Company's auditor. One of its meetings will be necessarily dedicated to evaluate the efficiency and compliance with the rules and procedures for the governance of the Company and prepare information that the Board must approve and include in the annual financial reporting documentation.

Nominations and compensation committee

It will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience of the Directors with respect to the Committee's duties. The Board of Directors will designate the chair, and the Secretary will be the Secretary to the Board.

The Committee will meet as many times as called by the Committee or its Chair and at least once per quarter. In addition, a meeting will be held each time the Board of Directors or the Chair request a report be issued or proposals made.

The committee will adopt its resolutions by a majority vote of the directors that form part of the committee, present or represented at the meeting. In the case of a tie, the Chairman will have a casting vote.

C.2.4 Indicate the number of meetings held by the Audit Committee during the year.

Number of meetings
8

C.2.5 If there is a Nominations Committee, state whether all its members are external directors or members of the governing body:

Yes ☑ No ☐

D Related party operations and intra-group operations

D.1 Provide details of the transactions carried out between the Company or its group companies, and shareholders, cooperative members, proprietary rights holders or those of any other equivalent nature at the Company.

Service agreement between Ibercaja Banco and Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja totalling € 731 thousand.

D.2 List any transactions between the Company and Companies in its group and Company shareholders or company executives:

There are no relevant transactions.

D.3 Provide details of intra-group transactions.

Subordinated 10-year loan totalling € 250 million and accruing interest at a rate of 3-month Euribor + 6.5.

D.4 Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the Governing Body, or executives.

Directors have the obligation to abstain from attending and intervening in deliberations that affect matters in which the Director, or a related person, has a personal interest. For these purposes, related persons are considered to be those indicated in Article 231 of the Spanish Companies Act 2010.

In addition, the Directors may not directly or indirectly carry out professional or commercial transactions with the company unless the conflict of interest is previously reported and the Board, after receiving a report from the Nominations and Compensation Committee, approves the transaction.

The Directors must notify the Board of Directors of any situation of direct or indirect conflict which they might have with the interests of the Company. The Director must also inform the Company of all positions held and the activities carried out in other companies or entities and, in general, of any event or situation that may be relevant to the position of Company Director.

Directors, or related persons, may not take advantage of a company business opportunity unless previously offered to the company and is rejected and the intention of the Director is approved by the Board after having received a report from the Nominations and Compensation Committee. A business opportunity is understood to be any possibility of making an investment or carrying out a commercial transaction that has arisen or has been discovered with respect to the exercising of the Director's duties, or through the use of company's resources and information, or under any circumstance that it is reasonable to think that the third-party offer was in reality directed at the Company.

A Director violates the loyalty duty to the company if he directly, knowingly, allows or does not reveal the existence of transactions carried out by family members or companies in which an executive position is held or a significant shareholding is held, that has not been subject to the conditions and controls established in the aforementioned Board Regulations.

E Control and risk management systems

E.1 Explain the scope of the Risk Management System.

The solvency, liquidity and credit quality of the assets constitute the fundamental foundations supporting the Entity's risk management.

Due to its exposure level, credit risk is the most important within Ibercaja's risk profile, although the management of risks also includes others such as counterparty, concentration, market, liquidity, interest rate, operational, reputation risks, etc.

The Entity has an adequate risk management structure in which the tasks of identifying, measuring, monitoring, managing and controlling risks are clearly distributed independently, but in a related manner, into the following areas:

- Corporate Governance: The governing bodies establish the guidelines for investment and risk policies, which will be developed and applied by the rest of the organization when carrying out duties, both in the case of the parent and the other companies that make up the Group.
- Strategy and risk profile: To establish the aforementioned guidelines, the governing bodies receive computer and technical support from specialized committees and management. In particular, the Overall Risk Committee defines and monitors the Group's risk policies and strategy.
- Risk management: Risk management decisions are adopted by various bodies and units within the Group when performing their specific duties.
- Risk control: Risk control is the responsibility of Audit management, which is independent of general management.

The organisational structure of governance and risk management at the Entity is proportional to the complexity of the business and guarantees the uniform application of policies and procedures.

Among the principles governing the Bank´s risk management system are the following: integral management, quality, diversification, independence, continuity, delegation and association, binding decision models, uniformity, control, continuous improvement and transparency.

The Entity's risk management pursues the following objectives:

- To evaluate the key business risks in accordance with their relevance and probability, quantifying them as precisely and in as much detail as possible.
- To integrate the measurement of risk into the operating and decision-making processes (establishing limits and policies, approval of operations, follow-up, recovery) and analytical processes (profitability calculations and analyses by client and segment, products, responsibility centres and business lines).
- To increase the efficiency of the process of accepting, monitoring and recovery of risk through the use of statistical tools and adequate information system, which facilitate the taking of decisions.
- To ensure the integrity and quality of the risk information which should in turn improve the reporting and communication systems at every level involved in risk management.
- To create an environment for monitoring models and tools, making 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.

E.2 Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management System.

The Entity's organizational chart clearly reflects its organizational structure with respect to risks and the bodies responsible for management, monitoring and controlling those risks.

The maximum risk control body is the Board of Directors, which is responsible for establishing and promoting risk policies. These duties may be exercised directly or through the 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 to propose 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.

The respective Governing Bodies of the Companies pertaining to the Financial Group define their own investment and risk policies provided that they fall within the overall limits and risk strategies and policies established for the entire Group.

In order to establish these guidelines, the Governing Bodies receive information and technical support from specialized Committees and Departments, which subsequently specify the risk management strategies and policies based on the guidelines that have been received.

The overall Risk Committee performs an essential role in this area, given that it specifies the Group's strategies and policies and performs monitoring activities. This Committee is made up of the highest level executives to whom the Units that are directly related to the management of the various types of risks inherent to the Entity's activity and that of its Group report.

The Overall Risk Committee have the following duties:

- Define and monitor the Group's risk management policies and strategies.
- Establish objectives and strategies for the development of structure and composition of the sums set out in the balance sheet. It analyses the Group's exposure and its results under various scenarios: levels of tolerance. Risk premiums.
- Plan medium-term capital needs of the Group. Establish capital objectives based on risk profiles, overall and with respect to various types of exposure.

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

E.3 Indicate the primary risks that could affect the attainment of business objectives.

Credit Risk: Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

Country risk: 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.

Operational risk: Risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.

Interest rate risk: This is defined as the possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.

Liquidity risk: Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.

Market Risk: This is defined as the possibility of incurring losses on positions held in the market resulting from an adverse movement in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) which determine the value of such positions.

Counterparty risk: Possibility that counterparties may default on obligations deriving from financial transactions (fixed income, interbank, derivatives, etc.).

Exchange rate risk: Possibility of incurring losses deriving from adverse changes in exchange rates for currencies in which the Group's off-balance sheet assets, liabilities and operations are denominated.

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

E.4 State whether the entity has a risk tolerance level.

The Entity regularly carries out a self-evaluation of Pillar II capital. This process is intended to ensure an adequate relationship between the risk profile presented by the Bank and the equity it effectively has on hand. To achieve this, a process is carried out to allow:

- The identification, measurement and aggregation of risks (not only those in Pillar I).
- Define the risk profile.
- Determine the capital that is necessary to cover relevant risks.
- Plan capital in the medium term and stress tests scenarios.
- Establish a target equity level that allows for the minimum requirements of Pillar I to be comfortably maintained.

An analysis of the risks to which it is exposed and the valuation of risks identified as relevant, configures a 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 where volume of equity is higher than the necessary minimum and the quality of the equity is adequate.

The combination of the above reveals that the Entity's capital strategy, equity maintained, recurring profits, corporate and internal governance and risk management and control systems are adequate for the activities that the Entity carries out and the risks it has assumed.

E.5 State the risks that have materialized during the year.

The risks that affect the Group are inherent to the financial activity carried out by the Entity, and are described in section capital E.3.

Established control systems have functioned adequately throughout the year.

E.6 Explain the response and supervision plans for the entity's primary risks.

Risk management is a fundamental element of any credit institution's internal control system since risks, basically financial and operational, are inherent to the financial products and services that constitute the entity's core business.

The Group has at its disposal risks control systems based on:

- Procedures for the identification and measurement of risks, permitting their monitoring and control.
- A limits structure for the main counterparties, instruments, markets and terms, which is submitted to the approval of the Board of Directors annually, for the purpose of defining prudent policies and avoiding risk concentrations. A Global Risk Committee that defines and monitors the Group's risk management policies and strategies.
- A defined hierarchical structure of authorization for the granting or assuming of risks, based on amount involved and nature of the risk.
- Direct controls distributed at different decision-making levels which ensure that operations are performed in accordance with established policies and in the terms authorized.
- A Risk Control Unit, which is independent of Business Management which, among other things, verifies compliance with limits approved by the Board of Directors or others established by the Global Risk Committee and reports on compliance to Senior Management on a regular basis.
- A Regulatory Compliance Unit that supervises compliance with the laws that regulate certain activities in order to minimize the penalties and damage to the Group's reputation which could result from non-compliance.
- The Internal Audit area reviews the adequate 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.

The Board of Directors Audit and Compliance Committee, which supervises the effectiveness of internal control, internal audit and risk management systems, regularly reviews the matters so that primary risks are identified, managed and adequately reported.

F Internal control and risk management systems relating to the process of issuing financial information (ICRMS)

Describe the mechanisms that make up the control and risk management systems with respect to the financial reporting information control system (FRICS) at the entity.

F.1 Control environment at the Entity

State whether at least the following exists and, if so, describe the main characteristics:

F.1.1 Which bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective IFRCS; (ii) it is implementation; and (iii) its supervision.

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.

On 25 July 2013 Ibercaja Banco acquired all of the shares in Banco Grupo Cajatres, S.A.U., which has its own IFRCS, and whose financial information forms part of the 2013 consolidated annual accounts prepared by Ibercaja Banco Group.

The Entity's Board of Directors and Senior Management are conscious of the relevance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the IFRCS.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the IFRCS.

The aforementioned Board Regulations establish, as an authority that cannot be delegated, "the preparation of the individual and consolidated annual accounts and the approval of financial information" together with the "establishment and supervision of risk control and reporting systems".

The Regulations also indicate that the Board "will adopt all measures necessary to ensure that the half-yearly, quarterly and any other financial information that may be made available to markets is prepared in accordance with the same principles, criteria and professional practices applied to the preparation of the annual accounts and will be as reliable as those accounts". Senior Management has assumed the responsibility of designing and implementing the IFRCS through the Management Control Department, since it centralizes the large majority of the activities intended to attain an adequately functioning IFRCS.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the internal control and reporting systems: "verify the adequacy and integrity of the internal control systems; know and supervise the process of preparing and presenting regulated financial information regarding the Company and, if appropriate, the Group, as well as its integrity, reviewing compliance with legislative requirements, adequate definition of the scope of consolidation and the proper application of accounting policy; supervise the efficiency of internal control and risk management systems, regularly reviewing them so that the main risks are identified, managed and adequately reported; review the company's accounts, monitor compliance with legal requirements and the proper application of generally accepted accounting principles, as well as reporting any proposals to modify accounting principles and standards suggested by Management; review the regular financial information that must be provided by the Board to markets and regulatory bodies".

F.1.2 Do the following elements exist, especially with respect to the process of preparing financial information:

- Which Departments and/or mechanisms are responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for making them known to company employees, especially with regard to the process of preparing financial information.

The Organizational Development Department at Ibercaja is responsible for ensuring an efficient organizational structure at the company, 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. In turn, each Department, together with the Organizational Development Apartment, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity's intranet and it is revised should there be any organizational change made.

As regards the process of preparing financial information, this is the responsibility of the Management Control Department, which includes the General Accounting, Tax Advisory, Management Control, Management Information and Overall Risk Strategy units. The Management Control Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group's consolidation for accounting purposes as subsidiary accounting is decentralized and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Management Control Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

- Code of conduct, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing noncompliance and proposing corrective/disciplinary actions.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations.

This document is available on the Entity's intranet and the Audit and Compliance Committee is responsible for approving updates and improvements.

- A reporting system which allows employees to report financial and / or accounting irregularities, breaches of the Code of Conduct and irregular activities within the organisation to the Audit Committee.

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.

- Training and regular refresher programmes for personnel involved with the preparation and review of financial information, as well as the evaluation of the FRICS, covering at least the accounting, audit, internal control and risk management rules.

Ibercaja has mechanisms allowing 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 2013 was particularly focused on internal training sessions at the Department level that covered legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees that attend accounting courses provided by the Spanish Confederation of Savings Banks (CECA) and to cover specific training needs that may be identified.

F.2 Evaluation of financial information risks

Describe at least:

F.2.1 The main characteristics of the risk identification process, including error or fraud:

- Whether the process exists and is documented.

Ibercaja has developed and applied a procedure to identify the material areas or headings in the annual accounts and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information. This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Management Control Unit while supervision is the responsibility of the Audit and Compliance Committee.

- Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, disclosure and comparability; rights and obligations), whether it is regularly updated and how frequently.

The procedure has been designed taking into account all the financial information objectives set out in the document "Internal control over financial reporting in listed companies" issued by the Spanish Stock Market Commission (existence, integrity, measurement, presentation and disclosures and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

- The existence of a process for identifying the scope of consolidation, bearing in mind the existence of complex business structures, instrumental entities or special purpose vehicles, among others.

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group's structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit and the management of investee companies.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the annual accounts.

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving publish financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) measurement; (iv) presentation; (v) and rights and obligations; and it effectively takes into consideration other types of risks (operating, technological, financial, legal, reputational, environmental, etc.)

- Which governing body supervises the process?

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as 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 2013 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3 Control activities.

Indicate whether or not at least the following exist, describing the main characteristics:

F.3.1 Procedures for reviewing and authorising the financial information and the description of the FRICS to be published in securities markets, indicating the persons responsible, as well as the documentation describing the flow of activities and controls (including those relating to the risk of fraud) for the various types of transactions that may materially affect the annual accounts, including the accounting closing procedure and the specific review of relevant judgements, estimates, valuations and projections.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities related 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 annual accounts and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

Transversal processes

- The procedures for closing the fiscal year and preparing the consolidated annual accounts. The group has specific procedures for closing the fiscal year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports
- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.
- The General Computer controls established by the Group at the Technology and Systems level, physical security, computer security, maintenance and development.

Business areas

- Credit investments:
  - Recognition and performance.
  - Doubtful debts and provisions
- Creditors: recognition and costs (on-demand and term accounts, including an accounting of coverage).
- Corporate security issues (including an accounting of coverage)

- Financial Instruments:
  - Debt securities
  - Capital instruments (listed and not listed).
- Real estate assets receive in lieu of payment (non-current assets for sale, investment properties and Inventories).
- Corporate income tax.
- Pension commitments.
- Insurance

In general terms, the Management Control Unit is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2 Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the Bank's relevant processes in relation to the preparation and publication of financial information.

The Technology and Systems Department and, specifically, the Computer Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, in cooperation with Operations, ensuring compliance with legislation and legally required security measures. The Technology and Systems Security Unit is responsible for proposing the information security measures and the policy for applying them.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has taken action addressing the definition of overall policies and procedures that are uniform with respect to the required security for information systems involved with the preparation of financial information, including physical and logical security, data processing security and final user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3 Internal control procedures and policies intended to supervise subcontractors, as well as the evaluation, calculation or measurement activities tasked to independent experts that could have a material effect on the annual accounts.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated annual accounts that are published in the stock market.

It currently has supervision and review procedures of both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined IFRCS framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.
- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship.
- Supervision and review of the information generated or the service provided:
  - For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases in which the relevance of the externalized service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.
  - For valuations prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

F.4 Information and communications

Indicate whether or not at least the following exist, describing the main characteristics:

F.4.1 Specific task responsible for defining and updating the accounting policies (accounting policy area or department) and resolving doubts or conflicts deriving from their interpretation, maintaining fluid communications with the persons responsible for operations at the organisation, as well as an up-to-date accounting policy manual that has been communicated to the units through which the entity operates:

The Management Control Unit, through the General Accounting Unit is responsible for defining, revising and updating all accounting policies at the Group. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

In any event, the accounting policies are updated to reflect any change in legislation and any new decision that modifies those policies in those cases in which there is a certain amount of discretion. Any update that may have taken place is published daily on the intranet.

In addition, Management Control is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

Ibercaja does not have a single Accounting Policy Manual, but rather the whole of its accounting policies consist of International Financial Reporting Standards (IFRS), Bank of Spain circular letters (Circular number 4/2004 and subsequent amendments), the policies that must be developed in accordance with current legislation and the specific policies that the Entity has prepared. All of the accounting policies approved by the Entity are available on its intranet, which also indicates any update to those policies. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to the person responsible for General Accounting.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralized manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information.

It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the annual accounts in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2 Mechanisms for capturing and preparing financial information using uniform formats, applicable and to be used by all units at the Entity or the Group, and support the main annual accounts.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated annual accounts that are reported together with other financial information published in the market. The Management Control Unit is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own annual accounts, always using the guidelines of the Management Control Unit.

F.5 Supervision of system operations.

State whether the following exists and, if so, describe the main characteristics:

F.5.1 State whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including SCIIF. A description of the scope of the evaluation of the IFRCS carried out during the year and the procedures used to execute that review and communicate the results obtained, and does the Entity have an action plan that details any corrective measures that make reference to such an evaluation, having taken into consideration its impact on the financial information:

The internal audit function is the responsibility of Ibercaja's Audit Department, which reports hierarchically to the CEO and functionally to the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Distribution Network Audit, Credit Risk Audit, Computer Process Audit, Financial Audit and Risk Control, divided into the areas of Legislative Compliance, Model Validation and Internal Control.

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the functions currently assigned to the Audit Department and established in the Entity's internal regulations, is the performance of the audits required by the Regulatory Body, which therefore covers the evaluation of the IFRCS.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is fundamental to the supervision of the IFRCS.

The Audit Department is responsible for preparing the annual activity program, reporting that program to the Executive Audit Committee and presenting the proposal to the Audit and Compliance Committee. The latter is responsible for the approval of the plan after reviewing the scope designed the program to determine that it meets the established supervisory objectives.

The Audit Operating Plan for 2013 specifically included several evaluation activities applying to the SCIIF and other issues that affect the process of preparing financial information have been reviewed. In particular, the following are notable among the actions carried out: the monitoring of the recommendations deriving from the IFRCS evaluation activities in 2012, the audit of the system for issuing relevant judgements, estimates, valuations and projections, the continued control over Group products and portfolios, the audit of the calculation of operational risk equity requirements and the review of the IRM (Integrated Risk Model) generated by the reserved statements, which evaluated their operation and the Bank of Spain RP21 Statement calculation was replicated. The result of these reviews was adequate and no significant weaknesses were detected.

F.5.2 Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards (TAS)), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed. Report if you have an action plan that is intended to correct or mitigate detected weaknesses.

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least twice during the course of the year at which time any significant weakness that may have been detected can be reported. That meeting is also attended by the Audit Department, the Management Control Department and the Director of the General Accounting Unit. The action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline.

The resolutions adopted by the Executive Audit Committee with respect to the action plans are included in the minutes that are presented to the Managing Director. These items are monitored by senior management and, specifically, by the Departments involved by holding meetings with the aforementioned Committee. Finally, the most relevant items are reported to the Audit and Compliance Committee at bi-yearly meetings.

F.6 Other relevant information

F.7 Report from the external auditor

Report from:

F.7.1 If the information regarding the IFRICS that is sent to markets been subjected to review by the external auditor, in which case the relevant report should be included as an Appendix. If not, the reason for not doing this should be explained.

As a result of the review that was carried out throughout 2013 the implementation plan is formally ending with certain action plans for the various areas analysed and they are expected to be completed over the course of 2014. For this reason the IFRCS has not been subject to review by the external auditor.

G Other information of interest

If there is some relevant corporate governance item at the Company or at the group companies that has not been included in the rest of the sections of this report, but must be included to more completely reflect the governance structure and practices at the Company or its Group, briefly describe.

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

The Entity may also indicate if it has voluntarily applied other codes of ethical principles or good practices, whether international, industry-related or of any other scope. If appropriate, the Entity will identify the code in question and the date on which it was applied.

A.1 Ibercaja Banco, S.A. was a single shareholder company until 25 July 2013.

C.1.2 D. Alberto Palacio Aylagas was a member of the Board of Directors and the Nominations and Compensation Committee until 1 March 2013, the date on which he resigned. Mr. Miguel Fernández de Pinedo López resigned from the Board of Directors, the Executive Committee and the Audit and Compliance Committee on 19 December 2013.

C.1.3 Mr. José Luis Aguirre Loaso is the General Manager of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja.

C.1.4 Ibercaja Banco, S.A. was incorporated on 22 September 2011.

C.1.5 "Fixed compensation" includes the amounts received by Directors, including life insurance premiums. The section Group indicates the compensation accruing to the Members of the Board of Directors for being members of the Board and/or senior management at Group companies, excluding the parent company.

Incomplete years: Even if a Director has not carried out activities during the complete period being reported, the compensation that has received is included in section C.1.5 of the report. Accordingly, the compensation received in 2013 by the Directors Mr. Alberto Palacio Aylagas and Mr. Miguel Fernández de Pinedo López is included.

C.1.6 Senior management is understood to be the General Managers and similar positions that carry out management duties directly under the governing bodies, executive committees or CEOs. To calculate the "senior management compensation" the same compensation items indicated in section C.1.5 that are applicable are used. They include life insurance premiums and contributions to pension funds.

Incomplete years: Even if a Senior Manager has not carried out activities during the complete period being reported, the compensation that has received is included in section C.1.6 of the report.

Mr. Francisco José Serrano Gill de Albornoz was a Sub-director of the Entity and Director of Legal Counsel up until 25 July 2013, at which time he started to render his professional services to Banco Grupo Cajatres, S.A.U.

Mr. Luis Miguel Carrasco Miguel joined the Entity as an Assistant General Manager on 1 November 2013.

C.1.8 The annual accounts, both individual and consolidated, are considered to be "certified" when they are presented to the governing body with a statement signed by the persons certifying the accounts declaring that they reflect, in all material respects, the true and fair view of the financial situation at the year-end, as well as the results of the entity's operations and any changes in its financial situation during the year, and that they contain the necessary and sufficient information for an adequate understanding, in accordance with applicable legislation.

C.2.1 Governing bodies makes reference to all committees created by the governing body and to the CEO and/or CEOs.

C.2.2 Mr. Alberto Palacio Aylagas was a member of the Nominations and Compensation Committee until 1 March 2013. Mr. Jesús Bueno Arrese formed part of the Nominations and Compensation Committee between 9 April 2013 and 25 July 2013. Mr. Eugenio Nadal Reimat formed part of the Audit and Compliance Committee until 25 July 2013, at which time he was appointed member of the Nominations and Compensation Committee. Mr. Jesús Solchaga Loitegui was appointed to the Nominations and Compensation Committee on 25 July 2013. On that same date Mrs. Gabriela González-Bueno Lillo was designated a member of the Audit and Compliance Committee. Mr. Miguel Fernández de Pinedo López was a member of the Nominations and Compensation Committee until 25 July 2013.

Effective 19 December 2013, Mr. Miguel Fernández de Pinedo López presented his resignation from the Entity's Board of Directors, the Executive Committee and as the Chair of the Audit and Compliance Committee.

Heading D. In accordance with the instructions received from the CNMV to complete the report, with respect to definitions, criteria and type of aggregation, the provisions of Order EHA/3050/2004 (15 September) are used with respect to the reporting of associated transactions that must be provided by companies issuing securities that may be listed for trading on official secondary markets. As a result, transactions between group companies that have been eliminated from the consolidated annual accounts and which form part of the ordinary course of the business of those companies with respect to their purpose and conditions are not reported, nor are those that relate to the company's ordinary course of business, those that are carried out under normal market conditions and are of little importance, which are understood to be those whose reporting is not necessary to express the true and fair view of the equity, financial situation and the results obtained by the Entity.

All the information that must be included in the report and is outside of the control of the Entity, is provided based on the knowledge held by the Company, the reports that have been made in compliance with current legislation and information stated in public registries.

This Annual Corporate Governance Report was approved by the Board of Directors or Governing Body of the Bank at its meeting on 26 March 2014.

Indicate the members of the Board or Governing Body who abstained or voted against the approval of this Report.

The Director Mr. Vicente Condor López has abstained from signing the Annual Corporate Governance Report given that he was appointed after 31 December 2013 and therefore did not participate in management of the Entity during the year then ended.

2013 Annual Report

Ibercaja Group

B

Relevant Information of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja

I

ÍNDEX

1 Balance sheet and income statement of the Ibercaja Group

Public consolidated balance sheet of the Ibercaja Group

(Thousand euro)

	Balance			Increase 13/12*		Increase 12/11	
	2013	2012	2011	€ '000	%	€ '000	%
Cash in hand and on deposit at central banks	499,387	289,600	527,927	209,787	72.44	–238,327	–45.14
Held for trading	36,827	33,655	43,775	3,172	9.43	–10,120	–23.12
Other fin. assets at fair value through P/L	68,926	113,275	117,254	–44,349	–39.15	–3,979	–3.39
Available for sale financial assets	7,277,142	6,644,655	6,163,904	632,487	9.52	480,751	7.80
Loans and receivables	38,788,893	30,702,636	33,035,640	8,086,257	26.34	–2,333,004	–7.06
– Loans and advances to credit institutions	1,208,581	879,360	638,495	329,221	37.44	240,865	37.72
– Loans and advances to customers	36,820,095	29,542,978	32,134,390	7,277,117	24.63	–2,591,412	–8.06
– Debt securities	760,217	280,298	262,755	479,919	171.22	17,543	6.68
Held-to-maturity investment portfolio	11,511,381	3,820,920	2,247,648	7,690,461	201.27	1,573,272	70.00
Hedging derivatives	519,043	701,018	729,603	–181,975	–25.96	–28,585	–3.92
Non-current assets held for sale	642,541	566,803	625,887	75,738	13.36	–59,084	–9.44
Shareholdings	207,396	178,279	214,795	29,117	16.33	–36,516	–17.00
Other assets	3,530,051	1,709,427	1,530,705	1,820,624	106.50	178,722	11.68
Total assets	**63,081,587**	**44,760,268**	**45,237,138**	**18,321,319**	**40.93**	**–476,870**	**–1.05**
Held for trading	27,546	16,880	24,405	10,666	63.19	–7,525	–30.83
Other fin. liabilities at fair value through P/L	48,800	0	0	48,800	–	0	–
Financial liabilities at amortized cost	52,867,159	37,093,867	37,415,085	15,773,292	42.52	–321,218	–0.86
– Deposits from central banks	4,855,478	2,519,847	900,246	2,335,631	92.69	1,619,601	179.91
– Deposits from credit institutions	4,073,807	4,307,410	1,923,231	–233,603	–5.42	2,384,179	123.97
– Deposits from other creditors	39,991,660	24,772,010	27,903,354	15,219,650	61.44	–3,131,344	–11.22
– Debt certificates including bonds	2,995,125	4,861,207	5,668,282	–1,866,082	–38.39	–807,075	–14.24
– Subordinated liabilities	567,521	289,395	777,172	278,126	96.11	–487,777	–62.76
– Other financial liabilities	383,568	343,998	242,800	39,570	11.50	101,198	41.68
Hedging derivatives	297,464	172,257	211,107	125,207	72.69	–38,850	–18.40
Insurance contract liabilities	6,333,643	4,855,039	4,405,035	1,478,604	30.46	450,004	10.22
Provisions	263,104	160,694	162,600	102,410	63.73	–1,906	–1.17
Other liabilities	617,854	279,923	310,977	337,931	120.72	–31,054	–9.99
Total liabilities	**60,455,570**	**42,578,660**	**42,529,209**	**17,876,910**	**41.99**	**49,451**	**0.12**
Shareholders' funds	2,191,543	2,216,922	2,711,595	–25,379	–1.14	–494,673	–18.24
Measurement adjustments	114,293	–40,610	–10,125	154,903	381.44	–30,485	-301.09
Minority interests	320,181	5,296	6,459	314,885	5,945.71	–1,163	–18.01
Total equity	**2,626,017**	**2,181,608**	**2,707,929**	**444,409**	**20.37**	**–526,321**	**–19.44**
Total liabilities and equity	**63,081,587**	**44,760,268**	**45,237,138**	**18,321,319**	**40.93**	**–476,870**	**–1.05**

* The changes partly reflect the acquisition of Banco Grupo Caja3.

Consolidated income statement of the Ibercaja Group

(Thousand euro)

	Amount			Increase 13/12		Increase 12/11	
	2013*	2012	2011	€ '000	%	€ '000	%
Interest and similar income	1,223,555	1,245,140	1,231,507	−21,585	−1.73	13,633	1.11
Interest and similar charges	630,494	666,501	740,082	−36,007	−5.40	−73,581	−9.94
Interest margin	**593,061**	**578,639**	**491,425**	**14,422**	**2.49**	**87,214**	**17.75**
Return on equity instruments	8,870	13,916	19,299	−5,046	−36.26	−5,383	−27.89
Share of P/L of entities accounted for using the equity method	−26,153	−28,267	−8,529	2,114	7.48	−19,738	−231.42
Net fee income and exchange differences	264,731	235,781	233,018	28,950	12.28	2,763	1.19
Profit or loss from financial transactions	136,218	353,779	45,259	−217,561	−61.50	308,520	681.68
Other operating income and charges	−25,548	−15,775	11,812	−9,773	−61.95	−27,587	−233.55
Gross margin	**951,179**	**1,138,073**	**792,284**	**−186,894**	**−16.42**	**345,789**	**43.64**
Operating expenses	613,217	499,783	523,804	113,434	22.70	−24,021	−4.59
– Staff costs	375,171	313,496	327,895	61,675	19.67	−14,399	−4.39
– Other genral administrative expenses	188,987	147,277	153,313	41,710	28.32	−6,036	−3.94
– Amortization	49,059	39,010	42,596	10,049	25.76	−3,586	−8.42
Other gains and losses	13,516	108,433	13,273	−94,917	−87.54	95,160	716.94
Profit or loss before write-downs	**351,478**	**746,723**	**281,753**	**−395,245**	**−52.93**	**464,970**	**165.03**
Impairment allownaces and other write-downs	421,465	1,432,742	212,178	−1,011,277	−70.58	1,220,564	575.25
Profit or loss before taxes	**−69,987**	**−686,019**	**69,575**	**616,032**	**89.80**	**−755,594**	**−1,086.01**
Income tax	−38,153	−200,309	12,791	162,156	80.95	−213,100	−1,666.02
Consolidated profit or loss for the year	**−31,834**	**−485,710**	**56,784**	**453,876**	**93.45**	**−542,494**	**−955.36**
Loss attributed to the parent entity	−26,379	−484,951	57,426	458,572	94.56	−542,377	−944.48
Loss attributed to minority interests	−5,455	−759	−642	−4,696	−618.71	−117	−18.22

* Includes six months of Banco Grupo Caja3.

2 The Ibercaja social work

Ibercaja shows its commitment towards the community through the Social Work activities. Since 1876, it contributes towards the development and advancement of people through many initiatives and programs. Such social involvement sets Ibercaja apart from other banking entities and is the way part of the return from its financial business reverts to the community, particularly to those groups most in need of support.

During 2013, Ibercaja has worked along the lines of action foreseen in the 2011-2014 Strategic Plan: meeting basic needs of people, supporting education and preserving jobs. Within the actions aimed at meeting the basic needs of groups at risk of being sidelined, campaigns have been carried out to collect donations to the Food Bank and to Caritas Spain. Through the Ibercaja Social Projects scheme, Ibercaja has given aid to more than 200 associations. Iniciativa Educa has organized educational activities such as "Educar para el Futuro" and "Programas Didacticos", in which nearly 80,000 schoolchildren from 14 Spanish provinces have taken part. Other noteworthy actions have been those aimed at preventing unemployment in the context of the "Ayudas Ibercaja al Primer Empleo" and "Programa Empleabilidad Ibercaja +45" schemes to help unemployed youths and individuals aged over 45 find jobs, as well as to provide guidance to SMEs and entrepreneurs in carrying on their business activities. In the cultural area, various lectures and exhibitions have been organized.

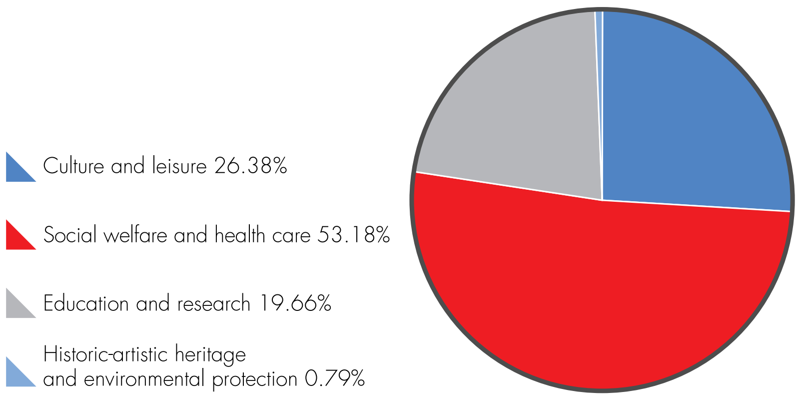
In 2013, 15 million euro have been spent on these actions. Of the total, 13 million have been used in own projects as well as to meet overhead costs as well as to maintenance of fixed assets, and two million have been spent to cooperate with organizations, public-sector bodies and associations. By type of action, social welfare and health care actions have accounted for 53.18% of the total, those relating to culture and leisure have taken 26.38%, and education as well as research have accounted for 19.66% of the expenditure.

Social Work budget settlement for 2013

(Thousand euro)

	Own work	Work in cooperation	Total	%
Culture and leisure	2,928	959	3,887	26.38
Social welfare ane health care	7,624	212	7,837	53.18
Education and research	2,474	423	2,898	19.66
Historic-artistic heritage and environmental protection	0	116	116	0.79
Total	13,027	1,710	14,737	100.00

Social Work budget settlement for 2013



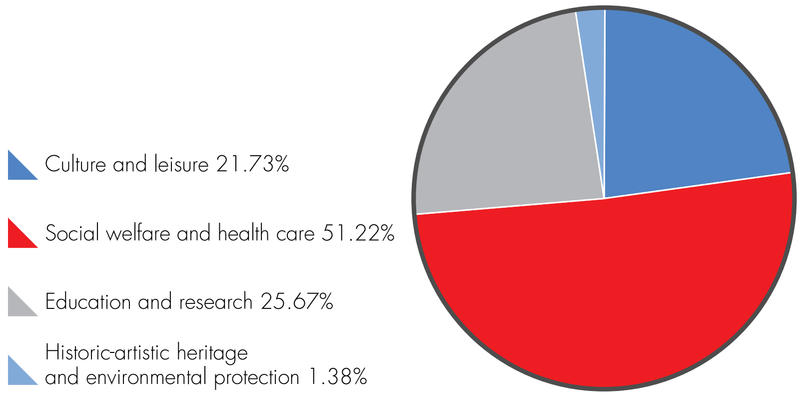
The amount earmarked for the Social Work in 2014 is 13.5 million euro, with the breakdown being as follows: 51.22% for social welfare and health care, 25.67% for education and research, 21.73% for cultural and leisure projects, and the rest to protecting the historic-artistic heritage and the environment.

Social Work budget for 2014

(Thousand euro)

	Own work	Work in cooperation	Total	%
Culture and leisure	2,845	89	2,934	21.73
Social welfare ane health care	6,864	51	6,915	51.22
Education and research	2,852	613	3,465	25.67
Historic-artistic heritage and environmental protection	0	186	186	1.38
Total	12,561	939	13,500	100.00

Social Work budget for 2014



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 (Until 13.7.2013)
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 (Until 1.3.2013)
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-Fluiters Ximénez
(Not an Asembly 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 Roglan Lombarte

Catalonia-Balearic Isles district
Lorenzo Bergua Lorente
Francesc Farré Coll
Gemma Gilabert Belinchón
Joan Mallol Estany (Until 30.10.2013)

Valencia-Murcia district
Antonio Adrien Peris
Luis Latorre Moreno
Silvia López Trigueros
María Isabel Ube Ibáñez

Rest of provinces district
María Vanesa Aranda García
Pedro Sánchez Guerrero

Autonomous community of Aragón
Manuel Alquézar Burillo (Until 13.7.2013)
Salvador Ariste Latre
José Carlos Arnal Losilla
Juan Ramón Aso Bailo (Until 13.7.2013)
Ángeles Aylón Baquedano
Antonio Barrachina Lupón
Martín Beneded Campo (Until 13.7.2013)
Primitivo Cardenal Portero
Fernando Cavero López (Until 13.7.2013)
Alejandro de la Mata Menéndez
Lorenzo Delso Ibáñez
Luis Ramón García Carús
Silvia Inés Gimeno Gascón (Until 13.7.2013)
José Gracia Nerín
Manuel Hernández Laplana
Joaquín Pascual Juste Sanz (Until 13.7.2013)
Ana Isabel Lasheras Meavilla
Julián López Babier
Ángel Carlos Lorén Villa (Until 13.7.2013)
Emilio Manrique Persiva
Gregorio Martín Francos
Eugenio Nadal Reimat
Jesús Pérez Pérez (Until 13.7.2013)
Victoria Pérez Pérez
Salvador Plana Marsal (Until 13.7.2013)
Carlos Queralt Solari
Eva Romeo Longares (Until 13.7.2013)
Carmen Sánchez Asín
Pascual Germán Sanromán Sesé
Ricardo Sesé Giner
Mercedes Zagalá Pérez (Until 13.7.2013)

Municipal districts

District of Zaragoza

Local Government of Zaragoza
Jesús Solchaga Loitegui
José Enrique Rodríguez Furriel

Local Government of Aguilón
Andrés Herrando Oliván (Until 13.7.2013)

Local Government of Calatayud
José Antonio Gonzalo López

Local Government of Ejea de los Caballeros
Domingo Malo Arilla (Until 13.7.2013)

Local Government of Gallur
Antonio Liz Gaspar (Until 13.7.2013)

Local Government of Utebo
Miguel Carmelo Dalmau Blanco
(Until 13.7.2013)

District of Huesca

Local Government of Huesca
(To be appointed)

Local Government of Aragüés del Puerto
Joaquín Molinos Follos

Local Government of Monzón
José Gabriel Albas Oncins (Until 13.7.2013)

District of Teruel
Jesús Bueno Arrese
(Not an Asembly Member)

Local Government of Teruel
Lucía Gómez García

Local Government of Alcañiz
Amor Pascual Carceller (Until 13.7.2013)

Local Government of Vivel del Río Martín
Ángel Valiente Moreno

District of La Rioja

Local Government of Logroño
José Luis Prado Prado (Until 13.7.2013)

Local Government of Calahorra
Luis Martínez-Portillo Subero (Until 13.7.2013)

Local Government of Tricio
Carlos Benito Benito (Until 13.7.2013)

District of Guadalajara

Local Government of Guadalajara
Juan Antonio Pérez Borda

Local Government of Tortuera
Jesús Ángel Sola Perdiguero (Until 13.7.2013)

District of Madrid

Local Government of Madrid
Leocadio Bueso Zaera
José Salinas Lecina

Local Government of Alcalá de Henares
Evaristo Luis Vargas Méndez

Local Government of Aranjuez
Francisco J. Fernández del Valle

Local Government of Fuenlabrada
José Santiago Sánchez Luque (Until 13.7.2013)

Local Government of Rivas Vaciamadrid
Guillermo Magadán Cuesta (Until 13.7.2013)

District of Catalonia-Balearic Isles

Local Government of Barcelona
Josep Tejedo Fernández (Until 13.7.2013)
Teresa Perelló Domingo (Since 29.11.2013)

Local Government of Lleida
Marta Camps Torrens (Until 13.7.2013)

Local Government of Granollers
(To be appointed)

Valencia-Murcia district

Local Government of Valencia
Joaquín Salvo Aranda

Local Government of Almassora
(To be appointed)

Rest of provinces district

Local Government of A Coruña
(To be appointed)

Local Government of Sevilla
Antonio Rodríguez Galindo

Local Government of Toledo
María Elisa Romero Fernández-Huidobro

Employees

District of Zaragoza
José Luis Delatas Pellejero
José María Fernández Bañeres
Ignacio Ramón Liria Lafarga
Alberto Peralta Bayo

District of Huesca-Teruel
Luis Miguel Español Viñola

District of La Rioja
José Luis Lagunilla Martínez (Until 14.7.2013)

District of Madrid-Guadalajara
José Manuel Novo Balado
Jaime Zaro Jiménez

District of Cataluña-Baleares
Miguel Ángel de la Fuente Aige

Valencia-Murcia district
Santiago Pino Valle (Until 26.7.2013)

Rest of provinces 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 Herráiz Bayod
(International Cooperation NGO)
Bernardo Jiménez Moreno (†)
(Ramon Rey Ardid Foundation)
José Luis Lucea Lafuente
(Federico Ozanam Foundation)
José Antonio Méndez Gil (†)
(Spanish Society Against Cancer)
Francisco Juan Ratia Sopena
(Coordinator Assocs.of Disabled Individuals
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 (Aut. Region of Aragon)
2nd Vice President	Mr. Alberto Palacio Aylagas (Depositors) (Until 1.3.2013)
Secretary	Mr. Jesús Bueno Arrese (Local Authority)
Members	Mr. Lorenzo Bergua Lorente (Depositors)
	Mr. Manuel Vicente Giménez Gascón (Depositors)
	Mr. Julián López Babier (Aut. Region of Aragon)
	Ms. Lucía Gómez García (Local Authority)
	Mr. Joaquín Molinos Follos (Local Authority)
	Mr. Fernando Cavero López (Aut. Reg. Aragon) (Until 13.7.2013)
	Ms. María Carmen Sánchez Asín (Aut. Reg. Aragon)
	Ms. Isabel Marco Sanjuán (Depositors)
	Mr. Enrique Monzón Simón (Depositors)
	Ms. María Cristina Azpeitia Larrea (Depositors)
	Mr. Enrique Viejo-Fluiters Ximénez (Depositors)
	Ms. Ana Isabel Ordás Escó (Depositors) (Since 29.4.2013)
	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)

General Manager

Mr. José Luis Aguirre Loaso

Control Committee

President	Mr. Jesús Solchaga Loitegui (Local Authority) (Until 24.7.2013)
	Mr. Fernando Vicente Thomas (Founding Entity) (Since 24.7.2013)
Vicepresident	Mr. Luis Ramón García Carús (Autonomous Region of Aragon)
Secretary	Mr. Fernando Vicente Thomas (Founding Entity) (Until 24.7.2013)
	Ms. María Jesús Blecua Lis (Depositors) (Since 24.7.2013)
Members	Mr. José Manuel Pomar Sasot (Depositors)
	Ms. María Teresa Soro Andiano (ERIC)
	Mr. Luis Miguel Español Viñola (Employees) (Until 25.1.2013)
	Ms. María Jesús Blecua Lis (Depositors) (Until 24.7.2013)
	Mr. Ignacio Ramón Liria Lafarga (Employees) (Since 25.1.2013)

Activities carried out during 2013 by the governing bodies of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja

General Assembly

This Governing Body of the parent company held the annual meeting on June 27, 2013.

At said meeting, the General Assembly, after reviewing the reports of the Control Committee and the External Auditors, and taking into account the proposals made by the Board of Directors at its meeting of February 28, 2013, approved the Individual and Consolidated Annual Accounts of the Entity for the year ended December 31, 2012, including the Balance Sheet, the Income Statement with the consequent application of the loss, the Statement of Changes in Net Assets and Cash Flows and the Notes to the Financial Statements for the Year, as well as the Directors' Reports. The Assembly also approved the Management and Settlement of Expenses of the Foundation for the year 2012 and its Budget for 2013.

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 of the Entity approved at the meeting of the Board of Directors of February 28, 2013.

Lastly, in view of the economic crisis and that credit entities need to reinforce their solvency, after explicitly stating that the Foundation activities must be scheduled in an efficient way to assist the more vulnerable and underprivileged people, achieving greater efficiency and rationalizing expenditure, which includes closing down those social works whose activities can be taken over by others or can be carried out through agreements with other entities or associations, the General Assembly approved a proposal by the Board of Directors to close down the following own Foundation centers: the Study Room at Calle Madre Sacramento in Zaragoza, the Ibercaja Lerida Cultural Center, the San Jose de Zaragoza Nursery and the Teruel Cultural Center.

Board of Directors

This Governing Body held 12 meetings in 2013, in performance of its financial management and administration duties.

The Board of Directors of the Savings Bank, as shareholder of Ibercaja Banco SA, has been timely informed of the matters dealt at the meetings of the Board of Directors of the Bank, especially those relating to the restructuring of the Spanish financial industry and to the process of integration of Banco Grupo Cajatres SA.

At a meeting held on February 28, the Board formulated the Individual and Consolidated Annual Accounts for the year ended on December 31, 2012 (the Balance Sheet, Income Statement, Statement of Changes in Net Assets and Cash Flows as well as the Notes to the Annual Financial Statements), and the accompanying Directors' Reports.

In addition, at said meeting, the Board approved the Corporate Governance Report, the Corporate Social Responsibility Report and the Remuneration Report referred to in Section 61'' of the Spanish Securities Market Act, to be brought before and voted on by the General Assembly. At a meeting of March 19, the Board approved the annual capital self-evaluation report and took note of the report for prudential purposes.

At a meeting of May 30, 2013, the Board of Directors ratified the final Agreement on Integration of Ibercaja Banco SAU and Banco Grupo Cajatres SA, executed on May 23, 2013 between Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja, Ibercaja Banco SAU, Caja de Ahorros de la Inmaculada de Aragon, Caja de Ahorros y Monte de Piedad del Circulo Catolico de Obreros de Burgos and Monte de Piedad y Caja General de Ahorros de Badajoz, as well as Banco Grupo Cajatres SA. At the meeting of July 24, the Board delegated in the President the necessary powers to take part in the increase in share capital of Ibercaja Banco SA and to appoint new directors on behalf of and exercising powers of the Stockholders Meeting of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragon y Rioja, as single shareholder of Ibercaja Banco SAU.

At a meeting of October 24, the Board likewise delegated in the President the necessary powers to taken part in the increase in share capital of Ibercaja Banco SA out of available revaluation reserves.

Control Committee

In performance of its duties of examining the conduct of the business by the Board of Directors from an economic and financial viewpoint 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 12 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.

At the meeting it held on July 4, the Committee took note that 26 general directors were stepping down effective July 13, 2013, at the end of the extension of the term foreseen for applying the new rules on disqualifying circumstances for members of the governing bodies of Savings Banks of Royal Order-in-Council 11/2010, of July 9, 2010, on the governing bodies and other aspects of the legal system for Savings Banks, amending Act 31/1985, of August 2, 1985, on the basic provisions regulating the Governing Bodies of Savings Banks, that are included in Article 18.h of the By-laws.

Grupo iberCaja