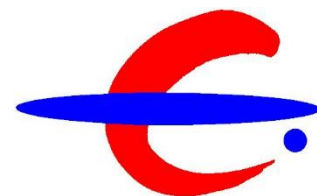


Grupo Ibercaja



Pillar III Report

Pillar III Disclosure Information.

December 2015

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1 Executive Summary

The present Pillar III Disclosures comply with that established in the Eighth Part of Regulation (EU) 575/2013 of the European Parliament and Council (hereinafter CRR – Capital Requirements Regulation) about “Disclosure by the Entities” and the developed in detail by EBA RTS/ITS guidelines and documents, all of this under the Pillar III framework of the Basel Commission Capital Accord.

Pillar III intends to foster market discipline through the development of a set of requirements on information disclosure which enable the distinct agents to assess the entity’s risk exposure, assessment processes, risk management and control, Group capital sufficiency and internal governance.

The present Report contains the information required by the current regulation:

- The regulatory framework, governance bodies, scope for capital requirement purposes, policy on information disclosure and policies and goals regarding risk management.
- Computable own resources and Group solvency level, features of the risk profile in its distinct typologies: credit, market, operational, holdings or equity instruments not included in the trading book, structural interest rate, liquidity, securitisations.
- Leverage, non-pledged assets and remuneration policy.

Grupo Ibercaja Banco (hereinafter “Ibercaja” or the “Group”) is the eighth Spanish banking group in view of its assets volume, and its main activity is focused on retail banking, practically developing the totality of its business in national territory.

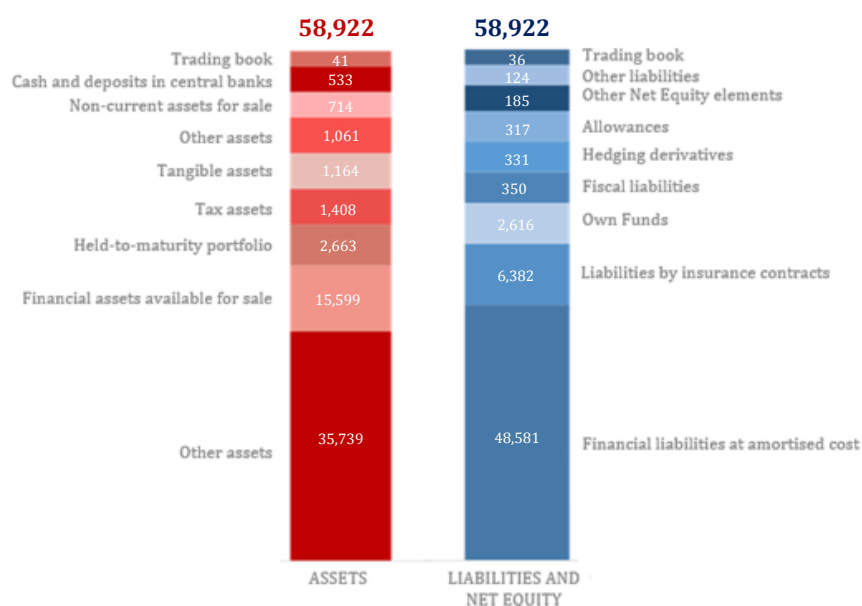
Its social object is the performance of all classes of activities, transactions, actions, contracts and typical services of the banking business in general, as well as the provision of investment and auxiliary services, always under current regulation at each moment.

Its mission is to aid in the management of family and company finances, offering a global and tailored service. For this purpose, it offers excellent solutions to the financial needs of its three million clients.

Its activity is underpinned by an infrastructure of 1,272 offices located throughout the entire Spanish territory and during the 24 daily hours in Ibercaja Directo, with highly qualified staff formed by 5,963 professionals.

The Group has reached in 2015 a net profit of € 84M and has continued reinforcing its solvency levels. The quality of results has been increased by the lesser weight of “Gains on Financial Transactions” and the improvement of the retail business.

In the next sections the most relevant magnitudes are gathered, which are subsequently developed in the report.

Consolidated Balance Sheet as of 31 December 2015 (in millions of euros)**Own funds and solvency ratios**

Group own resources correspond to:

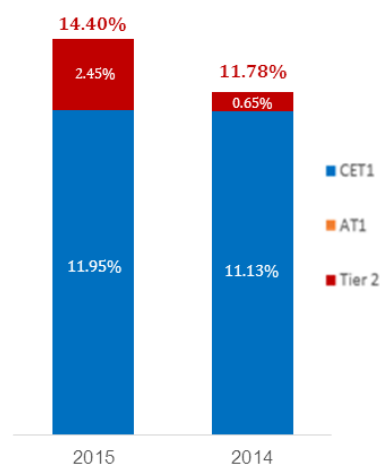
Computable Own Funds	
(thousands of euros)	Amount
Computable Own Funds 2015	3,384,655
Computable Own Funds 2014	2,904,602

According to the current regulation regarding the Basel Capital Accord framework for solvency determination, as of 31 December 2015, the Group widely complies with minimum solvency ratios (Basel Pillar I) required. Total solvency ratio in 2015 is 14.40%, much higher than the minimum 8% required by current law.

Likewise the current CET1 phase-in ratio is equal to 11.95%, higher than the CET1 capital decision communicated to the Entity as a result of the Supervisory Review and Evaluation Process (SREP) for 2016 which amounts to 9.25%. Group solvency exceeds this regulatory minimum requirement by 270 basis points.

Capital Ratios

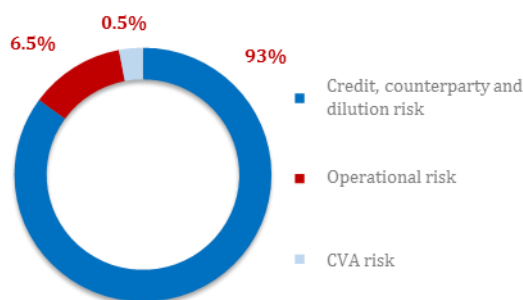
	Amount
Common Equity Tier 1 ratio (CET1)	11.95%
Minimum required CET1	4.50%
Tier 1 ratio (T1)	11.95%
Minimum required T1	6.00%
Total Capital ratio	14.40%
Minimum required Total Capital	8.00%



In Annex I capital ratios are incorporated without applying transitional measures (fully-loaded).

Capital Requirements

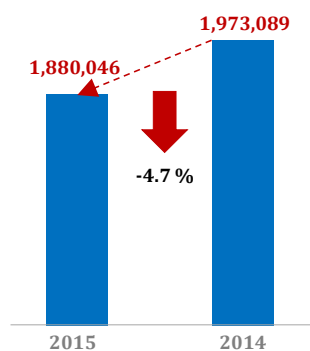
During 2015, requirements by credit risk have amounted to 93% of capital requirements, while requirements by operational risk have amounted to 6.5%.



Minimum capital requirements

(thousands of euros)	Amount
Minimum capital requirements	1,880,046
Capital requirements for credit, counterparty and incomplete operations risk	1,746,082
Capital requirements for market risk	-
Capital requirements for operational risk	125,610
Capital requirements for credit valuation adjustment (CVA)	8,355
Risk-weighted assets	23,500,580

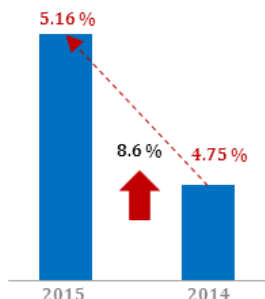
Minimum capital requirements by Pillar I risks have decreased 4.7% with respect to 2014, reaching a figure equal to € 1.88 bn.



* Amount in thousands of euros

Leverage Ratio

The leverage ratio has increased by 8.6% with respect to 2014, meaning that a greater level of assets is funded with CET1.



Regulatory framework for Own Resources and entity supervision

Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, jointly with the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, constitute the current regulation for own resources and supervision of Spanish credit institutions on a consolidated basis.

Pillar 3 Information Disclosure. Pillar III Disclosures 2015

The eighth part of the First Chapter of Regulation (EU) No 575/2013 of the European Parliament and the Council (CRR) establishes that financial institutions shall publish, at least once a year, relevant information for the adequate understanding of their business profile, policies and objectives in terms of risk management, as well as a description of their exposure to the distinct risks and the composition of their capital base.

The objective of this report is to comply with such disclosure requirements to the market of the consolidated Group of Ibercaja Banco S.A., established in Article 85 of *Ley 10/2014, de ordenación, supervisión y solvencia de entidades de crédito*, which requires compliance with the text established in the eighth part of Regulation (EU) 575/2013 (CRR).

In case that the information is confidential or barely important and is not disclosed for such reasons, specific reasons will be exposed explaining its absence and more general information will be provided, as long as this last one is not confidential.

In relation to disclosure with frequency higher than one year, the Group considers that the activity and risk-weighted assets (RWAs) of the business have been stable during 2015, and therefore does not deem the disclosure of information more frequent annually as necessary under Pillar III. However, the Institution is analyzing the BCBS document "Revised Pillar III Disclosure Requirements" which will enter into force at the end of 2016 and in which criteria and information to disclose are established with distinct periodicity.

The Pillar III Disclosures document is available in the website of Ibercaja Banco (www.ibercaja.es) in the part of *Información Corporativa – Accionistas e Inversores* in the section of *Información Económico – Financiera*.

The areas and functions responsible of the realisation of Pillar III Disclosures are the following:

- a) Control Directorate: In charge of the coordination, regulatory adequacy and contrast with the distinct Group information sources. Within the area the following participate:
 - i. General Accounting: Generation of quantitative and qualitative information of chapters related with Own Funds, Capital Requirements by distinct risks (credit, counterparty, trading book, market, equities, etc.), credit risk reduction, capital buffers and securitisations.
 - ii. Global Risk Control: RAF content reviews, leverage, non-pledged assets, structural interest rate risk and liquidity.
 - iii. Internal Control: capital requirements by operational risk.
- b) General Secretariat and Human Resources: information generation related to remuneration policies and quantitative data.

In accordance with Standard 59 from the *Circular del Banco de España 2/2016*, for the present Pillar III Disclosures 2015 the Group has assigned an independent expert (the Auditor of Annual Accounts for 2015 – PwC), an adequacy review to current regulation requirements and information verification.

According to the “*Política para la divulgación y verificación de la información con relevancia prudencial de Ibercaja Banco, S.A. y de su Grupo Consolidable*” approved by the Board of Directors, this report has been prepared by Control Directorate, approved by the CEO and the Board of Directors has adopted it in the meeting held on 17 March 2016.

Likewise, it shall be highlighted that for the preparation of the present report the Group has taken into account:

- The Guidelines, RTS (Regulatory Technical Standards) and ITS (Implementing Technical Standards) documents issued by the EBA and which develop contents from the eighth part of the CRR in terms of: policies on materiality, confidentiality and periodicity, leverage, pledged assets and countercyclical buffer;
- Best practices described in “*On Bank’s Transparency in their 2014 Pillar 3 Reports*”, EBA report which assesses effective disclosure by 17 European banks regarding distinct aspects of capital and risks, as well as recommendations included by the Basel Committee in the report “*Revised Pillar 3 Disclosure Requirements*”, published on January 2015.

2 Macroeconomic and regulatory context

Macroeconomic context

In 2015 the Eurozone has reached a moderate growth around 1.6%. To this end, contributing factors have included the ECB expansive monetary policy, the drastic oil price cut, the euro depreciation and the dilution of risks, such as the Grexit threat. By countries, main region countries and among them Spain, have seen how their economic activity accelerated. In such a way, Germany, with most recent available data, could exhibit a 1.7% annual growth rate, while France and Italy reach lower heights.

Due to the maintenance of inflation in rates around 0%, the ECB decided to cut back its reference rates and implement new quantitative easing measures, with an expanded programme of public sector security purchases.

With regard to the Spanish situation, GDP growth, supported by both internal and external factors, has reached 3.2% in 2015, largely higher than 1.4% registered in 2014. The unemployment rate has been reduced to 21% and affiliation to social security grew 3.18% on an inter-annual basis. On the other hand, external surplus was maintained and advancements were made on the correction of public accounts' imbalance. Energy prices led to negative inflation rates during a large part of the year, even though the underlying index remained positive.

Financial institutions continue to assume extraordinarily low interest rates, summing up to reduced advancements in savings, household and corporate deleveraging, and an increase in competitive pressure. Competition has been affected by the growth of non-banking financial institutions which focus their business on payments means, financial advice or credit. Thus the banking sector deepens in its process of change and restructuring.

Exercise 2015 in the Ibercaja Group

Ibercaja has obtained net profit equal to € 84.1 Million in 2015, due to the renewed intensity of credit activity, the capture of cost and income synergies coming by the integration of Caja 3, the positive evolution of off-balance sheet products (investment funds, pensions plans and savings insurance policies) and the decline in provisions.

Credit dynamism initiated on the previous year has accelerated in 2015, with the formalisation of € 4,125 Million in new operations, 51% higher than in 2014. 57% of this amount has been allocated to SME financing, one of the basic growth axes set by Ibercaja's Strategic Plan 2015-2017.

In the Liabilities side, administered clients' resources have increased by 1.9% up to € 49,510, with a notable behaviour coming from off-balance items, which increase €1,533, a 9.2% inter-annual growth rate. Market share in investment funds within the national market is equal to 4.06%, 26 basis points more than in December 2014, a historical maximum for the Institution.

Regulatory framework

2.1.1 Introduction

The regulatory context in terms of capital requirements comes shaped by the publication, in December 2010, of the new global regulatory framework affecting international solvency rules (Basel III) and which intensifies requirements established in the previous frameworks (Basel I, Basel II and Basel 2.5), in order to improve the quality, consistency and transparency of the capital base, as well as risk coverage.

On 26 June 2013 the incorporation of the Basel III legal framework to European law happened through Directive 2013/36/EU (a.k.a. CRD IV) about access to activity of credit institutions and their prudential supervision; and Regulation 575/2013 (a.k.a. CRR) about prudential requirements of credit institutions and investment companies.

CRD IV was transposed to Spanish law through *Ley 10/2014 de ordenación, supervisión y solvencia de entidades de crédito*, and its subsequent regulatory development through *Real Decreto Ley 84/2015* and *Circular 2/2016 de Banco de España*.

This *Circular* repeals in its major part *Circular 3/2008* (current for issues relative to minimum own funds and mandatory information submissions of mutual guarantee companies of *Circular 5/2008*), about determination and control of own funds; as well as a section of *Circular 2/2014*, concerning the exercise of diverse regulatory options contained in the CRR.

Since 1 January 2014, the CRR is to be mandatorily implemented in EU Member States and repeals any law of inferior rank involving additional capital requirements.

This new regulation requests much more demanding capital requirements than the previous regulation (*Circular 3/2008 de Banco de España*); and therefore allows a phased-in adaptation, through a gradual implementation calendar (incorporated to Spanish regulation through *Circular 2/2014 de Banco de España*), which affects new deductions, issuances and own funds' elements which with this new regulation cease to be eligible.

Similarly, capital buffers planned in the CRD IV are subject to a gradual implementation between 2016 and 2019.

2.1.2 Solvency

As previously stated, the CRR and CRD IV constitute the transposition to European law of the solvency regulation known as Basel III and regulate solvency levels and own funds' composition with which credit institutions must operate.

The phase-in inclusion of this law mainly affects the definition of computable own funds and the constitution of capital buffers above minimum regulatory levels. (The phase-in calendar for own funds requirements is described in section 4 of the present Report).

Likewise, and with the objective of establishing homogeneous implementation criteria in the entire European Union, the European Banking Authority (EBA) assumes the development of the most specific aspects of the CRR developing guidelines and criteria with greater detail.

2.1.3 Liquidity

The publication of the final version of the “*Basel III: The Net Stable Funding Ratio*” framework in October 2014, introduced a series of stable funding requirements for short-term exposures to financial sector entities and derivatives.

Likewise, in June 2015, requirements relative to the liquidity ratio NSFR were published in order to increase, transparency, reinforce liquidity risk management principles, strengthen market discipline and mitigate uncertainty with respect to its implementation. Bearing this in mind, since January 2018, banks shall disclose, along with quarterly financial statements, details on the numerator and denominator of the ratio.

2.1.4 Leverage ratio

In January 2014, the final version of “*Basel III: Leverage ratio framework and disclosure requirements*” was published as complementary measure to the remaining solvency indicators and with the goal of increasing prudence of entities’ financing structures, limiting excessive leverage and thus avoiding destabilisation of the economy and banking system.

2.1.5 Banking Recovery and Resolution

In 2014 the Directive 2014/59/UE (a.k.a. BRRD) was approved by the European Parliament and the Council, on 15 May 2014, which establishes the framework for the recovery and resolution of European credit institutions and investment services companies in order to harmonise the procedures to resolve financial institution crises in Europe, minimising costs for the taxpayer.

In this sense the financial sector has closed in 2015 the definition of Recovery Plans and during the 2016 exercise Institutions shall deliver the Resolution Plan according to the calendar communicated by the supervisor to each of them.

2.1.6 Models for regulatory capital calculation

In the context of regulatory capital calculation methodologies both under standard and advanced approaches, different milestones have been set in each of the Pillar I regulatory risks. Hereafter the most significant ones are exposed:

Credit risk:

In the context of IRB models, the ECB has communicated during 2015 its intention of starting a review of advanced models utilised for regulatory capital calculations, with the goal of reaching greater homogenisation and standardisation of supervision criteria of such models. This initiative is known as TRIM (Targeted Review of Internal Models), and is expected to take place between 2016 and 2018.

With respect to the standard model, in December 2015 a proposal was published on capital requirements which reintroduces the utilisation of external ratings in a non-mechanical manner for exposures to banks and corporations, establishing alternative approaches for the jurisdictions in which the usage of external ratings is not allowed.

In relation to sovereign debt treatment, the Basel Committee is working on the review of its prudential treatment and a consultative document is awaited for the second semester of 2016.

Market risk:

In January 2016, the Basel Committee has published a final calibration and review of capital for the trading book in its *Fundamental Review of the Trading Book*, which comprises the standard model, the advanced model and the separation between *banking book* and *trading book*.

Operational risk:

In Operational Risk, the Basel Committee is reviewing the consultation published in 2014 on the review of the standard method, which involved the replacement of the business lines of the current standard calculation methodology for the size of the Institution (defined as stages of relevant income), as the key aspect of the model.

It is expected that the BCBS published a new proposal during Q1 2016 which substitutes the current standard methods, as well as AMA internal models.

Credit Valuation Adjustments (CVA):

The Basel Committee published in 2015 a proposal for the review of the CVA risk framework - *Review of the Credit Valuation Adjustment (CVA) risk framework* - with the objectives being to: (i) ensure that all important drivers of credit valuation adjustment (CVA) risk and CVA hedges are covered in the Basel regulatory capital standard; (ii) align the capital standard with the fair value measurement of CVA employed under various accounting regimes; and (iii) ensure consistency with the proposed revisions to the market risk framework under the Basel Committee's FRTB.

Securitisations:

The Basel Committee issued in November 2015 a proposal to incorporate STC criteria (simple, transparent and comparable securitisations) within the review framework of capital for securitisations.

2.1.7 EBA Initiatives

During 2015 the EBA has continued to issue standards and guidelines which develop aspects of the European solvency regulation (CRR/CRD IV) and aid to ensure a harmonised implementation within the European Union of minimum capital requirements. These advancements are key to reduce variability in non-justified capital consumptions by distinct risk profiles, improving in this way the homogeneity and comparability among institutions.

Some of the most relevant regulatory initiatives proposed by the EBA in 2015 are the following:

- In January 2015 the EBA published a final proposal on *Prudent Valuation*, document that establishes the methodology to calculate additional valuation adjustments (AVAS by their initials) with the objective of obtaining the prudent value of positions at fair value.
- In 2015 the EBA presented the final report on the assessment of Additional Tier 1 instruments, as well as the update of the list of equity instruments that EU competent authorities label as CET1. Derived from such novelties, CET1 instruments include those without voting rights and the certificates issued by cooperative companies.
- In order to improve consistency and reach a harmonisation of the definition of default under the UE prudential framework, in September 2015 the EBA presented a proposal for homogenisation of the identification and treatment of exposures under default.
- In December 2015 the EBA presented the transparency exercise for 2015, providing details of the balance sheets and portfolios of 105 European banks, having taken information primarily from December 2014 and June 2015, provided from the supervisors.
- In December 2015 the EBA has published a proposal of the guidelines for the development of:
 - Internal Capital Adequacy Assessment Process (ICAAP).
 - Internal Liquidity Adequacy Assessment Process (ILAAP).
 - The framework and exercise of Stress Tests.

2.1.8 Single Supervision and Resolution Mechanism

During 2015 the Single Supervisory Mechanism (SSM) has consolidated its functioning, as the 129 most significant Eurozone banking groups are under the direct supervision of the ECB.

In such year, the SSM has developed the first exercise of the Supervisory Review and Evaluation Process (SREP), although it will be in 2016 when the final SREP methodology published by the EBA in December 2014 will be implemented.

Aligned with the objective of reaching a homogeneous development of the supervisory practice, the ECB published a consultation to reduce the 122 national discretions between Member States supervised by the SSM, having planned its implementation from March 2016 onwards.

With regard to the implementation of the crisis management framework, the Single Resolution Mechanism (SREM) is fully operative since the beginning of 2016.

3 Pillar III General Aspects

Introduction

Grupo Ibercaja is the eighth Spanish banking group in view of its assets volume, and its main activity is focused on retail banking, practically developing the totality of its business in national territory.

Ibercaja Banco, S.A. is a credit institution majorly owned (87.8% of its capital) by Fundación Bancaria Ibercaja, subject to laws and regulations determined by economic and monetary authorities, both Spanish and from the European Union.

Its social object is the performance of all activities, operations, actions, contracts and services typical of the banking business in general, which are allowed by the current legislation in each moment, including the provision of investment and auxiliary services.

Ibercaja Banco is the head of a group of subsidiaries, which jointly constitute Grupo Ibercaja Banco (hereinafter referred to as “Ibercaja” or the “Group”). Such companies compose its consolidated group and perform activities of diverse nature. Activities from the Financial Group stand out by their importance, both by their diversification in the offer of banking products and their profitability. The Financial Group is formed by companies specialised on investment funds, savings and pensions plans, bancassurance, wealth management and leasing/renting.

Its mission is to aid in the management of family and company finances, offering a global and tailored service. For this purpose, it offers excellent solutions to the financial needs of its three million clients.

Its activity is underpinned by an infrastructure of 1,272 offices located throughout the entire Spanish territory and during the 24 daily hours in Ibercaja Directo, with highly qualified staff formed by 5,963 professionals.

Governance Bodies

With the objective of complying with the CRR in its article 435.2, in the following section the following main bodies are detailed, which compose the corporate governance system, as well as the policies and elements which ensure the suitability and diversity of the members of the Board of Directors.

3.1.1 Board of Directors

Table 1. Members of the Board of Directors

Board of Directors			
Position	Name	Category	Date of last nomination
Chairman	D. Amado Franco Lahoz	Dominical	22/09/2011
1 st Vice-chairman	D. José Luis Aguirre Loaso	Dominical	22/09/2011
2 nd Vice-chairman	D. José Ignacio Mijangos Linaza	Dominical	29/10/2015
CEO	D. Víctor Iglesias Ruiz	Executive	28/01/2015
Secretary Counsellor	D. Jesús Barreiro Sanz	Dominical	11/11/2014
Member	D. Jesús Bueno Arrese	Dominical	22/09/2011
Member	D ^a . Gabriela González-Bueno Lillo	Independent	24/07/2013
Member	D. Jesús Solchaga Loitegui	Independent	24/07/2013
Member	D. Juan María Pemán Gavín	Dominical	24/07/2013
Member	D. Francisco Manuel García Peña	Dominical	24/07/2013
Member	D. Vicente Córdor López	Independent	27/01/2014

Table 2. Composition of the Board of Directors

Composition	
Category	%
% Executive counsellors	9%
% Dominical counsellors	64%
% Independent counsellors	27%
% Other external	0%
Number of meetings	16

All appointments of members of the Board of Directors have been adopted with a favourable report from the Appointments Commission.

3.1.2 Executive commissions of the Board of Directors.

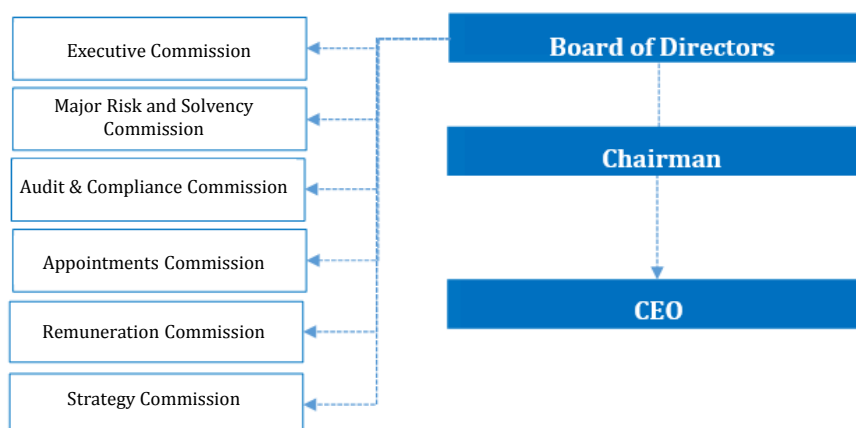


Illustration 1. Executive Commissions of the Board of Directors

Executive Commission*Table 3. Composition of the Executive Commission*

Composition	
Category	%
% Executive counsellors	14%
% Dominical counsellors	71%
% Independent counsellors	14%
% Other external	0%
Number of meetings	24

The permanent delegation of powers by the Board of Directors to the Executive Commission, comprises all the powers of the Board of Directors, except the legally or statutorily non-delegable. Their agreements are valid and binding without subsequent ratification by the full Board of Directors.

In the regular conduct of its meetings, the Executive Commission has had access to the reports of the Chairman and CEO, who have analysed, inter alia, the main macroeconomic variables and the evolution of the Entity's data: balance sheet and income profit and loss; evolution of the portfolio of the company; customer resources and customer loans; market shares; liquidity management; NPL and coverage rates; activity volumes and results of the Group's subsidiaries.

Also, it has ruled on financing operations under its consideration, due to its necessary authorisation or ratification for reasons of amount or status of the applicants. Similarly, it has ratified the operations approved, rejected or ratified by the Credit Risk Commission, it has adopted several agreements regarding the divestment in investees, and has had knowledge of the disciplinary files under the terms provided in the labour law and the collective agreement.

Audit and Compliance Commission*Table 4. Composition of the Audit and Compliance Commission*

Composition	
Category	%
% Executive counsellors	0%
% Dominical counsellors	50%
% Independent counsellors	50%
% Other external	0%
Number of meetings	12

The Commission's functions come expressly gathered in the Regulation of the Board of Directors. In particular:

- Report to the General Meeting on the issues that the shareholders pose in terms of its competency.
- Supervise the effectiveness of the Entity's internal control, internal audit and the risk management systems, including tax.

- Supervise the process of preparation and presentation of regulated financial information.
- Propose the appointment or re-election of the account auditor.
- Establish the appropriate relations with the external auditor to receive information on issues relative to its independence.
- Receive once a year from the external auditor written confirmation of its independence with respect to the Entity or its group, issuing the corresponding report.

During the exercise, the Commission has been informed of the requirements and communications received from supervisory bodies in the field of its competence; has known and informed operations to formalise with related parties; has known the periodic reports of the functions of regulatory compliance and internal audit, as well as the reports issued by the external auditor. With regard to financial reporting it has known and supervised the process of preparation and presentation of the regulated financial information, it has reviewed the financial statements of the Entity as well as the periodic financial information to be provided by the Board of Directors to the markets and supervisory bodies.

Appointments Commission

Table 5. Composition of the Appointments Commission

Composition	
Category	%
% Executive counsellors	0%
% Dominical counsellors	50%
% Independent counsellors	50%
% Other external	0%
Number of meetings	6

The Appointments Commission has functions of reporting to the Board of Directors on nomination proposals. In particular:

- Assess the suitability of the Counsellors.
- Establish a representation target for the least represented sex in the Board of Directors.
- Conduct, for the General Meeting, the proposals of nomination, re-election or termination of independent Counsellors.
- Inform about the proposals of nomination and separation of senior executives and professionals with key functions and the basic conditions of their contracts.
- Examine and organise the succession of the Chairman and CEO.

During the business year the Commission has informed on, among other aspects, the proposal of nomination of the CEO, Counsellors and professionals with key functions within the Entity (members of the Steering Commission and the responsible of the regulatory compliance function).

Remuneration Commission*Table 6. Composition of the Remuneration Commission*

Composition	
Category	%
% Executive counsellors	0%
% Dominical counsellors	50%
% Independent counsellors	50%
% Other external	0%
Number of meetings	6

The Remuneration Commission has conferred functions of information, advice and proposal on remunerations of Counsellors, general managers or similar, and persons whose professional activity significantly impacts on the risk profile of the Entity.

During the business year the Commission has informed, advised and formulated to the Board of Directors proposals on remunerations of Counsellors, senior management and persons whose professional activity significantly impacts on the risk profile of the Entity.

Major Risks and Solvency Commission*Table 7. Composition of the Commission of Major Risks and Solvency*

Composition	
Category	%
% Executive counsellors	0%
% Dominical counsellors	67%
% Independent counsellors	33%
% Other external	0%
Number of meetings	5

The Commission's main function is to advise the Board on the overall propensity to, current and future risk of the Entity and its Group, and its strategy in this area, assisting the Board of Directors in monitoring the implementation of this strategy by the senior management and performing monitoring the Group's solvency levels and proposing actions it deems appropriate for improvement.

During the business year the Commission has had knowledge and informed the Board of Directors on the Entity's Risk Appetite Framework and its quarterly monitoring reports, as well as the annual self-assessment report on capital and liquidity corresponding to business year 2014. In addition, the Commission has known and informed the Board of Directors on proposals to amend the Manuals of Policies and Procedures regarding risk management.

Strategy Commission

Table 8. Composition of the Strategy Commission

Composition	
Category	%
% Executive counsellors	0%
% Dominical counsellors	67%
% Independent counsellors	33%
% Other external	0%
Number of meetings	4

The main function of the Commission is to inform the Board of Directors on the strategic policy of the Company, ensuring that there is an accurate organisation for its practical implementation.

The Commission has performed during the year 2015 the regular monitoring of the Strategic Plan approved by the Board of Directors, of great importance for the proper management of the Entity in the medium and long-term, as well as the quarterly monitoring of budgetary developments, as concretion of the mandates contained in the aforementioned Strategic Plan, giving notice to the Board of Directors of the conclusions obtained.

Information on corporate governance of the Group is accessible through the corporate website www.ibercaja.es, in section “*Accionistas e inversores/gobierno corporativo*”.

3.1.3 Procedures to ensure the suitability of the members of the Board of Directors

The Group has a policy for assessing suitability of the members of the Board of Directors and persons with key roles in the Entity, approved by the Board of Directors, which aims to establish criteria and systems that the Entity will apply for the assessment of the suitability of the members of the Board of Directors, general managers or similar, responsible for internal control functions and other key positions for the daily development of the activity of the Entity.

Evaluating the concurrence of the requirements is the responsibility of the Apointments Commission, in charge of developing, in accordance with the Regulations of the Board of Directors, the following competencies:

- Formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates to ensure that selection procedures favour diversity of gender, experience and knowledge, and may not involve any discrimination and, in particular, facilitate the selection of female Counsellors.
- Assess the competencies, knowledge and experience necessary in the Board of Directors, defining the necessary functions and competencies that the candidates for each vacancy shall meet, and evaluate the precise time and dedication so that they can perform their tasks.
- Elevate to the Board of Directors the nomination proposals of independent Counsellors for their submission to the General Meeting of Shareholders, as well as the proposals for their re-election or separation of such Counsellors by the General Meeting of Shareholders.

- Report the nomination proposals and cessation of senior executives that the first executive proposes to the Board of Directors.

For the evaluation of the suitability of persons who are part of the collective subject to the suitability assessment policy, following the criteria established in the current regulation, their commercial and professional honorability and their knowledge and experience are taken into account.

In the case of members of the Board of Directors, considerations also include aspects that reinforce good governance and capacity of dedication, independence and avoidance of conflicts of interest. With the same purpose, the maximum number of positions that Counsellors can hold simultaneously has been limited, in Governing Bodies of other companies.

The Evaluation Policy is reviewed at least annually, and verified with the same frequency as the members of the group identified do not incur in causes of supervening incompatibility, without prejudice to the obligation of all to communicate such circumstances, in the hypothetical event that they occurred.

The suitability assessment policy that contemplates persons integrating the collective subject, is available to the supervisory authorities, under the terms established in the current regulation.

3.1.4 Policy on Dedication of Counsellors

This policy develops the criteria which will determine the concurrence of the requirement of willingness to good governance of the Entity to be met by members of the Board of Directors, in order that they can devote sufficient time to the performance of their duties. In particular, contemplation involves the diligence duty; obligation of attendance to the meetings of the governing bodies of which they are part; information rights and counsellor obligations; limitation on the maximum number of governing bodies of other entities of which they may be part.

3.1.5 Training actions to the Board of Directors in terms of Risks and Regulation

In relation to the requirement of Article 435 of the CRR about the knowledge and competencies of the Board of Directors, the Group has developed during business year 2015 different education actions regarding the main regulatory changes in terms of risk governance of Entities. The content of the most relevant education actions is described hereafter:

- Training Session about the Banking Union: In relation to the constitution, powers and functioning of the single supervisory and resolution mechanisms.
- Training Session about Corporate Governance: In relation to the main corporate governance aspects (as well as of the Guidelines issued by the EBA on Corporate Governance).
- Training Session about the financial/economic environment, financial sector and context of the Banking Union.

3.1.6 Diversity in Governance Bodies

The Entity has watched to avoid at all times that their internal governance rules contain implicit biases against the selection of women to join its governing bodies and senior management.

Even though a minimum representation target has not yet been established for the gender less represented on the Board of Directors, it has expressly been stated in the Regulation of this body, that it is competence of the Apointments Commission to establish a representation target for the sex less represented in the Board of Directors and develop guidance on how to achieve such target.

According to the criteria established in the Good Governance Code of listed companies, it is expected to reach the target that by 2020 the number of female Counsellors represents at least 30% of the total members of the Board of Directors.

Consolidation Scope

The information presented in this report corresponds to the Consolidated Group of credit institutions whose parent entity is Ibercaja Banco S.A.

Hereafter a summary is offered on the main differences relative to the scope and consolidation methods applied in the Consolidated Group of Ibercaja's credit institutions for the purposes of the established in Regulation (EU) 575/2013 (CRR), presenting its informing in the present report, and the Group of credit institutions for the purposes of the established in the third rule of the *Circular 4/2004 del Banco de España, de 22 de diciembre*:

In the preparation of the Consolidated Annual Accounts of the Group of Ibercaja's credit institutions, all subsidiaries have been consolidated applying the full consolidation method, no matter whether they comply or not with the requirements to be consolidated given their activities.

However, for the purposes of the application of solvency requirements, in the information corresponding to the Consolidated Group, the full consolidation method, defined in *Circular 4/2004 del Banco de España, de 22 de diciembre*, has only been used to consolidated subsidiaries which are, in turn, "entities to consolidate given their activity" in accordance with the established in chapter 2 of Regulation (EU) 575/2013 (CRR). Companies from Group Ibercaja that cannot be consolidated by their activity have been valued, for these purposes, through the application of the "equity method", defined in the forty-ninth rule of the *Circular 4/2004 del Banco de España*.

In accordance with the established in rule 46th of the *Circular 4/2004 del Banco de España de 22 de diciembre*, in the preparation of the Consolidated Annual Accounts of the Group of Ibercaja's credit institutions, multi-group companies have been valued through the equity method, regardless of their compliance with the requirements to consolidate them by their activity.

Nevertheless, for the purposes of the application of solvency requirements, in the information of the Consolidated Group, holdings in multi-group companies which at the same time shall be consolidated by their activity, are consolidated through the application of the proportional consolidation method, as defined in rule 48th of the *Circular 4/2004 del Banco de España*. Holdings in multi-group companies which shall not be consolidated by their activity are valued, for the purposes of the preparation of the information of the Consolidated Group, applying the equity method, as defined in rule 49th of the *Circular 4/2004 del Banco de España*.

In accordance with criteria previously indicated, detail is offered as of 31 December 2015.

- a) Subsidiary companies of the Consolidated Group for solvency purposes, to which the full consolidation method has been applied:

Table 9. Subsidiary companies, full consolidation

Business name	
Ibercaja Banco SA	Cerro Goya SL
Ibercaja Leasing SA	Ibercaja Servicios Inmobiliarios SA
Ibercaja Gestión SA	Ibercaja Gestión de Inmuebles SA
Ibercaja Pensión SA	TDA 2 Ibercaja Fondo Titulización
Ibercaja Patrimonios SA	TDA 3 Ibercaja Fondo Titulización
Ibercaja Mediación de Seguros SA	TDA 4 Ibercaja Fondo Titulización
Ibercaja Participaciones Empresariales SA	TDA 5 Ibercaja Fondo Titulización
Ibercaja SA	TDA 6 Ibercaja Fondo Titulización
Iberprofin SA	TDA 7 Ibercaja Fondo Titulización
Servicios a distancia IBD SL	TDA ICO Ibercaja Fondo Titulización
Dopar Servicios SL	Anexa Capital SCR SA
Enclama SL	Badajoz Siglo XXI SL
Cajaragon SL	CAI Inmuebles SA
Inmobinsa SA	Caja Inmaculada Energía e Infraestructuras SA
Cerro Murillo SA	Cartera de Inversiones Lusitania SL
Residencial Murillo SA	Inmobiliaria Impulso XXI SA

- b) Subsidiary or multi-group companies, that in the preparation of the Consolidated Financial Statements of the Consolidated Group for solvency purposes, have not been fully consolidated and have been valued through the equity method:

Table 10. Subsidiary and multi-group companies, equity method

Business name
Grupo Alimentario Naturiber SA
Ibercaja Viajes SA
Maprusa SA
Tipo Línea SA
Espacio Industrial Cronos SA
Gedeco Zona Centro SL

- c) Multi-group companies valued through the proportional consolidation method:

Table 11. Multi-group companies, proportional consolidation method

Business name
Montis Locare SL

Hereafter detail is presented on the significant holdings in assurance companies which are owned by the Consolidated Group as of 31 December 2015, which belong to the economic group as defined in the *Circular 4/2004 del Banco de España*, and their underlying book value has not been directly deducted from own resources, but for the purposes of calculating minimum own resources requirements, has been included through a 100% weight in risk-weighted assets, in accordance with the established in Article 49 of Regulation (EU) 575/2013 (CRR) and as authorized by the Executive Commission of the Bank of Spain:

Table 12. Significant holdings in assurance companies

Business name
Ibercaja Vida SA
CAI Seguros Generales SA

Modifications in the consolidation scope and corporate operations:

During 2015 advancements have continued in the process of integration and consolidation of the investee companies that were integrated into the Group coming from Banco Grupo Caja 3.

The decisions of liquidation, sale and merger have been targeted to improve efficiency and operability, and divest in companies that do not provide value to the Group.

Table 13. Scope modifications

Scope modifications
Companies liquidated in 2015
Caja3 Bolsa Sociedad de Valores SA
Agencia de Viajes Caja Badajoz SA
Viajes Caja Círculo SA
Companies sold in 2015
Telehuesca SL
Radio Huesca SA
Mergers registered in 2015
CAI Mediación de Seguros SA merges with Ibercaja Mediación de Seguros SA
CAI Viajes SA merges with Ibercaja Viajes SA
Caja Badajoz Vida y Pensiones SA merges with Ibercaja Vida SA

Differences between the accounting and regulatory capital consolidation method.

Hereafter, conciliation is presented between the Public Balance Sheet and the Balance Sheet for the purposes of solvency regulation of credit institutions (Prudential Balance Sheet) as of 31 December 2015. The intention is to show the transition between accounting and prudential information.

Table 14. Conciliation accounting and regulatory scope

DISTRIBUTION					thousands of euros
ASSETS	CONSOLIDATED GROUP OF CREDIT INSTITUTIONS	ASSURANCE ENTITIES	OTHER ADJUSTMENTS	TOTAL PUBLIC BALANCE SHEET	
1. CASH AND BALANCES AT CENTRAL BANKS	532,619	-	7	532,626	
2. TRADING BOOK	39,872	-	1,455	41,327	
2.1. Deposits in credit institutions	-	-	-	-	
2.2. Credit to clients	-	-	-	-	
2.3. Debt securities	690	-	-	690	
2.4. Equity instruments	-	-	-	-	
2.5. Trading derivatives	39,182	-	1,455	40,637	
Memorandum item: Loaned or advanced as collateral	-	-	-	-	
3. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	221	52,391	1	52,613	
3.1. Deposits in credit institutions	-	-	-	-	
3.2. Credit to clients	-	-	-	-	
3.3. Debt securities	-	5,264	-	5,264	
3.4. Equity instruments	221	47,127	1	47,349	
Memorandum item: Loaned or advanced as collateral	-	-	-	-	
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS	10,296,133	5,321,277	-18,194	15,599,216	
4.1. Debt securities	9,859,352	5,316,154	-18,194	15,157,312	
4.2. Equity instruments	436,781	5,123	-	441,904	
Memorandum item: Loaned or advanced as collateral	6,154,768	-	-30,030	6,124,738	
5. LOANS	35,436,457	1,721,802	-1,419,633	35,738,626	
5.1. Deposits in credit institutions	718,101	1,400,833	-1,312,664	806,270	
5.2. Credit to clients	32,861,639	196	-70,524	32,791,311	
5.3. Debt securities	1,856,717	320,773	-36,445	2,141,045	
Memorandum item: Loaned or advanced as collateral	6,083,916	-	-	6,083,916	
6. HELD-TO-MATURITY INVESTMENTS	2,662,571	-	-	2,662,571	
Memorandum item: Loaned or advanced as collateral	1,919,326	-	-	1,919,326	
7. ADJUSTMENTS TO FINANCIAL ASSETS FOR MACRO-HEDGES	-	-	-	-	
8. HEDGING DERIVATIVES	358,908	-	-1,456	357,452	
9. NON-CURRENT ASSETS FOR SALE	717,568	-	-3,351	714,217	
10. HOLDINGS	734,596	-	-599,460	135,136	
10.1. Associated companies	104,217	-	-	104,217	
10.2. Multi-group companies	30,919	-	-	30,919	
10.3. Group companies	599,460	-	-599,460	-	
11. INSURANCE CONTRACTS ASSOCIATED TO PENSIONS	118,947	-	-118,947	-	
12. REINSURANCE ASSETS	-	960	-	960	
13. TANGIBLE ASSETS	1,063,054	56,361	44,319	1,163,734	
13.1. Property, plant and equipment	612,344	51,976	44,319	708,639	
13.1.1. For own usage	597,634	51,976	44,330	693,940	
13.1.2. Leased out under an operating lease	14,710	-	-11	14,699	
13.1.3. Assigned to welfare works (only Savings Banks and Credit Cooperatives)	-	-	-	-	
13.2. Real estate investments	450,710	4,385	-	455,095	
Memorandum item: Acquired under a finance lease	-	-	-	-	
14. INTANGIBLE ASSETS	185,921	35	17,615	203,571	
14.1. Goodwill	128,065	-	16,869	144,934	
14.2. Other intangible assets	57,856	35	746	58,637	
15. TAX ASSETS	1,397,183	646	9,791	1,407,620	
15.1. Current	32,100	1	52	32,153	
15.2. Deferred	1,365,083	645	9,739	1,375,467	
16. OTHER ASSETS	319,780	3,394	-11,151	312,023	
16.1. Stocks	241,052	-	1,669	242,721	
16.2. Other	78,728	3,394	-12,820	69,302	
TOTAL ASSETS	53,863,830	7,156,866	-2,099,005	58,921,692	

LIABILITIES	CONSOLIDATED GROUP OF CREDIT INSTITUTIONS	ASSURANCE ENTITIES	OTHER ADJUSTMENTS	TOTAL PUBLIC BALANCE SHEET
1. TRADING BOOK	35,969	-	-	35,969
1.1. Central bank deposits	-	-	-	-
1.2. Deposits in credit institutions	-	-	-	-
1.3. Client deposits	-	-	-	-
1.4. Debt represented by tradable securities	-	-	-	-
1.5. Trading derivatives	35,969	-	-	35,969
1.6. Short positions on securities	-	-	-	-
1.7. Other financial liabilities	-	-	-	-
2. OTHER FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-
3. FINANCIAL LIABILITIES AT AMORTISED COST	49,928,794	38,526	-1,386,003	48,581,317
3.1. Central bank deposits	2,053,035	-	-	2,053,035
3.2. Deposits in credit institutions	4,896,517	-	12,223	4,908,740
3.3. Client deposits	40,347,696	-	-1,318,248	39,029,448
3.4. Debt represented by tradable securities	976,458	-	-50,640	925,818
3.5. Subordinated liabilities	1,051,040	-	-4,005	1,047,035
3.6. Other financial liabilities	604,048	38,526	-25,333	617,241
4. ADJUSTMENTS TO FINANCIAL LIABILITIES FOR MACRO-HEDGES	6,930	-	-	6,930
5. HEDGING DERIVATIVES	330,474	-	-	330,474
6. LIABILITIES ASSOCIATED TO NON-CURRENT ASSETS FOR SALE	-	-	-	-
7. INSURANCE CONTRACT LIABILITIES	-	6,500,341	-118,119	6,382,222
8. PROVISIONS	306,511	-	10,485	316,996
8.1. Fund for pensions and similar liabilities	129,208	-	17,981	147,189
8.2. Provisions for taxes and other legal contingencies	10,340	-	-	10,340
8.3. Provisions for risks and contingent commitments	24,834	-	-	24,834
8.4. Other provisions	142,129	-	-7,496	134,633
9. TAX LIABILITIES	315,957	35,490	-1,332	350,115
9.1. Current	5,472	-	26	5,498
9.2. Deferred	310,485	35,490	-1,358	344,617
10. FUNDS FOR WELFARE WORKS (only Savings Banks and Credit Cooperatives)	-	-	-	-
11. OTHER LIABILITIES	117,047	3,269	-3,302	117,014
12. EQUITY REFUNDABLE ON DEMAND (only Credit Cooperatives)	-	-	-	-
TOTAL LIABILITIES	51,041,682	6,577,626	-1,498,271	56,121,037

EQUITY	CONSOLIDATED GROUP OF CREDIT INSTITUTIONS	ASSURANCE ENTITIES	OTHER ADJUSTMENTS	TOTAL PUBLIC BALANCE SHEET
1. OWN FUNDS	2,637,861	517,749	-540,055	2,615,555
1.1. Endowment Capital/Fund	2,144,276	105,065	-105,065	2,144,276
1.1.1. Issued	2,144,276	135,065	-135,065	2,144,276
1.1.2. Minus: Non-required capital	-	30,000	-30,000	-
1.2. Share premium	-	-	-	-
1.3. Reserves	409,465	352,705	-375,014	387,156
1.3.1. Reserves (losses) accumulated	361,246	352,705	-263,205	450,746
1.3.2. Reserves (losses) of companies valued through the equity method	48,219	-	-111,809	-63,590
1.4. Other capital instruments	-	-	-	-
1.4.1. From compound financial instruments	-	-	-	-
1.4.2. Participatory shares and associated funds (only Savings Banks)	-	-	-	-
1.4.3. Other equity instruments	-	-	-	-
1.5. Minus: Treasury stock	-	-	-	-
1.6. Profit of the year attributable to the parent entity	84,120	89,978	-89,975	84,123
1.7. Minus: Dividends and remunerations	-	30,000	-30,000	-
2. AJUSTES POR VALORACIÓN	183,991	61,491	-61,491	183,991
2.1. Available-for-sale financial assets	123,525	364,517	-270	487,772
2.2. Hedges on cash flows	-	-	-	-
2.3. Hedges on net investments in foreign business	-	-	-	-
2.4. Exchange rate differences	-	-	-	-
2.5. Non-current assets for sale	-	-	-	-
2.6. Companies valued through the equity method	59,928	-	-61,531	-1,603
2.7. Rest of valuation adjustments	538	-303,026	310	-302,178
3. MINORITY INTERESTS	296	-	813	1,109
3.1. Valuation adjustments	-	-	-	-
3.2. Rest	296	-	813	1,109
TOTAL EQUITY	2,822,148	579,240	-600,733	2,800,655
TOTAL LIABILITIES AND EQUITY	53,863,830	7,156,866	-2,099,004	58,921,692

Identification of subsidiaries with own resources below minimum requirements

As of 31 December 2015 all subsidiaries, subject to minimum requirements on own funds at the individual level and not included in the Group, complied with the requirements established by the regulation.

The subsidiaries included in the consolidated group (Ibercaja Gestión, Ibercaja Pensión and Ibercaja Patrimonios), additionally comply with the requirements on minimum Own Resources, according to their specific regulation.

Table 15. Own Resources Ibercaja Patrimonios

Own Resources Ibercaja Patrimonios	
(thousands of euros)	Data 2015
Own Resources	6,491.4
Minimum Requirements Own Resources	685.3
Surplus	5,806.1

Table 16. Own Resources Ibercaja Gestión

Own Resources Ibercaja Gestión	
(thousands of euros)	Data 2015
Own Resources	48,171.9
Minimum Requirements Own Resources	1,856.3
Surplus	46,315.6

Table 17. Own Resources Ibercaja Pensión

Own Resources Ibercaja Pensión	
(thousands of euros)	Data 2015
Own Resources	35,410.8
Minimum Requirements Own Resources	10,275.4
Surplus	25,135.4

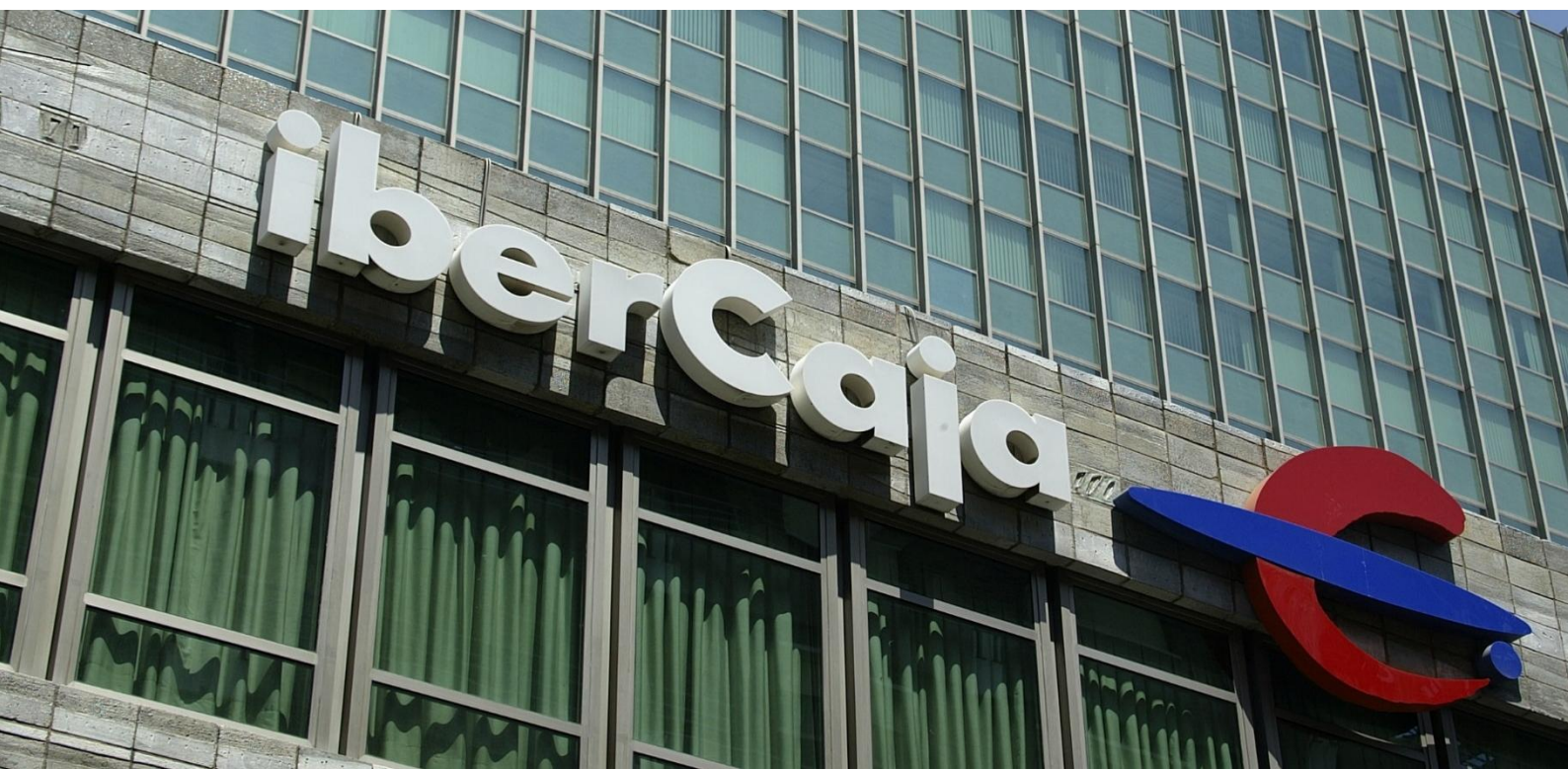
There are no legal nor practical impediments to the transfer of own funds nor the reimbursement of liabilities between the subsidiaries and their parent entity.

Exemptions to requirements

In accordance with the established in article 7 of Regulation (EU) 575/2013 (CRR), the competent authorities will be able to exempt any subsidiary of an entity as well as the parent entity of complying at an individual basis and, where appropriate, in a sub-consolidated manner, with the obligations of minimum requirements on own resources by credit and dilution risk; counterparty, position and settlement risk of the trading book; exchange rate risk and gold position risk, operational risk; as well as the requirements on internal corporate governance, and limits to concentration of great risks, when both the subsidiary and the parent are subject to authorisation and supervision from the Bank of Spain and are included under consolidated supervision.

As there is no impediment of material, practical or legal character, to the immediate transfer of own funds or to the reimbursement of liabilities between the subsidiaries of the Group and the Bank, and not existing any fact suggesting that such impediments may exist in the future, the parent and Ibercaja Leasing S.A. requested the referred waiver.

Ibercaja Leasing S.A., as subsidiary credit institution owned at 100%, has been exempted, as per agreement with the Executive Commission of the Bank of Spain as of 30 July 2010, from individual compliance with the obligations on requirements of own resources and limits to great risks and corporate governance. Furthermore, the Banco of Spain in the same Executive Commission agreed to exempt the parent of individual compliance with the obligations related to requirements on own resources and limits to great risks.



4 Computable Own Resources

In Title I of Part II of Regulation (EU) 575/2013 of the European Parliament and the Council, the different levels of capital that make up the own funds of the Bank as well as those items that comprise it are defined. The *Circulares de Banco de España 2/2014 and 3/2014*, also specify the progressive implementation schedules that have to be used when computing certain items.

There are three categories for the Group's computable own funds:

- 1) **Common Equity Tier I instruments** are characterized as components of equity that can be used immediately and without restriction to cover risks or losses as they occur, being registered their free amount from any foreseeable tax at the time of calculation. These elements show higher stability and permanence in time than Additional Tier I equity instruments. As indicated in the following 4.3 section, the Group Common Equity Tier I instruments as of 31 December 2015 consist of:

- Equity.
- The reserves, including revaluation ones.
- The net profit for 2015 that the Entity plans to allocate to reserves.
- The portfolios' valuation adjustments at fair value, after applying the calendar prescribed by *CBE 2/2014*. In this item, sovereign debt adjustments are not included.
- Contingent Convertibles Bonds (Cocos) in accordance with the provisions of the third transitional provision of *RDL 2/2011* on strengthening of the financial system.
- The share of computable minority interests.

The following point are deducted:

- Intangible assets and goodwill accounted in the Group's balance sheet that could not be deducted from additional Tier I equity.
- Deferred tax assets that rely on future performance and do not receive alternative treatment provided in applicable regulation to those coming from temporary differences, after applying the schedule prescribed by *CBE 2/2014*.

- 2) **Additional Tier I capital instruments** are defined in Part II, Title I, Chapter 3 of Regulation (EU) 575/2013 (CRR), with the limits and deductions established in that regulation. These own resources are characterized by higher volatility or lower degree of permanence than the elements considered as Common Equity Tier I instruments. As detailed in the following section 4.3 at 31 December 2015 the Group Additional Tier I capital instruments consist of:

- The preference shares issued as provided for in the second additional provision of *Ley 13/1985*.
- The deduction by intangible assets and goodwill accounted in the Group balance sheet after applying the calendar prescribed by *CBE 2/2014*.

- 3) **Tier II capital instruments** are the ones defined in Part II, Title I, Chapter 4 of Regulation (EU) 575/2013 (CRR), with the limits and deductions established in this regulation. As detailed in the following section 4.3 at 31 December 2015 the Group's Tier II capital instruments consist of:

- Subordinated debt.

Capital buffers (Conservation Buffer and Countercyclical Buffer)

In accordance with Title VII, Chapter 4 of Directive 36/2013 / EU of 31 December 2015, the Group had no requirement of capital conservation buffer since, as shown in the transition period table, the first year during which this buffer will start to be requested is 2016.

According to the Bank of Spain, no Spanish entity has countercyclical buffer requirements for 2016.

The following table shows in detail the requirements for the transitional period until 2019:

Table 18. Transitional period solvency requirements

Transitional period solvency requirements					
% of RWA's	2015	2016	2017	2018	2019
Capital Conservation Buffer	-	0.625%	1.250%	1.875%	2.5%
Min. CET1	4.5%	4.5%	4.5%	4.5%	4.5%
Min. Tier I	6%	6%	6%	6%	6%
Min. Solvency Ratio	8%	8%	8%	8%	8%
Min. CET1 + Conservation Buffer	4.5%	5.125%	5.75%	6.375%	7%
Min. Tier I + Conservation Buffer	6%	6.625%	7.25%	7.875%	8.5%
Min. Solvency Ratio + Conservation Buffer	8%	8.625%	9.25%	9.875%	10.5%

Capital Decision result of the Supervisory Review and Evaluation Process (SREP)

The European Central Bank (ECB) announced its decision regarding the prudential capital requirements applicable to Ibercaja Banco, after the supervisory review and evaluation process (SREP). This decision requires the Group to maintain a phase-in Common Equity Tier 1 ratio (CET1) of 9.25%.

Conciliation of regulatory capital and accounting capital of the consolidated balance sheet

The scope of consolidation does not match for regulatory purposes and for accounting purposes, therefore existing differences between the information used in the calculation of computable own funds and own funds from published financial statements.

The conciliation between regulatory capital and accounting capital is presented according to the method set out in Annex I of the Implementing Regulation 1423/2013:

Table 19. Conciliation of Own Funds with Financial Statements

Full reconciliation of own funds elements with the audited financial statements	
(thousands of euros)	Amount 2015
Subscribed capital	2,144,276
Reserves	387,156
Profit attributable to the Parent	84,123
Own Funds in public balance sheet	2,615,555
Valuation adjustments	183,991
Minority interests	1,109
Equity in public balance sheet	2,800,655
Intangible assets	-204,053
Assets of the pension fund	-
Deferred tax assets	-37,601
Other deductions	-
Valuation adjustments (non-computable)	-160,423
Proposed distribution of dividends	-20,000
Contingent convertible bonds	407,000
Public equity differences and for prudential purposes	22,552
Total adjustments and deductions	7,475
Total Common Equity Tier 1 (CET1)	2,808,130
Preference shares	3,489
Other transitional adjustments of Additional Equity Tier 1	-3,489
Total Additional Tier 1 Capital (AT1)	-
Total Tier 1 Capital (T1)	2,808,130
Subordinated debt	576,525
Total Tier 2 Capital (T2)	576,525
Total Computable Own Funds	3,384,655

Equity Detail

Below, the detail at 31 December 2015 and 2014 of the consolidated group computable own resources is presented, indicating each of its components and deductions, and is broken down into Common Equity Tier 1 instruments, Additional Tier 1 capital instruments and Tier 2 capital instruments:

Table 20. Computable Own Funds

Computable Own Funds		
(Thousands of euros)	2015 Amount	2014 Amount
TOTAL COMPUTABLE OWN FUNDS	3,384,655	2,904,602
Tier 1 Capital (T1)	2,808,130	2,745,739
Common Equity Tier 1 (CET1)	2,808,130	2,745,739
Equity instruments disbursed	2,144,276	2,611,730
Share Premium	-	-
Retained earnings from previous years	406,162	-214,388
Admissible results	64,120	150,668
Other reserves	3,303	3,306
Common Equity Tier 1 instruments in prior regime	407,000	407,000
Minority interests	190	175
Valuation adjustments of the portfolio available for sale	24,733	-
Deductions from Common Equity Tier 1 instruments (CET 1)	-241,654	-212,752
Losses of the current year	-	-
Intangible assets	-204,053	-205,090
Defined benefit pension obligations	-	-
Treasury: direct holdings of CET1 instruments	-	-
Reciprocal holdings of CET1 instruments	-	-
Deferred tax assets that rely on future returns	-37,601	-
Holdings in financial sector entities with significant influence	-	-
Excess holdings in financial sector entities in which there is no significant influence	-	-
Exposures that would weigh at 1250% because they are not included in the requirements	-	-7,662
Other deductions from Common equity Tier 1	-	-
Additional Tier 1 capital (AT1)	-	-
Additional Tier 1 capital instruments in prior regime	3,489	4,186
Deductions from Additional Tier 1 capital instruments (AT1)	-3,489	-4,186
Treasury: direct holdings of AT1 instruments	-	-
Reciprocal holdings of AT1 instruments	-	-
Intangible assets	-3,489	-4,186
Holdings in financial sector entities with significant influence	-	-
Excess holdings in financial sector entities in which there is no significant influence	-	-
Other deductions from Additional Tier 1 capital	-	-
Tier 2 Capital (T2)	576,525	158,863
Subordinated debt and subordinated loans and others	576,525	158,863
Deductions from Tier 2 capital instruments (T2)	-	-
Treasury: Direct Holdings of AT1 instruments	-	-
Reciprocal holdings of AT2 instruments	-	-
Subordinated loans and subordinated debt in financial entities with significant influence	-	-
Excess holdings in financial sector entities in which there is no significant influence	-	-
Other deductions from Additional Tier 2 capital	-	-

Giving effect to Implementing Regulation 1423/2013, the Table on Transitory Own Funds is included in Annex I.

Changes in Own Funds during the year 2015.

In fiscal year 2015 it has been carried out an adjustment of the structure of the Entity's equity by conducting a **capital reduction for a total of 467,454 thousands of euros**, in order to compensate prior years' losses and to constitute a legal reserve of 214,428 thousands of euros equivalent to ten percent of the new share capital after the reduction, all without effects in the Group's equity or own resources.

On 28 July 2015 there was the **disbursement of the subordinated bonds issuance that Ibercaja Banco S.A.** had made in the market on 21 July 2015 for a nominal amount of € 500 Million and expected maturity on 28 July 2025, which were admitted to trading on the AIAF Fixed Income Market. The issue price of the Subordinated Debentures was 100% and will yield an annual fixed coupon of 5% until July 28, 2020. As of July 29, 2020 (inclusive) they will accrue a fixed interest rate equal to the 5 year Mid-Swap Rate plus an applicable margin of 4,551%. The Group processed the consideration of Subordinated Debentures as Tier 2 capital instruments under Regulation (EU) 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms, having obtained the agreement for the calculation as second-class computable own funds.

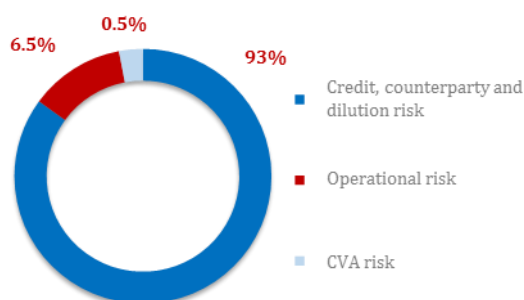
5 Minimum Requirements on Own Resources

Below, capital requirements are listed in the third part of the CRR for each of the risk categories, calculated as 8% of the risk-weighted assets as of 31 December 2015 and 2014.

Table 21. Minimum Own Funds Requirements

Own Resources Requirements		
(thousands of euros)	Data 2014	Data 2015
Credit, Counterparty and Dilution Risk	1,746,082	1,818,049
Market Risk	0	0
Operational Risk	125,610	145,471
CVA Risk	8,355	9,569
Total Pillar 1 requirements	1,880,047	1,973,089

Illustration 2. Minimum Own Funds Requirements



Applied procedures for the evaluation the adequacy of internal capital

The aim of Basel's Pillar II is to ensure the proper relationship between the risk profile of the Group and the own resources that it effectively maintains. To this end, the Group carried out a recurring process of Capital self-assessment in which it:

- Applies a series of risk identification procedures.
- Determines the capital needed to cover them. In addition to minimum own resources, it maintains a level appropriate to the inherent risks in its business, to the economic environment in which it operates, to the management and control it performs regarding these risks, to the government systems and internal audit that are at its disposal and to its strategic business plan:
 - Plans the capital in the medium term.
 - Sets the capital target.

The Group sets a capital target to enable to permanently maintain adequate clearance on the legal needs of Pillar I, ensuring the correct relationship between risk profile and own resources.

The Group's total capital required is estimated by aggregating the capital requirements associated to each risk.

To carry out proper planning of the Group's future capital needs, projections have been made on capital sources and consumptions resulting from the evolution of the activity and the expected results in a time horizon of three years. Additionally, The Group estimates projected capital levels under stress scenarios.

On the occasion of the recent publications of the EBA "*Guidelines on ICAAP and ILAAP information Collected for SREP purposes*" as well as the ECB "*Supervisory expectations on ICAAP and ILAAP and Harmonised information collection on ICAAP and ILAAP*", the Group is adapting its process of capital and liquidity self-assessment to the new guidelines.

The self-assessment process is materialized in two reports of capital and liquidity self-assessment, which are approved by the Bank's Board of Directors and are referred to the supervisor. The self-assessment reports are the basis of dialogue with the supervisor on the Entity's risk profile, the capital adequacy and the medium-term plans.

Minimum own resources requirements for credit, counterparty and dilution risks.

Below it is presented the amount of the consolidated group minimum own resources requirements for credit risk as of 31 December 2015, calculated, for each of the categories to which the standard method has been applied, as an 8 % of risk-weighted exposures:

Table 22. Own resources requirements for Credit Risk

Own Resources requirements for Credit Risk		
(Thousands of euros)	2015	2014
Central governments or central banks	72,317	78,188
Regional governments and local authorities	-	8,569
Public sector entities and other non-profit public institutions	24,875	28,111
Multilateral development banks	-	2
International organizations	-	-
Institutions	41,313	47,197
Corporates	275,349	252,942
Retail customers	292,871	241,927
Exposures secured by real estate	596,180	601,349
Exhibitions in default situation	136,052	166,764
High-risk exposures	3,730	2,792
Covered bonds	2,073	3,375
Exposures to institutions and corporates with a short-term credit rating	1,005	-
Exposures to collective investment institutions	427	550
Equity exposures	118,196	129,487
Other exposures	165,380	168,289
Securitisation positions	16,314	88,507
Total own resources requirements for credit risk	1,746,082	1,818,049

(*) The items included in each of these categories are in accordance with the provisions of Regulation (EU) 575/2013 (CRR).

The above-mentioned requirements for credit risk include counterparty risk related to derivative transactions by the following sum:

Table 23. Own resources requirements for Counterparty Risk

Own Resources requirements for Counterparty Risk		
(Thousands of euros)	2015	2014
Mark-to-Market Method	12,262	11,967
Original Risk Method	-	-
Standard Method	-	-
Internal Models Method	-	-
Total own resources requirements	12,262	11,967

As indicated in the table, the requirements for counterparty risk are calculated by the mark-to-market method, which is determined by the result of adding the current replacement cost of all contracts with positive value and the amount of future potential credit risk of each instrument or transaction, calculated in accordance with Article 274 of Regulation (EU) 575/2013 (CRR).

Correction factor applied to small and medium corporate exposures

Law 14/2013 of 27 September, supporting entrepreneurs in their fourteenth additional provision establishes a "correction factor" of 0.7619 applicable to credit risk-weighted exposures of small and medium enterprises. For the application of this factor, taken into account are the provisions of Article 501.2 of Regulation (EU) 575/2013 (CRR), on prudential requirements for credit institutions and investment firms, which set as parameters the business volume (<€ 50 Million) and the risk with the entity (<€ 1.5 Million).

The above-mentioned requirements for credit risk includes the reduction of the exposures applied to small and medium enterprises:

Table 24. SMEs correction exposures

Exposures subject to "corrective factor"		
(thousands of euros)	2015	2014
Requirements for exposures applying the correction factor	169,182	154,856
Requirements for exposures without applying the correction factor	222,053	203,249
Total own resources correction requirements	-52,871	-47,393

Minimum own resources requirements for trading book

In accordance with Article 94 of Regulation (EU) 575/2013 (CRR), which refers to the scope of application as of 31 December 2015 the Group is not subject to calculating own resources requirements for position and liquidation risk of the trading book.

Minimum own resources requirements for foreign exchange and gold position risk

In accordance with Article 351 of Regulation (EU) 575/2013 (CRR), own resources requirements of the Group as of 31 December 2015 are null for exchange rate risk and gold position as the sum of net global positions in currency, gold and instrumental currencies, regardless of their sign, does not exceed 2% of total computable own resources.

Own resources requirements for operational risk

As of 31 December 2015 the operational risk requirements for the Group are the following:

Table 25. Own resources requirements for Operational Risk

Own Resources requirements for Operational Risk		
(thousands of euros)	2015	2014
Basic Indicator Method	-	-
Standard Method	125,610	145,471
Alternative Standard Method	-	-
Advanced Method	-	-
Total Equity requirements	125,610	145,471

The Group has estimated the requirements by the standard method to meet the requirements specified in Article 320 of Regulation (EU) 575/2013 (CRR), as a simple average of the last three years of the aggregation, for each year, the maximum value between zero and the sum of the relevant income of each business line referred in table 2 of paragraph 4 of Article 317 of Regulation (EU) 575/2013 (CRR) multiplied by their corresponding weights foreseen in that table: Retail Brokerage, Retail Banking and Asset Management at 12%; Commercial Banking and Agency Services at 15%; Business Financing, Trading and Sales and Payment and Settlement at 18%.

Own resources requirements for risk of credit valuation adjustment (CVA)

According to Title VI of Regulation (EU) 575/2013 third (CRR), "Credit Valuation Adjustment" means a valuation adjustment at market value of the portfolio of transactions with a counterparty. This adjustment reflects the current market value of the credit risk of the counterparty with respect to the entity.

As of 31 December 2015, the Group requirements for risk of credit valuation adjustment (CVA) are the following:

Table 26. Own resources requirements for CVA

Own Resources requirements for Credit Valuation Adjustment (CVA)		
(thousands of euros)	2015	2014
Advanced Method	-	-
Standard Method	8,355	9,569
Based on the original exposure method	-	-
Total equity requirements	8,355	9,569

The requirements have been calculated by the standard method in accordance with Article 384 of Regulation (EU) 575/2013 (CRR).

6 Risks

Risk management policies and objectives

The Group risk management is structured through the "Risk Appetite Framework" (hereinafter RAF). The main purpose of the Group RAF is to establish a set of principles, procedures, controls and systems by which it defines, communicates and monitors the risk appetite of the Group. The risk appetite is understood as the risk level or profile that the Group is willing to assume and maintain both for its type and for its amount, as well as their level of tolerance and should be oriented towards the achievement of the strategic plan objectives, according to the action lines established in this document.

The objective of managing the various risks is to achieve a risk profile that is within the level of appetite desired, defined from the limits established, taking those management measures considered most appropriate to achieve it.

Corporate governance in risk management

6.1.1 Framework for action and management

The RAF contains the risk appetite statement, the risk limits and the roles and responsibilities of the different bodies of government and management that oversee its implementation and monitor it.

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

- Being aligned with the strategic plan and with the capital planning.
- Being integrated into the risk culture of the institution, with the involvement of all its responsibility levels.
- Being flexible, able to adapt to changes in business and market conditions, so it must be subject to periodic review, at least annually.
- Being linked with information management systems.

The RAF has a global vision of the Consolidated Group and considers all the risks that affect the development of the Group's activities and the achievement of the business goals.

Group material risks considered within the RAF, both financial and non-financial, are the following:

- Business and profitability risk.
- Credit risk.
- Concentration risk.
- Operational risk.
- Interest rate risk.
- Market risk.
- Liquidity risk.
- Reputational and compliance risk.
- Risk linked to the perception of different stakeholders.

The RAF of the Group is based on strategic principles, corporate governance principles and risk management principles that all integrated constitute the Group Risk Appetite Declaration.

In addition, The Group has policies and procedures manuals for risk management that are reviewed annually and approved by the Board of Directors.

The Board of Directors approved the updating of the credit, liquidity, interest rate, operational risk manuals and the capital market policies in March 2015 and the RAF in April 2015.

The Risk Appetite Framework is consistent with the capital and liquidity planning of Basel's Pillar II, which aims to ensure the proper relationship between the risk profile of the Entity and the own resources that it effectively maintains. The Entity carries out a recurring process of capital and liquidity self-assessment in which it applies a series of procedures for the identification, measurement and risk aggregation, and determines the capital needed to cover them, plans capital in the medium-term and sets the own resources target enabling it to maintain adequate clearance with respect to minimum legal requirements.

The entry into force of the new Single Supervisory Mechanism (SSM) in November 2014 commits the European financial sector to adapt its risk policies and procedures as its control environment. The "Supervisory Review and Evaluation Process" (SREP) is the means to carry out the continuous assessment of the entities by the SSM. The processes of internal assessment of capital and liquidity adequacy of Pillar II (also called ICAAP & ILAAP) are configured as a key part of the SREP process.

Finally, the Entity, in accordance with the guidelines and recommendations of the European Banking Association (EBA) concerning the recovery plans contents and the *Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*, has defined a recovery plan to prevent and ensure its ability to react to situations of solvency deterioration or funding capacity. The recovery plan is integrated into the processes of existing risk management and it is updated at least annually. The Board of Directors approved the recovery plan in November 2015.

6.1.2 Governance Structure

The Entity has a robust organizational structure that ensures effective risk management and control. Governing Bodies are articulated as follows:

- The Board of Directors is responsible for establishing and supervising information systems and risk control, approving the risk appetite framework and the policies, manuals and procedures for risk management.
- The Major Risks and Solvency Commission, whose remit is to propose the establishment of limits by type of risk and business, to report consistently the RAF with other policies and strategic frameworks of the Entity, to assess the Group risk management, to review the risk control systems and to propose measures to mitigate the impact of the identified risks.
- The Strategy Commission has, as its core mission, to report the Board of Directors on the strategic policy of the Entity, ensuring that there is an accurate organisation for its implementation.
- The Audit and Compliance Commission, whose competence is monitoring the effectiveness of internal control, internal audit and risk management systems, regularly reviewing them so that the main risks are identified, managed and disclosed adequately.

On the other hand, the following Executive Commissions have been set up:

- The Global Risk Commission is responsible for defining and following up the strategies and risk policies of the Group, for setting goals and development strategies of the structure and composition of the equity in the balance sheet, for analysing the sensitivity of the results and the equity value of the Entity in different scenarios, for analysing compliance with the tolerance levels established and for performing the Group medium-term capital planning.
- Among the functions of the Audit Commission, one is to know the annual Internal Audit Operational Plan that is presented to the Audit and Compliance Commission, being regularly informed of the results of the internal audit reports and promoting the implementation of the improvement recommendations proposed to mitigate the weaknesses observed.

The organisational structure gives the entity a global governance structure and risk management, aligned with the market trends and proportional to the complexity of the business of the Group. This structure also ensures the homogeneity of policies and risk control in the Group and in every part of its Group companies.

Section 3.2 refers to corporate governance systems in a more extensive way, through a detailed review of the bodies responsible for risk management.

6.1.3 Risk management, control and measurement strategies

Below are presented the main policies and strategies for the most significant risks:

Credit Risk

Credit Risk arises from the possibility of generating losses due to non-compliance with payment obligations by the borrowers as well as drops in value due to deterioration in the credit quality of the borrowers.

○ *Policy and Management Strategy*

Credit Risk Management is focused on facilitating credit investment growth in a sustained and balanced manner, while ensuring the Group's assets and financial position, with the aim of optimising the risk/return binomial within tolerance levels set by the Board of Directors based on the management principles and performance policies defined.

The Board of Directors approves the strategies, policies and limits for managing this risk, prior report from the Major Risks and Solvency Commission, documented in the "Manual of Credit Investments Policies and Procedures". This manual includes the action criteria in the main activity segments and the maximum risk lines with major borrowers, sectors, markets and products. The Board of Directors authorises the risks that exceed the operating circuit competence.

o *Management, control and measurement procedures*

The credit investment portfolio is segmented into client groups with homogeneous risk profiles and subject to differential treatment by applying specific evaluation models.

- a)** The following policies are established within the area of **credit risk granting**:
- Risk classifications for borrower groups by establishing some previous exposure limits in order to avoid inappropriate risk concentrations.
 - New transactions and limits admission criteria to the faculties of concession according to the customer segment to which it is financed.
 - Transactions Analysis Methodology depending on their type and belonging to different segments.
 - Internal models of credit rating integrated into decision systems for the different areas of the retail business.
 - Necessary requirements to provide legal certainty to each operation.
 - Risk mitigation techniques.
 - Pricing policies in line with the credit quality of customers.

The structure of credit risk management has a decentralised transactions concession scheme, which is based on a formally established delegation of powers, reflected in risk manuals.

The Group has established risk granting policies in accordance with *Ley 2/2011 de 4 de marzo, de Economía Sostenible*, the *Orden EHA/2899/2011, de 28 de octubre, de transparencia y protección del cliente de servicios bancarios* and the *Circular del Banco de España 5/2012, de 27 de junio sobre transparencia de servicios bancarios y responsabilidad en la concesión de préstamos y créditos*.

The above policies are contained in the "*Manual of Credit Investments Policies and Procedures*", particularly in point 2 entitled "Basic Principles for credit risk management."

In granting loans, the manual includes as fundamental criteria the reasonableness of the proposal, the analysis of the borrower payment capacity and the prudent valuation of guarantees. In the case of real estate guarantees they are assessed by independent third parties (appraisal companies authorised by the Bank of Spain).

- b) Risk monitoring.** The aim is to know, in sufficient time and on a permanent basis, the evolution of customers and groups to avoid or minimise potential defaults from the impairment of the loan portfolio. This knowledge is essential in the proactive management of measures to reduce or restructure the exposure to existent risks.

The Group has a mechanized system of alerts that analyses and qualifies customers after considering all information sources, internal and external, looking for risk factors that can determine an impairment in credit quality. The alert system is subject to calibration processes and continuous improvement.

Moreover, subject to special surveillance are the groups or borrowers labelled as under special monitoring, sub-standard risk and doubtful loans for reasons other than default.

- c) Recoveries.** The integral risk management is completed by recovery policies aimed at avoiding or minimising potential defaults by specific recovery circuits depending on the amount and type of transaction, and with the intervention of different internal and external managers to adapt the necessary actions to each situation.

Operational Risk

It is defined as the risk of incurring in losses resulting from the lack of adaptation or a failure of processes, personnel and internal systems, or derived from external events.

○ *Policy and Management Strategy*

The Board of Directors approves the strategies, policies and limits to manage this risk, prior report from the Major Risks and Solvency Commission, all documented in the "*Operational Risk Management Framework*."

At the present, the Group has a management and assessment model of this risk, which basically covers the following points:

- General aspects: operational risk definition, categorization and risk assessment.
- Methodologies applied for the identification, assessment and measurement of operational risks.
- Methodologies' scope and personnel involved in the management of this risk (organisational structure).
- Management support models (operational risk management, control and mitigation): information derived from previous methodologies and implementation of measures to mitigate this risk.

The application scope of the management model and operational risk assessment extends to both the business units and Group support, as the Group companies.

The effective implementation and use in each of the units and subsidiaries are developed in a decentralised manner. Meanwhile, the Internal Control and Validation Unit performs risk measurement, monitoring, analysis and communication.

○ *Management, control and measurement procedures*

The Group, under the model adopted for operational risk management, combines the following methods, which are supported by specific IT tools:

- Qualitative methodology, based on the identification and expert assessment of operational risks and of the existing controls on processes and activities, along with the collection and analysis of risk indicators.
- During the year 2015, 590 operational risks inherent to the Group's activities have been reviewed and self-assessed, concluding a medium-low increasing estimated exposure to the joint potential impact of these risks.
- Quantitative methodology, supported by the identification and analysis of actual losses incurred in the Group that are recorded in the established database for this purpose (BDP).

Progress in management and control processes as a result of the established operational risk policies, enable the Entity to calculate capital consumption for operational risk by the standard method since December 2010 in accordance with the provisions of Regulation (EU) No. 575/2013.

Interest rate risk

It is defined as the possibility that the Group's financial margin or economic value may be affected by adverse shocks in interest rates that impact on the financial instruments' cash flows.

- *Policy and Management Strategy*

The purpose of the management of this risk is to contribute to the maintenance of the present and future profitability of the appropriate levels, preserving the economic value of the Group.

The Board of Directors establishes the strategies, policies and limits to manage this risk, prior report from the Major Risks and Solvency Commission, all documented in the "Policies and procedures for interest rate risk manual."

- *Management, control and measurement procedures*

The Group manages risk exposures derived from its portfolio transactions, both at the moment of their contract as their later monitoring, and incorporates into its analysis horizon the expected business development and the expectations regarding the types of interest and management and coverage proposals, simulating different behaviour scenarios.

The Group has tools that allow to measure the effects of changes in interest rates on the net interest margin and economic value and they also allow to simulate scenarios based on the evolution hypotheses of interest rates and commercial activity. Moreover, they let estimate the potential impact in capital and results derived from unusual market fluctuations so that their results are considered in the policies establishment and review, and in the risk limits as well as in the planning process.

Regarding option risk, key assumptions on the sensitivity and duration of on-demand saving transactions are established as their expiration date is not contractually established, as well as there are established assumptions on early loan repayments, depending on historical experience in different scenarios.

Similarly, control is ensured on the effect that changes in interest rates have on net interest margin and economic value through the establishment of exposure limits. Limits allow to maintain the interest rate risk exposure within the levels that are consistent with approved policies.

Liquidity Risk

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

○ *Policy and Management Strategy*

The management and control of liquidity risk is governed by the financial autonomy and balance sheet stability principles, ensuring business continuity and the provision of sufficient liquid resources to meet payment obligations associated with the repayment of liabilities in their respective maturity dates without compromising the capacity to respond to strategic market opportunities.

The Board of Directors establishes the strategies, policies and limits to manage this risk, prior report from the Major Risks and Solvency Commission, all documented in the "Policies and procedures for liquidity risk manual."

The fundraising strategies in retail segments and the use of alternative sources of liquidity in the short and long term wholesale markets allow the Group to have the necessary resources to meet the solvent credit demand resulting from commercial activity, and to maintain the treasury positions within the parameters established in the liquidity management manual.

○ *Management, control and measurement procedures*

Liquidity risk measurement considers the estimated assets and liabilities cash flows, as well as guarantees or additional instruments at the Group's disposal to ensure alternative liquidity sources that may be required.

Moreover, future estimated business changes, and interest rates expectations as well as the management and coverage proposals are incorporated simulating different behaviour scenarios. These procedures and analysis techniques are reviewed as often as necessary to ensure proper functioning.

Forecasts in the short, medium and long term are made to meet the funding requirements and the limits compliance, which take into account the most recent macroeconomic trends, because of their impact on the different balance sheet assets and liabilities evolution, as well as on contingent liabilities and derivatives. Similarly, liquidity risk is controlled by establishing exposure limits, within levels that are consistent with approved policies.

Furthermore, the Entity is ready to face any crisis, both internal and on markets in which it operates procedures and action plans to ensure sufficient liquidity at the lowest possible cost in adverse scenarios, estimating the future behaviour of the most significant variables, establishing a series of warnings to abnormal market situations and planning fundraising during the crisis.

Market Risk

It is defined as the possibility of incurring in losses by the maintenance of positions in markets as a result of an adverse movement of financial variables or risk factors (interest rates, exchange rates, stock prices ...) which determine the value of such positions.

o Policy and Management Strategy

The Entity manages market risk, trying to obtain an adequate financial return in relation to the assumed risk level, taking into account certain levels of global exposure, exposure by type of segmentation (portfolios, instruments, sectors, subjects, and ratings), portfolio structure and risk/return objectives. In its management and control, sensitivity analyses and simulation of stress scenarios are performed to estimate their impact on results and capital.

The Board of Directors approves the strategies, policies and limits to manage this risk, prior report from the Major Risks and Solvency Commission, all documented in the "Policies and procedures for capital market risk manual."

To manage market risk, there are identification, measurement, monitoring, control and mitigation policies as well as operational policies regarding trading, positions' revaluation, portfolios' classification and valuation, transactions' cancellation, new products' approval, relations with intermediaries and delegation of functions.

o Management, control and measurement procedures

Portfolios exposed to Market Risk are characterised by their high liquidity and by the absence of materiality in the "trading" activity, which means that the assumed market risk is insignificant as a whole.

Since 2009, the evolution of the management portfolio's expected loss is monitored given a confidence level of 99% and a time horizon (1 day or 10 days) as a result of changes in risk factors that determine the price of financial assets through the VaR indicator (value at risk).

Counterparty Risk

It is defined as the possibility of defaults happening by counterparties of financial transactions (fixed income, interbank, derivatives,...).

o Policy and Management Strategy

The Board of Directors approves the strategies, policies and limits to manage this risk, prior report from the Major Risks and Solvency Commission, all documented in the "Policies Capital Markets Authority "and the "Capital Market Risk Manual "

To manage counterparty risk, the Company has policies of identification, measurement, monitoring, control and mitigation. Furthermore, the "Capital Market Risk Manual" establishes the criteria, methods and procedures for the granting of risk lines, the limits proposal, the process of formalisation and documentation of transactions, as well as procedures for monitoring and control of risks to financial institutions, public administrations with rating and listed and/or qualified companies, except for promoting companies.

Risk lines are basically established based on the ratings granted by rating agencies, on the reports issued by such agencies and expert analysis of its financial statements.

For the granting of related counterparty risk transactions (financial institutions, public entities with rating and listed and/or rated entities by any rating agency), Capital Markets and the Governing Bodies will be responsible for managing the assumption of risk, taking into account the limits for credit lines.

The Entity utilises to manage, control and measure the counterparty risk, specialised tools in order to consider the risk consumption of each product and to collect under the same application the risks calculated at Group level.

○ *Management, control and measurement procedures*

The limits authorised by the Board of Directors are set by the investment volume weighted by credit quality of the borrower, the investment period and the type of instrument. In addition, legal limits on the concentration and large exposures are observed pursuant to Regulation (EU) No 575/2013.

Monitoring systems ensure that consumed risks are framed at all times within the established limits. They incorporate controls on rating changes, financial statements' analysis, and the review of news affecting assigned line entities.

Among the counterparty risk mitigation techniques there are netting contracts, guarantees contracts, the decrease in portfolios in cases of adverse credit events, the risk lines decrease in case of lower rating or negative news from some company and timely monitoring of companies' financial information.

The risk can be computed by the resulting net figure in those entities with risk compensation and collateralisation agreement, in accordance with the requirements of the Bank of Spain.

6.1.4 The Board of Directors functions

In the area of risk management, the Board of Directors is responsible of the following functions:

- Establish and supervise the risk information and management systems of the Entity and the Group, with a prior report from the Major Risk and Solvency Commission.
- Approve the Group Risk Appetite Framework and make the Risk Appetite Statement, prior report from the Major Risks and Solvency Commission;
- Approve, prior report from its relevant commissions, risk management policies, manuals and procedures (liquidity, credit, interest, tax, capital markets ...) including those posed by the macroeconomic situation in which it operates in relation to the economic cycle phase.
- Actively participate in the management of all material risks addressed in the solvency regulations, ensuring the allocation of adequate resources to their management.
- Approve and review, prior report from the Strategy Commission, the New Products Approval Policy in which the development of new markets, products and services and significant changes in existing ones are addressed.

6.1.5 Internal Audit and Compliance Area Functions

Internal Audit Area

Internal Audit reports directly to the Audit and Compliance Commission.

Within the Group, the scope of internal audit is total, influenced by both the parent company and its dependent subsidiaries, so that no activity, information system or internal control system is excluded from its scope.

The Internal Audit functions in the field of risk are the following:

- To plan, coordinate and develop the Internal Audit Annual Operation Plan that will be performed each year and its degree of compliance will be reported regularly to the Internal Audit Commission and to the Audit and Compliance Commission of the Board of Directors.
- To evaluate permanently the correct functioning of the internal control and information systems inherent to the Group's activities, proposing improvement recommendations with a preventive approach.
- To report regularly to the Board of Directors, through its Audit and Compliance Commission, the results of Internal Audit verification works.
- To participate in the communication with regulators or supervisors, in the scope of their duties, and coordinate with them the scope and content of Internal Audit reports required by these bodies.

The Regulatory Compliance Area

The Regulatory Compliance area depends hierarchically on the General Secretariat and functionally on the Audit and Compliance Commission of the Board of Ibercaja Banco SA. The scope of action of this area covers the entire Group.

The general functions performed in the area in relation to the control and risk review are the following:

- To perform the internal control responsibilities conferred on the rules of credit institutions and entities that provide investment services.
- To ensure regulation compliance on matters that affect the Group's activity development, because failure may cause reputational risk.
- To ensure that the Entity policies and manuals development and updating abides by the pertinent regulations, guidelines and agreements adopted by the Entity governing bodies.
- To report to the Audit and Compliance Commission, on the Customer Service activity and the actions taken to mitigate possible risks associated with complaints and claims filed during the period considered.
- To perform all the controls laid down in MiFID.
- In the area of the Securities Market and in the Prevention of Market Abuse, to perform the controls laid down in the Internal Rules of Conduct (RIC).
- In relation to preventing money-laundering and the financing of terrorism, to ensure the correct compliance with the Bank and Group obligations in accordance with the present regulation.
- To coordinate the criminal risks prevention model implementation and monitoring in the Entity, as well as the application by the Directorates and Units involved in high-level and specific controls in different areas of the Entity's activity.

6.1.6 Risk Reporting

Ibercaja Group has determined, for each of the significant risks identified in the Risk Appetite Framework, a set of metrics considered representative, which allow to reflect and manage the Group's risk profile and business model.

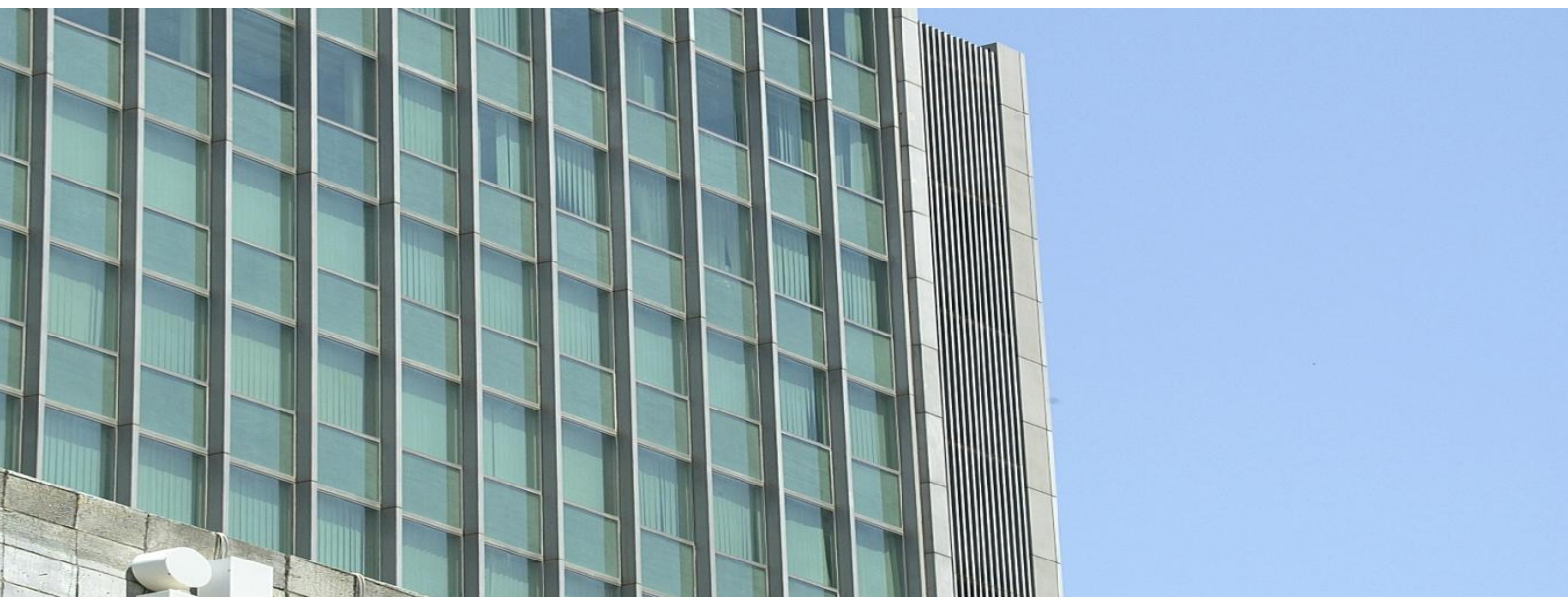
Two types of metrics can be distinguished, quantitative and qualitative. They will identify quantitative metrics for those risks that can be measured or quantified, compared to other risks such as regulatory compliance risk that will be monitored by qualitative criteria.

Also, the metrics are divided into:

- First level metrics: high-level indicators with threshold setting, periodically followed by the Global Risk Commission, the Major Risks and Solvency Commission and Creditworthiness and the Board of Directors.
- Operating or second level limits: management and risk control limits whose requirement ensures the risk appetite compliance defined by the Group. The operating limits are developed in the risk management policy and procedures manuals. The monitoring of these limits is carried out by the Global Risk Commission, rising to higher bodies in cases deemed necessary.

It has also been established a set of dashboards, limits and warnings on a quarterly basis that are sent to the Global Risk Commission members (including first and second level metrics), to the Major Risks and Solvency Commission and to the Board of Directors (only top-level metrics).

In this way, each Area Director knows the current situation of the relevant risks, and channels this information into the corresponding units and risk takers, thus facilitating the integration of the risk appetite framework in the institution risk culture.



7 Credit risk

Accounting definitions and methodological descriptions

Credit Risk management, a priority for the Entity, is oriented towards facilitating sustainable and balanced growth, ensuring at all times the financial and patrimonial soundness and optimising the return-risk relationship. These criteria are comprised in the Manual of Accounting Policies of Credit Risk Management.

A financial asset is considered as impaired and consequently its book value is corrected when there is objective evidence that events have happened which lead to this conclusions. Based on the descriptions captured in section 2.3 of the Memory, the following accounting criteria are considered within the Group:

- Debt instruments valued at amortized cost: The amount of impairment losses coincides with the positive difference between their respective book value and the present value of their expected future cash flows.
- Debt instruments classified as available for sale: Impairment losses are equivalent, in this case, to the positive difference between their acquisition cost (net of any principal amortisation) and their fair value once deducted any impairment loss previously recognised in the consolidated profit and loss account.
- Equity instruments classified as available for sale: Impairment losses are equivalent to the positive difference between their acquisition cost and their fair value, once deducted any impairment losses previously recognised in the consolidated profit and loss account.

Credit risk exposures

It is understood as “credit risk exposures” the group of asset and off-balance-sheet items which incorporate credit risk and have not been deducted from Own Funds.

7.1.1 Credit risk exposures 2015

Down below, the credit risk exposures of the Group are presented as of 31 December 2015, after adjustments indicated in part third, title II, chapter 1 of the Regulation (EU) 575/2013 (CRR), value adjustments by impairment, effects of credit risk mitigation techniques and the application of conversion factors for off-balance-sheet items; as well as the average amount of such year, disaggregated by risk categories:

Table 27. Exposure by risk category (standard)

Exposure by risk category		
(thousands of euros)	Average Exposure 2015	Exposure Dec. 2015
Central governments or central banks	11,754,649	11,485,809
Regional governments and local authorities	1,366,425	1,239,031
Public sector entities and other non-profit public institutions	3,018,368	2,912,640
Multilateral development banks	26	-
International organizations	204,973	-
Institutions	1,438,205	890,336
Corporates	3,779,357	4,403,359
Retail customers	4,877,916	5,521,571
Exposures secured by real estate	22,166,438	21,313,965
Exposures in default situation	1,826,237	1,620,829
High-risk exposures	24,216	31,086
Covered bonds	150,336	127,213
Exposures to institutions and corporates with a short-term credit rating	6,542	13,388
Exposures to collective investment institutions	6,665	5,335
Equity exposures	1,172,239	1,138,688
Other exposures	2,294,193	2,297,783
Securitisation positions	685,177	515,762
TOTAL	54,771,962	53,516,795

7.1.2 Geographical distribution of exposures

Detail on the value of credit risk exposures of the Group as of 31 December 2015, net of the adjustments indicated in part third, title II, chapter 1 of Regulation (EU) 575/2013 (CRR), from impairment losses, effects of credit risk reduction and the application of conversion factors for off-balance-sheet items, disaggregated by geographical areas, is the following:

Table 28. Exposures by great geographical areas

Exposures by great geographical areas		
(thousands of euros)	Exposure Value 2015	Exposure Value 2014
Spain	52,145,315	53,768,371
Other EU countries	1,213,624	2,116,723
Other European countries	26,914	27,623
USA	120,149	96,820
Rest of the world	10,793	9,920
TOTAL GEOGRAPHICAL AREAS	53,516,795	56,019,457

7.1.3 Distribución de exposiciones por sectores

Detail on the value of credit risk exposures of the Group as of 31 December 2015, net of the adjustments indicated in part third, title II, chapter 1 of Regulation (EU) 575/2013 (CRR), from impairment losses, effects of credit risk reduction and the application of conversion factors for off-balance-sheet items, disaggregated by economic sector, is the following:

Table 29. Distribution by economic sector

Exposure by economic sector		
(thousands of euros)	Exposure Value 2015	Exposure Value 2014
Agriculture, farming and fishing	1,135,074	1,087,911
Extractive industry	138,295	105,250
Manufacturing industry	3,772,759	3,459,961
Production and distribution of energy, water and gas	554,828	550,017
Construction	2,272,211	2,352,149
Commerce and repairs	3,276,062	3,022,132
Catering	1,132,425	1,128,965
Transport, storage and communications	1,751,114	1,651,520
Financial intermediation	4,790,563	5,765,703
Real estate activities and business services	5,849,902	6,284,705
Other services	3,310,952	3,182,418
Public administrations	12,661,967	14,090,309
Central banks, credit institutions, intermediation and other financial services	1,385,089	2,066,535
Other activities	11,485,554	11,271,882
TOTAL	53,516,795	56,019,457

7.1.4 Residual maturity of exposures

Hereafter there is a presentation of the distribution, by term of residual maturity, of the value of the credit risk exposures as of 31 December 2015, net of adjustments, impairment losses, effects of the reduction by credit risk and application of conversion factors to off-balance-sheet items:

Table 30. Exposure by risk category and maturity

Exposure by risk category and maturity					
(thousands of euros)	<3 months	3 months – 1 year	1 year – 5 years	> 5 years	Sum
Central governments or central banks	1,443,549	1,056,491	4,240,853	4,744,916	11,485,809
Regional governments and local authorities	68,909	105,138	611,504	453,480	1,239,031
Public sector entities and other non-profit public institutions	1,171,416	100,019	1,241,170	400,035	2,912,640
Multilateral development banks	-	-	-	-	-
International organizations	-	-	-	-	-
Institutions	76,092	148,315	267,045	398,884	890,336
Corporates	814,645	567,601	577,606	2,443,507	4,403,359
Retail customers	380,911	613,688	1,199,275	3,327,697	5,521,571
Exposures secured by real estate	279,396	1,030,202	4,537,919	15,466,448	21,313,965
Exposures in default situation	241,107	100,216	128,974	1,150,532	1,620,829
High-risk exposures	-	-	31,086	-	31,086
Covered bonds	10,476	55,593	40,253	20,891	127,213
Exposures to institutions and corporates with a short-term credit rating	2,396	10,992	-	-	13,388
Exposures to collective investment institutions	4,100	-	996	239	5,335
Equity exposures	-	-	884,688	254,000	1,138,688
Other exposures	593	3,136	20,600	2,273,454	2,297,783
Securitisation positions	-	53,448	334,613	127,701	515,762
CATEGORY TOTAL	4,493,590	3,844,839	14,116,582	31,061,784	53,516,795

7.1.5 Geographical distribution and by counterparty of impaired positions

Impaired exposures by category

Hereafter the value of impaired exposures as of 31 December 2015 is presented, disaggregated by counterparty types, jointly with the amount of impairment losses and provisions for risks and contingent commitments constituted over the impaired exposures on such date, as well as allowances made during the 2015 business year:

Table 31. Impaired exposures by category

Impaired exposures by category				
(thousands of euros)	Impaired exposures (*)	Exposures in default situation	Impaired exposures losses and provision for contingent commitment risks	Business year allowances for impaired exposures and contingent risks and commitments
Central governments or central banks	222	222	222	44
Regional governments and local authorities	7,595	7,595	-	-
Public sector entities and other non-profit public institutions	8,340	8,340	4,795	122
Multilateral development banks	-	-	-	-
International organizations	-	-	-	-
Institutions	4,297	4,297	1,075	1,075
Corporates	1,439,589	1,439,589	850,571	196,893
Retail customers	1,124,757	1,124,757	614,221	123,306
Exposures secured by real estate	544,537	544,537	28,483	6,818
High-risk exposures	-	-	-	-
Covered bonds	-	-	-	-
Exposures to institutions and corporates with a short-term credit rating	-	-	-	-
Exposures to collective investment institutions	-	-	-	-
Equity exposures	133,699	-	53,701	4,523
Other exposures	7,301	7,301	2,738	131
CATEGORY TOTAL	3,270,337	3,136,638	1,555,806	332,912

(*) It includes those exposures (credit, fixed income and equity) for which some type of impairment has been registered, including exposures in default situation.

Impaired exposures by geographical area

Detail is shown on the value of impaired exposures as of 31 December 2015, disaggregated by relevant geographical areas, jointly with the amount of impairment losses and allowances for contingent risks and commitments constituted over impaired exposures:

Table 32. Impaired exposures by great geographical areas

Impaired exposures by great geographical areas				
(thousands of euros)	Impaired exposures (*)	Exposures in default situation	Impaired exposures losses and provision for contingent commitment risks	Business year allowances for impaired exposures and contingent risks and commitments
Spain	3,258,675	3,124,976	1,551,249	332,686
Other EU countries	9,451	9,451	3,967	24
Other European countries	1,805	1,805	195	152
USA	54	54	53	22
Rest of the world	352	352	342	28
TOTAL GEOGRAPHICAL AREAS	3,270,337	3,136,638	1,555,806	332,912

(*) It includes those exposures (credit, fixed income and equity) for which some type of impairment has been registered, including exposures in default situation.

Impaired exposures by economic sector

The value of the impaired exposures as of 31 December 2015, disaggregated by economic sector, jointly with the amount of impairment losses and the allowances for contingent risks and commitments constituted over the impaired exposures, are the following:

Table 33. Impaired exposures by economic sector

Impaired exposures by economic sector				
(thousands of euros)	Impaired exposures (*)	Exposures in default situation	Impaired exposures losses and provision for contingent commitment risks	Business year allowances for impaired exposures and contingent risks and commitments
Agriculture, farming and fishing	43,243	43,243	16,896	2,940
Extractive industry	7,487	7,487	3,222	478
Manufacturing industry	207,966	207,966	89,097	18,241
Production and distribution of energy, water and gas	17,433	17,433	9,361	6,852
Construction	387,571	387,571	188,725	39,338
Commerce and repairs	190,561	190,561	79,271	22,305
Catering	179,854	179,854	58,639	9,453
Transport, storage and communications	95,592	95,592	39,534	8,408
Financial intermediation	17,488	17,488	7,162	4,717
Real estate activities and business services	1,364,932	1,364,932	714,673	134,661
Other services	113,703	113,703	50,507	18,399
Public administrations	26,794	26,794	5,924	1,288
Central banks, credit institutions, intermediation and other financial services	7,664	7,664	2,086	1,255
Other activities	610,049	476,350	290,709	64,577
TOTAL	3,270,337	3,136,638	1,555,806	332,912

(*) It includes those exposures (credit, fixed income and equity) for which some type of impairment has been registered, including exposures in default situation.

7.1.6 Variations produced during the 2015 business year in impairment losses and allowances for contingent risks and commitments by credit risk

Variations that have happened during the 2015 business year regarding recorded impairment losses by credit risk in the Group, and allowances for contingent risks and commitments suit to the established in Circular 4/2004 del Banco de España, both in the type of losses and allowances constituted as in the methodology applied for their calculation.

Detail of movements during the 2015 business year is shown below:

Table 34. Value adjustments by impairments

Value adjustments by impairments from credit risk		
(thousands of euros)	Losses by assets impairments	Allowances for contingent risks and commitments
Balance as of 1 January 2015	2,334,610	26,026
Allowances charge to profit and loss	721,228	2,856
Reversals credit to profit and loss	-510,193	-3,967
Amount applied during the business year	-727,414	-
Effect from foreign currency exchange rate differences	-	-
Variations produced by business combinations	-	-
Variations in the scope of consolidation	-	-
Transfers	-	-
Other movements	-97,936	-82
Balance as of 31 December 2015	1,720,295	24,833

In 2015 the Group has registered 3,928 thousands of euros as income in the consolidated profit and loss account from the reversal of written-off assets.

Information on Group counterparty credit risk

Credit risk counterparty is considered to be the credit risk incurred by the Group in the operations carried out with derivative financial instruments and in transactions with repurchase agreements, securities lending or commodities, on deferred settlement and secured financing.

The Group has procedures to set limits on exposures subject to credit and counterparty risk, operations including deposits, fixed income, derivatives, loans and listed equities.

The limits are set based on the ratings assigned by credit rating agencies, being excluded counterparties rated below Ba2/BB. In all cases, and especially for non-rated counterparties, for the fixing of risk lines the financial statements (indebtedness, solvency, profitability, etc.) as well as reports prepared by third parties are analysed. These limits are approved by the Board of Directors of the Entity.

The consumption of risk line by derivative financial instruments is subtracted by the percentage which corresponds, according to the original risk method, to the same line as the existing for interbank deposits or fixed income issued by banking counterparties.

In the Group virtually all the risks assumed in operations on derivative instruments with financial institutions are covered by the signature of standardized ISDA and/or CMOF contracts, which provide for clauses in the event of insolvency of one of the parties, the compensation of the present value of the flows of outstanding collections and payments between the parties. Additionally, agreements have been reached with the most actively

engaged counterparties in derivatives trading for cession of collateral (collateral agreements), in which the parties agreed to deliver an asset (usually cash) as guarantee for the hedge of the net credit risk position arising from the derivatives instruments contracted under the aforementioned agreements. Risk quantification is done by marking to market all outstanding transactions, usually on a daily basis (or weekly in certain cases).

In general, signed guarantee contracts do not include the obligation to provide or extend collateral in the event of a reduction in the credit rating of the Entity.

The detail of the credit exposure of the Group to counterparty risk for its trading in derivatives is presented as of 31 December 2015, estimated as the amount of the credit exposure of the Group for these financial instruments, net of the effect of the relevant agreements of contractual netting and collateral received from the counterparties of the operations:

Table 35. Counterparty risk by derivatives operations

Counterparty risk by derivatives operations		
(thousands of euros)	Amount 2015	Amount 2014
Positive fair value of the contracts	837,761	830,697
Minus: Effect from settlement agreements	597,741	561,311
Credit exposure after settlement	240,020	269,386
Minus: Effect of collateral received	-	-
Credit exposure to derivatives after settlement and collateral	240,020	269,386

Information on calculation methodology

Hereafter the amount of the Group consolidated exposure by counterparty credit risk is indicated as of 31 December 2015, disaggregated attending to the method applied for the calculation of minimum requirements on own resources associated to this risk:

Table 36. Credit risk - Calculation method

Method applied		
(thousands of euros)	Amount 2015	Amount 2014
Mark-to-Market Method	779,930	269,386
Original Risk Method	-	-
Standard Method	-	-
Internal Models Method	-	-
TOTAL ORIGINAL EXPOSURE	779,930	269,386

The value of the exposure has been calculated, according to the valuation mark-to-market method, in compliance with the established in part third, title II, chapter 6 of Regulation (EU) 575/2013 (CRR). Through the application of this method, the exposure's value is determined from the result of adding the replacement cost of all contracts with positive value (determined through the allocation of a market price to the contracts and transactions) to the amount of future potential credit risk of each instrument or transaction, calculated in accordance with the established in article 274 of Regulation (EU) 575/2013 (CRR) and

taking into account the particularities contained in such article. In the calculation of the potential risk amount, the ranges contained in table 1 of section 2 of such article.

Identification of internal rating agencies used

The Group uses the ratings available from rating agencies authorized from the Bank of Spain; these are Moody's, Standard and Poor's, Fitch Rating and Dominion Bond Rating Service Limited, with the following distribution:

Table 37. External rating agencies

External rating agencies (thousands of euros)	Standard and Poor's	Fitch Ibca	Moodys	Dominion Bond Rating Service
Central governments or central banks	X	X	X	X
Regional governments and local authorities	X	X	X	
Public sector entities and other non-profit public institutions	X	X	X	X
Multilateral development banks				
International organizations				
Institutions	X	X	X	X
Corporates	X	X	X	X
Retail customers				
Exposures secured by real estate				
Exposures in default situation	X	X	X	
High-risk exposures				
Covered bonds	X	X	X	X
Exposures to institutions and corporates with a short-term credit rating	X	X	X	X
Exposures to collective investment institutions				
Equity exposures	X	X	X	X
Other exposures	X	X	X	X
Securitisation positions	X	X	X	

Effect on risk exposures from the application of risk mitigation techniques

The application of risk mitigation techniques based on the utilisation of pledge and personal real guarantees have, as of 31 December 2015, the following effect on value adjustment net exposures:

Table 38. Value adjustment net exposures

Value adjustment net exposures		
(thousands of euros)	Amount 2015	Amount 2014
Net Exposure of Adjustments and Allowances	55,830,211	58,230,923
Exposure Full Adjusted Value	55,814,467	58,202,407
Effect application of mitigation techniques (*)	15,744	28,516

(*) It does not include exposures with Central Counterparties as they count with a settlement mechanism with the constitution of deposits in outstanding daily guarantees. Neither does it include guarantees received in contractual settlement agreements.

Hereafter disaggregated detail is presented by exposure categories and credit quality degrees (measured in function of the percentage applied for purposes of calculating the value of the risk-weighted exposure) which are affected by the application of mitigation techniques:

Table 39. Exposure categories and degrees of quality

Disaggregation by Exposure categories and degrees of quality (Amount in €)								
Risk Category	Measurement	0%	20%	50%	75%	100%	150%	Total
Central governments or central banks	Net exposure	11,051,125						11,051,125
	Adjusted value	11,147,446						11,147,446
Regional governments and local authorities	Net exposure	1,400,111						1,400,111
	Adjusted value	1,409,614						1,409,614
Public sector entities and other non-profit public institutions	Net exposure			115,966		339,192		455,158
	Adjusted value			75,298		330,922		406,220
Multilateral development banks	Net exposure							
	Adjusted value							
International organizations	Net exposure							
	Adjusted value							
Institutions	Net exposure			561,864				561,864
	Adjusted value			558,641				558,641
Corporates	Net exposure					4,247,366		4,247,366
	Adjusted value					4,193,837		4,193,837
Retail customers	Net exposure				6,918,251			6,918,251
	Adjusted value				6,906,306			6,906,306
Exposures secured by real estate	Net exposure							
	Adjusted value							
Exposures in default situation	Net exposure					1,474,807	159,724	1,634,531
	Adjusted value					1,474,693	159,637	1,634,330
High-risk exposures	Net exposure							
	Adjusted value							
Covered bonds	Net exposure							
	Adjusted value							
Exposures to institutions and corporates with a short-term credit rating	Net exposure							
	Adjusted value							
Exposures to collective investment institutions	Net exposure					9,067		9,067
	Adjusted value					5,335		5,335
Equity exposures	Net exposure							
	Adjusted value							
Other exposures	Net exposure							
	Adjusted value							
Securitisation positions	Net exposure							
	Adjusted value							
TOTAL	Net exposure	12,451,236		677,830	6,918,251	6,070,432	159,724	26,277,473
	Adjusted value	12,557,060		633,939	6,906,306	6,004,787	159,637	26,261,729
TOTAL EFFECT	MITIGATION	-105,824		43,891	11,945	65,645	87	15,744

Securitisations

7.1.7 General description and objectives

According to the CRR the regulatory definitions associated to securitisations are:

Securitisation: transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having both of the following characteristics:

- Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- Subordination of the tranches determines the distribution of the losses during the validity period of the transaction or mechanism.

Traditional securitisation: Securitisation which implies the economic transfer of the securitised exposures to a SPV (Special Purpose Vehicle) which issues securities. The transaction can take place through the sale of the originator entity of the property of the securitised exposures or through sub-participation, which will include, for these purposes, the underwriting of mortgage bonds, certificates of mortgage transmission and similar securities by the SPVs. Securities issued by the SPV do not represent payment obligations of the originator.

Synthetic securitisation: Securitisation in which the risk transference is conducted through appeal to credit derivatives or guarantees and the securitised exposures are still exposures of the originator entity.

Securitisation position: Exposure to a securitisation. For these purposes, it will be considered that providers of credit risk hedges with respect to positions of a concrete securitization maintain positions in such securitization.

Tranche: contractually established segment of the credit risk associated with an exposure or a number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments:

- **First loss tranche:** the most subordinated loss of securitisation, which is the first one in bearing losses which may arise from securitised exposures.
- **Intermediate risk tranche:** it is the tranche, distinct from a first loss tranche, which has lesser order of precedence in the payments than the position with higher precedence in the payments of the securitisation and lower precedence than any securitisation position in the scheme rated with 1st credit quality level, when it is a securitisation treated under the standard approach.
- **Senior tranche:** It is all tranche other than a first loss or intermediate risk tranche. Within the senior tranche, it will be understood as “maximum preference tranche” that tranche which is ranked first in the order of precedence of securitization payments, without taking into account, for these purposes, amounts due in accordance with derivatives contracts regarding interest rates or currencies, brokerages or other similar payments.

The assessment of these features for purposes of determining the existence or not of a securitisation scheme is carried on attending to both to its legal form and economic content.

The Group develops securitisation schemes for both assets and liabilities (bonds), which on the one hand permit the obtainment of liquidity through the movement of part of its credit investment portfolio, homogenising heterogeneous assets of its portfolio for the purposes of conducting more efficient management of them with third parties or the market.

7.1.8 Risks of Group securitisation activity

The risk part transferred to third parties in asset securitisation schemes in which the Group has participated as originator is not very relevant. In general, the Group's role in such schemes is to provide hedging to a part of the credit risk associated to the issuances carried out by asset securitisation funds, through the acquisition of certain subordinated tranches of such issuances ("First loss tranches") issued by securitisation funds.

However, there is no implicit support commitment to the securitisation transactions performed by the Group.

7.1.9 Roles played in securitisation processes and degree of involvement

The main roles that the Group performs in securitisation schemes in which it participates are the following:

- Originator Entity of credit claims
- Transferring and Administrative Entity of the assets transferred to Securitisation Funds
- Management of securitisation funds in which the Group has played the originator role is carried out by TDA, S.G.F.T., S.A.
- Investor Entity through the acquisition of securitisation bonds issued by other entities.

7.1.10 Accounting treatment of financial asset transfers

According to *Circular 4/2004 de Banco de España*, the accounting treatment of financial asset transfers is conditioned by the manner in which their associated risks and benefits are transferred to third parties:

- If risks and benefits of transferred assets are substantially transferred to third parties, the financial asset transferred is removed from the balance sheet, simultaneously recognising any right or liability retained or created as a consequence of the transfer.
- If risks and benefits associated to the transferred financial asset are substantially retained, in case of securitisations of financial assets in which subordinated financing is maintained or other type of credit instruments which substantially absorb the expected credit losses for the securitised assets, the transferred financial asset is not removed from the consolidated balance sheet, and is still valued with the same criteria utilised before the transfer. On the contrary, they are recognised for accounting purposes, without being netted among them:
 - An associated financial liability by an amount equal to the consideration received, which is subsequently valued at its amortised cost.
 - Both the income from the transferred but not removed financial asset, as the expenses of the new financial liability.

In accordance with the above-mentioned, financial assets are only removed from the consolidated balance sheet when the cash flows they generate cease or when the risks and benefits they entail have been substantially transferred to third parties.

Notwithstanding the previous, financial assets transferred before 1 January 2004 have been removed from the consolidated balance sheet with independence of the conditions of risks and benefits transfer, according to current regulation.

Securitisation schemes performed by the Group are considered traditional securitisation schemes, not having performed synthetic securitisation schemes.

De acuerdo con lo anterior, los activos financieros sólo se dan de baja del balance consolidado cuando se han extinguido los flujos de efectivo que generan o cuando se han transferido sustancialmente a terceros los riesgos y beneficios que llevan implícitos.

7.1.11 Originated securitisations

As of 31 December 2015, the Group maintains securitisation positions in which it has participated as originator and in securitisations originated by entities outside the Group. The Group does not hold positions in re-securitisations nor holds securitisation positions in the trading book.

As a general criterion the bonds issued in the first losses tranche are rated by a rating agency and the remaining tranches are rated by two agencies. The external rating agencies utilised in performed securitisations to the date have been Standard and Poor's and Moody's

Currently, the Group does not have assets awaiting for securitisation nor securitised credit lines subject to anticipated amortisation treatment.

Hereafter the exposures securitised by the Group are shown as of 31 December 2015:

Table 40. Types of securitisations

Types of securitisations	
(thousands of euros)	Amount 2015
Covered bonds	2,433,896
Mortgage loans	4,222,980
On-balance	4,116,078
Off-balance	106,902

The following table presents detail on the positions held in securitisation schemes by the Consolidated Group as of 31 December 2015.

Table 41. Types of securitisation positions

Types of securitisation positions (thousands of euros)	2015	
	Exposure amount	Subject to the standard method under part third, title III, Chapter 5 CRR
A) Positions held on securitisations in which the Group acts as originator	3,721,874	147,260
A.1) Positions held in traditional securitisations	3,721,874	147,260
A.1.1) Positions held in multi-transfer securitisations	143,099	143,099
A.1.2) Positions held in the rest of securitisations	3,578,775	4,161
B) Positions acquired in securitisations in which the Group does not act as originator	368,503	368,503
B) Positions held in traditional securitisations	368,503	368,503
B.1.1) Positions held in multi-transfer securitisations	34,086	34,086
B.1.2) Positions held in the rest of securitisations	334,417	334,417

During the 2015 business year the Group has not carried on any securitisation transactions.

7.1.12 Calculation of risk-weighted exposures in securitisation positions

The Group calculates its own resources requirements for positions maintained in securitisation schemes through the application of the standard method defined in the third part, title II, chapter 5, third section, third subsection of Regulation (EU) 575/2013 (CRR).

For own securitisations, the Group calculates regulatory capital for positions maintained in the securitisation only if the securitisation fund complies with regulatory conditions which determine the effective and relevant transfer of risk established in article 245 of Regulation (EU) 575/2013. On the contrary, capital is calculated for securitised exposures as if they had not been subject to a securitisation scheme.

In the process of reviewing the significant transfer of risk securitisation transactions and motivated by successive repurchases, both during the current year and in previous years, the securitisations performed in 2005, 2006 and 2007 no longer meet transfer requirements of significant risk so in this exercise treatments established in the third part, title II, chapter 5 of Regulation (EU) 575/2013 (CRR) do not apply, but securitised exposures are included in the calculation of risk-weighted exposures as if they had not been securitised. This change has not led to any changes in the capital requirements of the group since these positions had already limited the amount of their risk-weighted exposure which would correspond as if the mentioned exposures had not been securitised.

For the following securitisations indicated, the underlying securitised assets compute as credit risk, as there is no substantial risk transfer, according to the indicated in article 245 of Regulation (EU) 575/2013 (CRR):

- Securitisation performed in 2005, with a balance at year end of € 300.791 Million and with retained positions amounting to € 166.399 Million.
- Securitisation performed in 2007, with a balance at year end of € 971.634 Million and with retained positions amounting to € 602.497 Million.

- Securitisation performed in 2007, with a balance at year end of € 563.803 Million and with retained positions amounting to € 395.095 Million.
- Securitisation performed in 2008, with a balance at year end of € 829.720 Million and with retained positions amounting to € 828.210 Million.
- Securitisation performed in 2009, with a balance at year end of € 1,732.593 Million and with retained positions amounting to € 1,582.368 Million.

Detail of the positions in securitisation schemes maintained by the Group as of 31 December 2015, disaggregated by risk-weighted ranges to which they are allocated, is the following:

Table 42. Types of securitisation positions according to the Standard Method

Types of securitisation positions – Standard method	
(thousands of euros)	Exposure amount 2015
General treatment by credit quality level:	-
- Level 1 (weighted at 20%)	1,967
- Level 2 (weighted at 50%)	39,844
- Level 3 (weighted at 100%)	145,671
- Level 4 (weighted at 350%)	-
- Level 5 (weighted at 1250%)	-
Particular treatment:	-
- Guaranteed by the State (weighted at 0%)	324,120
- Without credit quality (weighted at 1250%) (*)	4,161
Senior tranche	326,087
Intermediate tranche	185,515
First losses tranche	4,161

(*) The amount of credit risk-weighted exposures has been limited to the corresponding to the exposures if they were not subject to securitisation. The amount of credit risk requirements amounts to € 3,035 Thousands.

The Group has not deducted any amount from own funds due to securitisation positions.

The detail of the outstanding balance as of 31 December 2015 of assets securitised by the Group in operations subject of application of the regime contained in the third part, title II, chapter 5 of Regulation (EU) 575/2013 for the calculation of credit risk-weighted exposures for purposes of determining own resources requirements is the following:

Table 43. Types of securitisation positions

Types of securitisation positions			
(thousands of euros)	Outstanding balance	Outstanding balance default and impaired operations	Impairment losses amount
A) Traditional securitisations	106,902	730	45
- Assets with mortgage guarantee	106,902	730	45
- Corporate banking transactions	-	-	-
- Other assets	-	-	-
B) Synthetic securitisations	-	-	-

Risk mitigation techniques

7.1.13 General information

Taking into account the guarantees admissible for standard calculations as admissible credit risk mitigation techniques foreseen in part third, title II, chapter 4 of Regulation (EU) 575/2013, the Group mainly admits and manages the following:

- Real guarantees of financial nature: Including cash deposits; debt securities issued by public administrations, central banks, institutions or corporations; listed convertible shares or bonds; holdings in investment funds and gold.
- Personal guarantees granted by solvent coverage providers such as: central administrations and banks, regional and local administrations, multilateral development banks, international organisations, public sector entities, institutions and insurance companies.
- Agreements for settlement relative to transactions linked to capital markets, where deals on collateral pledges have been closed, generally via cash deposits, in order to cover the originated credit risk net position.

The Group has defined the legal requirements and criteria which shall be contemplated for the formalisation and implementation of such guarantees. Each type of guarantee has its circuit of admission, concession, formalisation and control which contemplates is volatility and effectiveness.

Form the credit risk mitigation techniques previously mentioned, the Group is including in the calculation of credit risk mitigation the personal guarantees, the real guarantees materialised in temporal acquisition of public debt and the netting agreements with collateral agreements.

As of 31 December 2015 the Group has not taken out credit derivatives.

7.1.14 Quantitative information

The following detail exhibits the distribution of the Group's credit risk exposure as of 31 December 2015, disaggregated according to the application or not of credit risk reduction techniques and, where appropriate, of the mitigation technique applied (exposures data refer to exposures prior to the risk mitigation application):

Table 44. Exposure to credit risk by mitigation technique

Exposure to credit risk by mitigation technique		
(thousands of euros)	Exposure value 2015	Exposure value 2014
A) Exposures not subject to credit risk mitigation techniques	58,429,868	60,899,370
B) Exposures subject to credit risk mitigation techniques	284,612	333,147
• Settlement agreements for balance sheet operations	-	-
• Settlement agreements related to repurchase agreements, securities or commodities lending or other operations linked to equities markets	163,044	183,968
• Real guarantees	15,744	28,516
• Other real guarantees	-	-
• Hedges based on personal guarantees	105,824	120,663
• Hedges through credit derivatives	-	-

Hereafter the total value of the exposures as of 31 December 2015 is shown, covered by the application of risk mitigation techniques based on the utilisation of real guarantees:

Table 45. Value of the exposure hedged through risk mitigation techniques based on real guarantees

Exposure hedged through risk mitigation techniques based on real guarantees						
(thousands of euros)	With admissible financial guarantees		With other admissible financial guarantees		Total	
	2015	2014	2015	2014	2015	2014
TOTAL RISK CATEGORIES	15,744	28,516	-	-	15,744	28,516
Central governments or central banks	-	-	-	-	-	-
Regional governments and local authorities	-	-	-	-	-	-
Public sector entities and other non-profit public institutions	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
International organizations	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporates	687	1,843	-	-	687	1,843
Retail customers	11,125	25,223	-	-	11,125	25,223
Exposures secured by real estate	-	-	-	-	-	-
Exposures in default situation	200	1,450	-	-	200	1,450
High-risk exposures	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit rating	-	-	-	-	-	-
Exposures to collective investment institutions	3,732	-	-	-	3,732	-
Equity exposures	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-

Hereafter the total value of the exposures as of 31 December 2015 is shown, covered by the application of risk mitigation techniques based on the employment of personal guarantees:

Table 46. Value of the exposure hedged through risk mitigation techniques based on personal guarantees

Exposure hedged through risk mitigation techniques based on personal guarantees				
(thousands of euros)	With personal guarantees		Total	
	2015	2014	2015	2014
TOTAL RISK CATEGORIES	105,824	120,663	105,824	120,663
Central governments or central banks	-	-	-	-
Regional governments and local authorities	-	-	-	-
Public sector entities and other non-profit public institutions	48,937	8,538	48,937	8,538
Multilateral development banks	-	-	-	-
International organizations	-	-	-	-
Institutions	3,224	107,549	3,224	107,549
Corporates	52,843	3,519	52,843	3,519
Retail customers	820	1,031	820	1,031
Exposures secured by real estate	-	-	-	-
Exposures in default situation	-	26	-	26
High-risk exposures	-	-	-	-
Covered bonds	-	-	-	-
Exposures to institutions and corporates with a short-term credit rating	-	-	-	-
Exposures to collective investment institutions	-	-	-	-
Equity exposures	-	-	-	-
Other exposures	-	-	-	-
Securitisation positions	-	-	-	-

8 Operational risk

The Group has employed the standard method for the calculation of own resources requirements for operational risk. The requirements come determined by the simple average of the three last years of the aggregation, for each year, of the maximum value between zero and the sum of the relevant income of each of the business lines cited in table 2 of section 4 of article 317 of the Regulation, multiplied by their corresponding weight coefficients provided in such table.

Operational Risk Management

According to article 316 section 1 of Regulation (EU) 575/2013 (CRR), relevant income is understood as the following components of the profit and loss account in accordance with article 27 of Directive 86/635/EEC: interest and income received; interest payable and similar charges; returns on equity and other fixed or variable income instruments; received and paid commissions; gains from financial transactions; and other operational income.

As indicated in such article the following elements are not included in the calculation of the relevant indicator:

- Profits or losses arising from the sale of elements outside the trading book.
- Income coming from extraordinary or exceptional items.
- Income derived from insurance.

Operational Risk Distribution

Hereafter graphical presentation is displayed regarding the percentage that each type of event represents over the total, in number and amount, classified by risk category and business line:

Illustration 3. Loss events by risk category

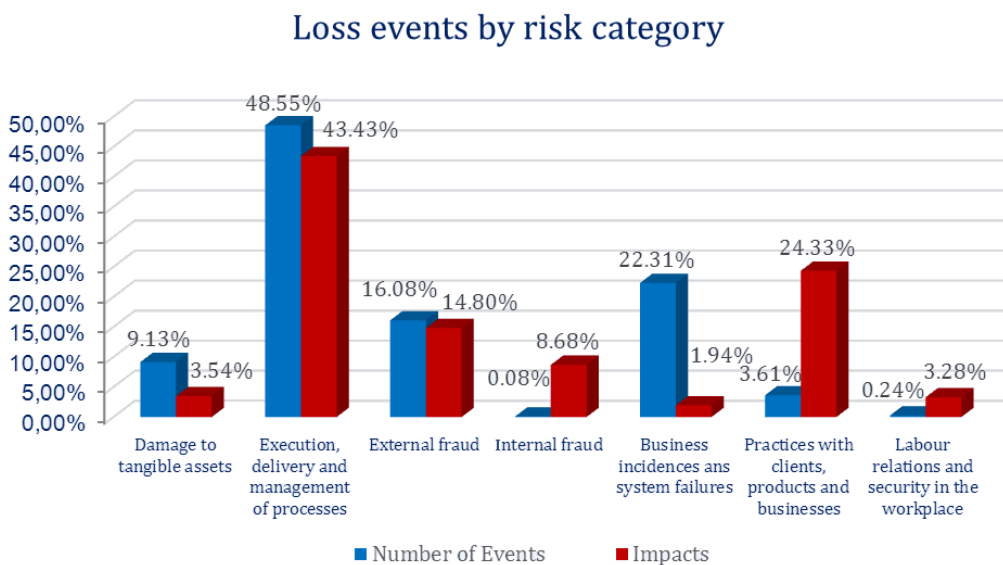
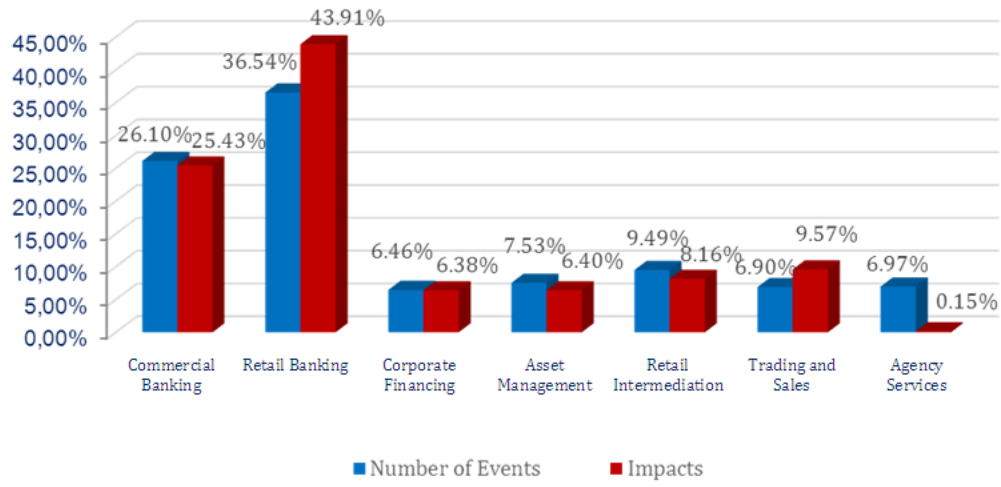


Illustration 4. Loss events by business line

Loss events by business line



9 Holdings and equity instruments not included in the trading book

Classification, valuation and accounting criteria

In notes 2.1 and 2.2.4 of the Consolidated Report of business year 2015 the Group includes a description of the portfolios which encompass the holdings and equity instruments belonging to the Group, jointly with the accounting criteria on registration and valuation which are applied to each of them. In such notes the models and assumptions are also indicated, applied to the determination of the value of the instruments included in each portfolio.

The Group has holdings in entities in whose management and decision-making process it intervenes to a larger or lesser extent, pursuing the achievement of goals which are integrated into the strategy of the Group, and showing the intention of permanence in their shareholding ("strategic holdings"). Furthermore, it has holdings in other entities with other objectives, basically consisting on the maximisation of the returns obtained through their management ("portfolios held for sale").

The holdings and equity instruments which belong to the Group and are classified on an accounting basis in the category of Group companies, associated companies and multi-group are owned with strategic purposes. Likewise, there are certain holdings classified in the category of available-for-sale financial assets which are also maintained with strategic character.

Quantitative information

The book value of the holdings property of the Group as of 31 December 2015 which are not included in the trading book is equal to €734,956 Million.

Hereafter detail is presented on the exposures to holdings and equity instruments maintained by the Group as of 31 December 2015, without including exposures to instruments which form part of the trading book, as this has been defined for purposes of own resources requirements in prior section 9.1 of this report:

Table 47. Value of exposures to holdings and equity instruments

Exposures to holdings and equity instruments		
(thousands of euros)	Exposure amount 2015	Exposure Amount 2014
Equity instruments listed in organised markets	190,068	252,246
Equity instruments not listed in organised markets	981,530	1,028,482
- Included in sufficiently diversified portfolios	981,530	1,028,482
- Other non-listed instruments	-	-
TOTAL	1,171,598	1,280,728

The amount of the profits registered by the Group during business year 2015 by sales of shares and holdings other than the included in its trading book and the holdings which form part of the Consolidated Group have amounted to € 5,249 Thousands.

In addition to the indicated in the previous paragraph, the Group has registered an increase in the net worth as consequence of the value variations in holdings in equity instruments other than the ones included in the trading book amounting to € 12,525 Thousands, which taking into account the phase-in implementation calendar, have supposed an increase in CET1 own resources by a value of €5,010 Thousands.



10 Interest rate structural risk

Interest rate risk is defined as the possibility that the financial margin or economic value of the Group are affected by the adverse variations in interest rates which impact on cash flows of financial instruments.

Interest rate risk sources are:

- **Review risk:** derived from the temporary differences which exist in the maturity or review of assets, liabilities and off-balance-sheet operations of the Group.
- **Curve risk:** the balances which mature and reprice are also exposed to changes which may happen in the slope of the yield curve.
- **Option risk:** derived from the implicit options which exist in certain financial products, whose exercise supposes the modification of flows foreseen (anticipated amortisations of mortgages, disposal of savings deposits,...).
- **Basis risk:** derived from the imperfect correlation which exists between the prices of the different products of the Group and between these and market interest rates, in such a manner that the variations of these are not automatically transmitted and to the same extent.

Interest rate variations

In the following table, as of 31 December 2015, the difference is represented between the sensitive assets and liabilities in each period, this is, the net balance exposed to changes in prices.

Table 48. Balance sheet sensitivity profile as of 31 December 2015

(Millions of €)	Terms until the review of effective interest rates or maturity						
	< 1 month	1-3 months	3 months - 1 year	Sensitive balance	Non-sensitive balance	1-5 years	>5 years
Assets	8,535	10,246	18,587	37,368	16,496	5,281	11,215
Liabilities	9,053	6,592	21,444	37,089	16,775	10,437	6,338
GAP Period	-518	3,654	-2,857	279	-279	-5,156	4,877

Sensitive balances are those considered as whose maturity or repricing is produced in the following twelve months. This period is established as a reference for the quantification of the effect of the variation of interest rates on the annual brokerage margin of the Group.

Hereafter presentation takes place on the impact of the balance sheet structural interest rate risk on the margin and economic value to the variations dictated by the *Guía PAC del Banco de España*:

Table 49. Impact from interest rates increases

	Terms until the review of effective interest rates or maturity	2015				2014	
		Increase		Decrease		Increase	Decrease
		200 points	4.85%	-3.45%	2.03%	-7.81%	
Impact on Group interest margin	200 points	4.85%	-3.45%	2.03%	-7.81%		
Impact on Economic Value	200 points	0.92%	6.20%	-0.85%	1.23%		

The information related to interest rate risk in positions not included in the trading book, both in the referring to its nature and key hypotheses and to the variation in income or economic value due to shocks in the rise or drop of interest rates, is included in note 3.3 of the Consolidated Report integrating the Consolidated Annual Accounts of the Group for the 2015 business year.



11 Liquidity and funding risk

El riesgo de liquidez se define como la posibilidad de incurrir en pérdidas por no disponer o no poder acceder a fondos líquidos suficientes para hacer frente a las obligaciones de pago. El apartado **¡Error! No se encuentra el origen de la referencia.. ¡Error! No se encuentra el origen de la referencia.** del presente documento, detalla las estrategias y políticas de gestión para el riesgo de liquidez así como los procedimientos de medición y control.

A continuación se expone un desglose de la liquidez disponible:

Table 50. Disaggregation of available liquidity

Liquidity disaggregation		
(thousands of euros)	2015	2014
Cash and central banks	532,609	435,066
Available in policy	6,567,438	4,732,432
Eligible assets outside the policy	4,009,656	7,195,103
Other tradable assets non-eligible by the Central Bank	162,154	422,472
Accumulated available balance	11,271,857	12,785,073

Liquidity and funding perspective

The disaggregation of the contractual terms and maturities is described in the 2015 Report in its section 3.4 Exposure to liquidity risk

The policy of time diversification of the wholesale issuances maturities, will enable the Group to cover the maturities of the following business years, maintaining a wide liquidity position. Thus, taking into account liquidity available, the Entity could cover the totality of its maturities regarding long-term wholesale funding.

12 Reputational risk

Reputational risk

Reputational risk is defined as the unfavourable impact that an event could have on Group corporate reputation. It is associated with a negative perception of the Group by its stakeholders (clients, employees, society as a whole, regulators, shareholders, suppliers, counterparties, investors, market analysts...) which affects the capacity of the Group to maintain its existing commercial relationships or establish new ones.

The following reputational risk types are identified:

- **Derived from operational risk**: The stakeholders perceive a service level below their expectations which is translated in a dissociation from the Group and/or negative comments in its environment.
- **Purely Intrinsic**: This type of risk is inherent to financial activity, by being highly regulated and subject to continuous supervision by authorities. It leads to legal or regulatory sanctions and significant financial losses as a result of violating laws, regulations and codes of conduct in force.
- **Purely Extrinsic**: It is generated outside the Group but it can impact on its reputation. The perception of the financial sector, changes on the expectations of shareholders or opinions on the Group constitute some examples.

Control and supervision of Reputational risk

The Group gives the utmost importance to the management of corporate reputation as a method to anticipate, prevent and/or manage potential reputational risks, and by its positive impact on value creation. Thus, the strategic plan 2015-2017 includes among its priority projects, the Corporate and Brand Reputation. Thus, it has developed a framework of reputational risk management that includes the organisational structure involved in management (detailing roles and responsibilities), methodologies for the identification, valuation, measurement and control of risks, management tools and reporting procedures.

In addition, as already indicated, the Group has a Compliance Unit in order to ensure and monitor compliance with the main standards that apply in its regulated activities, such as those relating to the prevention of money laundering and terrorist financing, investor protection in the marketing of financial instruments and providing investment services (MIFID), rules of conduct provided in the Internal Code of Conduct (ICC) in the field of Securities Markets, the regulation on reporting of suspicious transactions on market abuse, etc.

13 Unencumbered assets

General information

The concept of pledged or encumbered assets (asset encumbrance) refers to the part of entity assets which is committed as the result of its usage in secured financing operations.

In this sense, the EBA has developed a series of Directives relative to the disclosure of information about encumbered and unencumbered assets in compliance with the mandate included in Regulation 575/2013 on Capital Requirements. These Directives, which suppose a first step for the harmonisation of the information framework, take into account a ESRB Recommendation as of 20 December 2012 and complement the accounting framework regarding information disclosure.

In compliance with the directives set by the EBA for the disclosure of information relative to encumbered and unencumbered assets (EBA/GL/2014/3), an asset is considered encumbered when it has been pledged or is subject to any type of agreement, which it cannot unilaterally break, by virtue of which it serves as guarantee or improves credit quality of any on-balance sheet or off-balance sheet operation.

The process of encumbering assets consists on utilising such assets to secure or collateralize by the Group, specific obligations with certain creditors.

The Group has established identification and management policies, and has developed procedures to measure and monitor the exposure of encumbered assets.

Quantitative information

Hereafter the information relative to encumbered assets is presented. This information has been prepared in accordance with EBA Directives relative to the disclosure of information on encumbered and unencumbered assets, using annual average figures.

Table 51. Amount of encumbered and unencumbered assets, as of 31 December 2015

Encumbered and unencumbered assets				
(thousands of euros)	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets of the declarant entity	16,830,101	-	39,297,892	-
Loans and credits	9,283,912	-	25,760,867	-
Equity instruments	4,506	4,506	484,497	484,497
Debt securities	7,332,631	7,386,482	7,867,556	7,932,178
Other assets	209,052	-	5,184,973	-

Hereafter information is shown on the collateral received which does not gather the conditions to be recognised on-balance according to the applicable accounting regulation and that, therefore, is maintained off-balance. Distinction is made on the collateral received which hedges other position and the one unencumbered.

Table 52. Real guarantees received by asset type, as of 31 December 2015

Real guarantees		
(thousands of euros)	Fair value of guarantees received from securities or own titles representative of debt issued (encumbered)	Fair value of guarantees received from securities or own titles representative of debt issued (available for encumbrance)
Guarantees received by the declarant entity	141,341	259,636
Loans and credits	-	-
Equity instruments	-	-
Debt securities	141,341	259,636
Other guarantees received	-	-
Own debt securities issued, other than covered bonds or securitisation bonds of own assets	-	-

Lastly the liabilities associated to encumbered assets and the collateral received are shown.

Table 53. Associated liabilities to assets and real guarantees received under encumbrance, as of 31 December 2015

Liabilities		
(thousands of euros)	Associated liabilities, contingent liabilities or securities pledged	Assets, guarantees received and own debt securities issued, other than covered bonds and securitisation bonds of encumbered assets
Accounting value of selected financial liabilities	15,036,600	16,867,279

Encumbered assets and collateral received amounted to € 16,867,279 Thousands. 55% of the encumbered assets include loans and credits. For the most part they are mortgage loans underlying mortgage bonds operations and asset-backed securities, whether sold to third parties, whether held in own portfolio and subsequently pledged and arranged in ECB policy. Moreover, the bonds that act as collateral for repurchase transactions and ECB policy provisions account for 43% of the total.

Encumbered assets and guarantees belong to the parent Entity Ibercaja Banco SA

As for the assets without burdens, the entity does not consider as available for encumbrance, in the normal course of its operations, € 5,184,973 Thousands under the heading "other assets", including intangible assets, deferred tax assets, tangible assets and derivatives assets.

Encumbered assets act as collateral for certain obligations. Thus, sources of encumbrance amounted to € 15,036,600 Thousands and include mortgage bonds, ECB policy provisions and funding through repo fixed income. To a lesser extent securitisation bonds and liabilities with collateral requirements.

During 2015 financing by mortgage bonds has decreased, along with asset-backed securities and derivatives, among others. Conversely, the position in fixed income repo has increased. Thus, encumbrance on mortgage loans is reduced but has augmented on fixed income securities. In net terms, a reduction of assets and guarantees received under encumbrance is appreciated. The percentage of encumbered assets over total assets and guarantees received is equal to 30.02% as of 31 December 2015, expressed in annual average terms.

14 Leverage

General information

The leverage ratio is a metric complementary to other solvency indicators, which seeks to ensure prudence in the funding structures of institutions, limiting excessive reliance on third-party resources and avoiding a destabilisation of the economy and the banking system.

To reduce the risk, the entry into force of Basel III brought the measurement of the leverage ratio as the relationship between Tier 1 capital and risk exposure, both on-balance and off-balance, regardless of risk weights. The leverage ratio offers a view of the percentage of assets which are funded with Tier 1 capital.

Its calculation is established in Article 429 of Regulation (EU) 575/2013 (CRR). The European Commission amended the CRR in October 2014 (by delegated act) to adopt the new method of calculation. This ratio is calculated as the quotient of Tier 1 capital calculated according to the rules of solvency, divided by the leverage exposure calculated as the sum of the balance sheet assets, memorandum accounts, exposures in derivatives and securities financing and adjustments to ensure consistency with the numerator.

Currently, the ratio is in the process of calibration. A reference level of 3% is established on a consolidated basis, which will not be mandatory until 2018.

The Leverage Ratio is designed as a simple metric, which complements and acts as floor regarding the minimum solvency ratio based on risk. Intended to provide additional protection against the so-called "model risk", this is, to underestimate the regulatory capital required through calculations provided by sophisticated models permitted by Basel II and III.

The Group is subject to biannual monitoring by the European Banking Authority (EBA) as part of the calibration process.

As of 31 December 2015 the Group has a Leverage Ratio of 5.16%:

Table 54. Leverage ratio

Leverage ratio		
EU-22	Leverage ratio	5.16%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	With transitory measures
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Disaggregation of the total exposure measure

In the calculation of the Leverage Ratio, the following is taken into account:

- The exposure measure utilised to calculate the leverage ratio is the book value of all asset items, except derivatives, where their net value is included (minus collateral if they meet certain criteria) plus an add-on for future potential exposure.
- Assets which are deducted, and those which form part of the transitional Tier 1 adjustments are subtracted from the exposure measure to avoid double computation.
- For off-balance transactions (memorandum accounts) its balance will be weighted for distinct percentages in accordance with article 429 of Regulation (EU) 575/2013 (CRR).

Hereafter disaggregation is presented on the total exposure measure corresponding to the Leverage Ratio as of 31 December 2015, in compliance with the templates “LRCom” and “LRSpl” defined in Annex I of the Commission Implementing Regulation (EU) 2016/200:

Table 55. Common disclosure table of the leverage ratio

LRCom Table: Common disclosure table of the leverage ratio		Exposures corresponding to the CRR leverage ratio
(thousands of euros)		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	52,922,097
2	(Asset amounts deducted in determining Tier 1 capital)	- 405,567
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2) 16.2.2016 L 39/9 Official Journal of the European Union ES	52,516,530
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	82,315
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	157,705
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	- 155,695
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivatives exposures (sum of lines 4 to 10)	84,325
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	543,642
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	543,642
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	3,891,975
18	(Adjustments for conversion to credit equivalent amounts)	2,649,064
19	Other off-balance sheet exposures (sum of lines 17 and 18)	1,242,911
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposure measure		
20	Tier 1 capital	2,808,130
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	54,387,408

Table 56. Disaggregation of on-balance exposures (excluding derivatives, SFT and excluded exposures)

LRSpl Table: Disaggregation of on-balance exposures (excluding derivatives, SFT and excluded exposures)		Exposures corresponding to the CRR leverage ratio
(thousands of euros)		
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	52,766,402
EU-2	Trading book exposures	690
EU-3	Banking book exposures, of which:	52,765,712
EU-4	Covered bonds	127,213
EU-5	Exposures treated as sovereigns	14,339,791
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	849,075
EU-7	Institutions	659,432
EU-8	Secured by mortgages of immovable properties	21,299,838
EU-9	Retail exposures	5,281,561
EU-10	Corporate	3,553,059
EU-11	Exposures in default	1,606,943
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	5,048,800

14.1.1 Conciliation of the Leverage Ratio with published financial statements

The following table presents the conciliation of the total exposure measure corresponding to the Leverage Ratio with the information of financial statements published as of 31 December 2015, in compliance with template "LRSum" defined in Annex I of the Commission Implementing Regulation (EU) 2016/200:

Table 57. Summary of the conciliation of accounting assets and exposures corresponding to the leverage ratio

LRSum Table: Summary of the conciliation of accounting assets and exposures corresponding to the leverage ratio		
(thousands of euros)	Book value of encumbered assets	Fair value of encumbered assets
1	Total consolidated assets as per published financial statements	53,863,829
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
3	Adjustments for derivative financial instruments	- 158,070
4	Adjustment for securities financing transactions (SFTs)	-
5	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,242,911
6	EU-6a (Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
7	EU-6b (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
8	Other adjustments	- 561,262
9	Leverage ratio total exposure measure	54,387,408

Information on qualitative aspects

Down below the required information is detailed on the template information on qualitative aspects "LRQua" contained in Annex I to Implementing Regulation (EU) 200/2016 on the processes used to manage excessive leverage risk, and factors which have influenced the Leverage Ratio published on 31 December 2015.

14.1.2 Procedures applied to manage excessive leverage risk

The Leverage Ratio forms part of the Level I metrics of the Risk Appetite Framework as well as of the Group Recovery Plan, both approved by the Board of Directors. In this regard, tolerance thresholds have been established to excessive leverage risk. The ratio is monitored periodically by the Group's Governing Bodies and in the case of observing warnings or non-compliance with respect to established thresholds, the adoption of action plans is foreseen.

14.1.3 Factors influencing the Leverage Ratio

The Leverage Ratio calculated with transitional measures as of 31 December 2015 (5.16%) is 42 bps superior to the ratio calculated as of 31 December 2014 (4.75%).

The improvement of the ratio is due to, on the one hand the reduction of credit risk exposure including both loans to customers and debt securities in such period; and on the other hand to the Tier 1 increase, to the profit generation during the year and other causes already explained in prior sections.

15 Remunerations

This section outlines quantitative and qualitative aspects of the Remuneration Policy of Ibercaja Banco for the members of the organisation included in the so-called "Identified Group", by its significant influence on the Entity's risk profile.

Its objective is to disclose the remuneration policy and practices of the Entity in compliance with the established in *Ley 10/2014*, the *Real Decreto 84/2015*, the *Circular 2/2016 del Banco de España* and articles 13 and 450 of Regulation (EU) No 575/2013.

Background

Ibercaja Banco has, since the year 2012, a Remuneration Policy associated to risk, which is applicable to members of the organisation whose professional activities have a material impact on the risk profile of the entity (the so-called "Identified Group") which aims, on the one hand, at combining the interests and business objectives of the Entity to the effort and professional motivation of the Identified Group, and on the other hand, to encourage effective and sound risk management, that does not stimulate in the members of the Identified Group, risk taking activities that differ from those established in the RAF approved by the Board of Directors.

Special mention shall be paid to the inclusion in the group identified of those responsible of units whose functions have a material impact on the control structure of the Entity, and whose remuneration is dependent on the achievement of objectives linked to their function, regardless of the results provided by business units controlled by them; notwithstanding this the overall results of the Entity can be taken into account for their remuneration, on which they have no possibility of influence because of their activities.

The provisions of this Policy are supplemented by the Remuneration Policy of the members of the Board of Directors of the Bank in force at all times.

Purpose and scope of application of the Remuneration Policy

The Remuneration Policy associated to the risk management of Ibercaja Banco is aimed at reaching an adequate equilibrium between the interests and business objectives of the Entity and the efforts and professional motivation of the Identified Group. Furthermore, it favours effective and sound risk management, which shall not lead to excessive risk taking by the Identified Group.

The Remuneration Policy associated to risk management is applicable to:

- (a) Members of the Board of Directors, executive or not.
- (b) Senior Management personnel.
- (c) Other employees of the Entity whose professional activity significantly influences the entity's risk profile (Risk Takers).
- (d) Responsible of units whose functions have a material impact on the control structure of the Entity.

Professionals included in letters (c) and (d) of this section only are subject to this Policy if their remuneration counts with a variable component.

Special mention shall be paid to the inclusion in the group identified of those responsible of units whose functions have a material impact on the control structure of the Entity, and whose remuneration is dependent on the achievement of objectives linked to their function, regardless of the results provided by business units controlled by them; notwithstanding this

the overall results of the Entity can be taken into account for their remuneration, on which they have no possibility of influence because of their activities.

The Remuneration Policy excludes those employees from the Branch Network that, even when the structure of their remuneration system contemplates a variable component, their activities and functions do not have a significant impact on the risk profile of the Entity; and employees of Financial Group companies which, though their remuneration has a variable component, have defined their responsibilities for risk-taking by the parameters or maximum risk limits approved by the Board of Directors.

Professionals within the Identified Group, as well as the quantitative and qualitative criteria to be considered for inclusion or exclusion of employees within it, are described in the Entity's Remuneration Policy.

Even if they are not part of the Identified Group, the principles underlying the Remuneration Policy apply to all employees of Central Services included in the system of variable remuneration by objectives.

None of the Identified Group members receive any fees in the form of shares or other equity securities of corporations.

Principles of the remuneration policy

The principles of remuneration policy adjusted to transfer risk are:

- Transparency: the rules for remuneration management are explicit and known by the Counsellors and professionals of the Entity, in order to ensure transparency in remuneration terms.
- Coherence with business strategy, objectives, values and interest of the Entity in the long-term.

Retribution composition

The elements of the remuneration of the personnel conforming the Identified Group are a fixed component and a variable component, in case that it is approved annually by the Board of Directors.

The fixed component of the remuneration is determined by the salary tables of the collective agreement applicable to the staff.

The variable component of remuneration is referenced, in any case, to the performance of the beneficiaries based on the global and specific objectives approved annually by the Board of Directors at the proposal of the CEO, following the report from the Remuneration Commission, and should not suppose, at any time, a future cost to the entity arising from the retirement of the beneficiaries. There shall be enough flexibility to allow modulation, to the extent of having the possibility of suppressing it completely, if necessary and may not exceed, in any case, the percentage of fixed remuneration established for each management level.

Decision process followed to establish the remuneration policy of the Identified Group

According to *Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*, which separates the Remuneration Commission and the Appointments Commission, assigning them specific and distinct powers, at the meeting held by the Board of Directors on 27 May 2015, this body agreed to split the Appointments and Remuneration Commission (established in October 2011) in two separate commissions, a Appointments Commission and Remuneration Commission.

Prior to that date, the Nomination and Remuneration Commission had held five meetings, in which issues contemplated, indistinctly, aspects both related to the appointment of members of the Board of Directors and personnel with key roles in the entity as related to remuneration policies and systems.

The Remuneration Commission is responsible of proposing and reporting to the Board of Directors on the following:

- The remuneration policy of the Counsellors and the remaining conditions of their contracts.
- The periodic review of the remuneration programmes, weighting their adequacy and performance.
- The transparency of remunerations and the observance of the remuneration policy established by the Entity.

The main activities developed by the Commission on remuneration issues have consisted of reporting to the Board of Directors on the degree of compliance and fulfillment of the objectives set out in the previous year, and the determination of the objectives that will determine, where appropriate, the accrual of the variable remuneration of the Identified Group.

Moreover, at least once a year, an independent assessment of the implementation of the remuneration policy associated with risk management is performed, in order to verify if the guidelines and procedures for remuneration adopted are met. The conclusions of the assessment performed by the external auditor PricewaterhouseCoopers are reported to the Remuneration Commission so that it can make, if necessary, the appropriate recommendations and proposals for improvement to the Board of Directors.

The proposals and reports of the Commission are elevated to the Board of Directors, in charge of:

- Approving the system of variable remuneration of the persons included in the Identified Group.
- Verifying, as integral part of the general supervision function referred to by the Regulation of the Board of Directors, the appropriate and effective application of the variable remuneration.
- Adopt, where appropriate, the corrective measures which were necessary or convenient for the adequate and effective application of the established in the Policy.
- Agree on the inclusion or removal of persons in the Identified Group.

As of 31 December 2015, the composition of the Remuneration Commission is the following:

Table 58. Composition of the Remuneration Commission

Remuneration Commission		
Name	Position	Category
D. Jesús Solchaga Loitegui	Chairman	Independent
D. Vicente Condor López	Member	Independent
D. José Ignacio Mijangos Linaza (*)	Member	Dominical
D. Jesús Barreiro Sanz	Secretary	Dominical

(*) Nomination subordinated to the pronouncement of the competent supervision authorities.

Composition	
Category	%
% Executive counsellors	0%
% Dominical counsellors	50%
% Independent counsellors	50%
% Other external	0%
Number of meetings	6

Characteristics of the remuneration system of governance body members

In accordance with the provisions of Article 53 of the Entity Statutes, the position of Counsellor is remunerated, distinguishing between executive and non-executive Counsellors. This distinction is intended to compensate adequately the services of "senior management" provided by the Counsellors, taking into account, in any case, not only the principles underlying this Policy but also the retributive concepts used by other entities in the sector.

As stated in the record of decisions of the sole shareholder, as of 22 September 2011, this body agreed to authorise the Board of Directors of the Entity to fix the assistance allowance of members of the governing bodies to meetings called, with the limit of the amount paid in that moment by the parent entity, the Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón and Rioja, by way of allowance for attendance and expenses.

Based on this authorisation, the Board of Directors at its meeting held on 22 September 2011 agreed to establish the amount of the assistance allowance for meetings of members of the governing bodies of the Group in the amount of € 700 (gross) per meeting.

15.1.1 Remuneration of the CEO

The remuneration system of the CEO, first executive of the entity, is composed by the following compensation elements:

- fixed part, adequate to the services and responsibilities assumed;
- variable part, correlated to some
- welfare part, which will contemplate the appropriate forecast and insurance systems;
- compensation in the event of separation or any other form of termination of the legal relationship with the Entity not due to a breach attributable to the CEO.

In the contract signed with the CEO, detail is shown on all the items by which he/she can obtain a remuneration by the performance of executive functions, including, where appropriate, the eventual compensation by early dismissal of such functions and the

amounts payable by the Entity regarding insurance premiums or contributions to savings systems.

The CEO cannot receive any remuneration for the performance of executive functions whose amounts or items are not foreseen in the referred contract.

15.1.2 Remuneration of Counsellors by their condition

The remuneration of Counsellors by their very condition, plus allowances for attending meetings of the Board and its Commissions, without prejudice of the reimbursement of the corresponding expenses, consists of an annual allowance to be determined by the Board of Directors for those Counsellors who have a special dedication and functions.

- Chairman of the Board of Directors:

It corresponds to the Entity's Board of Directors, prior report from the Remuneration Commission, to agree, where appropriate, the remunerated character of the position of Chairman of the Board of Directors of the Entity, establishing in that case the corresponding remuneration.

- Chairmen of the internal Commissions of the Board of Directors:

It corresponds to the Board of Directors, prior report from the Remuneration Commission, to establish the annual wage assignments for the Counsellors holding the positions of Chairman of the Audit and Compliance Commission, Chairman of the Strategy Commission and Chairman of Great Risks and Solvency.

Characteristics of the remuneration system of senior personnel

The remuneration of the senior personnel is composed by the following remuneration items:

- Fixed part, which will be ruled by the salary tables of the applicable collective agreement, which will comprise the remuneration or salary base and the complements or bonuses which may apply in each case,
- Variable part, which will be determined in compliance with the parameters and criteria indicated hereafter:

15.1.3 Determination of objectives

The Board of Directors on the proposal of the Remuneration Commission, shall determine and review, annually, for each professional category included in the Identified Group, the proportion that the variable remuneration component should be regarding their fixed remuneration, as well as the weighting percentage between Global Objectives and Specific Objectives applicable in each case.

15.1.4 Performance assessment

It is a systematic process of estimating how those persons responsible carry out the activities and assume the responsibilities of the positions they play.

The variable component of remuneration is determined on the basis of the achievement by the member of the Identified Group of the Global Objectives and Specific Objectives which have been approved for each fiscal year by the Board of Directors, on the motion of the CEO and following the favourable report from the Remuneration Commission, and which will be weighted attending specially to the professional category of the person considered.

The evaluation of the results taken as a reference for determining the variable remuneration shall be entered in the multiannual framework matching with the Strategic Plan to ensure that the assessment process is based on long-term results and that it takes into account the underlying economic cycle of the Entity and its risks.

Deferral

The Board of Directors, at the proposal of the CEO and the report of the Remuneration Commission is responsible for setting and reviewing the criteria for temporary deferral of variable remuneration, and the criteria for determining the composition thereof (whether deferred or not deferred), distributing it between cash payments and payments by non-cash instruments, if appropriate.

A substantial portion, and in any case at least 40% of the variable remuneration component, will be deferred over the duration of the Strategic Plan to take into account the economic cycle, the nature of the business, its risks and the activities the employee concerned, but in any case the deferral period may be less than three years.

The variable remuneration, including the deferred portion, will be paid only if it is sustainable according to the situation of the Entity as a whole, and justified according to the results of the Entity, the business unit and employee concerned.

Malus clauses

Malus clauses are activated if the Entity worsens its relative position in the key financial parameters (solvency, liquidity and credit quality) established in each case by the Board of Directors, prior report from the Remuneration Commission.

Crucial comparison parameters, if any, of the application of the malus clauses, are set by the Board of Directors annually, prior report from the Remuneration Commission.

The activation of malus clauses will be translated to a reduction or even elimination of the variable component of the compensation, depending on the degree of deviation of financial parameters from comparison parameters.

Remunerations received

The aggregated quantitative information received by the members of the Board of Directors during business year 2015 (in thousands of euros) is detailed below:

Table 59. Disaggregation of the aggregated remuneration of the Board of Directors

Aggregated remuneration of the Board of Directors	
(thousands of euros)	2015
Fixed remuneration	865
Variable remuneration	101
Assistance allowances	299
Other remuneration	275
TOTAL:	1,540

(Information corresponding to the Annual Corporate Governance Statement)

Hereafter the quantitative information (aggregated) of the Identified Employees is presented:

Table 60. Remuneration of the Identified Group

Information relative to the Remuneration of the "Identified Group"				
(thousands of euros)	Investment banking (b)	Commercial banking	Asset management (c)	Rest (d)
1 Number of employees identified (e)	1	5	1	15
Of which: Senior officers (f)	1	2	1	6
Of which: In control functions	-	-	-	2
2 Amount of total fixed remuneration (g)	104	620	326	2,449
3 Amount of total variable remuneration (h)	19	98	25	483
3.1 In cash	19	98	25	483
3.2 In shares or related instruments	-	-	-	-
3.3 In other instruments (i)	-	-	-	-
4 Amount of deferred variable remuneration (j)	18	72	26	367
4.1 In cash	18	72	26	367
4.2 In shares or related instruments	-	-	-	-
4.3 In other instruments (i)	-	-	-	-
5 Amount of the explicit adjustment ex-post by performance applied during the year for remunerations accrued in past years (k)	-	-	-	-
6 Number of recipients of guaranteed variable remuneration (l)	-	-	-	-
7 Total amount of guaranteed variable remuneration during the year (l)	-	-	-	-
8 Number of recipients of severance indemnities	-	1	1	5
9 Total amount of severance indemnities paid during the year	-	177	189	1,628
10 Number of recipients of discretionary pension benefits (m)	-	-	-	-
11 Total amount of discretionary pension benefits (m)	-	-	-	-
12 Total amount of indemnification by early termination of contract paid to one person	-	-	-	500

(a) "It will also include, where appropriate, the relative to the subsidiaries and branches established in countries not belonging to the European Economic Area. The terms "Identified employees", "Fixed remuneration", "Variable remuneration", "Total remuneration", "Discretionary pension benefits", "Guaranteed variable remuneration", "Deferral" and "Instruments" will have the meaning established in CEBS Guidelines on Remuneration Policies and Practices" (hereinafter, "the Guidelines"). In the boxes of rows 1, 6, 8 and 10 the exact number of matching employees will be indicated. In the remaining boxes, the amounts will be declared in rounded thousands of euros."

(b) It includes advisory services to companies in terms of corporate finance, venture capital, capital markets, sales and trading.

(c) It includes portfolio management, management of collective investment institutions and other asset management methods.

(d) This column will include those employees which cannot be located in one of the business areas indicated. In this case, the entity will include qualitative information in the line corresponding to the number of identified employees indicating the activity they perform.

(e) "Identified employees" in the sense of paragraph 16 of the Guidelines. The number shall refer to the active employees at year's end.

(f) It will include the first and second categories of "identified employees" in the sense indicated in paragraph 16 of the Guidelines.

(g) "Fixed remuneration" in the sense of paragraph 11 of the Guidelines.

(h) "Variable remuneration" in the sense of paragraph 11 of the Guidelines. It includes the deferred and not deferred variable remuneration.

(i) Types of instruments defined in section 4.4.2 of the Guidelines.

(j) "Deferred variable remuneration" in the sense of section 4.4.1 of the Guidelines.

(k) "Explicit adjustment ex-post by performance", in the sense of paragraphs 134 to 139 of the Guidelines.

(l) "Guaranteed variable remuneration" in the sense of section 3.1.2 of the Guidelines.

(m) "Discretionary pension benefits" in the sense of section 3.1.2 of the Guidelines.

Signed: Víctor Iglesias Ruiz
CEO

ANNEX I: Main Characteristics of Equity Instruments; Information on transitory own funds; Own funds and fully-loaded capital requirements

Main Characteristics of CET1 and AT1 Capital Instruments			
1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	n/p	ES0114954003
3	Governing law(s) of the instrument	REGULATION (EU) N° 575/2013	REGULATION (EU) N° 575/2013
Regulatory treatment			
4	Transitional CRR rules	CET1	AT1
5	Post-transitional CRR rules	CET1	Tier 2
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Shares	Preferred shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	2,144	3
9	Nominal amount of instrument	2,144	5
9a	Issue price	n/p	1
9b	Redemption price	n/p	1
10	Accounting classification	Net Equity	Liabilities (at amortised cost)
11	Original date of issuance	n/p	24/10/2006
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	Without maturity	Without maturity
14	Issuer call subject to prior supervisory approval	No	Yes
15	Optional call date, contingent call dates and redemption amount	n/p	24/10/2016, and in any subsequent date, prior consent from the Bank of Spain. Repurchase price, 100%
16	Subsequent call dates, if applicable	n/p	24/01, 24/04, 24/07, 24/10 since 24/01/2017
Coupons / dividends			
17	Fixed or floating dividend/coupon	Variable	Variable
18	Coupon rate and any related index	n/p	Euribor 3m + 1.13%, until 24/10/2016. Since then, Euribor 3 meses +2.13%
19	Existence of a dividend stopper	No	Yes
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Fully discretionary	Partly discretionary (distribution will be conditioned to the accomplishment of enough Distributable Profit and to the caps imposed by banking regulation on own resources).
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	Fully discretionary	Partly discretionary (distribution will be conditioned to the accomplishment of enough Distributable Profit and to the caps imposed by banking regulation on own resources).
21	Existence of step up or other incentive to redeem	No	Yes
22	Cumulative or non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/p	n/p
25	If convertible, fully or partially	n/p	n/p
26	If convertible, conversion rate	n/p	n/p
27	If convertible, mandatory or optional conversion	n/p	n/p
28	If convertible, specify instrument type convertible into	n/p	n/p
29	If convertible, specify issuer of the instrument it converts into	n/p	n/p

Pillar III Disclosures

30	Write-down features	n/p	n/p	Yes
31	If write-down, write-down triggers	n/p	n/p	It will depend on the Exchange Ratio
32	If write-down, full or partial	n/p	n/p	Fully or partly
33	If write-down, permanent or temporary	n/p	n/p	Permanente
34	If temporary write-down, description of write-up mechanism	n/p	n/p	n/p
35	Position in subordination hierarchy in liquidation (specify instrument type immediately superior to instrument)	Last position	After subordinated creditors	After holders of preference shares creditors
36	Non-compliant transitioned features	No	Yes	No
37	If yes, specify non-compliant features	n/p	Coupon increase since the first amortization date possible	n/p

Main Characteristics of Tier 2 Capital Instruments

1	Issuer	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.	Ibercaja Banco, S.A.
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	ES0244251007	ES0214954135	ES0214954150
3	Governing law(s) of the instrument	REGULATION (EU) N° 575/2013	REGULATION (EU) N° 575/2013	REGULATION (EU) N° 575/2013
	Regulatory treatment			
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Subordinated Obligations	Subordinated Obligations	Subordinated Obligations
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	500	21	56
9	Nominal amount of instrument	500	45	84
9a	Issue price	1	1	1
9b	Redemption price	1	1	1
10	Accounting classification	Liabilities (at amortised cost)	Liabilities (at amortised cost)	Liabilities (at amortised cost)
11	Original date of issuance	28/07/2015	20/04/2006	25/04/2007
12	Perpetual or dated	Specified maturity	Specified maturity	Specified maturity
13	Original maturity date	28/07/2025	20/04/2018	25/04/2019
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	28/07/2020, and at any moment by fiscal reasons or a capital event, prior consent from the Bank of Spain. Repurchase price, 100%	20/04/2013, and in any subsequent payment date, prior consent from the Bank of Spain. Repurchase price, 100%	25/04/2014, and in any subsequent payment date, prior consent from the Bank of Spain. Repurchase price, 100%
16	Subsequent call dates, if applicable	n/p	20/7, 20/10, 20/1 and 20/4 since 20/07/2013	25/7, 25/10, 25/1 and 25/4 since 25/07/2014
	Coupons / dividends			
17	Fixed or floating dividend/coupon	From Fixed to Variable	Variable	Variable
18	Coupon rate and any related index	5% until 28/7/2020. Since then, MS5 years + 455.1 pbs.	Euribor 3m + 0.37% until 20/4/2013. Since then, Euribor 3 meses +0.87%	Euribor 3m + 0.36% until 25/4/2014. Since then, Euribor 3 meses +0.86%
19	Existence of a dividend stopper	No	No	No
20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	Yes	Yes
22	Cumulative or non-cumulative	n/p	n/p	n/p
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/p	n/p	n/p
25	If convertible, fully or partially	n/p	n/p	n/p
26	If convertible, conversion rate	n/p	n/p	n/p
27	If convertible, mandatory or optional conversion	n/p	n/p	n/p
28	If convertible, specify instrument type convertible into	n/p	n/p	n/p
29	If convertible, specify issuer of the instrument it converts into	n/p	n/p	n/p
30	Write-down features	n/p	n/p	n/p
31	If write-down, write-down triggers	n/p	n/p	n/p
32	If write-down, full or partial	n/p	n/p	n/p

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33	If write-down, permanent or temporary	n/p	n/p	n/p
34	If temporary write-down, description of write-up mechanism	n/p	n/p	n/p
35	Position in subordination hierarchy in liquidation (specify instrument type immediately superior to instrument)	After common creditors	After common creditors	After common creditors
36	Non-compliant transitioned features	No	Yes	Yes
37	If yes, specify non-compliant features	n/p	Coupon increase since the first amortization date possible	Coupon increase since the first amortization date possible

INFORMATION ABOUT TRANSITORY OWN FUNDS			
Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 (CRR) ARTICLE REFERENCE"	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Common equity tier 1 (CET1) capital Instruments and reserves			
1	Capital instruments and the related share premium accounts	2,144,276	26 (1), 27, 28, 29, EBA List 26 (3)
	of which: ordinary shares	2,144,276	EBA List 26 (3)
	of which: instrument type 2		EBA List 26 (3)
	of which: instrument type 3		EBA List 26 (3)
2	Retained earnings	406,162	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	188,459	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1	407,000	486 (2)
	Capital contributions of the public sector exempt until 1 January 2018		483 (2)
5	Minority interests (amount allowed in consolidated CET1)	190	84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	64,120	26 (2)
6	Common equity tier 1 (CET1) capital Regulatory adjustments	3,210,207	Sum of rows 1 to 5a
Common equity tier 1 (CET1) capital Regulatory adjustments			
7	Additional value adjustments (negative amount)		34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-83,017	36 (1) (b), 37, 472 (4)
9	IAS 19 reclamationary adjustments		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-37,601	36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty set in the EU		

25	of which: deferred tax assets arising from temporary differences	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Losses for the current financial year (negative amount)	36 (1) (a), 472 (3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	36 (1) (l)
26	Reglementary adjustments applied to CET1 relative to amounts subject to treatment prior to RRC	

INFORMATION ABOUT TRANSITORY OWN FUNDS			
	Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 (CRR) ARTICLE REFERENCE"
			(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
26a	Reglementary adjustments relative to non-realised gains and losses by virtue of articles 467 and 468	-160,423	
	Of which: non-realised gains from equity instruments	-34,678	467
	Of which: non-realised gains from debt instruments	-125,745	467
	Of which: ... filter for non-realised gains 1		468
	Of which: ... filter for non-realised gains 2		468
26b	Amount to be deducted or added to CET1 referring to other filters and deductions required prior to RRC		481
	Of which: ...		481
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-121,036	36 (1) (j)
28	Total regulatory adjustments to common Tier 1 (T2) capital	-402,077	Sum of rows 7 to 20a, 21, 22 and 25a to 27
29	COMMON EQUITY TIER 1 (CET1) CAPITAL	2,808,130	Row 6 minus row 28

Additional Tier 1 Capital: Instruments

30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	3,489	486 (3)
	Capital contributions of the public sector exempt until 1 January 2018		483 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	3,489	Sum of rows 30, 33 and 34

Additional Tier 1 (AT1) Capital: Regulatory Adjustments

37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)
39	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-3,489	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which intangible assets	-124,525	
41b	Residual amounts deducted from AT1 with regard to T2 capital during the transitory period, by virtue of article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)
	Of which, elements which shall be detailed line by line, for instance, cross-holdings of non-significant investments in the capital of other financial sector entities, etc.		
41c	Amount to be deducted or added to AT1 referring to other filters and deductions required prior to RRC		467, 468, 481

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	Of which: ... possible filter for non-realised losses		467
	Of which: ... possible filter for non-realised gains		468
	Of which: ...		481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-3,489	Sum of rows 37 to 42
44	Additional Tier 1 (AT1) Capital:	-	Row 36 minus row 43
45	Tier 1 Capital (T1 = CET1 + AT1)	2,808,130	Sum of row 29 and row 44

INFORMATION ABOUT TRANSITORY OWN FUNDS			
Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 (CRR) ARTICLE REFERENCE"	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Tier 2 (T2) Capital: Instruments and Reserves			
46	Capital instruments and the related share premium accounts	576,525	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2		486 (4)
	Capital contributions of the public sector exempt until 1 January 2018		483 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments		62 (c) and (d)
51	Tier 2 (T2) capital before regulatory adjustments	576,525	
Tier 2: Regulatory Adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)
54a	Of which, new holdings not subject to transitory mechanisms		
54b	Of which, existing holdings before 1 January 2013 and subject to transitory mechanisms		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to T2 capital with regard to the amounts subject to the treatment prior to the RRC and transitory treatments subject to gradual elimination, pursuant to the provided in Regulation (EU) No 575/2013 (this is, residual amounts established in the RRC)		
56a	Residual amounts deducted from T2 capital with regard to the CET1 deduction during the transitory period, by virtue of article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which: elements which shall be detailed line by line, for instance, significant provisional net losses, intangible assets, insufficient allowances for expected losses, etc.		
56b	Residual amounts deducted from T2 capital with regard to the AT1 deduction during the transitory period, as provided in article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)
	Of which: elements which shall be detailed line by line, for instance, cross-holdings of AT1 capital instruments, direct holdings of non-significant investments in the equity of other financial sector entities		
56c	Amount to be deducted or added to T2 referring to other filters and deductions required prior to RRC		467, 468, 481
	Of which: ... possible filter for non-realised losses		467
	Of which: ... possible filter for non-realised gains		468
	Of which: ...		481
57	Total regulatory adjustments to Tier 2 (T2) capital	-	Sum of rows 52 to 56
58	Tier 2 (T2) Capital	576,525	Row 51 minus row 57
59	Total Capital (TC = T1 + T2)	3,384,655	Sum of row 45 and row 58
59a	Risk-weighted assets with regard to the amounts subject to the prior treatment to RRC and transitory treatments subject to gradual elimination, pursuant to the provided in Regulation (EU) No 575/2013 (this is, residual amounts established in the RRC)		
	Of which: ...elements not deducted from CET1 [Regulation (EU) No 575/2013, residual amounts] (elements which shall be detailed line by line, for instance, deferred tax assets which depend on future results net of taxes associated, indirect holdings of own CET1, etc.)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)
	Of which: ...elements not deducted from AT1 items [Regulation (EU) No 575/2013, residual amounts] (elements which shall be detailed line by line, for instance, cross-holdings of T2 capital instruments, direct holdings of non-significant investments in the equity of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Elements not deducted from T2 capital items [Regulation (EU) No 575/2013, residual amounts] (elements which shall be detailed line by line, for instance, indirect holdings of T2 own capital instruments, non-significant indirect holdings of investments in the capital of other financial		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)

	sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	
60	Total Risk-Weighted Assets	23,500,580

INFORMATION ABOUT TRANSITORY OWN FUNDS

	Item	(A) AMOUNT AT DISCLOSURE DATE	(B) REGULATION (EU) NO 575/2013 (CRR) ARTICLE REFERENCE"	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
Capital Ratios and Capital Buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	11.95%	92 (2) (a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	11.95%	92 (2) (b), 465	
63	Total capital (as a percentage of total risk exposure amount)	14.40%	92 (2) (c)	
64	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)		DRC 128, 129 y 130	
65	of which: capital conservation buffer requirement			
66	of which: countercyclical capital buffer requirement			
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			DRC 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.45%	DRC 128	
69	[not applicable under EU regulation]			
70	[not applicable under EU regulation]			
71	[not applicable under EU regulation]			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	87,370	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	466	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	105,255	36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach			62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			62
79	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach			62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements			484 (3), 486 (2) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			484 (3), 486 (2) and (5)
82	Current cap on AT1 instruments subject to phase-out arrangements			484 (4), 486 (3) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			484 (4), 486 (3) and (5)
84	Current cap on T2 instruments subject to phase-out arrangements			484 (5), 486 (4) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			484 (5), 486 (4) and (5)

Own Resources and Capital Requirements Phase-in and Fully-loaded		
(thousands of euros)	2015 phase-in	2015 <i>fully - loaded</i>
TOTAL COMPUTABLE OWN FUNDS	3,384,655	2,855,305
TIER 1 CAPITAL (T1)	2,808,130	2,273,796
COMMON EQUITY TIER 1 (CET1)	2,808,130	2,273,796
Paid up capital instruments	2,144,276	2,144,276
Share premium	-	-
Previous years retained earnings	406,162	406,162
Admissible results	64,120	64,120
Other reserves	3,303	3,303
CET1 capital instruments under previous scheme	407,000	-
Minority interests	190	33
Value adjustments of the available-for-sale portfolio	24,733	185,156
Deductions from CET1 instruments	-241,654	-529,254
Losses of the current business year	-	-
Intangible assets	-204,053	-207,542
Defined benefit pension fund assets	-	-
Treasury stock: Direct holdings in CET1 instruments	-	-
Reciprocal cross holdings in CET1 Capital	-	-
Deferred tax assets that rely on future returns	-37,601	-321,712
Holdings in financial sector entities with significant influence	-	-
Excess of holdings in financial sector entities in which there is not a significant influence	-	-
Qualifying holdings which can alternatively be subject to a 1.250% risk weight	-	-
Other deductions from CET1	-	-
ADDITIONAL TIER 1 CAPITAL (AT1)	-	-
AT1 capital instruments under previous scheme	3,489	-
Deductions of AT1 capital instruments	-3,489	-
Treasury stock: Direct holdings in AT1 instruments	-	-
Reciprocal cross holdings of AT1 instruments	-	-
Intangible assets	-3,489	-
Holdings in financial sector entities with significant influence	-	-
Excess of holdings in financial sector entities in which there is not a significant influence	-	-
Other deductions from AT1 capital	-	-
TIER 2 CAPITAL (T2)	576,525	581,509
Subordinated financing and subordinated loans and others	576,525	581,509
Deductions of T2 capital instruments	-	-
Treasury stock: Direct holdings in T2 instruments	-	-
Reciprocal cross holdings of T2 instruments	-	-
Subordinated loans and subordinated debt in financial sector entities in which there is not a significant influence	-	-
Excess of holdings in financial sector entities in which there is not a significant influence	-	-
Other deductions from T2 capital	-	-
TOTAL CAPITAL REQUIREMENTS	1,880,047	1,868,027
Capital requirements for credit, counterparty and incomplete operations risk	1,746,082	1,734,062
Capital requirements for market risk	-	-
Capital requirements for operational risk	125,610	125,610
Capital requirements for credit valuation adjustments (CVA)	8,355	8,355
RISK-WEIGHTED ASSETS	23,500,580	23,350,330

Solvency ratios: Phase-in and Fully-loaded

	2015 <i>phase-in</i>	2015 <i>fully - loaded</i>
Common Equity Tier 1 ratio (CET1)	11.95%	9.74%
Minimum required CET1	4.50%	4.50%
Tier 1 capital ratio (T1)	11.95%	9.74%
Minimum required T1	6.00%	6.00%
Total Capital ratio	14.40%	12.23%
Minimum required total capital	8.00%	8.00%

The CET1 fully-loaded ratio, which refers to capital calculation without the application of transitory measures, exceeds the minimum level required by the SREP decision (9.25%) for the CET1 ratio phase-in. In accordance with the solvency situation of the Entity it shall not comply with the ECB recommendations with regard to the regulatory and limitation restrictions on dividend payments, variable remuneration and interest payments to the holders of AT1 capital securities.

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