



**Grupo
iberCaja** 

**2015
Annual Report**

Ibercaja Banco, S.A.
- IBERCAJA -

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1. FINANCIAL AND BUSINESS REPORT



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1. PRESENTATION OF THE GROUP AND BASIC FIGURES

1.1. Description

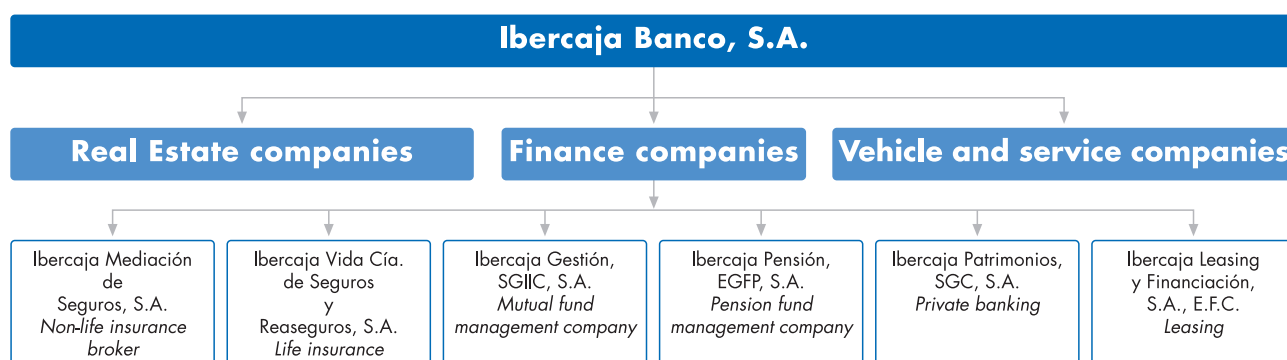
Ibercaja Banco Group primarily engages in retail banking and carries out practically all of its business in Spain. Its corporate purpose is the performance of all types of activities, operations, actions, contracts and services relating to the banking business in general and which are allowed by current legislation at any given moment, including the rendering of investment and auxiliary services.

Ibercaja Banco was incorporated in accordance with the provisions of Royal Decree 1245/1995 (July 14) on the creation of banks, cross-border activities and other matters relating to the legal system governing credit institutions and carries out the financial business previously performed by Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja until 2011. It is registered with the Zaragoza Mercantile Registry in Volume 3865, Book 0, Sheet 1, Page Z-52186, Entry 1^o, as well as in the Special Bank of Spain Registry under number 2085. Its registered address is in Zaragoza, Plaza Basilio Paraíso, 2.

The Bank leads a group of subsidiaries. The companies that form part of the consolidated group carry out a variety of activities. Those of the Financial Group, which consists of companies specializing in investment funds, savings and bancassurance, wealth management and operating and finance leases, are notable due to their importance from the standpoint of banking product diversification and profitability.

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

Structure of Ibercaja



1.2. History

The origin of the current Ibercaja dates to 1873 when the Real and Excma. Sociedad Económica Aragonesa de Amigos del País founded Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja and it commenced its credit institution business on May 28, 1876.

After a long expansion process during which it obtained a solid presence in Aragon, La Rioja and Guadalajara, the Entity attained a national presence in 2001 after entering into all Spanish provinces.

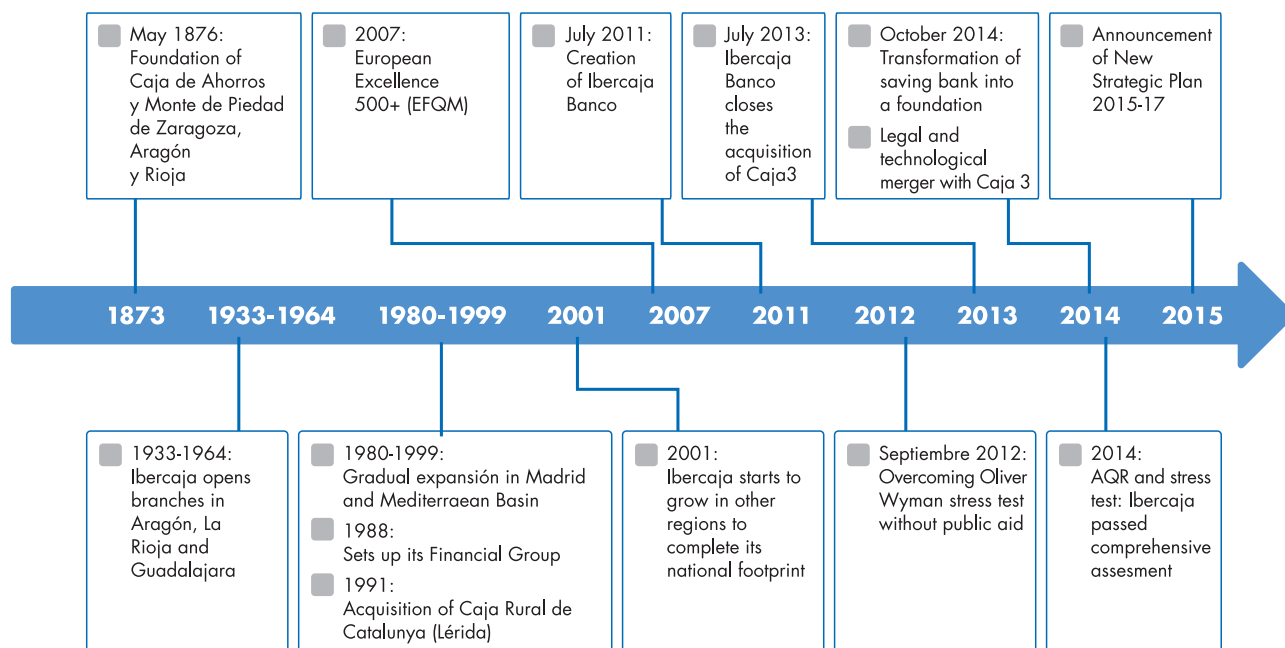
Within the framework of the Spanish financial system restructuring, the Bank's General Assembly held an extraordinary meeting on July 26, 2011 and approved the creation of a new bank operating under the name of Ibercaja Banco to which all of the assets and liabilities used in its financial business were transferred.

On July 25, 2013 Ibercaja Banco acquired Banco Grupo Caja3. The merger of the acquired bank into the Entity ended in October 2014.

Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja, the main shareholder of Ibercaja Banco, was transformed into Fundación Bancaria Ibercaja in accordance with the provisions of Law 26/2013 (December 27), and was entered into the Registry of Foundations on October 13, 2014.

With its Strategic Plan 2015-2017 Ibercaja commences a new phase in which it will consolidated its structure and lay the foundations that is necessary for it to become a listed bank in the short-term.

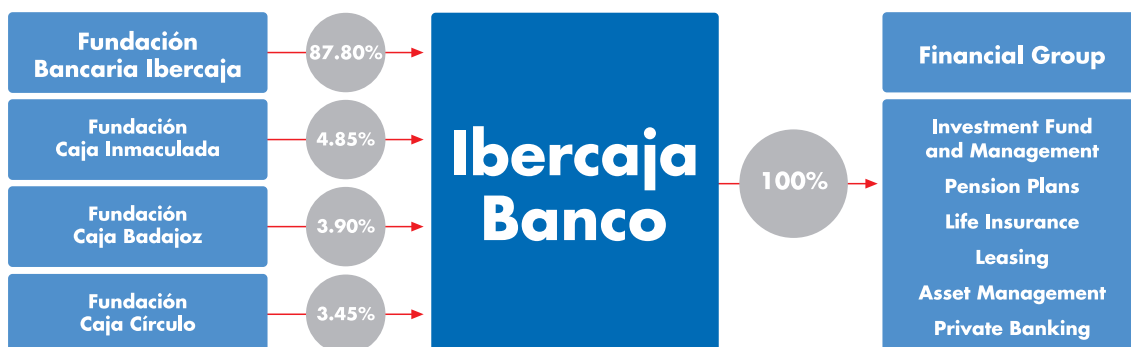
Main milestones in the history of Ibercaja



1.3. Shareholder structure

Fundación Bancaria Ibercaja is the majority shareholder of Ibercaja Banco with an 87.80% interest. As a result of the June 2013 acquisition of Banco Grupo Caja3 Ibercaja's shareholders also include: Fundación Caja Inmaculada (4.85%), Fundación Caja Badajoz (3.90%) and Fundación Caja Círculo (3.45%).

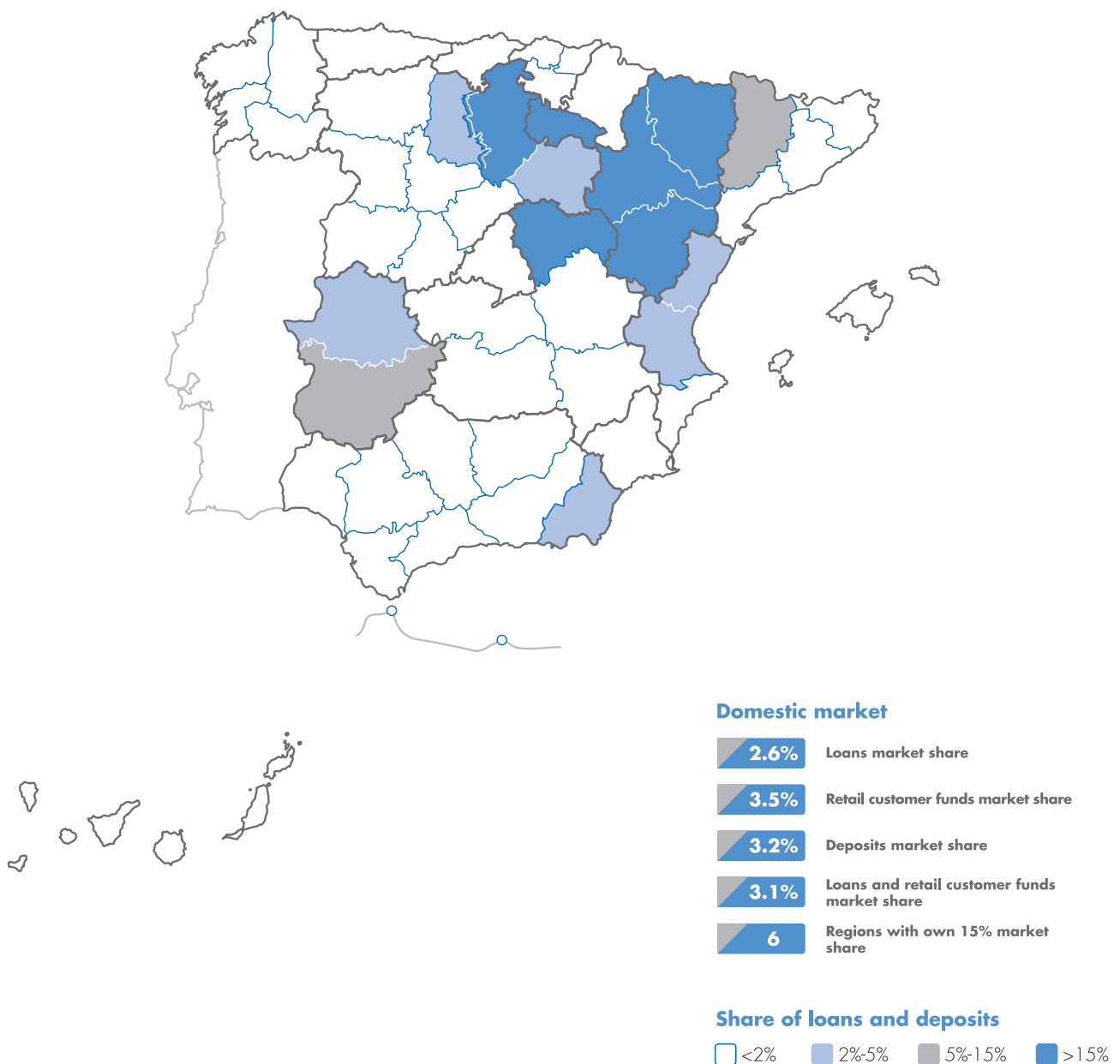
Ownership structure of Ibercaja Group



1.4. Position in the spanish financial system

The Group has €58,922 million in assets and it is the eighth largest entity by asset volume in the Spanish banking system. It primarily engages in retail banking, focusing on the financing of families and SMEs, savings management and other financial services. At the national level the Group has a 2.6% market share in loans, 3.5% in retail customers and 3.2% in deposits. At the national level the Group has a 2.6% market share in loans, 3.5% in retail customers and 3.2% in deposits.

Loan and deposit market shares by province



The Entity has a relevant position in its Home Market (Aragón, La Rioja, Guadalajara, Burgos and Badajoz) where 64% of its network is concentrated and it obtains 59% of its business volume. It also has a significant presence in other relevant economic areas: Madrid and the Mediterranean coast. Its market share is equal to or higher than 15% in six Spanish provinces. In December 2015 there were 1,272 offices in the network and a representation office in Portugal. The Group has 5,963 employees.

Distribution of the office network, business volume and customers by area of influence

	Branch offices in Spain	Volume of Business ¹	Customers
Home Market	64.4%	59.7%	64.2%
Growth Market	27.2%	30.2%	27.1%
Madrid	14.9%	18.3%	16.2%
Mediterranean Basin	12.3%	11.9%	10.9%
Core markets	91.6%	89.9%	91.3%
Rest of Spain	8.4%	10.1%	8.7%

Home Market: Aragón, La Rioja, Guadalajara, Burgos and Badajoz. Mediterranean Basin: Catalonia and Valencia Region.

¹ Customer loans and finance leases + Retail customer funds.

Basic figures

	2015	2014	2013
Ibercaja Banco Group			
Balance sheet activity (million euro)			
Total assets	58,922	62,322	63,149
Gross customer loans	34,449	36,061	39,095
Securities portfolio	20,591	22,320	19,826
Total funds under management	62,871	62,551	61,989
– Off-balance sheet funds	15,486	13,391	12,053
Retail customer funds	49,510	48,581	46,625
Indicators and ratios			
Non-performing loans ratio (%)	8.95	10.78	10.25
Coverage ratio (%)	53.70	57.56	56.96
Available liquidity / total assets (%)	19.13	20.51	16.89
Loan / retail financing ratio (%)	91.33	91.91	99.95
Ordinary Tier 1 capital - BIS III phased in (%)	11.95	11.13	10.07
Solvency - BIS III phased in ratio (%)	14.40	11.78	10.75
Ordinary Tier 1 capital - BIS III fully loaded (%)	9.74	9.62	7.94
Results ¹ (thousand euro)			
Net interest income	631,576	699,348	592,210
Gross income ex Gains/Losses on financial assets and liabilities	954,768	985,252	759,669
Operating margin (Gross income ex Gains/Losses on financial assets and liabilities - recurring operating expenses)	308,117	300,223	216,501
Measurement adjustments for certain assets and other write-downs	293,896	432,153	421,448
Net profit (attributed to the parent company)	84,123	150,653	-67,684
Other relevant information ²			
Number of offices	1,272	1,356	1,407
Number of parent company employees (total payroll) ³	5,486	6,001	6,411
Number of automatic teller machines	1,553	1,567	1,658
Business volume by office ⁴ (million euro)	76.509	72.722	71.844
Business volume by employee ⁴ (million euro)	17.740	16.433	15.767

1. The 2013 results include Caja3 since acquisition.

2. The 2013 information relates to the combination of Ibercaja Banco and Banco Grupo Caja3 (individual companies).

3. The payroll at group subsidiaries is not included.

4. Business volume: Gross customer loans + Total funds under management.

Credit rating for Ibercaja Banco, S.A.:	Current	Non-current
Moody's (rating for deposits)	NP	B1
Standard & Poor's	B	BB
Fitch Ratings	B	BB+

The quantitative data and information details included to explain the evolution of the business in this Annual Report derive from criteria defined in the internal management information systems.

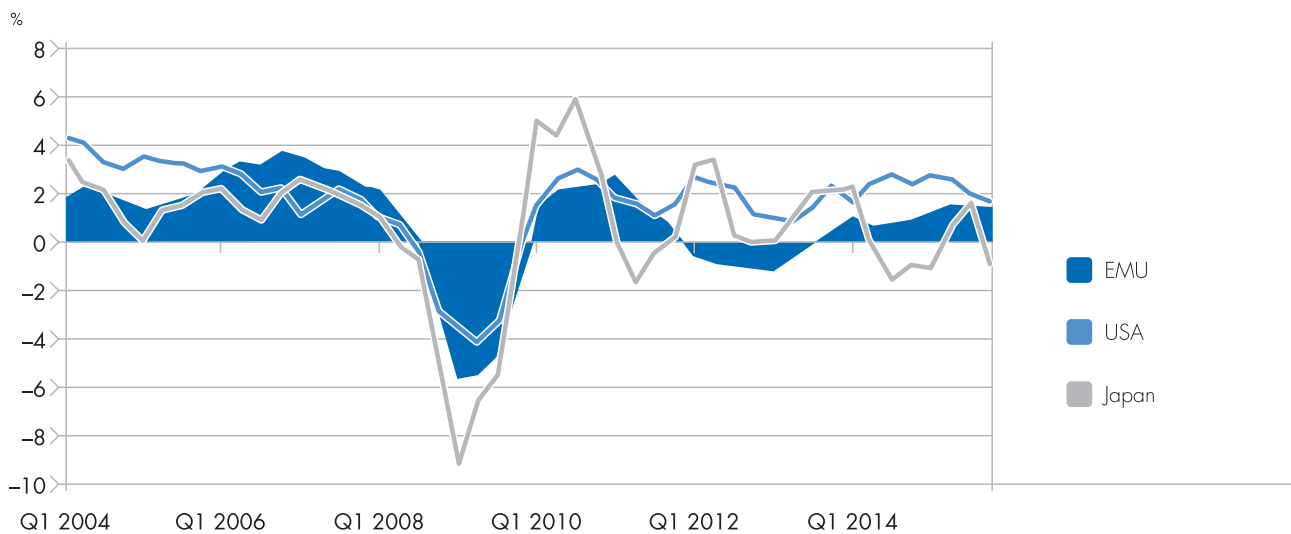
2. ECONOMIC AND FINANCIAL SCENARIO

The global economy grew by nearly 3.1% at the end of 2015, slightly below the 2014 figure. The good performance of the most developed countries was overshadowed by the deceleration of growth in emerging economies. China was less dynamic, Russia and Brazil are in recession and other countries have been affected by the decline in prices for commodities, especially oil.

Internal demand in the United States drove GDP up by a rate of nearly 2.5%. The good rate is supported by the vigour of household consumption, which has benefited from the strong employment increase by 2.65 million jobs over the course of the year, as well as investments in capital goods and residential housing. Given the favourable outlook, the Federal Reserve has started to normalize its monetary policy and in December raised its benchmark interest rate for the first time since 2004.

The demand stimulus policies applied by Japan are not achieving the intended objectives. GDP declined by 0.2% in 3Q15, which represents two consecutive quarters of declines, while inflation is also negative. In this situation the Bank of Japan intends to deepen monetary stimulus while waiting for the executive branch to make the structural reforms that the Japanese economy requires to gain competitiveness.

GDP development by country (year-on-year rate)



Moderate growth of 1.6% was achieved in the Eurozone according to the European Commission. The ECB's policy of quantitative easing, the drastic decline in crude oil prices, the depreciation of the euro and the dilution of risks, such as the threat of Greece exiting the euro, have all contributed to the recovery. The main economies in that area, led by Spain, have seen how economic activities have accelerated. Based on the latest information available, Germany could grow by 1.7% on a year-on-year basis, while France and Italy will achieve slightly lower levels. In general, the pattern in the expansion phase was very similar, primarily based on household consumption. In accordance with the preliminary calculation that was made public by the EU statistical office Eurostat, inflation was 0.2% year-on-year in December. If energy products are excluded, the improvement in the business places pressure on the prices of other goods, although far from reaching the target of nearly 2%.

The ECB maintained the benchmark interest rate at 0.05%, thereby ratifying its commitment to use all available instruments as long as necessary to support the recovery. At its December meeting it approved a new package of stimulus measures: reduction of the marginal deposit facility rate to -0.3% and an expansion of the liquidity supply system at least until the end of 2017 using fixed-rate and direct award options. The Bank extended the Asset Purchase Program until March 2017, and broadened the catalogue of eligible assets to include debt securities issued by local and regional governments. It also announced the reinvestment of the amounts obtained from the securities acquired as they mature.

The main European stock markets have shown gains, despite the volatile moments that were experienced starting in the second quarter. The Eurostoxx 50 ended up 3.9% while the CAC 40 and the Dax Xetra advanced by 8.5% and 9.6%, respectively. The Spanish index was an exception in this panorama, with a loss of 7.2%. The uncertainty prior to the elections and the electoral results that have led to difficulties to attain governance pacts, have been a drag on the stock market and was very negative in December.

Spanish economy

The Spanish economy has continued the expansion that started in 2015 with a growth rate that puts it in the lead among the most developed countries. GDP growth was 3.2%, much higher than the 1.4% recorded in 2014, supported by both internal and external factors. The reforms implemented over the past few years, the increase in competitiveness and the correction of some imbalances are yielding results, which translates into an improvement in the labour market and, consequently, consumer confidence. Low oil prices, depreciation of the euro against the dollar, ECB expansive monetary policy and a more dynamic environment in the main Eurozone economies have driven growth.

Internal demand is leading the recovery. Private consumption grew by more than 3% on a year-on-year basis, favoured by the increase in disposable household income, while a more expansive fiscal policy has driven government expenditures upward. Investments in capital goods consolidate the good results of 2014 and the residential component of construction is recovering energy given the reduction in the stock of available homes and the adjustment of prices.

GDP development in Spain



The export sector has decreased GDP growth by 0.4%. This is due to the upturn in imports, as exports reached historic highs due to the gains in competitiveness and the depreciation of the euro.

The employment market has improved, although the unemployment rate continues to be above 20% of the working population. Social Security membership grew by 3.18% on a year-on-year basis, such that over the past 12 months 533,186 individuals entered the job market and all sectors showed positive figures, even construction.

The annual inflation rate at the end of December is zero. This flat price behaviour is mainly due to the energy component since underlying inflation is 0.9%. The difference compared with the Eurozone continues to be positive, protecting the competitiveness of exports.

The public deficit has fallen due to the increase in tax collections and the savings on debt interest payments. However, the 4.2% adjustment in GDP agreed with the European authorities for the year as a whole will be a difficult objective to meet. The variance will originate from the Autonomous Regions and Social Security more than the national government.

Government debt is very nearly 100% of GDP. The low interest rate environment minimizes the effect of the high volume attained but it could have a significant effect in the hypothetical case of a change in the direction of the ECB's monetary policy.

The good macro-economic data at the end of the year means that the outlook for 2016 is favourable. The consensus analyst growth forecast is around 2.7%, which is slightly lower than the 2015 forecast due to the lower influence of certain external factors that haven't had a positive contribution over the past 12 months. Household consumption will continue to be a protagonist, driven by job creation and the improving conditions for accessing credit. Simultaneously, the strengthening of demand will mean that companies will intensify their investments once excess capacity has been eliminated. After eight years of declines, housing construction projects have reversed the trend in some areas and therefore the sector will contribute to growth in 2016.

The forecasts could become negative due to some latent risks. They include the consequences of the parliamentary fragmentation regarding the implementation of new reforms, balancing budgets and investments in a panorama of higher levels of uncertainty. The deceleration of emerging countries, particularly in Latin America, may limit exports and reduce returns on investment.

Banking environment

The Spanish banking sector has benefited from the improving macro-economic conditions and the reinforcement of its solvency after the restructuring and consolidation process that took place over the past few years.

The contraction of credit is moderating and credit granted to families and companies fell by 4.31%, compared to the 7.07% seen in 2014. This was essentially due to growth in new loans to SMEs and consumer loans, although there has been an increase in the granting of mortgage loans.

The environment of low interest rates and the increase in competition when granting loans has tightened margins and placed pressure on profitability, while the decline in the cost of financing is touching bottom. These circumstances force banks to move towards a more diversified business model oriented towards the rendering of

financial services with less dependency on the evolution of interest rates. In this respect we note the strengthening of investment funds, pension plans, life insurance and wealth management, etc.

Efficiency improvements through the reduction of operating costs as a result of new adjustments to networks and the payroll, as well as taking advantage of economies of scale deriving from the consolidation of the sector, allow the limited capacity to generate recurring income to be partially offset.

Doubtful assets have significantly declined due to lower rates of customers entering into difficulty in the more benign economic climate and the sale of portfolios, which has improved balance sheet quality. As a result, the non-performing loans ratio in the system declined by 241 basis points during the year to 10.20%. The outflow of foreclosed assets was low although some volume transactions were carried out in the wholesale market, particularly during the first half of 2015. Unproductive assets on the balance sheet have declined, although they continue to be a drag that requires significant efforts to further reduce.

New steps have been taken from a regulatory perspective towards Banking Union. On 1 January 2015 the Directive on the Resolution of Credit Institutions entered into force and was transposed into Spanish Law through Law 11/2015 (June 18) on the recovery and resolution of credit institutions and investment service companies. The amendment of the Corporate Income Tax Act by the General State Budget Act for 2016 affected the solvency of Spanish banks by eliminating the uncertainty that existed with respect to the inclusion of guaranteed tax assets in the calculation of regulatory capital. Finally, at the end of 2015 the European Central Bank reported the definitive results of the Supervisory Review and Evaluation Process (SREP) that determines the individual capital needs of each bank in 2016 to cover the risks deriving from their business. All Spanish banks exceeded the required levels.

The regulatory pressure to which the sector has been subject since the start of the financial crisis will foreseeably continue over the coming months with the application of the Circular on credit risk, which implements new wording in Appendix IX of Bank of Spain Circular 4/2004 to adapt it to International Accounting Standards. The review of the method of calculating risk weighted assets that is being performed by the Basel Committee on Banking Supervision in order to eliminate the lack of uniformity between countries and that deriving from different calculation models, could have an impact on capital requirements

3. STRATEGIC LINES AND BUSINESS MODEL

3.1. Strategic Plan 2015-2017

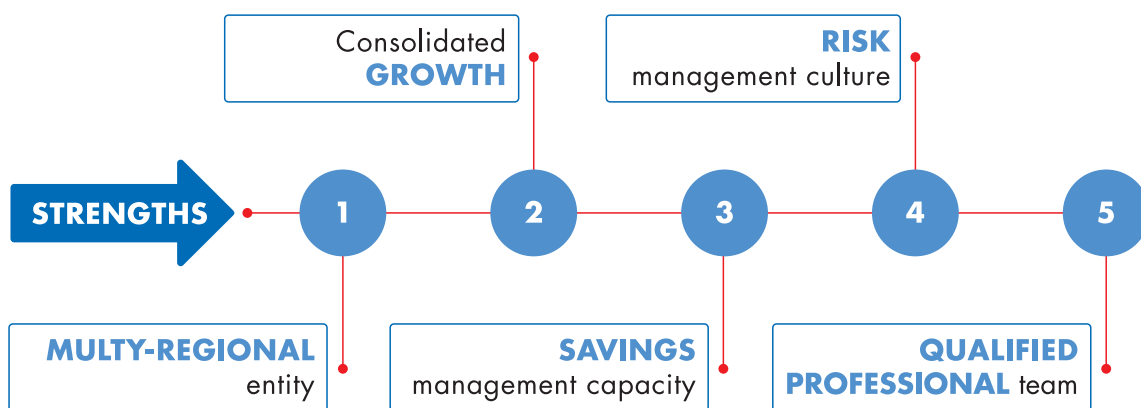
In order to adapt to the new banking situation in Spain, in February 2015 Ibercaja presented a Strategic Plan 2015-2017.

The *Plan+* is based on the Group's five strengths that support its position within the Spanish banking system and has allowed it to successfully overcome the recent economic and financial crisis:

- 1) Leadership in its traditional markets with a broad base of loyal customers and a high market share that provides competitive advantages.
- 2) Consolidated growth over the past 25 years, particularly in Madrid and on the Mediterranean Coast.
- 3) Savings management capacity based on demonstrated specialization in advisory services and a complete range of products.
- 4) A deep-rooted risk management culture that allowed it to have lower delinquency rates than the sector.
- 5) A qualified professional team that is highly committed to the Entity and its project.



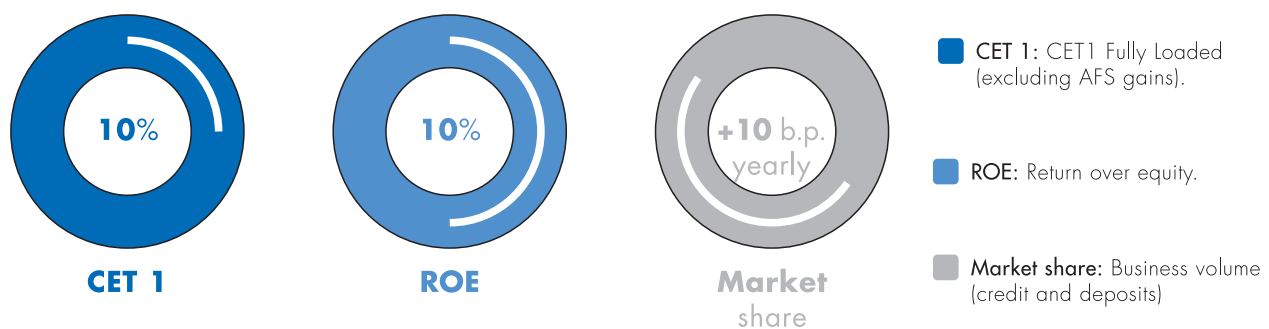
Initial strengths



The great challenge for the Plan is to support a profitable, competitive and value-creating business within an increasingly demanding market that is attractive for customers and investors with a view to the planned stock market listing. The established objectives are to:

- Maximize solvency and profitability, increasing recurring income and reducing costs to obtain a diversified group of profit improvements.
- Build a business project that is recognized for its good governance, reputation and transparency and which enjoys maximum confidence on the part of customers in society.
- Gain market share in loans and customer deposits through growth of the strategic lines of business.

Strategic objectives



The Plan provides several projects divided into two large approaches: "Transformative" and "Executive". The first is based on innovation and it will be developed beyond the duration of the Plan. The second is based on what the Entity knows to optimize the income statement over the next few years through management excellence. It may all be summarized as follows:

- Refine the customer relationship model based on the highest quality standards.
- Increase penetration into the personal, private and business banking segments.
- Continue to obtain cost savings through an efficient functional structure.
- Reduce non-performing loans ratio and obtain profits from irregular investments.
- Maintain Ibercaja's cultural identity and corporate reputation by achieving sustainable differentiation over time that adds value and business grow.

The projects are designed to always improve customer satisfaction and experiences and work is performed to make them a reality through individual roll-outs in the various areas in which the Entity operates.

The success of the Strategic Plan is key for Ibercaja to be an attractive entity in the market with respect to the planned stock listing.

3.2. Business model

3.2.1. Retail banking

Ibercaja focuses on a universal banking model concentrating on retail businesses and based on service quality and innovation. It attends to a stable base of 2.8 million customers: families, companies and public and private institutions. It has specific channels and differentiated products adapted to the various customer segments. It offers other services in addition to traditional banking services such as insurance, investment funds, pension plans and private banking, supported by a specialized Financial Group. Throughout the year the commercial management approach that has traditionally characterised Ibercaja was extended to the Caja3 network, improving profitability and customer loyalty while maintaining satisfaction levels.



Banking for private individuals

Personal banking is a fundamental pillar of the Group's business model. It manages 2.7 million customers that provide 85% of the business volume, including family and personal banking segments.

FAMILIES

Household economies provide stability and provide the highest percentage of resources under management and loan investments. The management of the office network concentrates on the objective of obtaining new customers and consolidated loyalty the existing by developing attractive proposals adapted to the needs of each query based on their family and situation. To attain this objective several commercial campaigns and actions have been implemented through products such as: home loans, consumer financing, term deposits, investment funds, pension plans, life and casualty insurance, cards and the direct deposit of payrolls.

Discover Ibercaja has been consolidated as a very advantageous financial offer intended to obtain new customers. It is supported by communications action that emphasizes the quality of the service and personalized attention and invites individuals to discover the benefits of working with the Entity.

In order to support and encourage the recruitment of young customers and earning the loyalty of existing customers the *Youth Welcome Package* campaign has continued and includes a "Youth Pack" consisting of a gift, a savings account, a financial card and access to Ibercaja Direct, and everyone under the age of 26 is exempt from service and card fees.

Iberfan is a children's space created so that both they and their families can obtain a great variety of advantages related to education, recreation and entertainment. This initiative aims to establish a friendly relationship with the financial institution at an early age. Since it was created in June 2015 5,500 members have joined.



Together with other institutions, the Entity participates in official support programs such as the "Learning to be an Entrepreneur" project that promotes the entrepreneur spirit among schoolchildren in public and private schools in Aragon. The European Youth Card agreement has been renewed with the governments of Aragon, La Rioja and Castilla-Leon, and a new agreement has been reached with the region of Extremadura.

Remote channels associated with new technologies are progressively more important. Ibercaja has virtual spaces for youths through a specific version of its online banking Ibercaja Direct Youth and its Youth Web. The Bank is also present in social media networks (Twitter), prioritizing its use together with emails and SMS as a means of communicating offers and promotions.

PERSONAL BANKING

One of the main objectives of the Strategic Plan 2015-2017 is the transformation of the Entity's business model, placing special emphasis on the segments of the highest potential to generate volume and profits, among which is personal banking.

This area attends to customers with a certain level of financial assets to whom Ibercaja offers a management model based on a personal manager that proposes financial planning, investment advice and provides detailed information regarding products and services that best meet the customer's needs. The Financial Group plays a fundamental role in the design of products, as well as in the private banking area in terms of the training of managers and investment advice.

Personal Banking customers generate a business volume totalling €30,000 million. In a group for which credit has residual importance, customer deposits total €27,500 million, nearly 53% of those in the retail network. The number of specialized managers increased to 280, and the role played by Branch Managers and Assistant Managers was strengthened. The number of managers is expected to be considerably reinforced in 2016 to increase the volume of current customer funds under management and to attract new customers.

The *Integrated Commercial Orientation System* is the fundamental financial planning tool designed by the Personal Banking service. It prepares reports regarding the evolution of customer investments, calculations of portfolio yields, tax optimisation reports and investment proposals. A new application was consolidated during the year to plan retirement and to provide information regarding alternatives to surrendering pension plans, indicating the financial and tax repercussions. Work is being performed on creating simulators for risk insurance to assist customers when taking decisions regarding their retirement needs.

Personal banking customers are the primary recipients of the investment fund portfolio management agreements, an option in which the investor delegates the active management of their fund portfolio to specialists in the Financial Group after receiving a personalized investment proposal based on customer knowledge, risk profile, objectives and experience with financial products. This service is accessible starting at €20,000 and is gaining attractiveness and 62,000 customers had contracted the service by the end of the year.

Advisory services for Personal Banking customers is one of the most valued services at Ibercaja and this service has obtained certification in accordance with ISO 22222:2010.



**PORQUE NO HAY DOS
CLIENTES IGUALES
NI DOS FORMAS DE
AHORRAR IGUALES:
SERVICIO DE GESTIÓN
DE CARTERAS DE FONDOS.
A SU MEDIDA.**



The training of Personal Banking managers takes place using internal and external means. Most of them have specific qualifications backed by entities such as the European Financial Planning Association (EFPA). The Strategic Plan 2015-2017 includes significant training efforts so that at the end of the period at least 70% of the managers have an outside certificate of prestige.

Businesses and institutions

BANKING FOR BUSINESSES

One of the priority targets of Plan+ is the development of business banking, especially for SMEs. The objective is to attain a better position in this business segment by providing individual responses to companies that are customized for all of their needs. Ibercaja understands that its relationship with the business fabric must be complete, not limited to certain isolated products, profitable for both parties and sustainable over time. In this respect it constantly renews its range of products and services: asset and working capital financing, cash management, insurance, finance leases, factoring facilities, interest-rate hedges, etc.

Business Banking has a specific unit of 102 managers that attend to the largest companies with the most complex operations. They are supported by 213 Branch Managers that have a critical mass of SMEs as customers.

In 2015 61% of loans and credit facilities granted were for financing non-real estate business activities and for which marketing agreements have been obtained for the lines of financing granted by public institutions. By

iberCaja

**AQUÍ CRECEN NEGOCIOS
FINANCIAMOS
SUS PROYECTOS
EMPRESAS • COMERCIOS
AUTÓNOMOS
PROFESIONALES**

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importance, these notably consist of those signed with the Official Credit Institute (OCI Business and Entrepreneurs 2015 and OCI Exporters 2015) and with the European Investment Bank to finance SMEs in the Regions of Madrid, La Rioja and Aragón. Agreements have been reached with various autonomous regions and business associations to facilitate the credit that is necessary for diverse groups such as entrepreneurs, the self-employed, youths and the agriculture sector.

Companies seek new international market expansion so that their business is viable and more profitable. The Group has positioned itself as a specialized entity to assist companies in any phase of their internationalization process. The total number of transactions associated with the international business reached nearly 311,000, and the financing of foreign trade notably increased during the year by 23.88% by volume and 10.42% by number of transactions.

Ibercaja has sponsored several business events in which specialists in a variety of areas have analysed the economic situation and debated strategies that could favour growth and competitiveness. We note: the SME Initiative Congress held in Zaragoza, Burgos and Badajoz, the II Financing Trade Show and the VI ADEA Executive Convention, together with various sessions organised jointly with the Regional Business Confederation of Aragon.

RETAIL

This area provides personalized and valuable management services to business owners or self-employed persons that habitually engage in the service sector. The definition of adequate commercial strategies and policies and the design of specific offers are aspects that have been taken into account to divide the catalogue of responses to their needs into two sections: Business Impulse Plan and Self-Employed Impulse Plan, with a series of special conditions and advantages for savings and financing products.

TPV is supported by "AplazO" and "anticipo TPV" that allows businesses to offer financing to their customers and facilitates applications for financing by business owners based on the revenues that are generated.

Ibercaja has entered into cooperation agreements with several provincial chambers of commerce, industry and business associations in the sector in order to provide their affiliates with financial services under advantageous conditions. The agreements with the Provincial Tobacco Seller's Associations in Madrid, Zaragoza and Teruel were renewed in 2015 and new agreements were concluded with the Commerce and Service Business Federation in Zaragoza, with the "Taxi City" in Madrid and with several franchises.

INSTITUTIONS AND OTHER GROUPS

Ibercaja collaborates with public and private institutions at the national and regional level. In 2015 relationships with this type of institution increased considerably and in some cases existing agreements were renewed and in others new agreements or commercial offers were developed targeting new groups.

Members of various private-sector professional groups, public employees and large companies or homeowners' associations have also benefited from the broad personalized offer of services.

The Group maintains tax collection agreements with municipalities, counties and autonomous regions which is a source of business and simplifies customer relationships with public institutions


AGRICULTURE SECTOR

Ibercaja's extensive implementation in localities that are eminently agricultural in nature within its traditional area of influence means that this business segment has a significant number of customers: individuals, cooperatives, agricultural transformation companies and Agro food industries. The products and services have progressively increased, as well as the agreements with institutions and relevant operators in the primary sector.

The Entity provides support to farmers and ranchers when applying for public assistance within the framework of the Common Agrarian Policy (CAP), and in 2015 more than 40,000 applications were processed.

Young farmers have been provided with a line of financing to encourage rural development that facilitates their entry into the sector and another product is available to existing professionals that need to make investments in their facilities. Remaining close to the rural environment in difficult times, those that have been affected by the Ebro River flood were provided with loans during the first quarter of 2015 under preferential conditions as a way of mitigating the damages that were inflicted.

The Group has participated in several Agro-food events International Fruit and Vegetable Sector Trade Show in Madrid, Farming Machinery Trade Show in Lerma (Burgos) and, in Extremadura, the International Livestock Trade Show (Zafra) and Agroexpo (Don Benito).



The graphic features a blue grid background on the left and a white background on the right. The Ibercaja logo is in the top right corner. The text on the left reads: **PARA AGRICULTORES Y GANADEROS VENGA A IBERCAJA. LE AYUDAMOS EN SU TRAMITACIÓN Y ATENDEMOS SUS CONSULTAS.** On the right, the text **NUEVA PAC** is displayed in large blue letters, with a red tractor silhouette behind the 'A' and a red cow silhouette behind the 'P'. A red triangle is in the top right corner of the white area, and a blue triangle is in the bottom right corner.

3.2.2. Multichannel

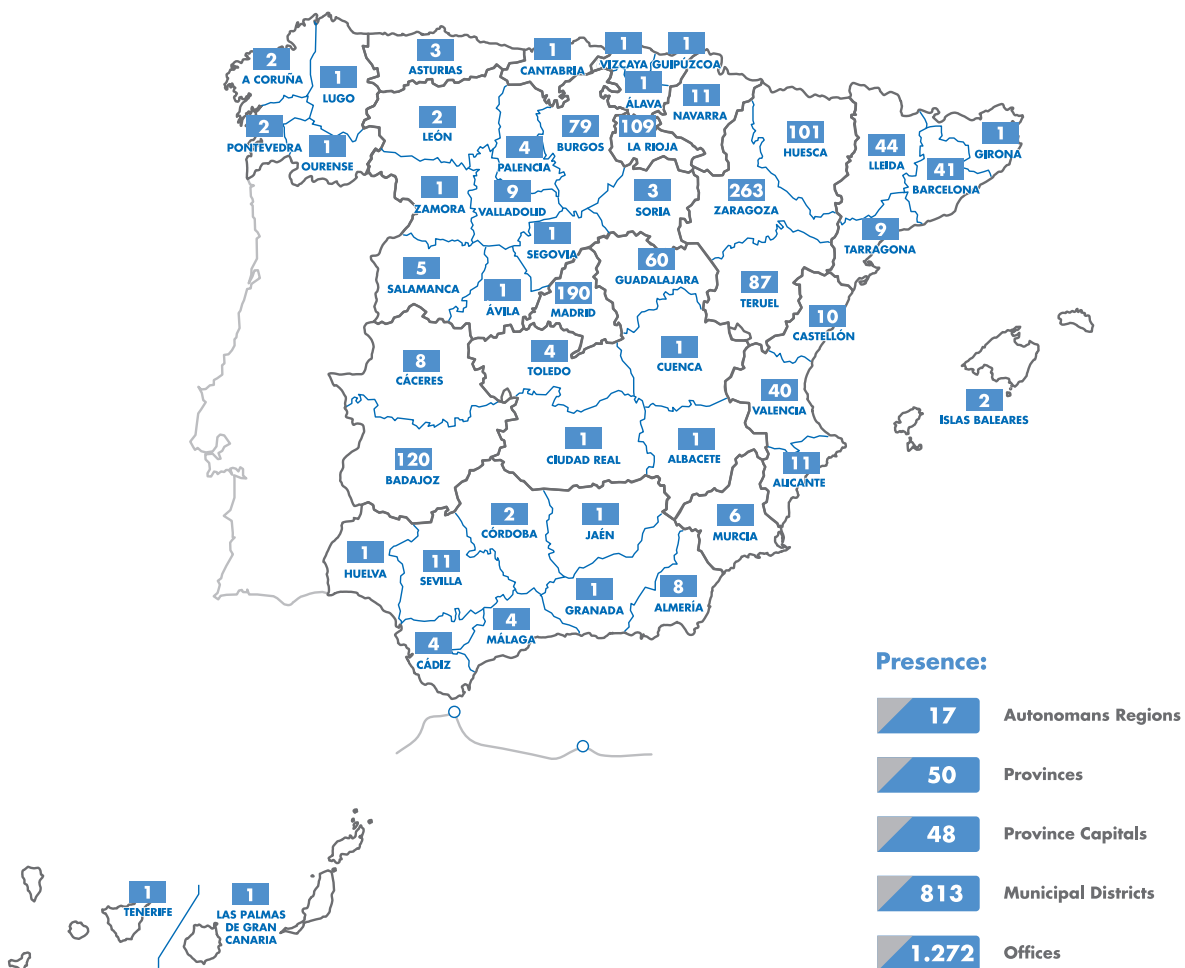
Ibercaja seeks to bring services closer to customers so that they may use them at any place and time. Its objective is to integrate the newest channels into the traditional channels, while maintaining continuous relationships of confidence that is provided by personal contact. The entry of new content and technological innovation is constant, which facilitates access to remote banking on the latest devices such as tablets, smartphones and others.

Office network

A branch office is the basic customer relationship instrument as it provides proximate, personalized and quality service. Ibercaja's office network is large, diversified and reinforced by other alternative channels.

Full-service branches co-exist alongside private banking centres, specialised advisory offices and other quick-service offices. Over the course of 2016 the segmentation will be completed with the opening of specific business centres.

Branch Network - Grupo Ibercaja (31-Dec.-15)



The acquisition of Caja3 in 2014 launched a rationalization plan to merge small offices or offices very close together, which continued this year. There were 1272 branch offices at the end of 2015, which is 81 less in Spain and the three in Portugal were replaced by a representation office in that country. At all times during the process the priority is to preserve proximity to customers while maintaining service, including rural communities with low population levels.

The distribution by Autonomous Region is: 451 points of sale in Aragón, 190 in the Province of Madrid, 128 in Extremadura, 109 in La Rioja, 105 in Castilla y León, 95 in Catalonia, 67 in Castilla-La Mancha, 61 in the Province of Valencia, 32 in Andalusia and 34 in other regions.

Specialised business and personal banking managers support the office network by rendering a high added-value service. In order to grow the relationship with companies, the opening of the first two Business Centres in Zaragoza and Madrid is imminent and three more are expected to open in 2016 and seven in 2017. The Group's private banking subsidiary, Ibercaja Patrimonios, opened three new offices in Burgos, Badajoz and Seville to join the seven already in operation.

The office model attempts to optimize management and commercial efficiency while simultaneously providing an agreeable environment for customers. In 2015 a pilot office concept called Personalised Attention Model was launched. Twenty-five branch offices already operate under this approach in which there are two different spaces in independent but adjacent premises that operate on a complementary basis. One of them is a quick service office intended to carry out less complex transactions and the other is intended for integral advisory services. This improves customer services that require personalized attention and increases privacy within the most appropriate framework.



Electronic banking

Customers are offered several remote channels so that they can carry out their transactions in the most practical and simple manner for them either over Internet, through Ibercaja Direct or using a fixed or mobile telephone.

Ibercaja Direct is the most used remote online banking platform. There are specific versions for individuals, businesses, youths and commerce. The transactions that are carried out using the remote services continue to grow in line with market trends. The number of customers using their devices to connect, consult their accounts and carry out transactions constantly increases. Before each of the commercial actions was taken during the year an analysis of the profile of the customers selected as the target audience was performed in order to choose the most adequate channel mix to communicate the intended message.



A project to improve the administration and management of documentation for individuals and companies was carried out through new developments. The process of requesting a loan using Ibercaja Direct has also been improved and simplified thanks to a clearer presentation of available options and the possibility of consulting risk insurance policies has been included. Customer suggestions that have arisen during their experiences have been taken into account, such as simplifying access to the correspondence for companies and the export of information regarding certain transactions. Finally, the adaptations required by Single Euro Payments Area (SEPA) have been developed with respect to remittance services.

Ibercaja Banco's public website (www.ibercaja.es) receives more than 6 million monthly visits. It presents the commercial product and service catalogue and has a space for visitor interaction in which further information may be obtained through comparative tables and simulators, as well as subscribing to notices and bulletins. In order to comply with the objective that the Customer receive a uniform experience regardless of the device being used, the public website has been reprogrammed and designed to facilitate multi-platform navigation. The market trend towards the coexistence of a larger number of devices and their variety demanded this transformation in response to current and potential needs.

Social networks

Ibercaja has a presence in the main social networks to encourage communication between the entity's stakeholders, offer information regarding the Group, its services and to respond to demands from customers and the public in general.


Self-service and methods of payment

An extensive network of 1,553 automatic teller machines allows the most common transactions to be carried out: cash withdrawals, consultation of balances and movements, payment of receipts, card activation, loading of mobile telephone accounts and the purchase of tickets to entertainment events. In this way transfers the operations with the lowest added value to alternative channels thereby releasing the workload from the office network, which makes it possible to strengthen commercial actions.

There are 1.5 million cards in active use and during the year they were involved in 118 million transactions with a volume of nearly €7,700 million. There are almost 1 million cardholders. To incentivize the use of this method of payment and encourage credit card financing, a promotion involving the deferral of the payment of purchases made using the card free-of-cost over the first three months without any fees being charged.


In order to demonstrate the advantages of using a credit card in habitual purchases, new simulators have been developed to show cardholders the savings that may be obtained based on the amount of the bills and their degree of association with Ibercaja.

The Entity has 18,931 points of sale terminals (POST) located at businesses throughout the country.



**LAS TARJETAS
SON PARA EL VERANO**

- **DESCUENTO EN
CARBURANTES**
- **DESCUENTO
EN IBERCAJA VIAJES**
- **COMERCIO SEGURO**
- **FINANCIACIÓN
COMPRAS GRATIS
3 MESES**



3.2.3. Service quality

Ibercaja's business model is based on promoting excellence and quality in all its business processes. It aspires to offer personalized service to customers in an innovative manner that adapts to their needs. The *European Foundation for Quality Management* (EFQM) model has been adopted, which calls for the implementation of new management systems, methods and practices in addition to the continuous improvement of those already in existence.

External recognition

Since 2007 Ibercaja has obtained the European 500+ Seal of Excellence. The award is the highest recognition granted to companies that adopt EFQM in their management. The Entity continues to work in this area, aware that improvement requires constant effort and is essential to maintaining a notable position in the market.

Evidence of Ibercaja's commitment to excellence is the awarding in November 2015 of the Aragon Company Gold Seal granted by the Aragon Development Institute (ADI) and represents the highest recognition of business management in the Autonomous Region.

Ibercaja is the first Spanish financial institution to obtain certification for its advisory services for personal banking customers. The certificate granted in 2012 by AENOR (Spanish Certification and Standardisation Association) is based on ISO 22222:2010 *Personal wealth management advisory services. Requirements for personal wealth managers*. This international standard defines the advisory service process in wealth management and specifies the requirements relating to ethical behaviour, competence and the experience required of personal managers.



Customer knowledge

In 2015 advances were made with respect to the Experience Management System in order to ensure that the human resources, products, processes, technology and culture at the Entity are focused on attaining the highest level of management quality. The most relevant initiatives have been focused on deepening knowledge of customers and their changing needs throughout their life cycle, determining what the Bank's role is at any given moment and to prepare management guidelines that help to provide the best service for any financial need.

Internal measurement of quality

Ibercaja performs satisfaction studies using surveys of individuals and companies in order to learn what their perception of the Entity is, evaluate the services that it offers and identify aspects that may be improved. The information regarding satisfaction, recommendations and loyalty, broken down by segment, reflect a high degree of customer acceptance.

In addition to the surveys, expert observations are obtained from a quality auditor that analyses the commercial process, observes and evaluates the reception of a potential customer, the appropriateness of the offer, the level

Customer satisfaction

Family Banking	
Satisfaction with the office (out of 10)	8.54
Satisfaction with advice (out of 10)	8.34
NPS	20.70%
Personal Banking	
Satisfaction with the office (out of 10)	8.35
Satisfaction with advice (out of 10)	8.71
NPS	8.50%
Business Banking	
Satisfaction with the specialised manager (out of 10)	8.88
Satisfaction with the advice (out of 10)	8.83
General satisfaction with Ibercaja (out of 10)	7.91

NPS = Net Promoter Score = % promotores – % detractores

Índice que mide la propensión a la recomendación de los clientes de una empresa. Para ello se pide a los clientes calificar en una escala de 0 a 10, donde 0 es «Muy improbable» y 10 es «Definitivamente lo recomendaría». Según los resultados, los clientes se clasifican en promotores, pasivos y detractores:

- Los que responden asignando 9 o 10 puntos: promotores.
- Los que asignan 7 u 8 puntos: pasivos.
- Los que otorgan 6 puntos o menos: detractores.

of information provided given the specific need and other indicators such as: kindness, customer proximity, waiting time, privacy and discretion. The footprint of specific commercial campaigns is constantly expanded to promote improvements at offices at which shortfalls are observed.

Expert observations in 2015

Commercial process (out of 10)	
Reception	8.6
Inquiry as to customer needs	7.0
Explanation of savings products	7.7
Goodbye	9.0

Customer service

The Entity's customers may make complaints, suggestions, claims and other requests, such as those that fall within the scope of the Personal Data Protection Act. The objective is that the resolution of an incident serve to increase customer satisfaction, strengthen their confidence in Ibercaja and simultaneously reveal areas that may be improved, whether relating to the service rendered, matters relating to the marketing of products, the correction of errors or the optimization of operating processes.

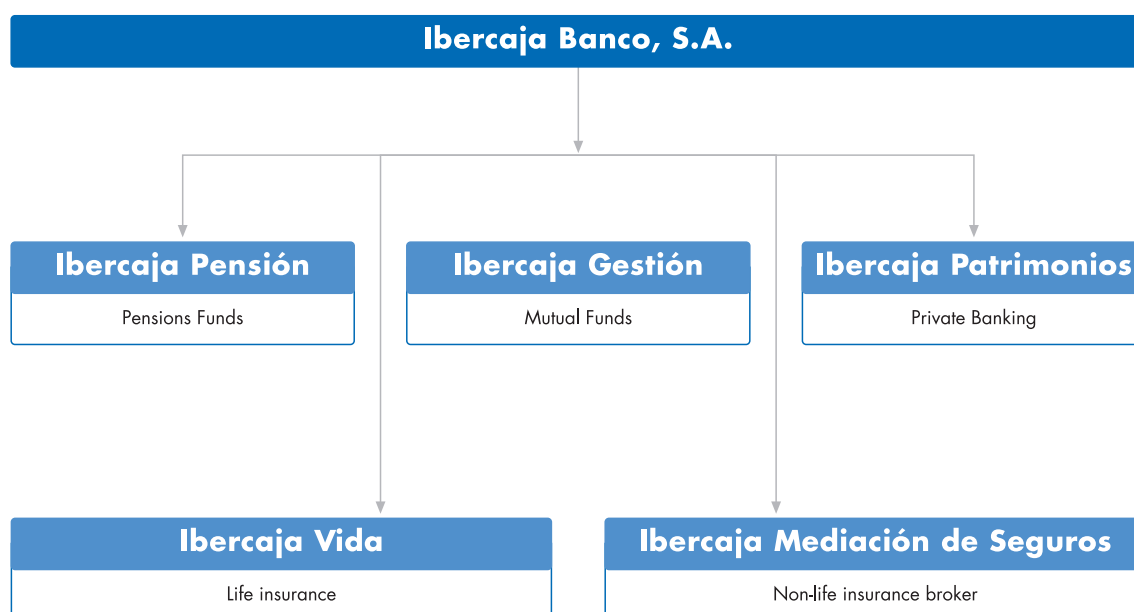
If we exclude items relating to the Personal Data Protection Act, the claims ratio for every 100 customers is only 0.002, which demonstrates the efforts made throughout every level of the Entity to increase information regarding contracts, products and services, as well as the quality of the management efforts made by the Group's professionals.

During the year a plan entitled "Contact your office" has been developed to emphasize that the first place to handle suggestions or the resolution of complaints should be the branch office due to its proximity and direct contact with the customer, as well as its knowledge of the customer's idiosyncrasies and needs.

4. FINANCIAL GROUP

The Financial group was created in 1988 and is wholly owned by Ibercaja. It consists of companies specializing in investment funds, savings plans and pensions, assurance, asset management and finance and leasing-renting services. A capacity for innovation and specialized offers place it in a notable position among Spanish financial institutions. Its products are intended for both individuals and companies and are marketed through the branch office network, supplementing the Entity's banking services.

This year, the merger of the businesses carried out by some investee companies of Caja3 in the area of life and casualty insurance and pension plans was completed.



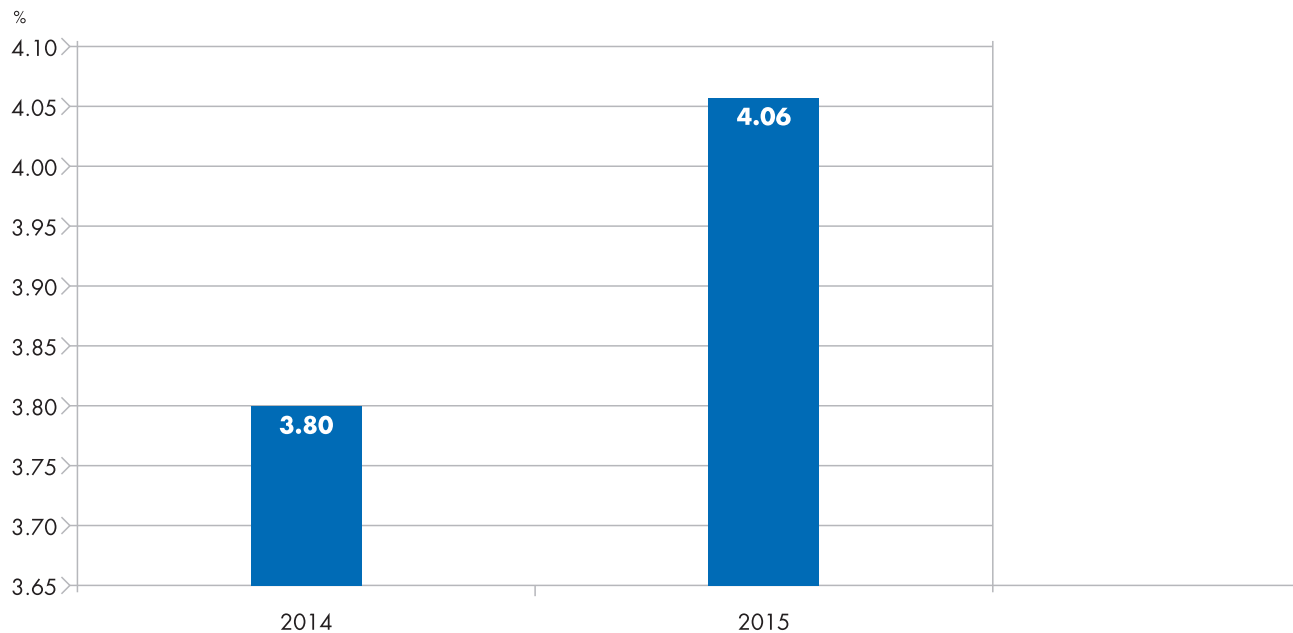
4.1. Management of investment funds

Ibercaja Gestión, SGIC, S.A. is the Group's investment fund management company.

As was the case last year, the investment fund industry had a brilliant year. This is due to the current context of low interest rates which encourages the seeking of higher yields on financial products other than traditional term deposits and the active role played by banks to market these products. The assets under management by domestic funds total €25,000 million and grew by 12.84% on a year-on-year basis, as a result of the good level of net inflows in which the predominating position is held by combined funds due to the higher risk appetite on the part of investors.

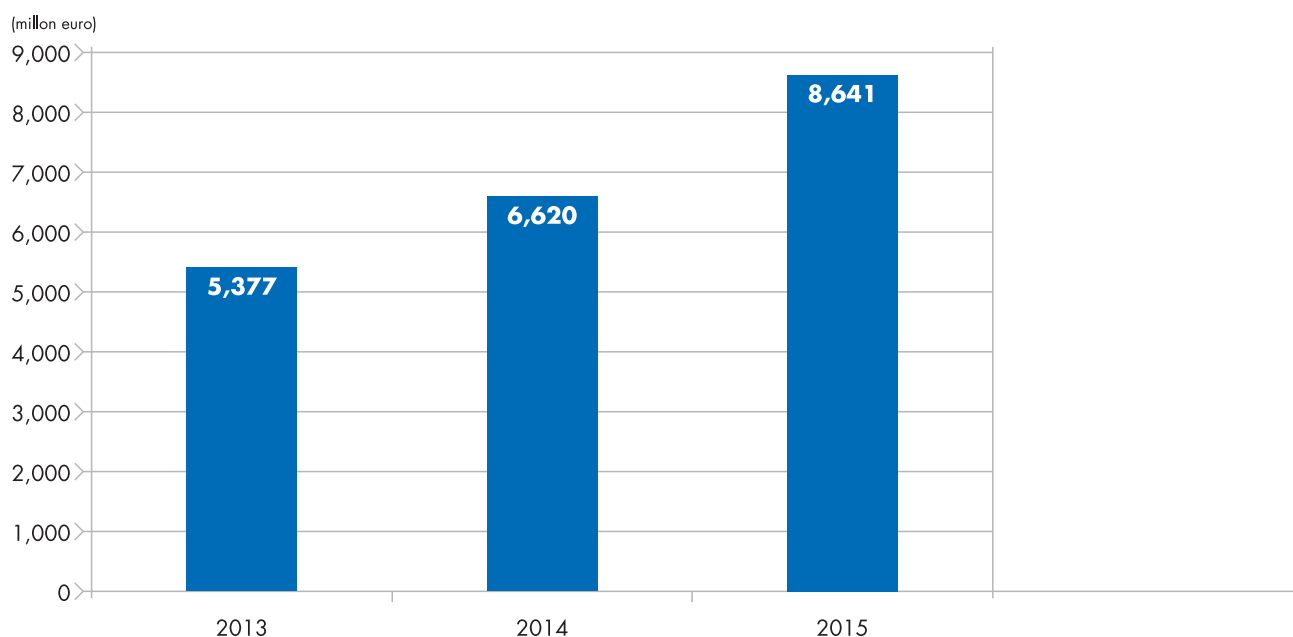
In December 2015, Ibercaja Gestión managed assets totalling €8,641 million, which is 30.52% higher than at the same time last year. This is a record for the Entity and raises it to the eighth position in the national ranking. A good part of the increase in assets originates from the net contributions of over €2,000 million made during the period, nearly double those recorded in 2014 and which is, in terms of percentage, the highest increase among entities in the sector. The market share of investment funds managed or marketed by the Group totals 4.06%, a 26 basis point increase during the year.

Evolution of the investment fund market share



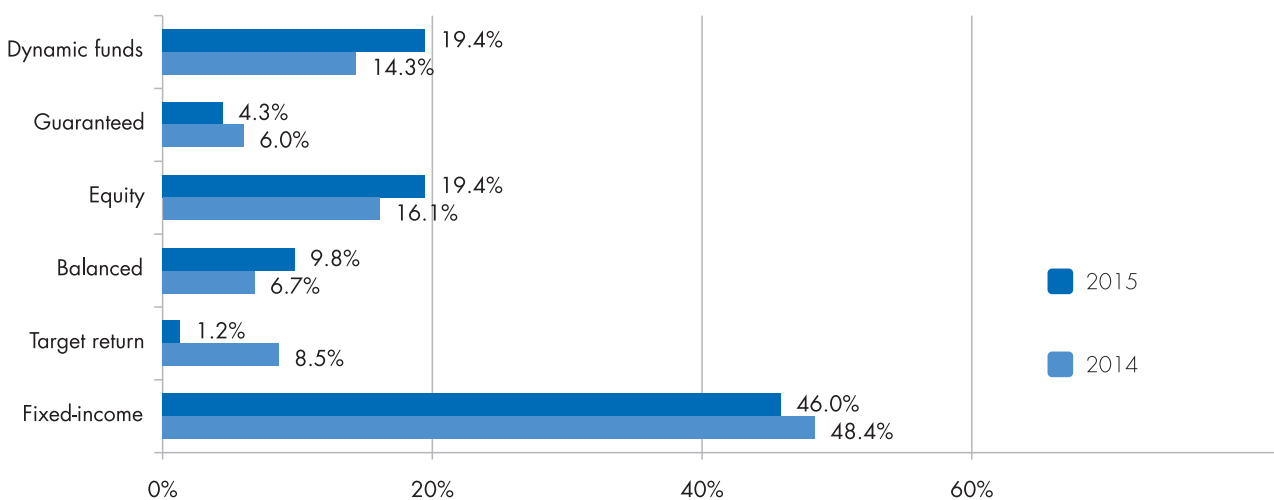
More than 80% of inflows to investment funds notably took place through portfolio management agreements. Investors therefore benefit from an adequate composition and diversification of a basket of funds that is designed based on the risk assumed. The Entity has designed four areas (Balanced, Evolution, Growth and Dynamic Portfolios) that cover the entire range of customer profiles from the most conservative to the highest risk takers. Over the course of 2015 the assets under management as a result of this type of agreement increased by 136%, net contributions totalled €1,669 million and the number of participants in the service already exceeds 62,000.

Evolution of asset investment funds - Ibercaja Gestión



The management company has 65 investment funds that are adapted to any market situation and to any investor. In search of higher returns on investment, during the year equity, combined and dynamic funds gained weight in asset structures, to the detriment of fixed income, target yields and guaranteed funds. The low interest rate environment has impeded the creation of new fixed income funds with specific yield targets or guaranteed capital. Accordingly, after some of those fixed income funds matured the assets were absorbed by other funds, preferably in the dynamic fund category.

Investment fund asset structure



Ibercaja also manages 16 investment company with variable capital (SICAV), with a volume of nearly €80 million.

The management company's funds have received external recognition that demonstrates their quality in a very competitive environment in which there are progressively broader and more varied products on offer. The 2015 Expansion-AllFunds awards, which evaluate trajectory, image, market perception and customer satisfaction, identified Ibercaja Gestión as a finalist in the category of best domestic manager and the group of managers was designated the best fixed income team. The fund Ibercaja Oportunidad Renta Fija obtained the highest rating, 5-star fund and Bronze Rating granted by the Morningstar agency. These awards consolidate the prestigious image of Ibercaja's funds and the management of the company.

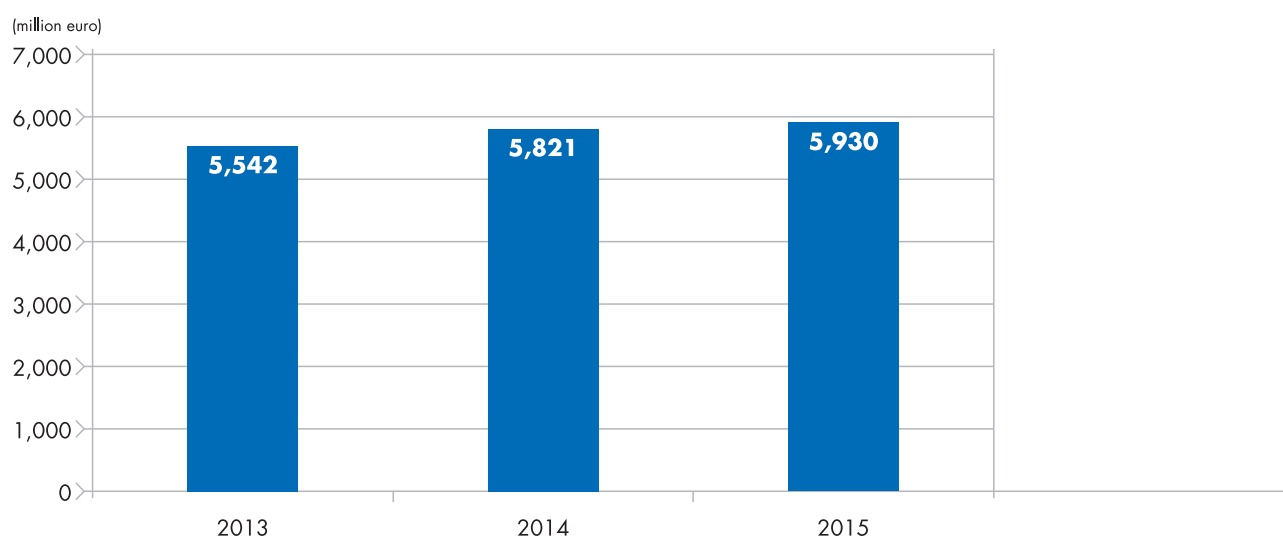


4.2. Pension fund management

Ibercaja Pensión, EGFP, S.A. is the Group company that manages the various types of pension plans. During the first months of the year it took over the pension business carried out by Caja Badajoz Vida y Pensiones, to complete the corporate reorganization that took place as a result of the acquisition of Caja3.

At the end of 2015, the savings under management totalled €5,930 million, distributed into employment and individual plans. The 1.88% year-on-year growth places the Entity in the fifth position in the industry ranking with a market share of 5.67%.

Evolution of pension fund assets



The assets under management in individual plans totalling €1,978 million grew by 3.14% to a market share of 2.91%. The increase is the result of the commercial action taken out to promote savings supplementing public pensions at the time of retirement. This growth was achieved in a year in which the personal income tax reform reduced the annual limit of contributions that may be deducted.

To simplify the offer of individual pension plans the product catalogue was renewed in order to include those originating from Caja3 and to obtain synergies to improve management efficiency and quality. The management company has launched a new line of pension plans to complete the current product range. They are actively managed pension plans that were created with a philosophy that is similar to that of the investment fund portfolio management agreements. The portfolios are managed dynamically and flexibly to take the maximum advantage of market trends by selecting the most adequate investments at any given moment and making any changes that are necessary in accordance with the situation and expectations, always within a pre-determined risk environment. In the few months that they have been available they have been well received and concentrate 10% of the total assets in individual funds.

The Ibercaja Sustainable and Solidarity Pension Plan is intended for investors that are committed to sustainability and follow socially responsible investment criteria. It is one of the leading plans in this category nationally and responds to a growing sensitivity that demands products with an ethical profile. The Group's commitment to sustainability is reflected through the fact that it donates part of the management fee obtained to social and environmental NGOs.

The assets in employment plans totalling €3,952 million grew by 1.26%. The 11.12% market share in this business segment places the Entity in the third position among Spanish management companies. Among the 20 plans with 70,436 participants are those of notable groups such as the employees of Endesa, the Bank of Spain, Public Employees of Aragon, in addition to important municipalities throughout Spain.



Throughout 2015 Ibercaja Pensión participated and organized significant retirement planning events at which reputable experts debated public and private pension systems, their future and their complementary nature. There were notable events in Zaragoza "Present and Future of the Pension System" and in Madrid "Pension Plans in Spain. Retrospective criticism and a future yet to be defined" which were attended by industry professionals and was well received by the public.

The British publication World Finance recognized Ibercaja Pensión as "The Best Management Company in Spain 2015" for the second consecutive year. This award took into account the yield on pension funds and the transparency of information as well as the advisory services offered to individual and institutional customers. In its latest edition, Investments and Pensions Europe selected Endesa Employee Pension Fund managed by Ibercaja among the four best European funds in its category.

The advertisement features a woman smiling in the center. To her left, on a blue background, is the text: **EXPERTOS EN QUE SU PLAN DE PENSIONES SE ADAPTE A USTED**. To her right, a curved banner contains the text: *Plan de pensiones solo para Rosa, porque Rosa es única*. In the top right corner, the Ibercaja logo is displayed with the tagline: **iberCaja**  **HABLAMOS CON HECHOS**. The bottom left corner of the advertisement shows small logos for 'Pensión' and 'Ibercaja'.

4.3. The Group's insurance business

The Group's insurance business is carried out by companies that operate in the life and non-life lines of business, offering products and specialized support to Ibercaja Banco office network.

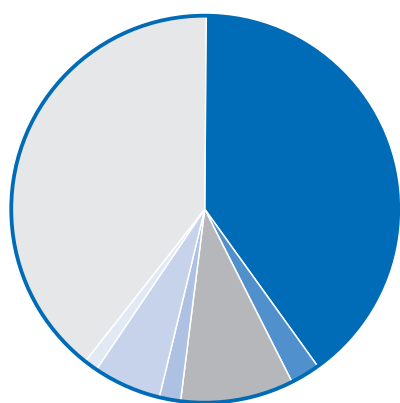
The acquisition of Banco Grupo Caja3 marks the start of a restructuring process in the bank-assurance business in order to simplify its structure, improve efficiency and align the strategy of the acquired companies with the model used by Ibercaja. This process was completed in 2015 with the merger of Caja Badajoz Vida y Pensiones into Ibercaja Vida.

Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U. focuses its activities on the structuring of investment savings insurance and life insurance for distribution throughout the office network. It generates more than 50% of the profits of the Financial Group and it has a product catalogue that includes systematic savings insurance, investment savings, lifetime and temporary annuities, individual systematic savings plans, individual long-term savings insurance, insured retirement plans and others. The activity is completed with the insuring of pension commitments deriving from the externalization of those commitments by several companies.

Technical reserves total €6,067 million and the year-on-year change of -9.22% is the result of the exit of some insured pension funds from the scope of consolidation as they have become managed funds. Isolating this effect, there would have been an increase totalling 0.13%. Ibercaja Vida is ranked fifth in the industry with a 3.62% market share.

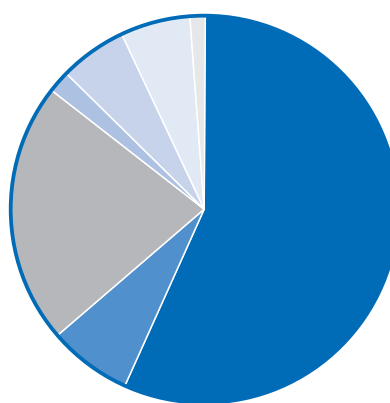
The €990 million in premiums collected means that Ibercaja Vida is ranked fifth with a market share of 3.88%. There are more than 852,000 policies, which is 9.5% more than in 2014.

Number of policies 31-12-15



43% Systematic savings plans	4% Insured Pension Plan
2% Single-premium savings plan	1% Collective insurance contracts
6% Life annuities and temporal annuities	43% Life risk-insurance
1% Unit Linked	

Distribution mathematical provision and premiums 31-12-15



3,325 Systematic savings plans	289 Insured Pension Plan
361 Single-premium savings plan	271 Collective insurance contracts
1,633 Life annuities and temporal annuities	59 Life risk-insurance
109 Unit Linked	

Retirement and elderly insurance are those that have shown the most growth. The individual systematic savings plans grew by 16%, consolidating the leadership in this type of business with a market share of 17.04%. Lifetime annuities increased by 5% during the year.

Ibercaja Mediación de Seguros, S.A.U. is a general insurance brokerage. It markets risk insurance for individuals and companies that is distributed through the office network.

In 2015 it took over the bank-assurance business of the former CAI, thereby ending the process of merging all of the operators that pertained to Banco Grupo Caja3.

The Company's portfolio generates premiums totalling €227 million, which is 2% higher than in December 2014. There are a total of 1,045,667 policies.

Commercial activities have taken place around specific campaigns and a general campaign with the theme of "Don't lose sleep" that covered various products such as the new Ibercaja Homeowners Protection Insurance that has significant improvements over previous benefits, business risk insurance, health insurance and directors' and officers' insurance.

The offices have been provided with a tool consisting of a structure and content simulator for homeowners' insurance that gives customers current information regarding the estimated value of their property in the market and provides a simple calculation of the reasonable values that should be covered by the homeowners' insurance, as well as the premiums that would accrue.

**QUE NADA LE QUITA
EL SUEÑO**

**GAMA DE SEGUROS
IBERCAJA**

iberCaja 

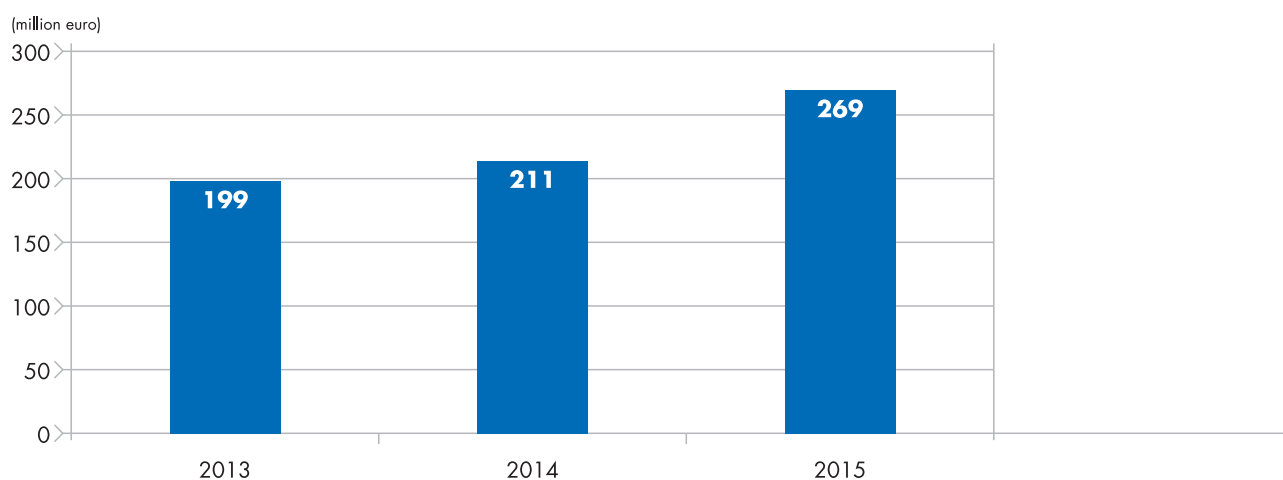


4.4. Finance and operating leases

Ibercaja Leasing y Financiación S.A. specializes in the financing of production activities through finance and operating leases. It provides the office network with products so that SMEs and professionals may finance their investments in property, plant and equipment and makes assets available through operating leases.

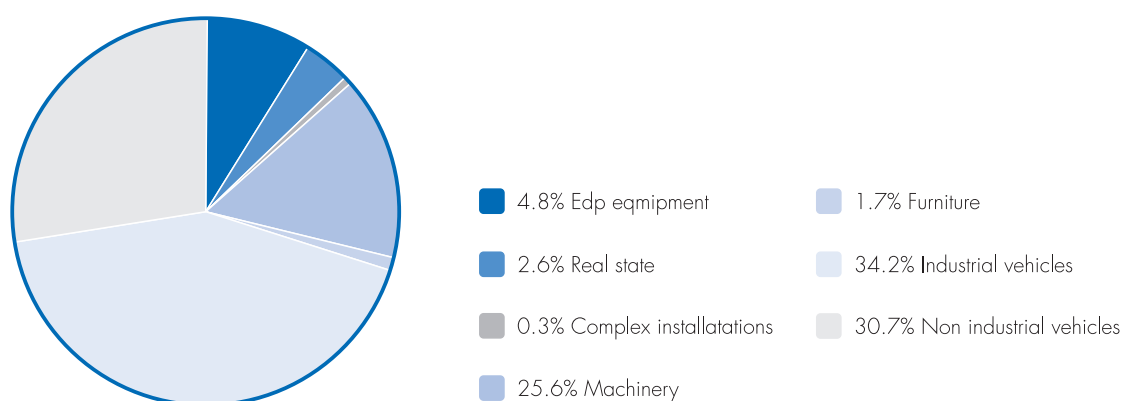
The finance lease sector in Spain declined 2.45% in terms of active risk, based on data available to September, compared with the 27.65% growth seen by the Ibercaja Leasing portfolio.

Evolution of the active risk – Ibercaja Leasing



During the year 3,363 contracts were concluded, which is 80.42% more than in 2014. The investment of €139 million represents a 104.42% increase. Of that amount, 65% was for vehicles, 26% for machinery, 5% for computer equipment and 3% for properties, and the remainder was used for furnishings and other items.

Distribution of the contracts concluded by Ibercaja Leasing in 2015



The agreement concluded between the European Investment Bank and Ibercaja includes a €50 million to lease machinery, vehicle, capital goods and the assets necessary for business development. The Entity participated in the EIB's Financing Agreement for SMEs in the Autonomous Region of Madrid.

The non-performing loans ratio of 5.92% fell by 103 basis points, and remains below the level in the sector (8.69% in November 2015). Coverage represented 77% of non-performing balances.

Vehicle operating leases ended the year with an active fleet of 1,008 vehicles. Specific offers for technology leases have been made to customers and to educational centres so that they may use the most advanced technology and an offer covering vehicles was presented to agricultural groups under advantageous conditions.

4.5. Private banking

Ibercaja Patrimonios SGC, S.A. is the portfolio management company that carries out the Group's private banking business. It offers investment proposals to high-net worth customers and provides a specialized, customized and quality service. The customer has a personal advisor and access to all types of financial assets: securities listed on domestic and international markets, investment funds from both Ibercaja and external suppliers, investment trusts, structure deposits, etc.

The good return on portfolios in a low-interest-rate environment and the high volatility of securities markets is a fundamental factor that has characterized the business' trajectory during the year.

Assets under management total €2,860 million and are distributed into discretionary portfolio management and advisory services. This area increased by 19% while the number of family groups that are company customers rose by 16% compared with the previous year. The expectation is that this increase will consolidate in 2016 after having opened three new offices in Burgos, Seville and Badajoz to satisfy the growing customer demand at the office network for specialized financial and tax advisory services.

The discretionary portfolio management area represents 38% of total assets and the 2,308 contracts increased by 37%, with an average volume of €526,000.

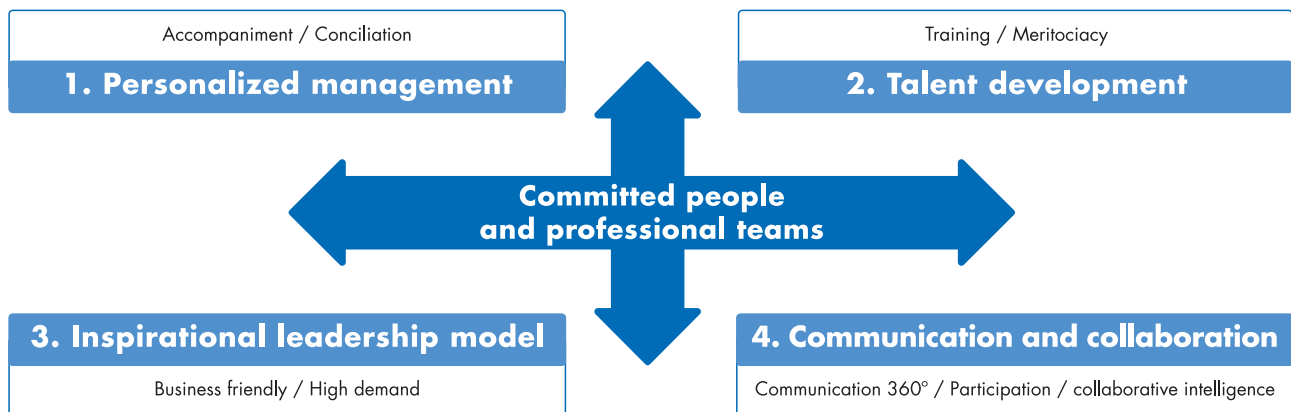
Ibercaja Patrimonios offers all network customers and active investment fund portfolio management service and provides investment training support to personal banking managers.

The commercial structure consists of 10 offices located in Madrid (2 offices), Zaragoza, Logroño, Valencia, Guadalajara, Barcelona, Burgos, Seville and Badajoz. There are also customer-service offices located in Huesca, Teruel and Pamplona.

5. EMPLOYEES

The human team is a basic pillar at Ibercaja. Employee identification with corporate values, qualifications, professionalism and motivation notably contribute to the Entity's progress. The human resource policy focuses on individual development and is governed by strict respect of laws, equal opportunities, non-discrimination due to gender or any other circumstance, social dialogue and a commitment to family and work life reconciliation.

The Strategic Human Resource Plan 2015-2017 establishes the guidelines and the projects to be carried out over the three-year period in order to configure an effective organization that has capacity to respond to the new challenges that Ibercaja will face in coming years. The strategic lines of the new Plan are: personalized management, talent development, inspirational leadership model and communication and collaboration.



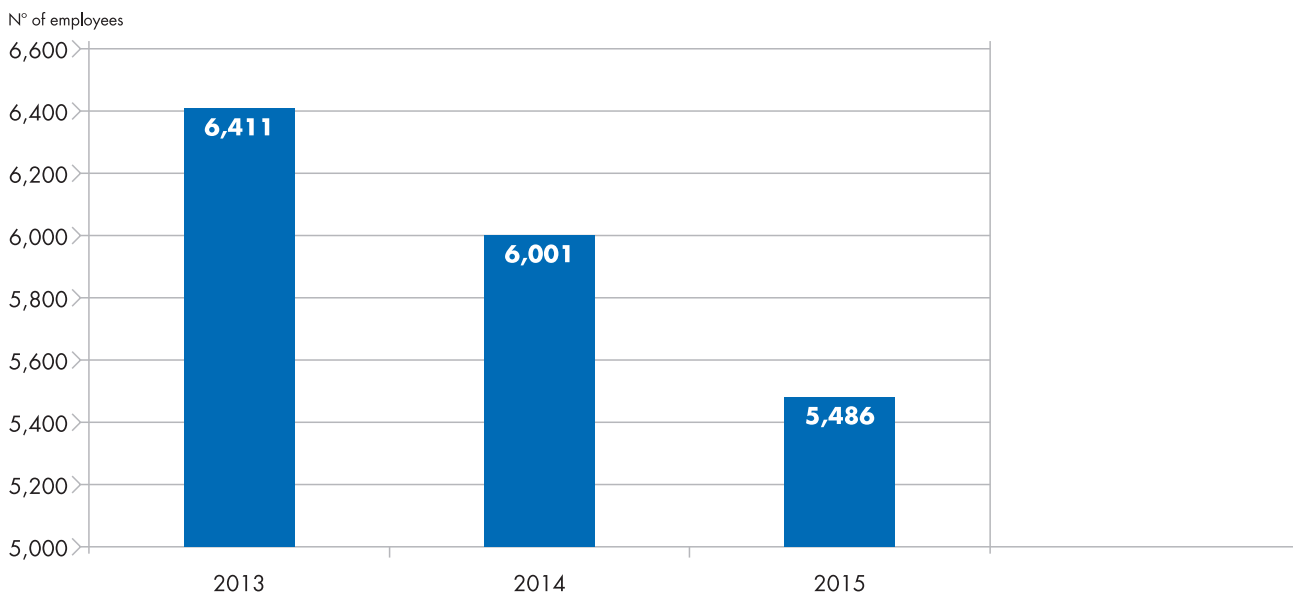
5.1. Employee development and profile

People

Ibercaja Group has 5,963 employees, of which 5,486 work for the parent company. This figure includes 36 partial retirees under relief contracts

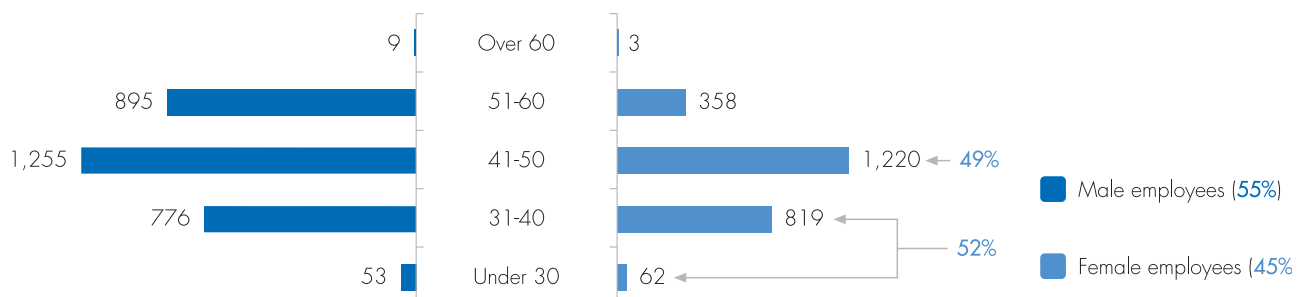
Ibercaja Banco's payroll declined by 515 employees during the year. As part of the reconversion process affecting the Spanish financial system, meaning that the personnel structure must be adapted to the current business needs, in April 2015 Ibercaja signed a labour agreement with union representatives under which a maximum of 350 employees could voluntarily take early retirement and redundancy incentives. In the end 300 employees voluntarily entered into this agreement. The cost savings will be fully reflected starting in 2016.

Payroll evolution at Ibercaja Banco



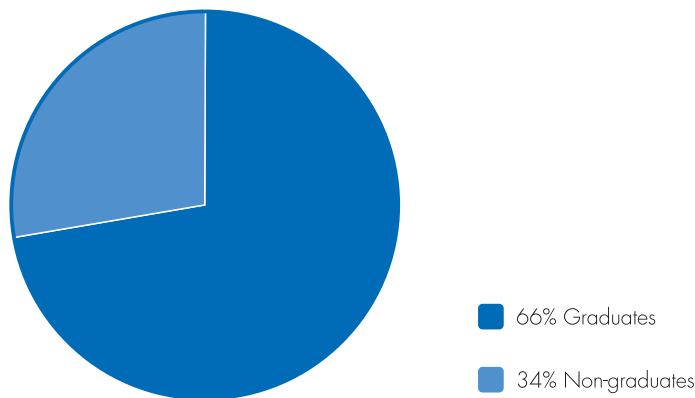
Indefinite employment contracts cover 98% of the payroll at Ibercaja Banco. Excluding partial retirees, active personnel have an average seniority totalling 19 years and the average age is 44. Men account for 55% of employees while women account for the remaining 45%. Women account for 52% of employees that are 40 years of age or less.

Distribution of employees by gender (excluding partial retirees)



66% of employees have university studies, predominantly consisting of degrees in Business, Economics, Business Management and Law.

Academic profile of employees (excluding partial retirees)



Talent development

The human resource policy has the objective of developing professional and personal capacities, as well as adapting profiles to each job post. An employee evaluation system measures performance and competencies and identifies capacities and areas for improvement.

The Entity encourages talent development through training programs and internal promotion for the highest number of employees possible. In 2015 660 employees received professional promotions through the application of the criteria defined in each of the professional career plans, length of service, unrestricted designations and office classifications.

There are professional career plans for all central service departments and for the strategic company and personal banking segments. There are 866 professionals subject to these promotion plans.

Equality and reconciliation

Actively promoting equal opportunities and non-discrimination based on gender is another pillar on which the Entity's human resource policy is based. The Equality Plan, which has been agreed with employee representatives, is intended to obtain a balanced mix of men and women throughout all professional levels and to adopt measures to reconcile working and personal lives.

Women received 51% of the promotions in 2015. Women in positions of responsibility advance daily, already accounting for 29% of the office manager positions (+3% vs. 2014), 53% of Deputy Managers (+2%) and 61% of personal banking managers (+1%).

Employees benefit from measures intended to reconcile working and family lives that expand or improve those set out in labour legislation and in the collective bargaining agreements. During the year 235 employees took leaves of absence, workday reductions and maternity leaves in order to perform family care and training.

Compensation policy

Employee salaries consist of fixed compensation as stipulated in the collective bargaining agreement for each professional category and by the variable remuneration that employees working in the office network and certain groups with specific duties and responsibilities receive. Social benefits available to employees constitute an improvement of the coverage that is legally required.

Communications and participation

Ibercaja provides and supports information channels and pathways that guarantee adequate communications with employees and encourages their participation. This facilitates the communication of general interest matters, the Entity's policy, strategic priorities, human resources, legislation and rules of conduct and ethics. Communications channels serve as a mechanism for knowing the concerns and expectations of the professionals at any given moment. The main methods include:

- Regulations - daily information reporting news of interest for Ibercaja, products, campaigns, commercial plans, appointments, bids, etc.
- Employee Portal: bidirectional communications channel containing economic and financial news, activities and social events for Employees and doubts, suggestions and concerns may be reported to the Human Resources Department.
- Ibercaja Crónica Magazine: quarterly publication that includes articles and interviews on matters that have importance for the Entity.



A labour climate survey is performed annually to obtain opinions from employees regarding the various factors that affect employment environment so that improvement action may be taken. The online survey is done on-line, anonymously and voluntarily and addresses all employees. In order to achieve maximum objectivity and to guarantee anonymity the survey is carried out by a specialized outsider company.

5.2. Training and learning

Training programs provide incentives for professional development and respond to the needs that arise in a very dynamic environment such as the banking sector. More than 3,500 employees (62%) participated in classroom training opportunities and 5,119 participated in online courses. Nearly 300,000 hours of training were given in total, 11% more than in 2014.

The training plan for 2015 focuses on supporting and strengthening specialized banking by paying particular attention to groups that make up the personal and business banking segments. The training action thus adapts to the priorities expressed in the Strategic Plan. A new Advanced European Financial Advisory Service and Asset Management Course was provided for personal banking managers and business banking managers attended the third Specialized Business University Program.

The virtual platform Ibercampus is a channel for broadcasting knowledge. For this year, training itineraries were included in the platform for the various profiles at offices: manager, deputy manager, customer manager, etc. Furthermore, specific courses have been developed for the risk area and the retired Specialist program that provide a broad knowledge base to respond and adequately advise customers in a matter of such interest as is retirement savings

Within the framework of the 19 cooperation agreements concluded with various Spanish universities, 225 students currently engaged in studies associated with the financial business have interned at Group centres.

The collage features several key elements:

- Ibercampus logo:** A blue square with the word 'IBERCAMPUS' in white.
- Website screenshot:** A screenshot of the Ibercampus website interface, showing a navigation bar and a main content area with a group photo and text.
- Document:** A document titled 'Programa formativo especialistas en jubilación' with the IberCaja logo.
- Introduction text:** A section titled 'Introducción' with a small image of a hand holding a pen, and text describing the course content.
- Main banner:** A large blue banner at the bottom right with the text 'PROGRAMA FORMATIVO ESPECIALISTAS EN JUBILACIÓN' in white.
- Supporting images:** Small images of books, a keyboard, and a hand pointing at a screen.

Main Indicators

Demographics

Total payroll	5,486
Permanent payroll	5,399
Complementary payroll	51
Partial retirees	36
Average age of employees (excluding partial retirees)	44 years
Average seniority of employees (excluding partial retirees)	19 years
Sex	55% men, 45% women
Distribution of permanent employees	86% Offices (4.698 employees) y 14% central services (701 employees)

Professional Development

Promotions	660
Office manager appointments	316
Office deputy manager appointments	206
Personal banking manager appointments	48
Customer manager appointments	151

Reconciliation of family life

Number of maternity leaves	30
Number of family care leaves	4
Number of work schedule reductions	199

Training

Number of classroom participants	3,504
Number of remote participants	5,141
% hours of training	90% remote and 10% classroom
% employees trained	98%

6. IBERCAJA GROUP BUSINESS AND RESULTS IN 2015

At a time that is marked by historically low interest rates, the year has ended with satisfactory business levels and profits.

The profit reflects the good performance of recurring business. The pressure on margins due to the impact of extremely low interest rates is offset by the improvement in the cost of financing, the rise in small business and consumer loans, the increase in income from asset management and the successful cost savings policy. Simultaneously, the level of transfers to provisions decreases and therefore the cost of risk, while remaining high due to the impaired assets that were accumulated during the crisis, is trending downward.

The dynamic performance of SME's loans is notable within the objective of diversifying the loan portfolio and improving the market share of this key segment for the Group's strategy. Customer funds have increased due to the growth of off-balance sheet items. The increase of assets managed in investment funds easily exceeded that seen in the system, which is a reflection of the good impression that customers have of the Group's management company as a point of reference within the Spanish market.

Risk indicators have shown positive development. Doubtful balances have accelerated their decline due to both a lower rate of entry into non-performing territory as well as recovery activities, to which the sale of a portfolio of doubtful real estate loans must be added. The non-performing loan ratio of 8.95% fell by more than 1.83% and remains below the average in the Spanish financial system by a wide margin. Real estate risk declined significantly by -20.38%, which was influenced by the situation in the sector, the prudent policy applied to this business segment and the sale of portfolios. Ibercaja successfully completed several market transactions, including the placement of a real estate developer loan portfolio, consisting mainly of doubtful items, with wholesale investors and a package of bad loans for which full provision had been made. At the start of 2016, Ibercaja agreed to transfer the real estate servicing subsidiary to a top-tier specialized company.

The Group has a large buffer of liquid assets whose volume exceeds 19% of total assets. The LTD ratio is below 100%, which shows the balance that has been reached between loans and retail deposits.

Ibercaja has reinforced its solid solvency due to the organic generation of capital through profits, a more efficient risk weighting, a decline in doubtful assets and the issue of €500 million in subordinated debt placed among wholesale investors. The CET1 ratio, which measures the relationship between top-tier capital and risk weighted assets, is 11.95% at the end of year, 82 basis points more than last year. Fully loaded CET1 totals 9.74%.

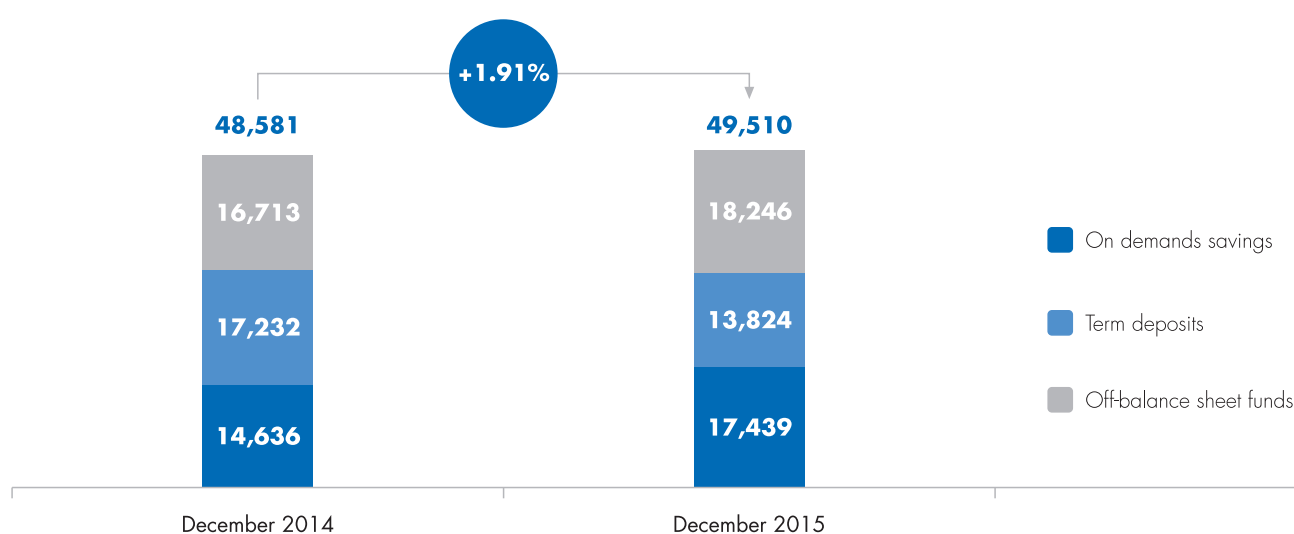
The entry into force of the Single Supervisory Mechanism (SSM) has made it necessary to adapt to the ECB's new supervisory mechanisms and processes. The regulator has issued specific recommendations regarding capital requirements and governance. The "Supervisory Review and Evaluation Process" resulted in Ibercaja Banco having a minimum capital ratio of 9.25%, one of the lowest in the Spanish banking system. This shows the Group's prudence when assuming risks and the alignment of its management structures with the best corporate governance practices. The Entity has prepared the "Risk Appetite Framework" (RAF), which is intended to establish a group of principles, procedures, controls and systems that define, report and monitor its risk appetite, understood to be the level of risk that Ibercaja Group is willing to assume, and its tolerance. Finally, in November 2015 the Board of Directors approved the Recovery Plan in accordance with the European Banking Association (EBA) guidelines and recommendations and the provisions of Spanish Law 11/2015 (18th June), on the recovery and resolution of credit institutions and investment service companies.

6.1. Customer funds

Retail customer funds totalling €49,510 million grew by 2% on a year-on-year basis. The 9.17% increase in trading products, especially investment funds at more than 18%, is particularly notable.

Ibercaja's commercial policy has focused on offering customers alternative investments to traditional deposits to improve yields on savings and to provide incentives for their association with the Entity. Off-balance sheet products and on-demand accounts therefore increased their weight within the structure of retail funds to the detriment of term deposits, which has resulted in a more balanced and profitable mix.

Development of retail customer funds (million euro)



The on-balance sheet funds totalling €31,264 million declined by 1.90%. Term deposits, which fell by -19.82% on a year-on-year basis, have been transferred at the end of the year towards on-demand savings, which grew by 19.16%. The movement is due to increased availability and the low profit spread in on-demand accounts compared to term deposits, as well as the efforts made by the Group with respect to business accounts which, in general, maintain liquidity positions in order to carry out their activities.

Notable among the products being offered is the Savings Account 5, which is exempt from capital gains tax on the yields obtained if it is maintained for 5 years. Similarly, the marketing of the Euribor term deposits, which guarantees 100% of capital at maturity, has continued with yields based on the Euribor, together with deposits with yields indexed to the performance of stock indexes or shares in highly capitalized companies.

Off-balance sheet retail funds managed by the Group total €18,246 million (+9.17%). The excellent performance of investment funds is very notable, whose assets increased by more than 18% since the beginning of the year. This performance has been much more favourable than in the system (+12.46%), and reveals the good impression that customers have of the Group's specialization in asset management.

Breakdown of customer funds under management

(Million euro and %)	December 2015	December 2014	Variance	Variance %
On demand savings	17,439	14,636	2,803	19.16
Term deposits	13,808	17,222	-3,414	-19.82
Repurchase agreements	17	11	6	55.64
On-balance sheet retail customer funds	31,264	31,868	-605	-1.90
Assignment of assets to maturity	171	232	-61	-26.26
Investment funds	9,224	7,808	1,417	18.14
Pension plans	3,388	3,306	82	2.48
Insurance	5,463	5,368	95	1.77
Off-balance sheet retail customer funds	18,246	16,713	1,533	9.17
Total retail customer funds	49,510	48,581	928	1.91
Total funds managed by Group*	62,871	62,551	320	0.51

* Information restated including latest available.

The investment fund market share reached a new record and ended the year at 4.06%, a 26 basis point increase. Despite the turbulent markets during the second quarter of 2015, the rate of net contributions was very high. The increase in portfolio management agreements should be mentioned as they easily doubled assets under management. The increase in the volume of pension plans and insurance was more moderate, showing growth of 2.48% and 1.77%, respectively.

In accordance with the outline established by the Strategic plan 2015-2017, customer funds by segment in the business banking area were the most expansive and showed a 10.60% increase. In turn, the Personal Banking area contributed more than 68% of the increase and the balance exceeds 53% of total retail customer funds. The Bank's Traditional Area showed an increase of nearly 1% and this result is very satisfactory as it is a mature market in which the Entity holds a clear leadership role and because the risk of losing business due to the restructuring of the network was neutralized. The best result was obtained in the areas of expansion, Madrid and the Mediterranean Coast, and they ended the year with 5.89% and 9.25% growth, respectively.

6.2. Customer loans

Gross customer loans totalled €34,449 million, which is 4.47% lower than last year. This performance is due to several factors: the deleveraging of families and companies that continues to take place, although more softly than in preceding periods, the reduction of exposure to real estate developers and the decline in non-performing balances. Taking into consideration ex-real estate developer credit in a standard situation, the contraction falls to 1.58%.

The improvement in the economic environment, the increased demand for loans and the Group's strategy of increasing the flow of financing to SMEs and consumers mean that there has been a notable increase in the number of loans granted. The new loans granted during the year totalling €4,125 million are 51% higher than the amount granted in 2014 and reaches the objective set out in the Strategic Plan. Nearly €2,500 million, or 61% of the total, was granted to non-real estate companies and this represents year-on-year growth of 55.19%. The new financing granted to families to acquire homes increased by 57.68% and consumer and other loans advanced by 33.06%.

Breakdown of customer loans based on collateral

(Million euro and %)	December 2015	December 2014	Variance	Variance %
Commercial loans	370	437	-67	-15.22
Secured loans	24,708	26,316	-1,607	-6.11
Other term loans	4,418	4,376	42	0.97
Finance leases	237	178	59	32.87
Loans on demand and other	561	538	23	4.26
Impaired assets	3,085	3,889	-804	-20.68
Other financial assets	119	-12	131	-
Reverse repos	544	-	544	-
Measurement adjustments	408	340	68	-
Gross customer loans	34,449	36,061	-1,611	-4.47
Impairment losses	-1,658	-2,230	572	25.66
Net customer loans	32,791	33,830	-1,039	-3.07

Secured loans, basically for the acquisition of primary housing by individuals, fell by 6.11%. This is explained by the weak housing market and the Group's strategy to change the mix of the loan portfolio by directing growth towards business and consumer loans. The achievement of this objective is observed in the growth of finance leases (+32.87%) and other term borrowings (+0.97%). Doubtful balances have accelerated their decline (-20.68%) due to the lower levels of new non-performing loans, to recovery efforts, and the sale of portfolios of doubtful loans. The non-performing loan ratio fell by 183 basis points to 8.95%, and there is a substantial positive gap compared with the Spanish financial system.

Breakdown of customer loans by purpose

(Million euro and %)	December 2015	December 2014*	Variance	Variance %
Credit granted to individuals	23,783	24,979	-1,196	-4.79
Housing	22,507	23,685	-1,178	-4.97
Consumer and other	1,276	1,294	-18	-1.38
Loans to companies	9,065	10,016	-951	-9.49
Real estate	2,473	3,406	-934	-27.41
Non-real estate production activities	6,592	6,609	-17	-0.26
Public sector and other	1,602	1,066	536	50.24
Gross customer loans	34,449	36,061	-1,611	-4.47

* Information restated including latest available.

Financing to individuals

Financing for the acquisition and rehabilitation of residential homes is almost completely backed by mortgage guarantee, which have the highest weight in the Entity's loan portfolio structure at 65%. Despite the improvement in housing demand indicators, the declining trend in mortgage loan volume has been prolonged during 2015. The balance in this business segment totalled €22,507 million at the year-end, which is a 4.97% decline. However, the 45.28% increase in new transactions is a clear indication of recovery. The volume of loans granted is nevertheless still insufficient to offset the amortization of the portfolio, given that the price of housing has accumulated 20 consecutive downward quarters and borrowers generally prefer to assume lower debt levels.

In 2015 the offer of discounted mortgages has been renewed. This product rewards the borrower's association with the Entity and adapts the mortgages to the new market situation and the peculiarities of each group of customers. The agreements reached with public organizations and various groups to facilitate access to credit remain in force.

The adjustment to the outstanding balance of consumer loans (-1.38%) moderated compared with December 2014 (-7.48%), due to the favourable perception of households of the economic situation thereby stimulating expenditure decisions, especially durable goods. Among the actions taken to strengthen this type of financing are: regular information provided to customers of available loans for consumer needs, offers to finance higher education and postgraduate master's degrees, tax loans, passes to sports clubs, etc.

Financing of production activities

As is expressed in the Strategic Plan 2015-2017, the Group has the objective of strengthening its relationship with the business structure, for which it is developing an integral business relationship model so that it may provide a global, quality, useful and personalized service.

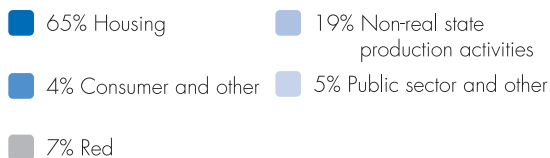
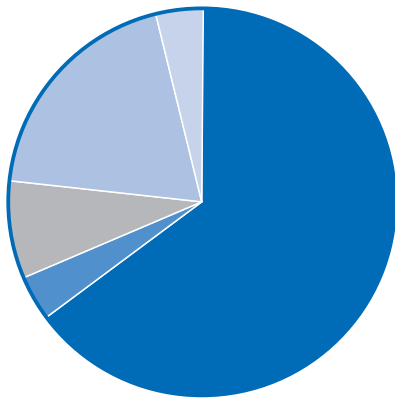
The financing of production activities other than real estate leads the reactivation of credit transactions. After accumulating 61% of new credit transactions during the year, the portfolio balance of €6,592 million fell slightly (-0.26%), in contrast to the decline seen the preceding year (-6.56%). Real estate development loans declined significantly by 27.41% as a result of the evolution of the sector and the management efforts applied by the Entity. Ibercaja has had an active presence in the market and has concluded several large-volume transactions. In November it sold a real estate developer loan portfolio, most of which were classified as doubtful, for a nominal amount of nearly €700 million. Together with the disposal of a portfolio of doubtful and bad loans for which full provision had been made in the amount of €210 million, this transaction has allowed the balance sheet to be optimized due to the elimination of non-performing assets and a reduction of the non-performing loan ratio.

6.3. Asset quality

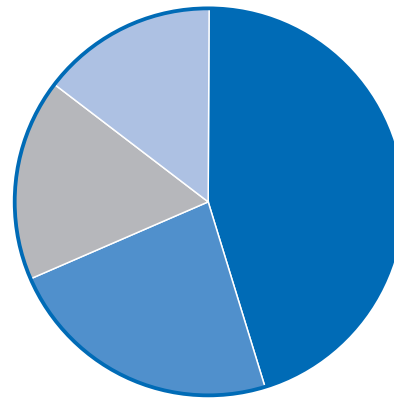
The Group has a low risk portfolio profile with a high weight of mortgage financing for individuals to acquire homes. Without losing this specialization, the Entity seeks to increase its participation in business and SME loans.

The investment is geographically diversified, even though Ibercaja's implementation in its territory of origin means that this area and Madrid concentrates nearly 70% of loans.

Distribution of loans by transaction purpose (%)



Geographic distribution of loans (%)



Household financing represents 69% of gross customer loans and 95% is dedicated to the acquisition of homes. Almost all of it relates to primary residences secured by mortgages. The loan-to-value ratio, which is the value of the outstanding debt compared with the collateral using the latest appraisal, is 55.81%. The LTV is less than 80% for 93% of the home mortgage portfolio.

Business loans represent 28% of the total. Loans and credit facilities associated with real estate development are low at 7%. A notable event during the year was the sale of a real estate developer loan portfolio, most of which was classified as doubtful, for a nominal amount of nearly €700 million. The financing of productive activities other than real estate development has a weight of 19%, and has been preferentially granted to SMEs in very diverse sectors.

Doubtful balances declined by €804 million, or 20.68% in relative terms. This consolidates the declining trend that started in the final quarter of 2014. The Group's non-performing loans ratio of 8.95% fell by 183 basis points, and maintains a positive gap compared with the rest of the system (10.4% in November). If exposure to the real estate and construction sectors is excluded, the non-performing loans ratio falls to 6%. The non-performing rate for individual loans to acquire homes, which is the largest portfolio at Ibercaja, is 3.97%, one of the lowest in the entire system.

The total provision for insolvencies, including those associated with contingent risks and liabilities totals €1,684 million, which is a coverage rate of 53.70% of doubtful risks.

The Group's refinancing and restructuring policy focuses on facilitating compliance with obligations by borrowers that have transitory difficulties to comply with their commitments and to improve, where possible, the quality of the risk by obtaining additional collateral. The refinanced balances totalling €4,083 million, which is 11.85% of gross credit) declined significantly (-15.99%) compared with the end of 2014, while the coverage associated with doubtful and substandard risks was 37.72%.

The gross carrying amount of the Group's property portfolio, foreclosed or acquired in lieu of debts, totals €1,842 million and represents a slight increase of 0.25% during the year. The coverage associated with real estate assets (including initial write-downs and the provisions recorded subsequent to the foreclosure of the property) is 51.43%. The Entity's policy is focused on encouraging compliance with commitments by borrowers by renegotiating debts before entering into litigation, and foreclosure is the final solution when there is absolutely no possibility of recovering the loan amount. Ibercaja supports real estate developers once the developments are completed, assisting with management and facilitating sales. The ultimate goal is to obtain value from the properties in the portfolio through their sale, such that the customers to which financing is granted for these transactions are recruited by the Bank at the same time. The result of the property marketing activity has been very positive with sales exceeding 4,000 units, 25% more than in 2014 and due to the joint effort of the branch office network and the Property Management Unit.

Real estate developer, credit and real estate asset risk deriving from the financing of construction and real estate development fell by €969 million, or 20.38% in relative terms. The coverage for problematic assets (doubtful, substandard and foreclosed) associated with the real estate sector is 52.86%.



6.4. Financing and liquidity

During 2015 Spanish banks have been able to easily finance themselves using financial markets, improving their liquidity position and re-calibrating their balance sheets. The system has benefited from the abundant liquidity deriving from the full cooperation of the ECB in regular financing operations, longer-term auctions associated with the granting of loans (TLTRO), access to other alternative sources of financing and the reduction in the retail gap.

Although the trend over the past few years of replacing wholesale financing with retail funds has continued, the issuing activity carried out by Spanish entities in 2015 was clearly higher than that in 2014. The volume issued into the market amounted to €33,000 million, which is 32% more than in the preceding year, and mortgage bonds played a significant role with €20,000 million. Smaller banks joined the large banks, the normal protagonists with respect to the issue of these types of instruments. In contrast, there were limited issues of senior debt due to the uncertainty regarding it being considered qualified debt to absorb losses within the new MREL framework.

In line with the rest of the European banks, net use of Eurosystem resources by Spanish entities fell by 6% the past 12 months to €133,000 million, which represents a 37.46% share of total European funds used.

The activities carried out by the capital markets area at Ibercaja Group has primarily concentrated on ensuring the availability of liquid assets on the balance sheet, managing the fixed income and equities portfolios, planning issues and repurchasing securities, as well as hedging structured deposits and other.

After an absence of several years from wholesale markets, this past July Ibercaja successfully placed a subordinated debt issue totalling €500 million in order to reinforce its solvency and increase the volume of liabilities capable of absorbing losses. This is the first transaction of this type carried out by an unlisted Spanish banking institution since the start of the restructuring of the financial system. The transaction was well received by institutional investors, mainly foreign investment funds, with demand almost doubling supply, which is clear support of Ibercaja's project, its business model and the Entity's outlook. This placement fell within the Capitalization and Stock Market Listing Project for which work commenced in 2015, involves a large part of the Bank's human team and is one of the pillars of the Strategic Plan 2015-2017.

The availability of liquid assets allowed due dates for mortgage bonds to be comfortably met during the year (€1,453 million). Issues for a nominal amount of €161 million have been repurchased, most of them securitizations.

ECB financing fell by €2,795 million compared with December 2014 as a result of the LTRO due dates, such that these items total €2,053 million. This amount relates in full to the liquidity obtained through the TLTRO program in 2014 and 2015.

Ibercaja have been traditionally characterized by a prudent liquidity policy based on a clear vocation of financing the growth of credit activities using retail resources, limiting the use of wholesale markets. This policy has the objectives of managing liquidity and diversifying sources of financing in a prudent and balanced manner, anticipate needs to comply with obligations on a timely basis to prevent investment activities from being affected and ensuring the continuity of the business.

The basic principles that govern its strategy are: active management through a regular control system based on limits and internal indicators documented in the Liquidity Manual, establishment of measures and actions in the event of a crisis scenario (contingency plan), taking advantage of the various alternatives offered by the market

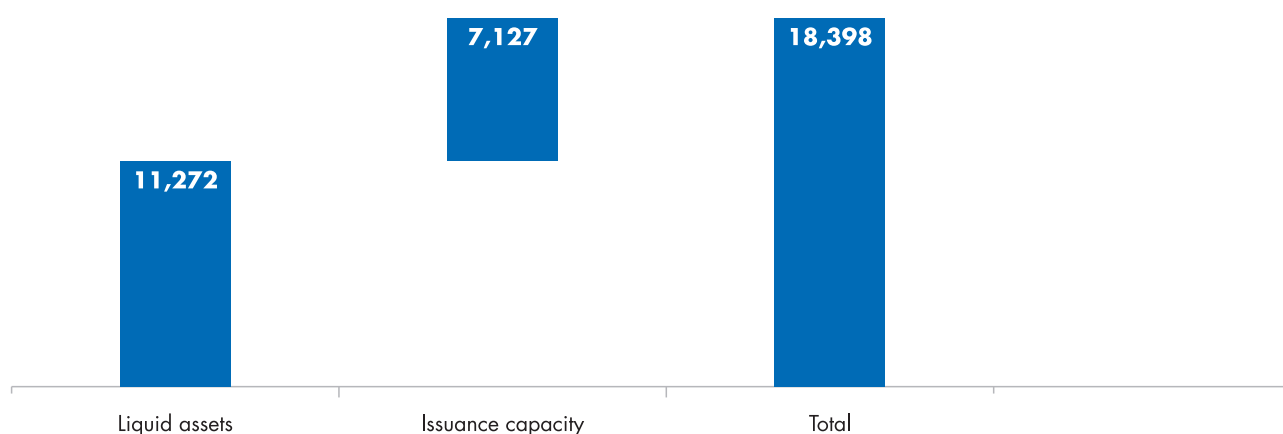
to diversify investments in both terms and highly-liquid instruments, while maintaining an important asset buffer to provide collateral to the ECB to cover any possible tension.

Retail customer deposits are the primary source of outside financing. More than 80% of the total is classified as stable, in accordance with Bank of Spain regulations, which shows the association and confidence of the Entity's customer base.

The deleveraging of the balance sheet and the stabilization of retail sources of financing have contributed to the decrease in the commercial gap. The loan to deposits ratio was 91.33%, 58 basis points less than in December last year.

The Group has a comfortable liquidity position. The volume of liquid assets that are entirely eligible to be collateral for the ECB totals €11,272 million, or 19.13% of assets, at the end of the year. The capacity to issue mortgage and regional bonds total €7,127 million, such that available liquid assets amount to €18,398 million.

Details of the liquid assets (million of euro)



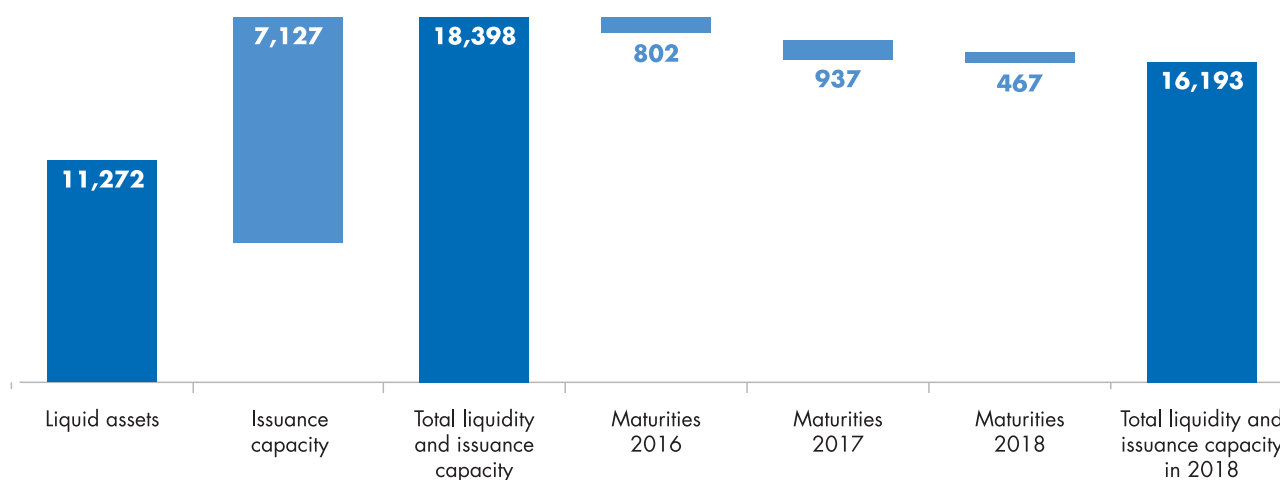
The LCR, which measures the level of high-quality liquid assets free of encumbrances available to overcome a 30-day liquidity stress scenario is 242.35%, far higher than the requirements established by Basel III. The NSFR, which is required starting in 2018, is 117.42%. This indicator measures the proportion of stable financing at one year to stable liabilities and is intended to ensure an equilibrium in the balance sheet structure, limiting excessive dependence on short-term wholesale financing.

The available amount of the ECB facilities totals €6,567 million. Approximately 92% of the qualifying assets outside of those facilities relates to Spanish government debt which would allow for immediate liquidity if necessary.

Overcollateralization, measured as the qualifying portfolio in excess of outstanding mortgage bonds, is 237.42% which easily exceeds the legal minimum of 125% and the average for all financial institutions.

The Entity has a comfortable repayment profile. The due dates for wholesale market issues are distributed out until 2027. In 2016 and 2017 they amount to over €802 million and €937 million, respectively, and they may be comfortably covered with available liquidity.

Liquid assets and maturity dates (million euro)



6.5. Securities portfolio and shareholdings

The Group manages its securities portfolio prudently, aiming to achieve an adequate financial rate of return in relation to the level of risk assumed. The portfolios exposed to market risk are characterized by their industry, geographic and investment term diversification, high level of liquidity and solid credit quality and no trading activities are carried out which means that market risk is low overall.

The fixed income and equities portfolios total €20,591 million, of which €5,640 million is associated with the Group's insurance business.

Fixed income securities valued at €19,967 million represent 97% of the total, which is a €1,620 decline as a result of the maturities that took place during the year and the sales that were made. This portfolio consists of low-risk bonds and has a high concentration of Spanish government debt with an average term of around 3.4 years. Its purpose is to manage balance sheet interest rate risk, generate recurring yields to reinforce the interest margin and to contribute to maintaining a comfortable liquidity level as the assets are highly liquid. The equities portfolio declined by €109 million to €624 million. It mainly consists of listed shares in domestic and foreign companies, in addition to shares in unlisted companies.

In accordance with the accounting classification, the €15,599 million in available-for-sale financial assets makes up 75.76% of the total. The held-to-maturity investment portfolio totalling €2,663 million makes up 12.93% of the structure, a €4,019 million decline due to the maturities during the period, including €407 million in ESM bonds and €1,627 million in bonds originating from the transfer of assets from Caja3 to Sareb, which were replaced by new securities with the same nominal amount recognized in loans investments.

Breakdown of the securities portfolio

	Balance		Variance	
	Million €	Structure %	Million €	%
Trading portfolio	1	0.00	0	-28.05
Debt securities	1	0.00	0	-28.05
Equity instruments	0	0.00	0	0.00
Other financial assets at fair value through profit or loss	53	0.26	-9	-14.00
Debt securities	5	0.03	-3	-32.34
Other equity instruments	47	0.23	-6	-11.33
Available-for-sale financial assets	15,599	75.76	821	5.56
Debt securities	15,157	73.61	903	6.34
Other equity instruments	442	2.15	-82	-15.72
Loans	2,141	10.40	1,499	233.42
Debt securities	2,141	10.40	1,499	233.42
Held-to-maturity investment portfolio	2,663	12.93	-4,019	-60.15
Shares	135	0.66	-21	-13.35
Securities portfolio	20,591	100.00	-1,729	-7.75
Fixed-income securities portfolio	19,967	96.97	-1,620	-7.50
Equities portfolio	624	3.03	-109	-14.89
Shares	135	0.66	-21	-13.35
Other	489	2.38	-88	-15.31

The Group has business interests in several sectors: tourism, real estate, media, logistics, services and other. The historically limited investments in investee companies take place in order to support local business, preferably by SMEs, in projects that contribute to create wealth and employment in the Entity's area of influence, as well as to contribute to the diversification of the Group's sources of income.

Ibercaja has direct and indirect interests in 110 companies outside of the real estate business. By industry distribution, the weight of the investee companies falls mainly in financial and para-financial activities, representing 46% of the investment portfolio. The rest of the investment involves: venture capital (22%), industry and logistics (11%), tourism (11%) and the media (10%).

The Group constantly reviews its shareholdings to carry out an ordered disposal of its stakes in those companies that are not strategic for its business or do not generate adequate profits for the capital they consume, while simultaneously ensuring the continuity of the business in the hands of qualified managers.

The interests in 26 investee companies were divested in 2015 and several redemption and partial disposals of portfolio companies took place during the year. The divested amount in terms of carrying value totals €50 million, and there was a positive contribution to Ibercaja's consolidated profit. The largest sales consisted of the interests held in EBN Banco, Titulización de Activos, Nuevas Energías de Castilla and Imaginarium, and full divestment took place from the companies that Caja3 committed to selling as part of its agreement with the European authorities.

After concluding the reorganization of the real estate group that started in 2014, the primary corporate structure consists of one company, Gestión de Inmuebles Salduvia, S.A., that renders property management, administration and marketing services and two holding companies (Cerro Murillo, S.A. and Residencial Murillo, S.A.). During the first few days of 2016, Ibercaja agreed to transfer 100% of Gestión de Inmuebles Salduvia, S.A. to Global Acamar S.L., an Aktua Group subsidiary, with which a service agreement will be concluded so that the buyer will be exclusively responsible for the administration, management and marketing of the real estate assets covered by the agreement. The agreement allows the Entity to focus on its traditional financial business while simultaneously driving the sale of real estate assets in the retail channel, taking into account Aktua Group's specialization and experience with property marketing.

6.6. Analysis of the income statement

Main headings of the consolidated income statement

(Million euro and %)	31-12-2015	31-12-2014	Variance	Variance %
Net interest income	632	699	(68)	(9.69)
Net fees	333	316	18	5.56
Gains (Losses) on financial transactions	86	425	(339)	(79.75)
Other operating profit/loss	(10)	(30)	20	(66.45)
Gross margin	1,041	1,410	(369)	(26.19)
Operating expenses	656	789	(133)	(16.80)
Profit before write-offs	384	621	(237)	(38.11)
Provisions, impairment and other write-offs	294	432	(138)	(31.99)
Other profit loss	28	26	2	6.34
Profit/(loss) before taxes	118	215	(97)	(45.03)
Taxes	34	64	(30)	(46.94)
Consolidated profit for the year	84	151	(67)	(44.22)
Result attributed to the parent company	84	151	(67)	(44.16)

Net interest income

The net interest income totalled €632 million, 9.69% less than in 2014. The good performance of retail operations is notable, and it resulted from the commercial efforts and the management of margins. The adaptation of costs to the evolution of interest rates offset the reduction in the returns obtained on the loan portfolio, which has been affected by a decline in volume and a decrease in average profitability, particularly with respect to the mortgage portfolio indexed to the Euribor, in a context in which this indicator has returned to historic lows. The customer margin showed appreciable resistance to declines throughout the year and during the fourth quarter it was 1.21%, 3 basis points above that seen in the same period last year.

The lower contribution from the wholesale business explains the tightening of the net income. The decline in financial charges on wholesale funds was insufficient to cover the lower return obtained on the fixed income portfolio, partly due to a decline in its balance, but also due to the 71 basis point decrease in the average return since items that either matured or were sold were replaced by others generating lower returns, in line with the current situation of debt markets.

Net fees

Net fees and exchange differences grew by 5.56% to €333 million. Those originating from asset management increased by nearly 13%. The change is due to the increase in those received for the management and marketing of investment funds (+24.56%), which showed sustained growth in volume over the course of the year. Other fees declined slightly by 0.77% mainly as a result of those generated on the use of credit and debit cards, due to the limitation on exchange fees established by Royal Decree-Law 8/2014.

Return on equity instruments and Gains/Losses on financial assets and liabilities

Returns on equity instruments contributed €10 million to the gross income, 13.14% less than in December 2014 as a result of the divestment from some of the companies that made up the portfolio.

Gains/Losses on financial assets and liabilities gave rise to €86 million in profit, basically arising on the sale of sovereign debt securities. This heading's contribution to the income statement is 79.75% less than last year, when significant capital gains materialized on the sale of fixed income portfolios. Gains/Losses on financial assets and liabilities thus only represents 8% of the gross income, substantially reducing dependence on non-recurring income.

Other operating profit/loss

Share of profit/loss of equity accounted entities total €-2 million. The losses seen one year ago have substantially decreased due to the policy of divesting from those companies that do not contribute adequate profits and to the improvement of the profits contributed by other companies as a result of the more benign economic climate.

The heading "Other operating profit/loss" includes a net expense of €18 million, €15 million less than in 2014. This heading records the contribution to the Deposit Guarantee Fund (€40 million) and the contribution to the National Resolution Fund (€12 million), which was made for the first time in 2015. The positive change is explained by the lower contribution to the Deposit Guarantee Fund and the absence of extraordinary costs arising on corporate transactions that were carried out in 2014, offsetting the higher expenses originating from real estate assets.

Gross income and operating expense

The gross income of €1,041 million is slightly lower than in 2014 (-3.09%), isolating the gains and losses on financial assets and liabilities. Banking income, composed of interest income and fees, have a high weight representing more than 90% of the total composition of this heading.

Operating expenses declined to €656 million which is a 16.8% contraction and 5.60% if the extraordinary expenses incurred in 2014 and 2015 are excluded. Personnel expenses totalling €404 million declined by 3.75% in comparable terms, while other general administrative expenses and depreciation/amortization fell by 8.36% and 8.32%, respectively. This reflects the efforts made to rationalize the structure and operating processes during the past few years.

The Group continues to carry out actions intended to optimize its structure, generate cost savings and increase competitiveness. As part of the reconversion process involving the Spanish financial system, Ibercaja reached an agreement with union representatives in April 2015 to adapt the payroll structure through early retirement and voluntary redundancies involving 300 employees. The office network has been resized in order to adapt it to the size of the market, eliminating branch offices with low profitability and merging others that were in close proximity. The Strategic Plan has given rise to the expense cycle optimization project, which is intended to transform the purchasing area to a more efficient model capable of providing significant savings over the coming quarters.

El margen operativo, que no tiene en cuenta los resultados de operaciones financieras, es decir, considerando el negocio típicamente bancario, suma 308 millones, con un incremento del 2,63%.

Write-downs and provisions and other profit and loss

The total volume of provisions and write-downs, which includes impairment losses affecting financial and non-financial assets, non-current assets for sale and allocations to provisions, totals €294 million or 32% less than in 2014 as a result of the progressive improvement in credit quality.

The write-downs associated with credit risk and real estate totalling €250 million fell by 29.12% as a result of the decline in new non-performing entries and the recovery efforts made. The Group's cost of risk was 0.73% and significantly improved compared with the end of 2014. This item is measured as the ratio of impairment to the credit portfolio.

The heading other profit and loss (€28 million) records the results obtained on the sale of property, plant and equipment, primarily property used by the Entity that is no longer needed after the conversion of the network, and the amounts originating from the sale of business interests within the framework of the plan to divest from non-strategic companies.

The capacity to generate recurring income, together with the decline in expenses and the trend towards the normalization of provision levels, have allowed Ibercaja to obtain a pre-tax profit of €118 million. The net profit attributed to the parent company totals €84 million after applying corporate income tax.

6.7. Solvency

The solvency legislation known as Basel III entered into force on 1 January as transcribed from European Regulation 575/2013 and Directive 2013/36/EU into Spanish Royal Decree Law 14/2013 and Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions. The new capital standards increase minimum requirements and restrict computation criteria for some instruments, particularly in the ordinary capital CET1 level, which is of the highest quality.

At the end of 2015 the European Central Bank reported the final results of the Supervisory Review and Evaluation Process (SREP) that determines the individual capital requirements for each bank in 2016 in order to cover the risks deriving from their activities. The evaluation takes into account four basic issues: business model, governance and internal control, capital risk and liquidity risk. The results obtained by Ibercaja Banco mean that it maintains an ordinary phased-in capital ratio (CET1) of 9.25% on a consolidated basis, one of the lowest figures in the Spanish financial system.

Total computable equity is €3,385 million and represents a solvency ratio of 14.40%, increasing during the year by 263 basis points. The strengthening of capital was mainly due to the good performance of profits

obtained during the year and the issue of €500 million in subordinated debt that was placed among wholesale investors. The CET1 phased-in ratio, which measures the relationship between top-tier capital and risk weighted assets, is 11.95%, rising 82 basis points since December 2014. The excess amount over the regulatory minimum of 4.5% is €1,751 million and €634 million above the 9.25% requirement calculated by the ECB.

Applying the standards established for the end of the transition period prior to the full implementation of Basel III, the fully loaded CET1 ratio is 9.74%, 12 basis points higher than that for 2014. The excess amount over the regulatory minimum of 7% is €639 million, including the 2.5% capital conservation buffer.

At 31 December the leveraging ratio (phased in) is 5.2%, above the 3% minimum established by the Basel Committee.

Solvency Evolution and main indicators

(Million euro and %)	December 2015	December 2014	Variance	Variance %
CET 1 instruments	3,025	2,959	67	2.25
Deductions	-217	-213	-4	-1.99
Ordinary Tier 1 Capital	2,808	2,746	62	2.27
Additional Tier 1	0	0	0	-
Basic equity (Tier 1)	2,808	2,746	62	2.27
Supplementary equity (Tier 2)	577	159	418	262.91
Computable Equity	3,385	2,905	480	16.53
Risk weighted assets	23,501	24,664	-1.163	-4.72
Excess CET1 over legal minimum (4.5%)	1,751	1,636	115	7.01
Excess CET1 over SREP decision (9.25%)	634	464	170	36.60
Ratios:				
CET1	11.95	11.13	0.82	7.33
Tier 1	11.95	11.13	0.82	7.33
Tier 2	2.45	0.64	1.81	280.87
Solvency ratio	14.40	11.78	2.63	22.29
CET1 fully loaded	9.74	9.62	0.12	1.25

The evolution of the macro-economic figures and the favourable outlook for the Spanish economy have led the main rating agencies to ratify the rating for the Kingdom of Spain, improving the perspectives of the framework in which financial institutions operate.

In April 2014 the European Parliament approved the Directive regarding the Single Resolution Mechanism that entered into force on 1 January 2015. This legislation gives rise to the decrease in the support that Member States may provide to entities in difficulty. The implementation of this Directive generally caused a downward move in the rating of European financial institutions such that the long-term rating is determined by their intrinsic financial strength.

Standard & Poor's and Fitch corroborated the Entity's credit ratings and maintained a positive outlook. By applying a new methodology as a result of the approval of the BRRD Directive mentioned above, Moody's has issued a B1 rating for Ibercaja Banco's term deposits, with a stable outlook.

Rating agencies

	Non-current	Current	Outlook
Banca personal			
Standard & Poor's	BB	B	Positive
Moody's (depósitos)	B1	NP	Stable
Fitch	BB+	B	Positive

6.8. Conclusions for the year

In 2015 the Group launched the Strategic Plan 2015-2017, which commences a transformation process and establishes Ibercaja's performance for the coming three years with the objective of strengthening its solvency, increasing profitability and making the business more dynamic in key segments. The executive team that will supervise this new phase has also been renewed.

In a more favourable macro-economic environment, the Entity has achieved notable commercial reactivation. New credit transactions grew by more than 50% and they were fundamentally supported by business and consumer loans, while mortgage loans for the acquisition of homes returned to positive rates after five years of deep recession. The change in customer funds towards a more profitable mix has been consolidated, with investment funds being particularly important and this area has shown historic growth to a market share exceeding 4%.

The merger with Caja3 celebrates its first anniversary and the customer base and volume of funds under management has been maintained thanks to the quick assimilation of Ibercaja's culture by the professionals at the acquired entity and the efforts of everyone.

The Group has demonstrated its capacity to generate recurring profits at a time characterized by extraordinary low interest rates that place pressure on the financial margin in terms of both the income from loans and the yields obtained on the fixed income portfolio. The active management of margins, the aforementioned increase in the number of loan agreements, the good performance of off-balance sheet products, cost savings and the lower need for write-downs have all influenced the evolution of the business.

Risk indicators continue to improve. Doubtful balances have accelerated their decline and the non-performing loans ratio and real estate risk have significantly decreased. Solvency has been simultaneously reinforced by the generation of profits and the placement in the market of a subordinated debt issue totalling €500 million. This transaction joins others, such as the sale of non-performing and bad loan portfolios and the transfer of property services to a specialized company, which thus ratify the capacity to execute large strategic projects and the Group's credibility with investors.

The banking business will continue to be complicated in 2016 and the Group must comply with its profitable growth objectives for credit and funds, continue with its cost saving policy and reduce the impact of irregular situations. The Entity must continue to show its flexibility to adapt to financial environment and its commitment to attain corporate goals.

Evolution of the consolidated public balance sheet and income statement

Consolidated public balance sheet for grupo Ibercaja Banco

(Thousand €)	Balance			Increase 15/14		Increase 14/13	
	2015	2014	2013	Thousand €	%	Thousand €	%
Cash and deposits at central banks	532,626	435,089	499,331	97,537	22.42	-64,242	-12.87
Trading portfolio	41,327	55,832	36,826	-14,505	-25.98	19,006	51.61
Other fin. Assets at fair value through profit or loss	52,613	61,547	68,925	-8,934	-14.52	-7,378	-10.70
Available for sale financial assets	15,599,216	14,778,280	7,277,141	820,936	5.56	7,501,139	103.08
Loans and receivables	35,738,626	35,632,878	38,947,347	105,748	0.30	-3,314,469	-8.51
–Deposits at credit institutions	806,270	1,160,611	1,367,026	-354,341	-30.53	-206,415	-15.10
–Customer loans	32,791,311	33,830,111	36,820,105	-1,038,800	-3.07	-2,989,994	-8.12
–Debt securities	2,141,045	642,156	760,216	1,498,889	233.42	-118,060	-15.53
Held-to-maturity investments	2,662,571	6,681,683	11,511,381	-4,019,112	-60.15	-4,829,698	-41.96
Hedging derivatives	357,452	496,506	519,043	-139,054	-28.01	-22,537	-4.34
Non-current assets held for sale	714,217	732,625	642,542	-18,408	-2.51	90,083	14.02
Shareholdings	135,136	155,955	207,396	-20,819	-13.35	-51,441	-24.80
Other assets	3,087,908	3,292,097	3,439,452	-204,189	-6.20	-147,355	-4.28
Total assets	58,921,692	62,322,492	63,149,384	-3,400,800	-5.46	-826,892	-1.31
Trading portfolio	35,969	48,462	27,546	-12,493	-25.78	20,916	75.93
Other fin. Liabilities at fair value through profit or loss	0	0	48,800	0	-	-48,800	-100.00
Financial liabilities at amortised cost	48,581,317	50,824,160	53,081,749	-2,242,843	-4.41	-2,257,589	-4.25
–Deposits at central banks	2,053,035	4,848,302	4,855,479	-2,795,267	-57.65	-7,177	-0.15
–Deposits by credit institutions	4,908,740	3,241,613	4,197,762	1,667,127	51.43	-956,149	-22.78
–Customer deposits	39,029,448	39,868,562	39,991,664	-839,114	-2.10	-123,102	-0.31
–Negotiable securities	925,818	1,631,249	2,995,125	-705,431	-43.24	-1,363,876	-45.54
–Subordinated debt	1,047,035	556,574	567,520	490,461	88.12	-10,946	-1.93
–Other financial liabilities	617,241	677,860	474,199	-60,619	-8.94	203,661	42.95
Hedging derivatives	330,474	604,912	297,464	-274,438	-45.37	307,448	103.36
Insurance contract liabilities	6,382,222	7,103,517	6,333,643	-721,295	-10.15	769,874	12.16
Provisions	316,996	352,183	261,821	-35,187	-9.99	90,362	34.51
Other liabilities	474,059	567,662	562,634	-93,603	-16.49	5,028	0.89
Total liabilities	56,121,037	59,500,896	60,613,657	-3,379,859	-5.68	-1,112,761	-1.84
Shareholders' equity	2,615,555	2,518,359	2,403,540	97,196	3.86	114,819	4.78
Measurement adjustments	183,991	302,710	130,173	-118,719	-39.22	172,537	132.54
Minority shareholdings	1,109	527	2,014	582	110.44	-1,487	-73.83
Total equity	2,800,655	2,821,596	2,535,727	-20,941	-0.74	285,869	11.27
Total equity and liabilities	58,921,692	62,322,492	63,149,384	-3,400,800	-5.46	-826,892	-1.31

Consolidated income statement for grupo ibercaja banco group

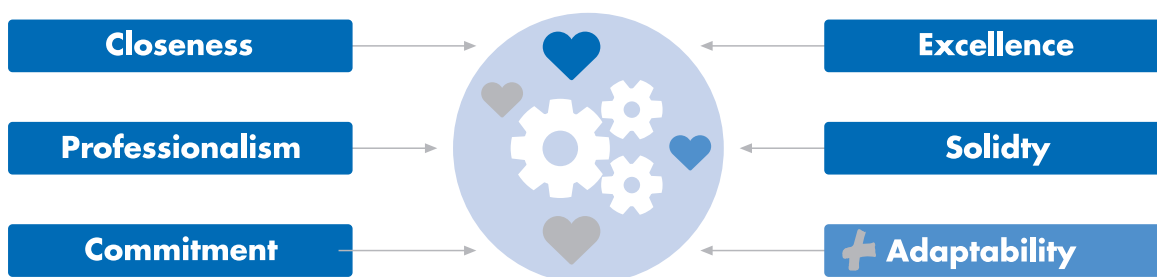
(Thousand €)	Amount			Increase 15/14		Increase 14/13	
	2015	2014	2013*	Thousand euros	%	Thousand euros	%
Interest and similar income	1,065,640	1,367,906	1,223,104	-302,266	-22.10	144,802	11.84
Interest and similar charges	434,064	668,558	630,894	-234,494	-35.07	37,664	5.97
Net interest income	631,576	699,348	592,210	-67,772	-9.69	107,138	18.09
Return on equity instruments	10,252	11,802	8,870	-1,550	-13.13	2,932	33.06
Share of profit/loss of equity accounted entities	-2,178	-7,997	-26,153	5,819	72.76	18,156	69.42
Net fees and exchange differences (net)	333,163	315,626	264,729	17,537	5.56	50,897	19.23
Gains/losses on financial assets and liabilities (net)	86,063	424,919	136,217	-338,856	-79.75	288,702	211.94
Other operating profit(loss)	-18,045	-33,527	-79,987	15,482	46.18	46,460	58.08
Gross income	1,040,831	1,410,171	895,886	-369,340	-26.19	514,285	57.41
Operating expenses	656,371	788,935	611,835	-132,564	-16.80	177,100	28.95
-Personnel expenses	403,974	513,537	374,934	-109,563	-21.33	138,603	36.97
-Other general administrative expenses	197,861	215,911	188,295	-18,050	-8.36	27,616	14.67
-Amortisation/depreciation	54,536	59,487	48,606	-4,951	-8.32	10,881	22.39
Profit before write-downs	384,460	621,236	284,051	-236,776	-38.11	337,185	118.71
Measurement adjustments of certain assets and other write-downs	293,896	432,153	421,448	-138,257	-31.99	10,705	2.54
Other profit and loss	27,673	26,023	13,516	1,650	6.34	12,507	92.53
Profit/(loss) before income tax	118,237	215,106	-123,881	-96,869	-45.03	338,987	273.64
Corporate income tax	34,158	64,382	-54,327	-30,224	-46.94	118,709	218.51
Consolidated profit/(loss) for the year	84,079	150,724	-69,554	-66,645	-44.22	220,278	316.70
Result attributed to the parent entity	84,123	150,653	-67,684	-66,530	-44.16	218,337	322.58
Result attributable to minority shareholdings	-44	71	-1,870	-115	-161.97	1,941	103.,80

* Includes six months of Banco Grupo Caja3.

7. CORPORATE BRAND AND REPUTATION

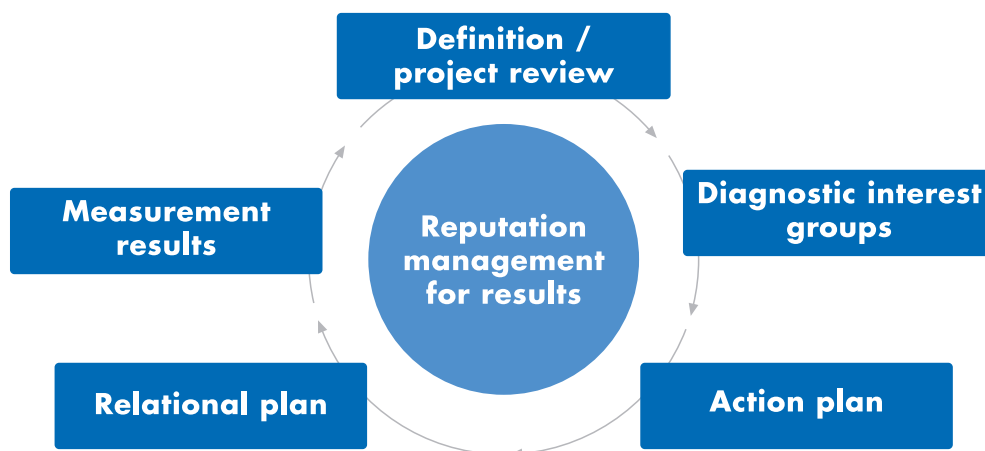
The brand is the Bank's internal and external identification. It is one of the most valuable intangible assets possessed by Ibercaja and represents its values and makes them visible in relationships with the various groups of stakeholders. Its strength is supported by all parts of the organization, including those involved with internal processes and those that maintain direct relationships with customers.

The Strategic Plan 2015-2017 reaffirms Ibercaja's values and its projects include caring for the Group's reputation and brand through their proactive management with the ultimate objective of obtaining a sustainable differentiation over time that contributes value and growth to the business.



This work has included a study to learn the perception of the brand by customers, society and opinion leaders and to create an implementation plan to transmit its values to all areas, particularly those in which Ibercaja has recently obtained a higher presence due to the acquisition of Caja3.

The first measurement of its reputation took place with respect to three priority groups of stakeholders for the Entity: employees, customers and society. A model has also been developed to manage its reputation based on continuous improvement. It identifies the levers that will make this improvement possible and will serve as a basis to prepare an action plan that is expected to be launched during the first half of 2016.



8. RESEARCH, DEVELOPMENT AND TECHNOLOGY

Ibercaja is implementing new technological and organizational projects or improving existing resources in order to increase the quality of customer service, make operations at offices more agile and respond to regulatory requirements. In 2015 activities were focused on completing the merger with Caja3, adapting to new banking regulations, the Entity's Strategic Plan and the updating of systems and platforms.

The most relevant actions relating to internal and organizational efficiency relate to:

- The completion of the technological integration with Caja3, migration of the administration and management of the transactions transferred to Sareb to the new operator and unifying the Group insurance company portfolios.
- The map of processes and tasks was updated during the operational transformation of central services. Based on this analysis, the Bank has diagnosed the efficiency of resources and action proposals whose result will have a positive impact on future profitability and will allow expenses to be reduced and control over costs to increase.
- Review of the Credit Risk Management Model, particularly in the business segment, on two fronts: one intended to make credit evaluations more agile by decentralizing decisions and another intended to improve information regarding borrowers.

The developments intended to respond to regulatory requirements include:

- Reform of the system for settling and recognizing Spanish securities. Ibercaja has taken on all pertinent developments and tests for adaptation to the first phase, which is expected to be launched in February 2016 after the Bank of Spain and the CNMV decided to delay its implementation as a result of the complexity and scope of the project. The second phase will be completed together with the connection of Iberclear to the European Target 2-securities platform in February 2017.
- The new CIRBE (Bank Risk Reporting System in Spain) has introduced deep changes compared with the preceding model relating to the content and format of information exchanges. Most of the internal developments and changes that are necessary for the launch of the program that is expected to take place in 2016 have been prepared over the past few months.
- Implementation of new security regulations for Internet payments. The guidelines from the European Banking Authority that are based on the Directive regarding payment services issued by the European Commission establishes a group of minimum security requirements to fight against fraud and in order to increase consumer confidence with respect to Internet payment services.

As regards security and technology risks:

- Security Steering Plan. This is a multiyear project that develops initiatives to improve and adapt information security regulations.

Special mention should be made of the technology transformation project that forms part of the Strategic Plan 2015-2017 and which defines the main action to be taken over the next few years in order to improve the Entity's technological resources and to make the use of technology a competitive advantage and an increase in value for our customers.

9. GOVERNING BODIES AT IBERCAJA BANCO, S.A.



Board of Directors of Ibercaja Banco, S.A.

Board of Directors

Chair Mr. Amado Franco Lahoz

First Vice-Chair Mr. José Luis Aguirre Loaso

Second Vice-Chair Mr. José Ignacio Mijangos Linaza*

Chief Executive Officer Mr. Víctor Iglesias Ruiz

Members: Mr. Jesús Bueno Arrese

Mrs. Gabriela González-Bueno Lillo

Mr. Jesús Solchaga Loitegui

Mr. Juan María Pemán Gavín

Mr. Francisco Manuel García Peña

Mr. Vicente Córdor López

Secretary (Member) Mr. Jesús Barreiro Sanz

Vice-secretary (non-Member) Mr. Juan Antonio García Toledo

* Appointment subject to the approval of the Supervisor.

Executive Committee

Chair Mr. Amado Franco Lahoz

First Vice-Chair Mr. José Luis Aguirre Loaso

Chief Executive Officer Mr. Víctor Iglesias Ruiz

Members Mr. Jesús Bueno Arrese

Mrs. Gabriela González-Bueno Lillo

Mr. Francisco Manuel García Peña

Secretary Mr. Jesús Barreiro Sanz

Audit and Compliance Committee

Chair Mrs. Gabriela González-Bueno Lillo

Members Mr. Jesús Bueno Arrese

Mr. Vicente Córdor López

Mr. Juan María Pemán Gavín

Secretary (non-Member) Mr. Jesús Barreiro Sanz

Nominations Committee (Since 27.5.2015)

Chair Mr. Jesús Solchaga Loitegui
Members: Mr. Vicente Córdor López
Mr. José Ignacio Mijangos Linaza*
Secretary Mr. Jesús Barreiro Sanz

* Appointment subject to the approval of the supervisor.

Compensation Committee (Since 27.5.2015)

Chair Mr. Jesús Solchaga Loitegui
Members Mr. Vicente Córdor López
Mr. José Ignacio Mijangos Linaza*
Secretary Mr. Jesús Barreiro Sanz

* Appointment subject to the approval of the Supervisor.

Large Risk and Solvency Committee

Chair Mr. Vicente Córdor López
Members Mr. Jesús Bueno Arrese
Mr. José Luis Aguirre Loaso
Secretary (non-Member) Mr. Jesús Barreiro Sanz

Strategy Committee (Since 28.1.2015)

Chair Mr. José Luis Aguirre Loaso
Members Mrs. Gabriela González-Bueno Lillo
Mr. Francisco Manuel García Peña
Secretary (non-Member) Mr. Jesús Barreiro Sanz

Executive team

CEO

Mr. Víctor Iglesias Ruiz

Assistant General Director – General Secretary

Mr. Francisco Serrano Gill de Albornoz

Assistant General Director - Management Control Director

Mrs. María Pilar Segura Bas

Assistant General Director - Real Estate Management Director

Mr. Luis Miguel Carrasco Miguel

General Deputy Director - Office Network Director

Mr. Luis Fernando Allue Escobar

General Deputy Director - Resources Director

Mr. José Palma Serrano

Assistant Director - Finance Area Director

Mr. Antonio Martínez Martínez

Assistant Director - Credit Risk Director

Mrs. Raquel Martínez Cabañero

Assistant Director - Human Resources Director

Mrs. María Teresa Fernández Fortún

Assistant Director- Marketing and Omnichannel Banking Director

Mr. José Ignacio Oto Ribate

Assistant Director - Financial Group Director

Mr. Rodrigo Galán Gallardo

Assistant Director- Internal Audit Director

Mr. Ángel Carlos Serrano Villavieja

Activities Carried out by the Governing Bodies at Ibercaja Banco, S.A. In 2015

General Meeting

On 28 January 2015 the shareholders held a General Meeting and adopted a resolution to establish the number of the members of the Board of Directors at twelve, to appoint Mr. Víctor Iglesias Ruiz as a member of the Board of Directors, and to amend Articles 39 and 48 of the bylaws relating to the administration and supervision authority of the Board and the Executive Committee, respectively.

At the General Meeting held on 10 March 2015, an issue of subordinated bonds in Ibercaja Banco was authorized with a nominal amount of up to €500 million, which could be increased to €700 million, thereby renewing the validity of the resolutions adopted by shareholders on 22 September 2011 and 19 April 2012 authorizing the Board of Directors to issue debentures up to a total amount of €1,000 million.

On 13 April 2015 an Ordinary and Extraordinary General Meeting was held at which shareholders adopted resolutions to: approve the 2014 individual and consolidated annual accounts for Ibercaja Banco, S.A. that were prepared by the Board of Directors at the meeting held on 10 March 2015, the management of the Board of Directors and the application of the profit for the year.

In accordance with the provisions of Article 33.3 of the Law 10/2014 on the organization, supervision and solvency of credit institutions and Article 529 of the Spanish Companies Act, the Board approved the Compensation Policy for the Directors of Ibercaja Banco, S.A. and the annual report on director compensation at the Entity.

Finally, the shareholders approved the amendment of the bylaws in order to adapt them to the new provisions of the Spanish Companies Act and Law 10/2014 on the organization, supervision and solvency of credit institutions.

On 29 October 2015 a General Meeting was held at which, after receiving a favourable report from the Nominations Committee and at the proposal of the Board of Directors, Mr. José Ignacio Mijangos Linaza was appointed as a member of the Board of Directors. A resolution was adopted at that same meeting to reduce share capital by €467,454,000 in order to adapt the Entity's equity structure, which resulted in the consequent amendment of Article 5 of the bylaws.

Board of Directors

The Board of Directors of Ibercaja Banco, S.A. held 16 meetings in 2015.

During the course of its meetings the Board has received reports from the Chair and the CEO regarding the main macro-economic figures and the development of the Entity's information.

The Board has adopted resolutions to invest in or divest from investee companies designating, if appropriate, the Company's representatives in other entities and investee companies and it has issued decisions regarding matters submitted for its consideration, taking into account the Entity's position as a pension and investment fund promoter.

The Board has also been informed of the matters considered by the various internal committees, as well as the matters that those committees have raised for the Board's consideration.

Executive Committee

During the course of the year this Committee held a total of 24 meetings.

In accordance with the authority delegated by the Board, the Executive Committee has received reports from the Chair and the CEO regarding the main macro-economic figures and the development of the Entity's information.

The Executive Committee has issued decisions regarding financing transactions submitted for its consideration, has ratified the decisions approved, denied or ratified by the Credit Risk Committee and has adopted several resolutions to divest from investee companies.

Audit and Compliance Committee

The Committee held 12 meetings during 2015.

The Audit and Compliance Committee was informed of all requests and notifications received from the competent supervisory bodies (Bank of Spain, European Central Bank, and the National Stock Market Committee), with respect to all areas under its authority.

The Audit and Compliance Committee has also been informed of all credit to be granted to members of senior management at the Entity or persons or companies related to them, in accordance with the provisions of Article 26.5 of Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions and Article 35 of Royal Decree 84/2015 (13 February), which enables Law 10/2014. In accordance with the provisions of the bylaws and the management protocol governing the financial interest held by Ibercaja Banking Foundation in Ibercaja Banco, the Committee has reviewed the transactions to be carried out with the members of the Foundation or persons related to them.

Nominations Committee

The Nominations Committee was created by Board of Directors Resolution on 27 May 2015 as a result of the split of the Nominations and Compensation Committee. It covers matters relating to the appointment of members of the Board of Directors and personnel with key duties within the Company.

In accordance with current legislation, the Committee has evaluated the suitability of the new members of the Entity's Board of Directors during the year and the appointment of key personnel at the Bank.

Compensation Committee

This committee was also created in May 2015 as a result of the split of the Nominations and Compensation Committee. This Committee has the duty of reporting, advising and proposing matters regarding compensation for directors, executives and similar personnel, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

Large Risk and Solvency Committee

This Committee held five meetings during 2015. In general, the Large Risk and Solvency Committee has been informed of the advances and follow-up measures concerning the so-called Steering Plan to Adapt to the Single Supervisory Mechanism (SSM).

Strategy Committee

At a meeting held on 28 January 2015 the Board of Directors adopted a resolution to create a Strategy Committee, which was implemented on 12 May 2015.

During 2015 this Committee held four meetings at which it regularly monitored the Strategic Plan, which is of great importance for the adequate management of the Entity in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and a report on the conclusions obtained was sent to the Board of Directors.

The Committee received and accepted the Recovery Plan required by Law 10/2014 and Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment service companies at the meetings held on 30 October and 25 November.



2. LEGAL DOCUMENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS OF IBERCAJA BANCO



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**Ibercaja Banco, S.A.
y sociedades dependientes**

Informe de auditoría independiente,
cuentas anuales consolidadas al 31 de diciembre de 2015 e
informe de gestión consolidado del ejercicio 2015





INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

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

Informe sobre las cuentas anuales consolidadas

Hemos auditado las cuentas anuales consolidadas adjuntas de la sociedad Ibercaja Banco, S.A. y sociedades dependientes, que comprenden el balance consolidado a 31 de diciembre de 2015, la cuenta de pérdidas y ganancias consolidada, el estado de ingresos y gastos reconocidos consolidado, el estado total de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

Responsabilidad de los administradores en relación con las cuentas anuales consolidadas

Los administradores de la sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados de Ibercaja Banco, S.A. y sociedades dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los administradores de la sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

PricewaterhouseCoopers Auditores, S.L., Paseo de la Constitución, nº. 4 – 7ª Planta, 50008 Zaragoza, España
T: +34 976 79 61 00 F: +34 976 79 46 51, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª.
Inscrita en el R.D.A.C. con el número S0242 - CIF: B-79 081290



Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Ibercaja Banco, S.A. y sociedades dependientes a 31 de diciembre de 2015, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión consolidado adjunto del ejercicio 2015 contiene las explicaciones que los administradores de la sociedad dominante consideran oportunas sobre la situación de Ibercaja Banco, S.A. y sociedades dependientes, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales consolidadas del ejercicio 2015. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de Ibercaja Banco, S.A. y sociedades dependientes.

PricewaterhouseCoopers Auditores, S.L.

Raúl Ara Navarro

9 de marzo de 2016



PRICEWATERHOUSECOOPERS
AUDITORES, S.L.

Año 2016 N° 06/16/00524
SELLO CORPORATIVO: 06,00 EUR

Informe sujeto a la normativa reguladora de la actividad de auditoría de cuentas en España

IBERCAJA BANCO, S.A.

Preparation of the consolidated annual accounts and consolidated Directors' Report

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

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

SIGNED:

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

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

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

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

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

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

MR. JOSÉ LUIS AGUIRRE LOASO
National ID number: 17.109.813-K
1st Deputy Chairman

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

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

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

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

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Consolidated balance sheets at 31 december 2015 and 2014

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

* Presented for comparative purposes only (Note 1.4).

Consolidated balance sheets at 31 december 2015 and 2014

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

* Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Consolidated income statements for the years ended 31 december 2015 and 2014

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

* Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Consolidated statements of recognised income and expense for the years ended 31 december 2015 and 2014

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

* Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Total statement of changes in consolidated equity for the year ended 31 december 2015

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

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Total statement of changes in consolidated equity for the year ended 31 december 2014

	Shareholder's funds							Total equity	
	Share capital	Accumulated reserves	Reserves in entities measured using equity method	Results attributable to the parent entity	Dividends	Total share holder's funds (Note 24.1)	Valuation adjustments (Note 23)		Non-controlling interests (Note 24.2)
I. Ending balance at 31/12/2013	2,611,730	(81,284)	(59,222)	(67,684)	-	2,403,540	130,173	2,014	2,535,727
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-
Adjustments due to errors	-	-	-	-	-	-	-	-	-
II. Adjusted beginning balance	2,611,730	(81,284)	(59,222)	(67,684)	-	2,403,540	130,173	2,014	2,535,727
Total recognised income and expense	-	(35,834)	-	150,653	-	114,819	172,537	(1,381)	285,975
Other changes in equity	-	(43,919)	(23,765)	67,684	-	-	-	(106)	(106)
Share capital increases	-	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-	-
Transactions involving treasury shares (net)	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	(43,919)	(23,765)	67,684	-	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-	-
Equity settled payments	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	-	(106)	(106)
III. Ending balance at 31/12/2014	2,611,730	(161,037)	(82,987)	150,653	-	2,518,359	302,710	527	2,821,596

Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Consolidated cash flow statements for The years ended 31 december 2015 and 2014

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

* Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Consolidated cash flow statements for The years ended 31 december 2015 and 2014

(Thousand euro)	Note	2015	2014*
Cash flows from financing activities		482,748	(5,371)
Payments made		(17,252)	(5,371)
Dividends		–	–
Subordinated liabilities	19.5	(17,252)	(5,371)
Other payments related to financing activities		–	–
Payments received		500,000	–
Subordinated liabilities	19.5	500,000	–
Issue of treasury shares		–	–
Other collections related to financing activities		–	–
Effect of exchange rates fluctuations		–	–
Net increase/(decrease) in cash and cash equivalents		126,258	(7,865)
Cash and cash equivalents at the beginning of the year		698,726	706,591
Cash and cash equivalents at the end of the year		824,984	698,726
Memorandum Items:			
Components of cash and cash equivalents at end of year			
Cash	6	194,611	191,816
Cash equivalent balances at central banks	6	338,015	243,273
Net balances of on-demand deposits in credit institutions	10.2 y 19.2	292,358	263,637
Total cash and cash equivalents at end of year		824,984	698,726

* Presented for comparative purposes only (Note 1.4).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

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IBERCAJA BANCO, S.A. AND SUBSIDIARIES

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

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

1.1. Introduction

Ibercaja Banco, S.A. (Ibercaja Banco, the Bank or the Company) is a credit institution 87.8% owned by Fundación Bancaria Ibercaja (the Foundation) and subject to the rules and regulations determined by the Spanish and European Union financial and monetary authorities.

The Fundación Bancaria Ibercaja, which is the Ibercaja Group's parent entity, is a private not-for-profit organisation derived from the transformation of "Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja" (the Savings Bank), a social welfare institution founded by the "Real y Excma. Sociedad Económica Aragonesa de Amigos del País" and approved by a Royal Order of 28 January 1873, which commenced operations on 28 May 1876. On 17 June 2014 the Ordinary General Assembly of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja agreed to the transformation of the institution into a banking foundation. In September of that year, in compliance with the resolutions adopted by the General Assembly, the Savings Bank was transformed into the Fundación Bancaria Ibercaja and became the Foundation's principal trustee. The Fundación Bancaria Ibercaja was entered in the Register of Foundations of the Ministry of Education, Culture and Sports on 13 October 2014, under number 1689.

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

Ibercaja Banco's registered office is located at Plaza de Basilio Paraíso, 2. It is entered in the Mercantile Register of Zaragoza, volume 3865, book 0, sheet 1, page Z-52186, entry 1, and the Bank of Spain Special Register, under number 2085. Its corporate website (electronic head office) is www.ibercaja.es, where its bylaws and other public information can be accessed.

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

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

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

Note 44 contains the Bank's balance sheets, income statements, statements of recognised income and expenses, total statements of changes in equity and cash flow statements for the financial years ended 31 December 2015 and 2014, prepared in accordance with the same accounting principles and standards and measurement methods applied in the Group's consolidated annual accounts.

1.2. Basis of presentation of the consolidated annual accounts

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

The consolidated annual accounts have been prepared taking into account all applicable accounting principles and standards, in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS) and Bank of Spain Circular 4/2004 (Circular 4/2004) to ensure that they present fairly the Group's equity and financial position at 31 December 2015 and the results of its operations and consolidated cash flows during the year then ended.

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

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

These consolidated annual accounts have been prepared on the basis of the accounting records kept by the Company and the rest of the Group companies. However, since the accounting principles and measurement methods applied to prepare the Group's 2015 accounts may differ from the ones employed by some of the Group companies, the necessary adjustments and reclassifications have been made during the consolidation process to ensure consistency and to bring them into line with the IFRS-EU applied by the Company.

1.3. Estimates made

Judgements and estimates have occasionally been used to quantify some of the assets, liabilities, revenues and commitments recognised in the consolidated annual accounts for 2015. These estimates relate basically to the following:

- impairment losses on certain assets and estimates of the associated security (Notes 9, 10, 11, 13, 14, 16 and 18).
- the assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees (Notes 2.13 and 37.2), as well as those used to calculate liabilities under insurance contracts (Note 20).
- measurement of goodwill and other intangible assets (Note 17)
- the fair value of assets, liabilities and contingent liabilities in the context of the allocation of the price paid in business combinations (Note 1.10.2),
- the useful lives of property, plant and equipment and intangible assets (Notes 2.15 and 2.16),
- the probability of occurrence of those events considered to be contingent liabilities and, if appropriate, the necessary provisions to cover those events (Notes 2.20 and 21),
- the fair value of certain unlisted financial assets (Note 26), and
- the recoverability of deferred tax assets (Note 2.14 and 25.4).

The aforementioned estimates were made based on the best information available at 31 December 2015 in connection with the facts analysed. Nonetheless, future events could generate adjustments in coming years, which would be made prospectively, in accordance with prevailing regulations, to recognise the impact of the change in the estimate on the consolidated income statement for the years in question.

1.4. Information relating to 2014

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

1.5. Agency agreements

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

1.6. Shareholdings in credit institutions

In accordance with Article 28 of Royal Decree 84/2015, set out below is a list of the Group's shareholdings in domestic and foreign credit institutions that exceed 5% of their capital or voting rights and which are not part of the consolidated group:

Company	% Interest	
	2015	2014
Sociedad Española de Banca de Negocios, S.A. (Note 13)	–	21.09%

1.7. Capital management and requirements

1.7.1. Regulatory framework

The Basel Committee on Banking Supervision leads the harmonisation of international financial regulation. This Committee introduced the first regulation on credit institutions which set a minimum capital of 8% for all risks (Basel I, 1988). Later, in 2004, Basel II improved the sensitivity of the risk estimation mechanisms and contributed two new pillars: capital adequacy and risk assessment for each entity (Pillar II) and market discipline (Pillar III). In December 2010, the Committee adopted a new regulatory framework (Basel III), increasing capital requirements with higher quality instruments, seeking consistency and uniform application by institutions and countries. The new agreement improves transparency and the comparability of the capital ratios and incorporates new prudential tools in the area of liquidity and leveraging.

The European Union brought those agreements (Basel III) into EU law under Parliament and Council Directive 2013/36/EU (CRD-IV) of 26 June 2013 relating to access to the business of credit institutions and prudential supervision of credit institutions and investment firms, and Parliament and Council Regulation (EU) No 575/2013 (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable from 1 January 2014.

In order to adapt Spanish law to the regulatory changes in the international arena, Law 10/2014 on the organisation, supervision and solvency of credit institutions was enacted together with Royal Decree 84/2015 (13 February), which enables that Law and continues with the transposition initiated by Royal Decree-Law

14/2013 and Bank of Spain Circular 2/2014. The latter two bodies of legislation lay down the regulatory options for the requirements applicable during the transitional period.

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

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

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

1.7.2. Quantitative information

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

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

Under the requirements set out in the CRR, credit institutions must comply with a CET1 ratio of 4.5%, Tier I of 6% and a solvency ratio of 8% at all times. However, the supervisor may require institutions to maintain additional capital levels under the new regulations.

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

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

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

1.7.3. Capital management

The objective of Basel Pillar II is to ensure an appropriate relation between the Group's risk profile and its actual capital resources. To this end, the Group carries out a recurring capital self-evaluation process in which:

- It applies procedures for identifying, measuring and aggregating risks.
- it determines the capital that is necessary to cover them. In addition to the minimum capital requirement, it maintains a level of resources in line with the risks inherent to its business, the economic environment in which it operates, the management and supervision in place with respect to these risks, corporate governance and internal audit systems and its strategic business plan,
- it plans capital in the medium term, and
- it establishes target capital.

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

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

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

The Group estimates the projected capital levels under stress scenarios.

1.7.4. Relevant information for prudential purposes

To comply with market reporting obligations, the Board of Directors approved the policy for disclosing information that is relevant for prudential purposes (Basel Pillar III). Ibercaja Group will therefore post a "Report on information that is relevant for prudential purposes" on its website prior to the time the consolidated annual accounts for 2015 are approved and published.

1.7.5. Credit ratings

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

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

1.8. National Resolution Fund and Deposit Guarantee Fund

1.8.1. National Resolution Fund

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

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

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

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

1.8.2. Deposit Guarantee Fund

The Entity is a member of the Deposit Guarantee Fund.

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

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

On 30 July 2012 the Deposit Guarantee Fund Management Committee adopted a resolution to apply an extraordinary charge to member entities, payable by each entity in 10 equal annual instalments. The extraordinary contribution to be made by the Bank amounts to €81,460 thousand (ten annual instalments of €8,146 thousand each).

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

1.9. Minimum Reserve Ratio

At 31 December 2015 and throughout the year, the Group met the minimum reserve ratio. In accordance with the legal obligations established by the European Central Bank, the daily average of minimum reserves to be held at 31 December 2015 amounted to €296,141 thousand (€281,350 thousand at 31 December 2014).

1.10. Merger with Cajatres

1.10.1. Provisional merger agreement

1.10.1.1. Signing of the merger protocol

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

1.10.1.2. Restructuring Plan

In accordance with the provisions of Chapter III of Law 9/2012 on the restructuring of Credit Institutions, the FROB was presented with the "Combination Plan for Grupo Ibercaja + Cajatres", dated 5 December 2012, which includes the restructuring plan of Banco Grupo Cajatres, S.A. and which was approved by the European Commission on 20 December 2012. This entailed a capital injection of €407 million through the subscription of contingent convertible bonds (CoCos) by the FROB (Note 1.10.1.4) and the exercising of hybrid securities management (assumption of losses by holders of subordinated debt and bonds). This financial support was contingent on the integration of Banco Grupo Cajatres, S.A. into Ibercaja Banco, S.A.U. and the fulfilment of certain measures specified in the Banco Grupo Cajatres Restructuring Plan.

Furthermore, the "Restructuring Plan Cajatres" set out certain measures to be taken by Banco Grupo Cajatres, S.A. in subsequent years during the course of its business as a credit institution, within the framework of its integration into Ibercaja Banco, S.A.U. These measures were reported to the European Commission (in the document entitled "Term Sheet of the Spanish authorities' commitments for the approval of the restructuring plan of Banco Cajatres by the European Commission") in order to obtain the aforementioned capital injection. These measures are summarised below:

- Closure of 187 branches and reduction of the bank's workforce by 592 employees. On 15 March 2013 an agreement was concluded which contained the conditions for these redundancies. At 31 December 2013, 187 branches had been closed and at 31 December 2014 the workforce had been reduced by 592 employees, thereby complying with the commitments for 31 December 2014 and 2016, respectively.
- Transfer of assets related to the real-estate sector with a carrying value of approximately €2,404 million at 30 June 2012 to SAREB. Eventually, assets worth €2,212 million were transferred to SAREB in February 2013 (Note 1.10.1.3).
- Divestment from non-strategic businesses, including the divestment in 2013-2014 of holdings in 87 companies in the real-estate industry and the divestment in the period 2013-2015 of holdings in another 42 non-strategic companies, with a total consolidated carrying value at 30 June 2012 of €153 million. It is also stipulated that if the holdings have not been sold when these terms terminate, Banco Grupo Cajatres, S.A. or the entity resulting from the combination would write off their carrying value in full. In 2015 the divestment commitment that was established was fulfilled.
- Burden sharing through the repurchase of subordinated loans or exchange for equity instruments, for an amount less than their carrying amount.

1.10.1.3 Transfer of assets to SAREB

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

As mentioned in Note 1.10.1.2, one of the conditions imposed for the approval of the financial assistance was the transfer of certain assets related to the real-estate business to SAREB. Under those conditions, the criteria for selecting the assets to be transferred were basically the following:

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

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

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

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

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

SAREB has 36 months (up until 25 February 2016) to determine, one or more times, whether any of the above-mentioned situations has arisen. In addition, the price may be adjusted relative to the financing agreements with drawable funds available if the Bank of Spain, at the FROB's proposal, concludes that this has not been adequately considered in the calculation of the transfer price.

Additionally, under the Asset Transfer Agreement, the transferring companies made a number of representations and warranties, and undertook to indemnify SAREB in the event of any failure to comply.

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

In the Asset Transfer Agreement, Banco Grupo Cajatres, S.A.U. was authorised to receive the price on behalf of all the transferring entities, to be paid by means of fixed-income securities issued by SAREB. Therefore, on 26 February 2013 the Bank signed a subscription agreement, whereby on 28 February 2013 it received bonds totalling €2,212 million. The bonds were issued at 100% of their face value and are irrevocably guaranteed by the Spanish Government. Details at 31 December 2014 are as follows:

31 December 2015

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

31 December 2014

Subscribed	Interest rate	Maturity	(Thousand euro) Nominal amount
SAREB 2014-1 Senior Bond	Euribor 3 months + 0.27%	28 February 2015	651,000
SAREB 2013-2 Senior Bond	Euribor 3 months + 2.08%	28 February 2015	976,400
SAREB 2013-3 Senior Bond	Euribor 3 months + 2.46%	28 February 2016	542,500
			2,169,900

On the same date as the transfer an Asset Management and Administration Agreement was concluded, which established that the Bank would continue to manage the transferred assets, establishing the fees receivable by the Bank and a success fee when it takes part in the lease or transfer of the managed assets to a third party (Note 31). That agreement has a term of one year and may be successively renewed. In December 2015 the service relationship that the Company maintained with SAREB.

1.10.1.4. Issue of contingent convertible bonds (CoCos)

At a meeting held on 15 February 2013, the shareholders of Banco Grupo Cajatres, S.A. approved the issuance of contingent convertible bonds (CoCos) convertible into Bank stock amounting to €407 million, to be subscribed by the FROB. The bonds are to be treated as core capital under Parliament and Council Regulation (EU) No 575/2013 (CRR) of 26 June 2013 on prudential requirements for credit institutions and investment firms, applicable from 1 January 2014. (Note 1.7). The bonds are to be issued at par (100% of face value). The unitary face value of the bonds is €100,000.

This issuance is classed as government financial support provided to the Bank under Law 9/2012, and within the framework of the Restructuring Plan (Note 1.10.1.2).

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

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

Unless they have been repurchased and redeemed or converted, the bonds shall be perpetual in nature, without a specific amortisation date. However, under Law 9/2012, the Bank must repurchase or redeemed the bonds as soon as it is able to do so in the terms set out in the Restructuring Plan (Note 1.10.1.2).

The order of seniority of the bonds is as follows:

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

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

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

The directors consider that the significant cost saving resulting from the above measures, and the synergies derived from the combination with Ibercaja Banco, will generate recurring profits which will enable it to return the financial assistance received before the end of 2017 (5% in 2016, 40% in March 2017 and 55% in December 2017), and the recovery of the net deferred tax assets contributed by Banco Grupo Cajatres.

1.10.2 Definitive merger

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

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

The consideration for the business of Banco Grupo Cajatres, S.A. amounted to €258,139 thousand (acquisition cost of the holding in Banco Grupo Cajatres, S.A. totalling €325,500 thousand less the cost of the cancellation of the liabilities issued by Ibercaja Banco).

The merger balance sheet at 1 July 2013, the acquisition date for accounting purposes, reflecting the fair value of the consolidated assets and liabilities of Banco Grupo Cajatres, S.A. and certain intangible assets that were not recognised by the acquired entity and after eliminating the financial instruments relating to the liabilities issued by Ibercaja Banco mentioned above, included equity of €96,757 thousand, excluding non-controlling interests.

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

Current accounting legislation establishes a one-year period during which the measurement of the assets and liabilities acquired is not considered to be definitive as the acquirer needs one year to obtain the necessary information to measure them correctly. Once that period expired, the Entity did not need to change the initially recognised goodwill.

1.10.3. Full merger

On 1 October 2014 a notary certified and executed the public document recording the merger by absorption between Ibercaja Banco, S.A. (acquiring entity) and Banco Grupo Cajatres, S.A.U. (target entity) involving the dissolution without liquidation of the target entity and the transfer in bloc of all its assets and liabilities to the acquiring company.

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

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

1.11. Subsequent events

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

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

1.12. Changes in accounting policies and estimates

1.12.1. Changes in accounting policies

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

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

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

Approved for application in the European Union

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

IAS 19 (revised in 2011) makes a distinction between employee contributions relating to services rendered and those that are not associated with their service. The current amendment further distinguishes between contributions linked to the service only in the year in which they arise and those linked to the service in more than one year. The amendment allows the contributions linked to the service that do not vary over the duration of the service to be deducted from the cost of benefits earned in the year in which the related service is provided. The contributions associated with the services that vary in accordance with their duration must be extended over the time during which the service is rendered using the same assignment method applied to benefits. This amendment is applicable to all years commencing as from 1 February 2015 and is applied retrospectively.

- **IFRS 11 (Revised) “Recognition of purchases of shares in joint arrangements”**

Requires the application of accounting principles for business combinations to an investor that acquires an interest in a joint venture that constitutes a business. Specifically, it will have to measure the identifiable assets and liabilities at fair value; recognise costs related to the acquisition as an expense; recognise the deferred tax; and recognise the residual value as goodwill. All other business combination accounting principles apply, unless they conflict with IFRS 11. This amendment will be prospectively applied to years commencing as from 1 January 2016, although it may be adopted early.

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

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

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

The amendments to IAS 1 encourage enterprises to apply professional judgment in determining what information to disclose in the financial statements. The amendments that have been applied clarify that the materiality level applies to the financial statements taken as a whole and the inclusion of immaterial information may impede the usefulness of that financial information. In addition, the amendments clarify that entities should use professional judgment to determine where and in what order the information is to be presented in the financial statements.

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

- **IAS 27 (Revised) “Equity method in separate financial statements”**

IAS 27 has been amended to re-establish the option of using the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The definition of

separate financial statements has also been clarified. An entity that chooses to change to the equity method will apply the amendments for years commencing on or after 1 January 2016 in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Early adoption is permitted.

Not approved for application in the European Union

- **IFRS 15 "Revenue from contracts with customers"**

In May 2014, the IASB and the FASB jointly issued a converged standard regarding the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer obtains control over the good or service sold, i.e. when it has the capacity both to direct the use and to obtain benefits from the good or service. This standard includes new guidelines to determine whether to recognise revenue over time or at a particular time. IFRS 15 requires extensive information on both recognised revenue and revenue expected to be recognised in the future in relation to existing contracts. Quantitative and qualitative information is also required about the significant judgments made by management in determining recognised revenue, as well as any changes in these judgments. IFRS 15 will be effective for years commencing as from 1 January 2017, although it may be adopted early.

- **IFRS 9, "Financial instruments".**

On 24 July 2014, the IASB issued IFRS 9 which in the future will replace IAS 39. There are relevant differences to the current regulation in relation to financial assets, among others, the approval of a new classification model based on only two categories of amortised cost and fair value, the elimination of the current classifications "Investments held to maturity" and "Financial assets available for sale", the analysis of impairment only for assets recorded at amortised cost and the non-segregation of implicit derivatives in financial asset contracts.

In relation to financial liabilities, the categories proposed by IFRS 9 are similar to those currently contained in IAS 39 and therefore there should not be relevant differences except for the requirement to record changes in fair value related to own credit risk as a component of equity in the case of financial liabilities are recorded to which the fair value option has been applied.

Hedge accounting will also undergo changes as the standard takes a different approach from the current IAS 39 in seeking to align the accounting treatment with the economic management of the risk concerned.

The IASB has laid down that the mandatory application date is 1 January 2018, with the possibility of early adoption.

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

- **IFRS 10 and IAS 28 (Revised) "Sale or contribution of assets between an investor and its associate or joint venture"**

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and his associates and joint ventures which will depend on whether the non-monetary assets sold or

contributed to an associate or joint venture constitute a “business”. The investor will recognise the full gain or loss when the non-monetary assets constitute a “business”. If the assets do not meet the definition for a business, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to his associate or joint venture. Amendments to IFRS 10 and IAS 28 are prospective and will be applicable for years starting on or after 1 January 2016.

- **IFRS 16, “Leases”**

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

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

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

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

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

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

1.12.2 Changes in accounting estimates

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

2. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT BASES

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

2.1. Consolidation and business combinations

2.1.1. Subsidiaries

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

Appendices I and II provide relevant information on these entities.

Subsidiaries’ financial statements are consolidated using the full consolidation method, as defined under current legislation. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. Additionally, third-party interests in:

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

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

2.1.2. Jointly-controlled entities

Jointly-controlled companies are considered to be those that are not subsidiaries but are covered by joint control agreements under which the decisions regarding relevant activities are taken unanimously by the entities that share control and are entitled to their net assets.

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

Appendices I and II provide relevant information on these entities.

2.1.3. Associates

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

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

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

Appendices I and II provide relevant information on these entities.

2.1.4. Structured entities

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

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

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

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

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

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

2.1.5. Business combinations

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

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

Any excess of the cost of the investments in companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first business combination, is allocated as follows:

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

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

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

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

2.2. Financial instruments

2.2.1. Initial recognition of financial instruments

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

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

2.2.2. Disposal of financial instruments

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

- The contractual rights to the cash flows generated expire; or
- The financial asset and substantially the risks and rewards attached to it is transferred (Note 2.8).

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

2.2.3. Fair value and amortised cost of financial instruments

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

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

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

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

Amortised cost is the acquisition cost of a financial asset or liability adjusted for capital and interest repayments and, where applicable, for the portion (recognised in the consolidated income statement applying the effective

interest method) of the difference between the initial amount and the repayment value of the financial instruments. In the case of financial assets, amortised cost includes any impairment losses recognised.

The effective interest rate is the discount rate that matches the initial value of a financial instrument to all its estimated cash flows of all kinds through its residual life, without taking in account future credit risk losses. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for fees and transaction costs that must be included in the calculation of the effective interest rate, under applicable regulations. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

2.2.4. Classification and measurement of financial assets and liabilities

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

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

- **Financial assets and liabilities included in the trading portfolio:** financial assets acquired in order to be realised in the short term, which form part of a portfolio of financial instruments managed individually or together for which there is evidence of recent actions taken to obtain short-term gains, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial instruments in accordance with applicable regulations.

Short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities are also regarded as belonging to the trading portfolio.

- **Other financial assets and liabilities at fair value through profit or loss:** In order to avoid differences between the policies for measuring assets and associated liabilities, the Group classifies in this portfolio the assets (mainly shares in investment funds) that are managed jointly with liabilities under insurance contracts ("Unit linked") measured at fair value.

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

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

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

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

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

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

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

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

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

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

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

The instruments included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the asset's acquisition, which are recognised in the consolidated income statement to maturity using the effective interest rate method. Financial assets with no fixed maturity, however, are recognised on the income statement on derecognition from the balance sheet.

Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective manner are carried at cost in these annual accounts, net of impairment calculated as explained in Note 2.3.

Any changes in the fair value of financial assets classified as available for sale relating to accrued interest or dividends are recognised with a balancing entry in Interest and similar income and "Return on equity instruments" in the consolidated income statement, respectively.

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

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

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

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

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

The above notwithstanding, financial instruments that must be treated as non-current assets held for sale under current regulations are disclosed in the consolidated annual accounts based on the criteria explained in Note 2.18..

2.3. Impairment of financial assets

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

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

In particular, assets are regarded as doubtful due to customer default when the customer concerned owes an amount with respect to the principal or interest which is over 90 months overdue, and this has not been written off the consolidated balance sheet as it has been regarded as a bad debt.

In addition, all operations, except non-financial guarantees, are regarded as doubtful due to customer default when unpaid balances classified as doubtful are more than 20% higher than the amounts pending collection.

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

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

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

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

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

2.3.1. Debt instruments measured at amortised cost

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

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

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

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

- When there is evidence of the impairment of the capacity of a debtor to make payment, either revealed through non-payment when amounts have been outstanding for more than 90 days or other reasons or when there are reasonable doubts as to repayment under the agreed contractual terms, although there are no reasons to classify the amount as non-performing due to non-payment, and/or
- Due to the materialisation of country risk, understood as the risk affecting debtors resident in a specific country due to circumstances other than usual business exposure.

Impairment losses on these assets are assessed as follows:

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

Analysis of the provisions for credit risk

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

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

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

- Determination of evidence and objective indications of impairment

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

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

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

- Segmentation of the portfolio

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

- Calculation of the materiality threshold

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

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

-Individually significant borrowers:

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

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

- a) Generation of cash flows by the business (going concern): this will be applied to those borrowers that are believed to have the capacity to generate future cash flows from the business that allows part or all of the debt to be repaid. It is also possible that those flows may be supplemented by the potential sale of non-essential assets to generate those cash flows.
- b) Execution of collateral (Gone Concern): This step will be taken for those borrowers that do not have the capacity to generate cash flows from their business and the only manner to recover the investment is the execution and subsequent liquidation of its assets.

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

-Insignificant borrowers:

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

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

- a) Exposure at the time of non-compliance to the counterparty after having entered into a non-performing situation.
- b) Likelihood of non-compliance based on the historic series of the entity's observed failures to comply.
- c) Severity (LGD): measures the loss that would arise in the event of non-compliance, expressed as a percentage of total exposure at the time of default.

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

2.3.2. Available-for-sale debt instruments

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

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

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

2.3.3. Available-for-sale equity instruments

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

The criteria for recognising impairment losses on equity instruments classified as available for sale are similar to those applicable to debt instruments (as explained in Note 2.3.2.), except for the fact that any recovery of these losses is recognised in equity under the caption Valuation Adjustments - available-for-sale financial assets.

For quoted equity instruments, taking into account the best practices recommended by supervisors (ESMA and CNMV), the Company calculates percentage or time ranges for declines in the share price over cost, as a result of which it concludes that there is objective evidence of impairment as a result of a significant or prolonged decline in the share price. These ranges are a 40% drop in share prices or a situation of continuous losses over a period exceeding 18 months. The Company also considers as evidence of impairment situations in which the issuer has entered into, or is likely to enter into, an agreement with creditors or has significant financial difficulties.

There are no other ranges that represent prior evidence of impairment, although the Company makes an individualised analysis of all investments in which there may be some indication of impairment other than a decrease in share price, irrespective of whether the above-mentioned ranges have not been exceeded.

2.3.4. Equity instruments measured at cost

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

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

2.4. Accounting hedges

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

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

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

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

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

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

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

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

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

2.5. Foreign currency transactions

2.5.1. Functional currency

The Group's functional and presentation currency is the euro. Consequently, all non-euro balances and transactions are considered to be denominated in foreign currency.

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

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

2.5.2. Foreign currency translation methods

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

In addition:

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

2.5.3. Accounting for exchange differences:

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

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

At 31 December 2015 and 2014 there is no balance in that caption, since equity instruments denominated in foreign currencies are hedged against foreign exchange risks by means of fair value hedges in which the hedging instruments are interbank deposits, allowing changes in value caused by foreign exchange fluctuations to be recognised in the income statement.

2.6. Recognition of income and expenses

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

2.6.1. Income and expense on interest, dividends and similar items

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

2.6.2. Commissions, fees and similar items

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

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through changes in profit or loss are recognised in the income statement at the payment date.
- Those arising on transactions or services with a lengthy duration, which are recorded in the consolidated income statement over the term of the transaction or service.
- Amounts relating to a one-off event are recorded in the income statement when that event takes place.

2.6.3. Non-financial income and expense

These amounts are accounted for on an accruals basis.

2.6.4. Deferred collections and payments

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

2.7. Offsetting of financial instruments

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

2.8. Transfers of financial assets

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

- If the risks and returns relating to the transferred assets are substantially transferred to third parties, the asset is written off the consolidated balance sheet and any right or obligation retained or created as a result of the transfer is simultaneously recognised.
- If the risks and returns relating to the transferred financial asset are substantially retained, as in the case of securitised financial assets in respect of which the Group retains subordinated financing or other credit enhancement arrangements that substantially absorb the credit losses expected from the securitised assets, the transferred financial asset is not written off the consolidated balance sheet and continues to be measured using the same methods applied prior to the transfer. Conversely, the following items are recognised and not offset:
 - An associated financial liability in an amount equal to the price received, which is subsequently measured at amortised cost.
 - Both income from the financial asset transferred but not written off and expense from the new financial liability.

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

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

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

2.9. Financial guarantees and related provisions

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

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

Financial guarantees, irrespective of the holder or form, are analysed periodically in order to determine credit risk and, if applicable, estimate the need for provisions. The methods employed are similar to those applied to calculate impairment losses on debt instruments measured at amortised cost, as explained in Note 2.3.1 above.

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

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

2.10. Accounting for lease transactions

2.10.1. Finance leases

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

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

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

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

Note 27.7.1 sets out information on these leases.

2.10.2. Operating leases

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

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

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

Note 27.7.2 sets out information on these leases.

2.11. Assets managed

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

2.12. Investment funds and pension funds managed by the Group

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

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

2.13. Personnel expenses

2.13.1. Post-employment remuneration

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

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

In March 2013, the management of Ibercaja Banco and the employees' representatives reached an agreement under which the contributions the defined contribution pension plan were suspended for 24 months until April 2015. The same agreement was reached in March 2013 in Banco Grupo Cajatres for all contributions to the pension plan.

Defined contribution plans

The Group makes contributions in accordance with the agreements reached within the context of the collective bargaining agreements applicable to each originating entity. To this end, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. arranged their defined contribution pension plan for employee retirement and defined benefit plan for death and disability, the latter being covered by annual insurance policies. The defined contribution plans are the following:

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

The contributions made each year are recognised under Personnel expenses - Staff welfare expenses in the consolidated income statement. The contributions made by the defined contribution plan promoters amounted to €15,290 thousand in 2015 and €1,978 thousand in 2014.

Defined benefit plans

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

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

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

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

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

The Post-employment benefits are recognised as follows:

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

Pension supplements for serving or retired personnel

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

- Post-employment commitments with employees from Ibercaja Banco

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

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

- Post-employment commitments with employees from Banco Grupo Cajatres

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

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

2.13.2. Other long-term employee remuneration

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

The commitments undertaken with early retirees are as follows:

- Employees from Ibercaja Banco, S.A.:

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

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

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

As a result of the integration process and the creation of the Cajas SIP, participants in it and the union representatives established the pay conditions that from 1 January 2011 are applicable to employees of the three participating savings banks, as well as workers who join the Bank. It also lays down the obligation for the Bank to promote a defined contribution retirement pension plan for the Bank's employees. The employees that transferred from the Savings Bank to the Bank temporarily remain as participants in pension plan of their originating savings bank with the same rights and conditions as if they were still employed by the entity.

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

2.13.3. Severance payments

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

2.13.4. Other employee benefits

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

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

- First home loans: the maximum amount to be granted will be the value of the home increased by the inherent acquisition expenses, which must be duly justified and cannot exceed in any case five annual payments, set out in Article 40 of the Collective Agreement, plus family assistance. If the second limit is applicable, the resulting amount may not be less than €200,000 in accordance with the Resolution Part of Directors. The maximum term is 35 years and the applicable interest rate is equal to 60% of the one-year Euribor rate in April and October, subject to a minimum of 1.25% and a maximum of 5.25%.
- Sundry loans: the maximum amount to be financed will be 25% of the annual compensation received by employee as stipulated by Article 40 of the Collective Agreement, plus family assistance. However, any employee may obtain up to €30,000. The maximum term is 10 years and the applicable interest rate is the one-year Euribor rate in October of the year in progress.
- Advances: to attend to fully justified urgent needs. The amount may not exceed six gross salary payments including all fixed items making up payroll slip at the end of the month and it will be repaid monthly through payments of 10% of the gross salary.

2.14. Corporate income tax

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

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

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

Temporary differences, tax-loss carryforwards yet to be offset and tax deductions not yet applied are recorded as deferred tax assets and/or liabilities. These amounts are recorded by applying to them the tax rate at which they are expected to be recovered or settled.

Deferred tax assets are only recognised when it is considered probable that there will be sufficient taxable profits in the future to be able to recover them.

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

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

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

At the time of each accounting closing, deferred tax assets and liabilities are reviewed in order to verify that they remain in force and any relevant adjustments are made in accordance with the results of the analysis performed.

2.15. Tangible assets

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

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

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

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

	Estimated useful life
Buildings for own use	25 to 100
Furnishings	6 to 16,6
Plant	5 to 16,6
Computer equipment and installations	4 to 8

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

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

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

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

Repair and maintenance expenses relating to fixed assets for own use are charged to Other management expenses on the consolidated income statement.

2.16. Intangible assets

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

2.16.1. Goodwill

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

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

- a) will represent the lowest level of detail within the entity to which the goodwill is assigned for internal control purposes; and
- b) will not be larger than an operating segment, as defined in Note 27.9.

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

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

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

Impairment losses recognised for goodwill cannot subsequently be reversed.

2.16.2. Other intangible assets

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

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

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

The Group recognises any impairment loss and makes a balancing entry in the caption "Other asset impairment losses (net) – goodwill and other intangible assets" in the consolidated income statement. Criteria for recognising impairment losses on these assets and any recovery of impairment losses recognised in past years are similar to those used for property, plant and equipment for own use (Note 2.15).

2.17. Inventories

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

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

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

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

The carrying value of inventories which are written off the consolidated balance sheet is recorded as an expense in the consolidated income statement under "Other operating charges" in the year the income from their sale is recognised.

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

2.18. Non-current assets held for sale

The assets recorded under this heading have been as follows:

- assets whose carrying value will be recovered essentially through their sale rather than their continued use, provided that the sale is regarded as highly probable.
- Repossessed tangible assets derived from loan regularisations, except for those earmarked for own use or for leasing, and land and buildings in the course of construction.

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

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

2.19. Insurance operations

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

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

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

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

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

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

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

2.20. Provisions and contingent liabilities

At the date of preparation of the annual financial statements of the consolidated entities, their respective directors distinguished between:

- Provisions: creditor balances that cover obligations in force at the balance sheet date deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.
- Contingent liabilities: possible obligations as a result of past events whose occurrence depends on the occurrence or non-occurrence of one or more separate future events not within the control of the consolidated entities.

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

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

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

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

2.21. Consolidated statements of recognised income and expenses

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

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

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

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

The largest figure in the income and expense recognised directly in equity relates to financial assets available for sale, which break down as follows:

- a) Measurement gains/(losses): represents the total income, net of expenses for the year, directly recognised in equity. The amounts recognised in the year in this item are maintained in it although in the same year they are taken to the consolidated income statement.
- b) Amounts transferred to the income statement: represents the balance of valuation gains or losses previously recognised in equity, albeit for the same year, that are recognised in the income statement.

c) Other reclassifications: represents the balance of all reclassifications for the year in terms of valuation adjustments in accordance with prevailing legislation

Similarly, the heading Other recognised income and expenses includes the adjustment of accounting asymmetries (Note 2.19) related to financial assets available for sale, which account for practically all of the items under this heading.

2.22. Total statement of changes in consolidated equity

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

- a) Adjustments due to changes in accounting policies and the correction of errors: including any changes in consolidated equity as a result of the retroactive restatement of financial statement balances due to changes in accounting policies or the correction of errors.
- b) Income and expense recognised during the year: represents the aggregate of all items of recognised income and expense, as outlined above.
- c) Other changes in equity: this reflects other equity items such as increases or decreases in capital, distribution of results, transactions with own equity instruments, transfers between equity items and any other increase or decrease in consolidated equity.

2.23. Consolidated cash flow statements

The following terms are used in the consolidated statement of cash flows with the meanings specified::

- Cash flows: inflows and outflows of cash and cash equivalents understood as on-demand investments.
- Operating activities: the ordinary activities of credit institutions. Activities involving financial instruments are regarded as operating activities, with certain exceptions such as the financial assets included in the held-to-maturity investment portfolio, equity instruments classified as available for sale which are strategic investments and subordinate financial liabilities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that alter the amount and structure of equity and liabilities that are not operating activities.

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

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

3. RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

In accordance with the European Banking Association (EBA) guidelines and recommendations relating to the content of recovery plans, as well as Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment service companies, the Entity has defined a recovery plan to forecast and guarantee its capacity

to react in hypothetical situations in which its solvency for its financing capacity becomes impaired. The recovery plan forms part of the existing risk management process and it is updated at least on an annual basis. The Board of Directors of Ibercaja Banco approved the recovery plan in November 2015.

3.1. Credit risk exposure

Credit Risk arises out of the possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.

3.1.1. Credit risk management strategies and policies

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

The Board of Directors approves the strategies, policies and limits on the management of this risk, after receiving a report from the Large Risk and Solvency Committee, documented in the "Loan policy and procedures manual". This manual includes policies for operating in the main areas of the business, the maximum line of risk with the main creditors, sectors, markets and products. The Board is responsible for authorising risks that exceed the competence of the operating circuit.

3.1.2. Credit risk granting, monitoring and recovery policies

The credit investment portfolio is segmented into groups of customers with uniform risk profiles and susceptible to different treatment through the application of specific evaluation models.

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

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

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

The Bank has in place risk rating policies in line with Law 2/2011 on the Sustainable Economy, Order EHA/2899/2011 on transparency and customer protection in banking services and Bank of Spain Circular 5/2012 on transparency in banking services and responsibility in the granting of loans and credit facilities.

These policies are included in the Loan Policy and Procedures Manual, specifically in point 2 entitled Basic principles in credit risk management.

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

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

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

Among the control actions performed at the branch offices, Internal Audit is responsible for overseeing compliance with the established policies and procedures.

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

The Bank has an automated alert system which analyses and classifies all customers after considering external and internal sources of information to detect any risk factors that might lead to the impairment of credit quality. This alarm system is subject to calibration and on-going improvement processes.

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

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

3.1.3. Country risk

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

Countries are classified into six groups in accordance with Bank of Spain Circular 4/2004, their rating, economic evolution, political situation, regulatory and institutional framework, payment capacity and payment record.

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

In addition, the Entity establishes certain maximum limits relating to sovereign risk in terms of the government debt issued by Members of the European Union and other States based on their rating.

3.1.4. Information on the credit risk of financial instruments

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

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

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

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

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

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

At December 2015 the LTV (loan to value, reflecting the relationship between the financial transaction balance and the value of the guarantee associated with that transaction) of the Ibercaja Group's mortgage portfolio stood at 55.81% (57.73% at December 2014).

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

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

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

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

Note 10.5 to the accompanying accounts includes a breakdown of assets due and not impaired, stating whether they have been outstanding for less than 90 days.

3.1.5. Information concerning risk concentration, refinancing and restructuring

3.1.5.1. Information concerning risk concentration

Set out below is a breakdown of the carrying value of the distribution of loans and advances to customers by customer type and activity at 31 December 2015 and 2014:

(Thousand euro)	31-12-2015							
	Total	Of which: mortgage guarantee	Of which: other real guarantee	Secured loans Loan to value				More than 100%
				Less than or equal to 40%	More than 40 % and less than or equal to 60%	More than 60 % and less than or equal to 80%	More than 80% and less than or equal to 100%	
Public Administrations	589,142	105,996	1,554	18,738	41,655	45,545	868	744
Other financial institutions	695,271	978	-	283	195	214	-	286
Non-financial companies and individual entrepreneur	7,371,284	3,957,648	37,366	1,099,187	1,062,308	1,164,651	315,890	352,978
Real estate development and construction	1,504,456	1,455,474	5,636	166,297	280,702	662,653	196,659	154,799
Civil engineering construction	35,596	1,113	-	1,050	-	63	-	-
Other purposes	5,831,232	2,501,061	31,730	931,840	781,606	501,935	119,231	198,179
<i>Large companies</i>	645,980	67,111	7,505	7,248	3,007	5,390	-	58,971
<i>SME's and individual entrepreneurs</i>	5,185,252	2,433,950	24,225	924,592	778,599	496,545	119,231	139,208
Other residential property and non-profit institutions serving households	24,135,614	22,656,967	13,537	5,147,143	7,851,624	8,199,918	1,274,807	197,012
Homes	22,091,197	21,790,370	6,264	4,755,451	7,589,985	8,033,684	1,241,127	176,387
Consumer	636,884	217,309	4,314	127,990	57,431	29,643	4,931	1,628
Other purposes	1,407,533	649,288	2,959	263,702	204,208	136,591	28,749	18,997
Subtotal	32,791,311	26,721,589	52,457	6,265,351	8,955,782	9,410,328	1,591,565	551,020
Less: value adjustments for asset impairment not allocated to operations	-	-	-	-	-	-	-	-
Total	32,791,311	-	-	-	-	-	-	-
Memorandum accounts: refinancing, refinanced and restructured operations	3,102,788	2,589,490	23,518	434,804	618,709	969,955	368,406	221,134

	31-12-2014							
	Total	Of which: mortgage guarantee	Of which: other real guarantee	Secured loans Loan to value				More than 100%
				Less than or equal to 40%	More than 40 % and less than or equal to 60%	More than 60 % and less than or equal to 80%	More than 80% and less than or equal to 100%	
(Thousand euro)								
Public Administrations	804,823	107,394	1,611	17,944	11,764	39,446	15,146	24,705
Other financial institutions	149,220	1,309	-	149	412	344	-	404
Non-financial companies and individual entrepreneur	7,925,961	4,915,195	44,081	1,221,703	1,392,961	1,361,839	529,619	453,154
Real estate development and construction	2,139,846	1,955,302	1,129	190,477	384,086	756,442	345,558	279,868
Execution of civil works	43,320	-	-	-	-	-	-	-
Other purposes	5,742,795	2,959,893	42,952	1,031,226	1,008,875	605,397	184,061	173,286
<i>Large companies</i>	571,677	93,444	11,593	12,551	5,342	1,041	1,898	84,205
<i>SME's and individual entrepreneurs</i>	5,171,118	2,866,449	31,359	1,018,675	1,003,533	604,356	182,163	89,081
Other residential property and non-profit institutions serving households	24,950,150	23,723,352	16,148	4,904,318	7,746,053	9,225,839	1,638,021	225,269
Homes	23,289,376	22,951,568	7,384	4,570,833	7,516,786	9,068,723	1,596,375	206,235
Consumer	541,493	184,582	4,503	106,881	46,939	28,851	4,570	1,844
Other purposes	1,119,281	587,202	4,261	226,604	182,328	128,265	37,076	17,190
Subtotal	33,830,154	28,747,250	61,840	6,144,114	9,151,190	10,627,468	2,182,786	703,532
Less: value adjustments for asset impairment not allocated to operations	-	-	-	-	-	-	-	-
Total	33,830,154	-	-	-	-	-	-	-
Memorandum accounts: refinancing, refinanced and restructured operations	3,557,148	2,845,386	20,400	340,895	423,081	748,695	538,828	814,287

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

- Total activity:

(Thousand euro)	31-12-2015				
	Spain	Rest of EU	America	Rest of world	Total
Credit institutions	1,991,287	515,951	54,730	1,732	2,563,700
Public administrations	15,215,491	427,680	7	–	15,643,178
State Administration	13,403,365	427,680	7	–	13,831,052
Other	1,812,126	–	–	–	1,812,126
Other financial institutions	3,437,978	158,923	–	21,387	3,618,288
Non-financial companies and individual entrepreneurs	8,913,716	205,565	33,232	3,581	9,156,094
Real estate development and construction	1,659,049	1,231	–	–	1,660,280
Civil engineering construction	32,675	457	–	2,464	35,596
Other purposes	7,221,992	203,877	33,232	1,117	7,460,218
<i>Large companies</i>	838,013	2,336	–	–	840,349
<i>SME's and individual entrepreneurs</i>	6,383,979	201,541	33,232	1,117	6,619,869
Other residential property and non-profit institutions serving households	24,108,502	65,453	10,657	29,549	24,214,161
Homes	21,989,025	63,282	10,176	28,714	22,091,197
Consumer	635,946	446	333	158	636,883
Other purposes	1,483,531	1,725	148	677	1,486,081
Subtotal	53,666,974	1,373,572	98,626	56,249	55,195,421
Less: Value adjustments for asset impairment not allocated to operations					–
Total					55,195,421

(Thousand euro)	31-12-2014				
	Spain	Rest of EU	America	Rest of world	Total
Credit institutions	1,982,466	876,156	40,485	2,642	2,901,749
Public administrations	16,288,643	771,245	39	–	17,059,927
State Administration	13,777,971	771,245	39	–	14,549,255
Other	2,510,672	–	–	–	2,510,672
Other financial institutions	3,532,594	473,889	–	2,029	4,008,512
Non-financial companies and individual entrepreneurs	9,388,283	110,953	29,139	10,073	9,538,448
Real estate development and construction	2,258,707	–	–	–	2,258,707
Civil engineering construction	40,827	–	–	2,493	43,320
Other purposes	7,088,749	110,953	29,139	7,580	7,236,421
<i>Large companies</i>	1,668,696	–	–	–	1,668,696
<i>SME's and individual entrepreneurs</i>	5,420,053	110,953	29,139	7,580	5,567,725
Other residential property and non-profit institutions serving households	24,844,400	100,122	7,990	23,593	24,976,105
Homes	23,191,070	94,256	7,293	22,449	23,315,068
Consumer	540,827	175	373	120	541,495
Other purposes	1,112,503	5,691	324	1,024	1,119,542
Subtotal	56,036,386	2,332,365	77,653	38,337	58,484,741
Less: Value adjustments for asset impairment not allocated to operations					–
Total					58,484,741

- Activities in Spain

	31-12-2015								
	Aragón	Madrid	Catalonia	Valencia Region	Andalusia	Castilla León	Castilla-La Mancha	Rest	Total
Credit institutions	1,320,724	389,607	67,994	0	81,505	104	0	131,353	1,991,287
Public administrations	220,591	573,446	95,039	141,081	181,823	68,814	24,610	506,722	15,215,491
State Administration*	-	-	-	-	-	-	-	-	13,403,365
Other	220,591	573,446	95,039	141,081	181,823	68,814	24,610	506,722	1,812,126
Other financial institutions	57,785	3,281,029	44,043	10,076	236	282	17	44,510	3,437,978
Non-financial companies and individual entrepreneurs	3,406,763	1,881,042	765,990	478,275	435,037	602,756	320,814	1,023,039	8,913,716
Real estate development and construction	352,306	549,661	108,742	72,826	152,644	106,060	125,050	191,760	1,659,049
Civil engineering construction	515	32,146	-	-	-	-	-	14	32,675
Other purposes	3,053,942	1,299,235	657,248	405,449	282,393	496,696	195,764	831,265	7,221,992
Large companies	150,454	367,356	119,230	39,294	30,853	56,900	13,408	60,518	838,013
SME's and individual entrepreneurs	2,903,488	931,879	538,018	366,155	251,540	439,796	182,356	770,747	6,383,979
Other residential property and non-profit institutions serving households	6,863,828	5,691,613	2,158,337	2,078,029	1,532,859	1,190,130	1,556,506	3,037,200	24,108,502
Homes	5,724,937	5,400,685	2,027,894	1,985,291	1,469,381	1,085,739	1,474,506	2,820,592	21,989,025
Consumer	254,913	95,185	43,770	29,186	21,952	45,158	31,040	114,742	635,946
Other purposes	883,978	195,743	86,673	63,552	41,526	59,233	50,960	101,866	1,483,531
Subtotal	11,869,691	11,816,737	3,131,403	2,707,461	2,231,460	1,862,086	1,901,947	4,742,824	53,666,974
Less: Value adjustments for asset impairment not allocated to operations								-	
Total									53,666,974

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

31-12-2014

(Thousand euro)

	Aragón	Madrid	Catalonia	Valencia Region	Andalusia	Castilla León	Castilla-La Mancha	Rest	Total
Credit institutions	1,065,912	449,946	72,049	101,901	67,180	3,026	-	222,452	1,982,466
Public administrations	884,897	471,113	118,673	187,366	142,265	128,695	12,893	564,770	16,288,643
State Administration*	-	-	-	-	-	-	-	-	13,777,971
Other	884,897	471,113	118,673	187,366	142,265	128,695	12,893	564,770	2,510,672
Other financial institutions	358,361	2,970,780	7,448	10,576	431	710	20	184,268	3,532,594
Non-financial companies and individual entrepreneurs	3,470,433	1,925,014	735,263	403,593	521,705	716,936	453,487	1,161,852	9,388,283
Real estate development and construction	522,728	599,743	165,919	98,693	233,480	131,868	242,278	263,998	2,258,707
Civil engineering construction	6,891	32,185	467	-	-	417	-	867	40,827
Other purposes	2,940,814	1,293,086	568,877	304,900	288,225	584,651	211,209	896,987	7,088,749
Large companies	1,086,626	294,338	89,216	31,917	34,515	63,307	18,641	50,136	1,668,696
SME's and individual entrepreneurs	1,854,188	998,748	479,661	272,983	253,710	521,344	192,568	846,851	5,420,053
Other residential property and non-profit institutions serving households	6,900,035	5,913,979	2,246,137	2,173,090	1,589,005	1,258,902	1,617,429	3,145,823	24,844,400
Homes	6,094,617	5,651,552	2,137,384	2,095,676	1,534,813	1,156,900	1,547,711	2,972,417	23,191,070
Consumer	221,258	81,982	35,802	24,328	17,714	40,997	25,736	93,010	540,827
Other purposes	584,160	180,445	72,951	53,086	36,478	61,005	43,982	80,396	1,112,503
Subtotal	12,679,638	11,730,832	3,179,570	2,876,526	2,320,586	2,108,269	2,083,829	5,279,165	56,036,386
Less: Value adjustments for asset impairment not allocated to operations								-	
Total									56,036,386

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

3.1.5.2. Information regarding refinanced and restructured operation

The Group follows a policy aimed at utilising operations refinancing and restructuring as credit risk management instruments which, when implemented prudently and appropriately, contribute to improving risk quality, based on individualised analyses focused on providing economic viability to borrowers that, at some stage of the transaction, undergo transitory difficulties to meeting their payments commitments promptly at the time they fall due. The basic criteria of this policy includes, to the extent possible, the incorporation of efficient, liquid additional guarantees that increasing the possibilities of collecting the amounts owed.

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

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

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

- Feasibility analysis based on the existence of the customer's intention and capacity to pay which although impaired with respect to inception, should exist under the new conditions.
- Bringing instalments into line with the client's real payment capacity following an up-to-date analysis of the borrower's supporting economic-financial situation.
- Assessment of the borrower's/operation's compliance record.
- Assessment of the effectiveness of existing guarantees and new guarantees to be provided. Effective guarantees is considered to be following for these purposes.
 - Pledged guarantees consisting of monetary deposits, listed equities and debt securities.
 - Mortgage guarantee based on homes, offices, commercial premises and rural properties.
 - Personal guarantees (guarantees, security deposit, new owners, etc.) that fully cover the guaranteed risk.
- In no event is the refinancing of operations presenting payment incidents in other financial institutions permitted, unless the amounts involved have a residual weight with respect to the limit of the new operation and provided that it is a necessary condition to settle a problematic situation in the Group.

When each refinancing and restructuring operation is analysed, the potential risk of default is analysed, classifying the operation as standard, subprime or doubtful, and any amounts deemed unrecoverable are recognised. The provisions necessary to cover the loss incurred are recorded.

The period of arrears on an operation that is past due or in litigation does not cease to run when it is refinanced or restructured, unless there is reasonable certainty that the customer can make payment on schedule, or additional good surety is provided and, in either case, unless the overdue ordinary interest is paid.

When refinancing involves termination and the inception of new operations, the carrying value attributed to the new operations may not exceed the carrying value of the derecognised financing. Only in this event is the original asset written off since it is replaced by another, but in any event the derecognition or otherwise of the original asset does not affect the recognition of any necessary impairment losses, which will be recorded whatever the case.

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

For private individuals and the self-employed, an automated evaluation of potential risk in refinancing operations is carried out regularly, on the basis of which the accounting classification and provisions are determined. This analysis is performed taking into account the following factors:

- Existence of other previous refinancing with respect to the risks in question;
- Recurring revenues consistent with the amortisation plan;
- Existence or inclusion of efficient guarantees: new owners or guarantors with good standing are incorporated during the renegotiation, or the guarantee covers at least 80% of outstanding capital, taking into account its restated value,
- Payment of outstanding interest: Interest is paid at the time of the refinancing,
- Duration of grace period according to the last refinancing.

If sustained payment behaviour is observed (full repayments of capital and interest) for at least six months in the case of habitual dwellings and 12 months in other cases, the transaction's accounting classification will be revised and downgraded to the immediately preceding risk level, with the resulting evaluation and, as appropriate, adjustment of the relevant impairment losses.

The accounting classification of refinancing granted to companies is based on regular individualised analyses of the borrowers in which their financial situation and capacity to meet payment commitments, and the efficiency of the guarantees furnished, are examined.

The existence of sustained repayment behaviour over a lengthy period of time (regular payment of capital and interest) is considered to be sufficient evidence to consider that the credit status of the operation has been normalised and therefore entails the cessation of the classification of the operation as a refinancing or restructuring.

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

Set out below is a breakdown of refinancing and restructuring balances outstanding at 31 December 2015:

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

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

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

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

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

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

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

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

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

(Thousand euro)	Standard					
	Full secured by mortgage		Other real-state guarantees		Unsecured	
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount
Public administrations	11	57,496	3	11,979	63	214,274
Other corporate borrowers and individual entrepreneurs	3,388	526,344	87	38,228	4,316	323,369
Of which: financing of construction and real estate development activities	119	100,330	8	14,519	30	5,578
Other individual borrowers	2,796	267,555	83	5,850	3,850	28,663
Total	6,195	851,395	173	56,057	8,229	566,306

(Thousand euro)	Substandard						
	Full secured by mortgage		Other real-state guarantees		Unsecured		Specific coverage
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	
Public administrations	-	-	-	-	-	-	-
Other corporate borrowers and individual entrepreneurs	833	502,889	79	109,625	708	68,969	125,429
Of which: financing of construction and real estate development activities	114	308,375	29	91,272	1	91	94,718
Resto de personas físicas	2,030	264,448	61	6,468	1,113	6,963	11,598
Total	2,863	767,337	140	116,093	1,821	75,932	137,027

(Thousand euro)	Doubtful						
	Full secured by mortgage		Other real-state guarantees		Unsecured		
	Number of operations	Gross amount	Number of operations	Gross amount	Number of operations	Gross amount	Specific coverage
Public administrations	-	-	-	-	-	-	-
Other corporate borrowers and individual entrepreneurs	2,569	1,141,584	420	301,737	2,364	526,510	1,058,526
Of which: financing of construction and real estate development activities	362	739,279	156	252,634	452	208,996	684,740
Other individual borrowers	3,617	409,566	518	25,848	2,263	21,303	106,967
Total	6,186	1,551,150	938	327,585	4,627	547,813	1,165,493

Set out below is a summary of the information included in the three above tables at 31 December 2014:

(Thousand euro)	Total		
	Number of operations	Gross amount	Specific coverage
Public administrations	77	283,749	-
Other corporate borrowers and individual entrepreneurs	14,764	3,539,255	1,183,955
Of which: financing of construction and real estate development activities	1,271	1,721,074	779,458
Other individual borrowers	16,331	1,036,664	118,565
Total	31,172	4,859,668	1,302,520

A reconciliation between opening and closing balances for refinanced and restructured assets, as well as related impairment losses in 2014, is set out below:

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

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

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

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

At 31 December 2015, the Group assessed renegotiated transactions and according to its best judgement identified and provided for those that in the absence of renegotiation could have been become non-performing or would have been impaired. The related overall risk exposure amounts to €722,986 thousand (€959,362 thousand at 31 December 2014) which agrees with refinancing operations classified as subprime indicated above.

3.1.6. Problematic asset management policies

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

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

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

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

All those assets that become part of the Group's balance sheet are managed with a view to their divestment or lease.

In this respect, the Group has special purpose companies, specialising in development project management, real estate sales and real estate asset leasing. The Group has specific units to develop these strategies and coordinate the actions of its special purpose subsidiaries, branch office network and the other players involved. Additionally, the Group has a webpage www.ibercaja.es/inmuebles as one of the main tools used to inform the interested public of such assets.

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

- Financing for real estate development and construction and coverage.

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

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

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

- Financing of construction and real estate development activities.

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

- Home loans.

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

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

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

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

(Thousand euro)	2014					
	Risk with respect to latest available valuation (LTV)					
	Less than 40%	Exceeding 40% and less than or equal to 60%	Exceeding 60% and less than or equal to 80%	Exceeding 80% and less than or equal to 100%	Exceeding 100%	Total
Gross amount	4,624,324	7,545,989	9,098,039	1,657,229	217,423	23,143,004
Of which: doubtful	50,481	146,671	383,168	219,402	37,675	837,397

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

3.1.6.2. Real estate assets acquired in payment of debts.

Set out below is information concerning real estate assets acquired in payment of debts at 31 December 2015 and 2014:

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

¹ Value adjustments after the acquisition date.

² Total coverage at acquisition and subsequent dates.

3.2. Operating risk

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

3.2.1. Operational risk management strategies and policies

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

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

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

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

Their application and effective use in each of the units and subsidiaries takes place in a decentralised manner. The Internal Control and Validation Unit measures, monitors, analyses and reports risk.

3.2.2. Measurement, management and control procedures

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

- Qualitative methodology, based on the identification and expert assessment of operational risks and controls in place over processes and activities together with the compilation and analysis of risk indicators.
- A total of 590 possible operational risks inherent in the Group's activities have been identified and assessed in 2015. As a result of the on-going self-assessment processes, the estimated exposure to the overall potential impact of these risks is medium-low and growing.
- Quantitative methodology, supported by the identification and analysis of real losses arising in the Group which are recorded in the data base established to this effect (BDP).

The quantification of real losses recorded in the losses database over the past 36 months reflects that the net annual losses (taking into account direct recoveries and those due to insurance) of losses due to operational risk events is €2,790 thousand, corresponding to an average of 3,004 events.

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

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

3.3. Interest rate risk

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

The sources of interest rate risk are:

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

3.3.1. Interest rate risk management strategies and policies

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

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

3.3.2. Measurement and control procedures

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

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

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

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

The sensitivity profile of the Group's reserved balance sheet to interest rate risk at 31 December 2015 and 2014 is as follows, indicating the carrying value of those financial assets and liabilities affected by such risk, which are classified based on the estimated period elapsing to the date of review of the interest rate or maturity.

At 31 December 2015:

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

At 31 December 2014:

(Million euro)	Time to the review of the effective interest rate or maturity						
	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Sensitive balance	Insensitive balance	Between 1 and 5 years	More than 5 years
Assets	7,898	10,898	18,245	37,041	20,328	8,919	11,409
Financial assets with fixed interest rate and other assets without set maturity date	724	308	1,820	2,852	14,635	3,872	10,763
Fixed-rate financial assets hedged by derivatives	655	62	52	769	5,073	4,443	630
Financial assets at variable rates of interest	6,519	10,528	16,373	33,420	620	604	16
Liabilities	12,587	5,028	18,401	36,016	21,353	13,896	7,457
Financial liabilities with a fixed interest rate and other liabilities without set maturity date	7,506	2,658	13,780	23,944	20,353	13,181	7,172
Fixed-rate financial liabilities hedged by derivatives	415	1,432	3,993	5,840	118	(202)	320
Financial liabilities at variable rates of interest	4,666	938	628	6,232	882	917	(35)
Difference or gap for the period	(4,689)	5,870	(156)	1,025	(1,025)	(4,977)	3,952
Accumulated difference or gap	(4,689)	1,181	1,025	1,025	(1,025)	(3,952)	-
Average gap	(4,689)	(285)	2,290	537	-	-	-
% of total assets	(8.17)	(0.50)	3.99	0.94	-	-	-

Balances with maturity or revaluation taking place within the next twelve months are regarded as sensitive. This period is established as a reference for the quantification of the impact of the variation in interest rates on the Group's annual net interest income.

The gap that appears in the table represents the difference between the sensitive assets and liabilities in each period, i.e. the net balance exposed to price changes. The average Gap for the period is €2,189 million, 4.06% of assets (€537 million, 0.94% of assets at 31 December 2014).

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

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

3.4. Liquidity risk

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

3.4.1. Liquidity risk management strategies and policies

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

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

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

3.4.2. Measurement and control procedures

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

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

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

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

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

Ibercaja Banco has a credit facility with the European Central Bank which includes pledged assets with a discountable value of €8,619 million at 31 December 2015, of which €2,051 has been drawn down. Therefore, the available balance amounts to €6,567 million, which can be accessed to meet the Group's liquidity needs.

The Group has various sources of funding in addition to the above facility. These include the broad base of retail deposits amounting to €29,704 million, of which 81% relate to stable balances. In addition, we can mention financing with securities collateral amounts to €8,386 million, of which €3,708 million has been arranged with central counterparty entities, wholesale issues of €6,113 million characterised by the diversification of maturity dates, deposits at Group financial institutions totalling €2,151 million and other customer deposits amounting to €1,522 million, among others.

The Group's balance sheet does not reflect any significant liquidity risk concentrations as regard assets or sources of funding.

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

- Financing received from investment funds and pension plans with terms that trigger reimbursement depending on downgrades in Ibercaja Bank's credit rating, such that €333 million would be affected by a one-step rating downgrade.
- Liability derivatives of €153 million, which have required the provision of additional guarantees of €165 million and asset derivatives of €201 million for which additional guarantees of €196 million have been received.
- Financing with securities collateral of €5,642 million, which has required the contribution of additional guarantees of €238 million in cash.
- European Investment Bank financing totalling €50 million, which requires the contribution of €55 million in government debt surety.

Ibercaja Banco has entered into framework netting agreements with all entities with which it operates in derivatives; its signature is a prerequisite for entities with which such operations are to be initiated. Ibercaja Banco has also concluded guarantee agreements with the main national and international counterparties in the derivative markets in which it operates.

Set out below is a breakdown of available liquidity:

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

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

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

(Thousand euro)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Assets							
Loans and advances to credit institutions	74,356	21,317	45,238	4,136	11,658	177,141	333,846
Loans to other financial institutions	-	16,929	53	215	551	-	17,748
Temporary acquisitions of securities and security loans	-	238,356	303,173	2,086	-	-	543,615
Loans (including overdue, doubtful, non-performing and foreclosed)	-	(44,142)	781,359	2,296,880	7,417,548	24,651,938	35,103,583
Liquidation of securities portfolio	-	1,416,945	198,167	1,447,882	4,405,941	5,458,493	12,927,428
Hedge derivatives	-	921	21,612	73,807	196,673	29,908	322,921
Trading derivatives	-	1,967	3,204	12,953	7,320	7	25,451
Net interest income	-	147,751	49,411	352,500	-	-	549,662
Total at 31 December 2015	74,356	1,800,044	1,402,217	4,190,459	12,039,691	30,317,487	49,824,254
Total at 31 December 2014	69,131	475,293	1,263,498	5,026,444	13,579,863	33,222,979	53,637,208
Liabilities							
Wholesale issues	-	21,280	287,068	620,819	3,050,092	2,133,419	6,112,678
Deposits from credit institutions	2,885	49,292	58,689	108,733	4,068	-	223,667
Deposits from other financial institutions and bodies	626,032	59,815	284,124	1,074,104	216,025	44,960	2,305,060
Deposits from large non-financial companies	-	-	-	-	-	-	-
Financing other customers	17,566,315	1,551,951	2,134,046	7,373,976	2,539,043	763	31,166,094
Funds for intermediary lending	43	-	-	-	501,579	-	501,622
Financing with securities collateral	-	4,275,824	1,860,811	2,249,629	-	-	8,386,264
Other net outflows	851	30,788	68,041	295,260	22,618	45,635	463,193
Hedge derivatives	-	9,047	6,056	34,253	207,783	19,766	276,905
Loans arranged pending disbursement	-	274,576	-	-	-	-	274,576
Commitments available with third parties	2,451,691	-	-	-	-	-	2,451,691
Financial guarantees issued	-	3,490	3,560	10	4,427	12,747	24,234
Total at 31 December 2015	20,647,817	6,276,063	4,702,395	11,756,784	6,545,635	2,257,290	52,185,984
Total at 31 December 2014	17,213,373	5,089,656	5,949,454	12,655,026	10,765,294	2,990,996	54,663,799
Gap 2015	(20,573,461)	(4,476,019)	(3,300,178)	(7,566,325)	5,494,056	28,060,197	
Gap 2014	(17,144,242)	(4,614,363)	(4,685,956)	(7,628,582)	2,814,569	30,231,983	
Accumulated gap (excluding demand savings) 2015	-	(4,476,019)	(7,776,197)	(15,342,522)	(9,848,466)	18,211,731	
Accumulated gap (excluding demand savings) 2014	-	(4,614,363)	(9,300,319)	(16,928,901)	(14,114,332)	16,117,651	

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

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

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

Loan commitments amount to €2,451,691 thousand (€2,087,661 thousand at 31 December 2014). Although these commitments are immediately available to customers and therefore are treated as "sight" items, under IFRS 7 in practice the cash outflows are allocated over all the time-periods.

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

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

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

At 31 December 2015:

(Thousand euro)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Senior debt	-	-	-	11,748	-	-	11,748
Government secured debt	-	-	-	-	-	-	-
Subordinated and preferred	-	-	20,000	5,000	963,726	-	988,726
Mortgage and territorial bonds and covered bonds	-	-	257,778	560,000	1,837,914	1,625,470	4,281,162
Securitisation	-	21,280	9,290	44,071	248,452	507,949	831,042
Promissory notes and deposit certificates	-	-	-	-	-	-	-
Wholesale issues	-	21,280	287,068	620,819	3,050,092	2,133,419	6,112,678
Non-current financing with securities collateral	-	-	-	2,051,250	-	-	2,051,250
Period maturities	-	21,280	287,068	2,672,069	3,050,092	2,133,419	8,163,928
Accumulated maturities	-	21,280	308,348	2,980,417	6,030,509	8,163,928	

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

At 31 December 2014

(Thousand euro)	On demand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Senior debt	-	-	-	-	11,748	-	11,748
Government secured debt	-	-	-	-	-	-	-
Subordinated and preferred	-	-	-	-	506,216	-	506,216
Mortgage and territorial bonds and covered bonds	-	-	398,333	1,051,474	2,339,025	1,942,136	5,730,968
Securitisation	-	23,987	10,907	54,008	300,554	691,576	1,081,032
Promissory notes and deposit certificates	-	220	-	-	-	-	220
Wholesale issues	-	24,207	409,240	1,105,482	3,157,543	2,633,712	7,330,184
Non-current financing with securities collateral	-	972,710	2,900,000	-	917,290	-	4,790,000
Period maturities	-	996,917	3,309,240	1,105,482	4,074,833	2,633,712	12,120,184
Accumulated maturities	-	996,917	4,306,157	5,411,639	9,486,472	12,120,184	

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

The diversification policy on timing the maturity of wholesale issues will enable the Group to cover maturities in the next few years, with a comfortable equity position. Bearing in mind available liquidity (€11,272 million), the Company could cover all non-current wholesale financing maturities (€6,113 million). In addition, it has an issue capacity of €7,127 million (total available liquidity of €18,398 million).

3.5. Exposure to other risks

3.5.1. Exposure to market and counterparty risk

3.5.1.1. Market and counterparty risk management strategies and policies

a) Market risk

This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

The Company manages market risk by attempting to obtain adequate financial yields with respect to the level of risk assumed, bearing in mind certain overall exposure levels by types of segmentation (portfolios, instruments, sectors, subjects, ratings), portfolio structure and yield/risk objectives. In the management and control of this risk, sensitivity analyses and stress scenario simulations are applied to estimate the impact on income and equity.

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

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

b) Counterparty risk

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

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

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

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

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

In order to manage, control and measure the counterparty risk, the Company uses specialist tools to analyse the consumption of risks in each product and include the calculation of risks at Group level in a single application.

3.5.1.2. Measurement and control procedures

a) Market risk

Portfolios exposed to market risk are characterised by their high liquidity and the absence of material trading activities, which means that the market risk assumed is of little significance taken as a whole.

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

The VaR calculation is carried out using different methodologies:

- The parametric VaR relies on the assumption of normality of variations related to risk factors for the calculation of the forecast loss on the portfolio given a confidence level of 99% and a 1 day or 10-day timeframe.
- The parametric VaR (diversified) takes into account the diversification offered by correlating risk factors (interest rates, exchange rates, share prices etc.). It is the standard measure.
- The parametric VaR (not diversified) assumes the absence of diversification between such factors (correlations equal to 1 or -1, as appropriate), and is useful in periods of stress or changes in the correlation of risk factors.
- The Historical Simulation VaR uses the previous year's relative variations in the risk factors to generate scenarios in which the potential portfolio loss is assessed given a confidence level of 99% and a certain timeframe.
- The VaR Shortfall measures, given a VaR calculated at 99% and with a 1-day timeframe, the expected loss with respect to 1% of the worst results beyond the VaR. It provides a measure of losses in the event of a VaR.

In any event, the impact in absolute terms of the VaR is relativized with respect to equity.

At 31 December 2015 the VaR measurement generates the following values:

(Thousand euro)								
Confidence level: 99	Diversified parametric VaR	Parametric VaR v. Equity	Non-diversified parametric VaR	Non-diversified parametric VaR v. Equity	VaR Historical Simulation	VaR Historical Simulation v. Equity	VaR Shortfall	VaR Shortfall v. Equity.
Timeframe: 1 day	(33,607)	0.99%	(87,618)	2.59%	(30,758)	0.91%	(37,867)	1.12%
Timeframe: 10 days.	(106,276)	3.14%	(277,074)	8.19%				

The VaR calculation at 31 December 2014 recorded the following values:

(Thousand euro)								
Confidence level: 99	Diversified parametric VaR	Parametric VaR v. Equity	Non-diversified parametric VaR	Non-diversified parametric VaR v. Equity	VaR Historical Simulation	VaR Historical Simulation v. Equity	VaR Shortfall	VaR Shortfall v. Equity.
Timeframe: 1 day	(33,188)	1.14%	(55,912)	1.92%	(45,053)	1.55%	(45,053)	1.55%
Timeframe: 10 days.	(104,951)	3.61%	(176,811)	6.09%				

Similarly, and complementing the VaR analysis, stress tests have been performed analysing the impact of different risk factor scenarios on the value of the portfolio being measured.

b) Counterparty risk

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

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

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

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

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

3.5.2. Exchange rate risk management

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

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

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

3.5.3. Sovereign debt exposure

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

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

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

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

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

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

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

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

(Thousand euro)	2014					
	Up to 3 months	From 3 months to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Financial liabilities held for trading	85	164	101	19	67	436
Available-for-sale financial assets	102,463	604,326	2,836,237	1,827,660	7,066,659	12,437,345
Loans and receivables	24,313	87,658	75,565	148,292	530,982	866,810
Held-to-maturity investments	552,902	1,229,290	2,000,498	41,005	63,354	3,887,049
Total	679,763	1,921,438	4,912,401	2,016,976	7,661,062	17,191,640
Of which: the insurance company	40,937	205,781	672,005	745,915	2,446,019	4,110,657

- Other information

–Fair value The fair value of the instruments included in the trading portfolio and in the available-for-sale financial assets coincides with the aforementioned carrying amount. The fair value of the held-to-maturity investment portfolio is set out in Note 26.

Note 26 sets out the methodology used to value loans and discounts. It should be noted that the fair value detailed does not significantly differ from carrying value. Except for the loan portfolio, the rest of the fair value associated with sovereign risk is obtained through tier 1 measurement techniques (their description is set out in Note 26.3).

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

–Non-performing assets with public institutions total €9,070 thousand (€9,459 thousand at 31 December 2014), as indicated in Note 10.5. The Group considers that the remaining exposure is not impaired given that the requirements set out in Note 2.3 are not met.

3.5.4. Reputational risk management

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

The following types of reputational risk have been identified:

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

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

The Group also has a Regulatory Compliance Unit to ensure and supervise compliance with the principle regulations applicable to it on its regulated activities such as those relating to the prevention of money laundering and terrorism financing, investor protection in the marketing of financial instruments and the provision of investment services (MIFID), Internal Rules of Conduct in Securities Markets, legislation on suspected market abuse etc.

3.6. Risk Governance Framework

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

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

The following Executive Committees are in place:

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

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

4. DISTRIBUTION OF RESULTS

The distribution of Ibercaja Banco, S.A.'s profits that the Board of Directors will propose to the General Shareholders' Meeting for approval and the proposal approved for 2014 are detailed below:

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

5. INFORMATION REGARDING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Bank of Spain Circular 4/2004, "key administration and management personnel" of Ibercaja Banco, (understood as those persons with authority and responsibility for planning, managing and controlling the company's activities, directly or indirectly), comprise the members of the Board of Directors and Senior Management. Due to their positions these persons are regarded as "related parties" and as such are subject to the disclosure requirements described in the present Note.

Related parties also include the persons with whom "key management personnel" maintain certain family or personal relations, and also controlled companies having significant influence or major voting power belonging to key personnel or members of their families. Transactions between Ibercaja Banco Group and related parties are disclosed in Note 42.

5.1. Remuneration for the Board of Directors

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

(Thousand euro)

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

¹ CEO up to 28 January 2015.

² Director appointed on 29 October 2015, although subject to the approval of the competent authorities.

³ Director appointed on 28 January 2015.

⁴ Director that resigned from the Board on 14 June 2015.

⁵ Director that resigned from the Board on 29 October 2015.

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

(Thousand euro)

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

¹ CEO up to 28 January 2015.

² Company director appointed on 11 November 2014.

³ Company director who resigned from the Board on 1 October 2014.

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

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

The Company has not undertaken any commitments with respect to pensions with any current or former member of the Board of Directors by reason of their Board membership.

5.2. Senior Management Remuneration

For the purposes of preparing these annual accounts, Senior Management has been considered to consist of the persons holding the position of CEO and the employees forming part of the management team of Ibercaja Banco S.A. identified in the Economic and Activity Report, who have held the positions of Assistant Managing Directors, Assistant General Managers and Assistant Managers during the financial year.

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

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

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

No remuneration with respect to pensions or life insurance premiums for former members of Senior Management has been recorded during the year.

5.3. Directors' duty of loyalty

At 31 December 2015, in relation to the requirements of Articles 229 and 230 of the Spanish Companies Act 2010, the members of Ibercaja Banco's Board of Directors and persons related to them as referred to in Article 231 of that Act have confirmed that they do not engage in any activities for their own or a third party's account which involve any current or potential competition with the Company or which otherwise place them in a permanent state of conflict with the Company's interests.

6. CASH AND DEPOSITS WITH CENTRAL BANKS

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

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

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

7. ASSET AND LIABILITY HELD FOR TRADING

7.1. Breakdown of the balance and maximum credit risk – receivables

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

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

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

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

7.2. Breakdown of the balance - creditor balances

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

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

7.3. Financial derivatives held for trading

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

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

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

In addition to the balances detailed in the table above, the face value of securities options (payables) deriving from the yield guarantee provided by the Group to investment funds it markets at 31 December 2015 totals €1,586,707 thousand (€1,694,631 thousand at 31 December 2014).

8. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

In this portfolio, the Group classifies assets (mainly holdings in investment funds) managed jointly with liabilities derived from insurance contracts (unit linked) measured at fair value.

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

9.1. Breakdown of the balance and maximum credit risk-

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

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

All impairment losses detailed in the table above relate to the hedging of the credit risk on debt securities and are reversible.

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

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

Equity instruments in the available-for-sale financial asset portfolio the fair value of which cannot be calculated sufficiently objectively are measured at cost net of any impairment calculated under the criteria described in Note 2.3.4. The carrying value of these capital instruments at 31 December 2015 amounts to €88,012 thousand (€94,453 thousand at 31 December 2014). This figure is made up of a considerable number of holdings which are individually not significant. In relation to these instruments, the following should be noted:

- Instruments included in this portfolio may be sold based on market opportunities.
- During 2015 instruments of this kind with a carrying value of €16,119 thousand were sold (€40,868 thousand at 31 December 2014), generating a loss of €517 thousand (loss of €5,849 thousand at 31 December 2014).

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

9.2. Impaired debt securities

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

9.3. Hedging of credit risk and other risks

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

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

The Company has analysed possible impairments for all equity instruments classified as available-for-sale financial assets in order to recognise any necessary value adjustments. For these purposes, impairment is deemed to exist when accumulated decreases in market values have taken place continuously over more than 18 months, or by more than 40%.

The analysis has revealed a need to transfer €99 thousand to the income statement in 2015 (€20,734 thousand in 2014).

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

The impairment losses indicated in this note are carried in the consolidated income statement under Impairment losses on financial assets (Other financial instruments not carried at fair value through profit or loss).

10. LOANS AND RECEIVABLES

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

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

10.1. Breakdown of the balance and maximum credit risk

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

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

The carrying value shown in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for:

- The asset item relating to the present value of fees receivable from financial guarantees, recorded under the caption "Other" (in the breakdown by instrument types) amounts to €1,553 thousand at 31 December 2015 (€1,509 thousand at 31 December 2014). Note 27.1 contains an analysis of the face value of financial guarantees, which reflects the maximum credit risk exposure level.
- The assets transferred to securitisation funds that have not been eliminated from the balance sheet, in accordance with the content of Note 2.8, are reflected under the heading "Loans and credit" (in the breakdown by instrument types) and at 31 December 2015 total €4,140,537 thousand (€4,519,819 thousand at 31 December 2014) and are analysed in Note 27.5. The maximum credit risk exposure is stated at the value of all positions held by the Group in the aforementioned securitisation funds, which total €3,430,586 thousand at 31 December 2015 (€3,572,225 thousand at 31 December 2014). Bonds issued by securitisation funds subscribed by non-Group third parties amount to €784,133 thousand at 31 December 2015 (€1,023,621 thousand at 31 December 2014) and are analysed in Note 19.4.

10.2. Loans and advances to credit institutions

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

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

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

10.3. Loans and advances to customers

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

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

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

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

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

10.4. Debt securities

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

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

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

10.5. Impaired and substandard assets

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

(Thousand euro)	Not due	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
Balances at 31 December 2015	728,317	221,459	111,150	121,268	1,902,489	3,084,683
Balances at 31 December 2014	924,746	323,167	177,605	175,051	2,293,890	3,894,459

Impaired assets by counterparty categories break down as follows:

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

Generally, due and receivable assets are not considered to be impaired until they go unpaid for more than 90 days. The breakdown of unimpaired due and receivable assets by counterparty category is as follows:

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

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

10.6. Credit risk coverage

Movements in 2015 and 2014 in valuation adjustments due to impairment and the accumulated amount at the start and end of those years for loans and receivables, are set out below (thousand euro):

Movements in 2015:

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

Movements in 2014:

(Thousand euro)	Balance at 01.01.15	Movements reflected in the income statement				Balance at 31.12.15
		Transfers	Recoveries	Applications	Other	
Specifically calculated	2,276,211	1,214,641	(901,970)	(255,644)	(97,918)	2,235,320
Country Risk	293	493	(421)	-	-	365
Total impairment losses	2,276,504	1,215,134	(902,391)	(255,644)	(97,918)	2,235,685

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

Other includes transfers of the provisions for bad debts on credit transactions settled through foreclosure or dation as payment for assets for fully or partially settle the debt. As indicated in Notes 2.15 and 2.18 to the consolidated annual accounts concerning the recognition of investment property and non-current assets for sale, when the entity acquires an asset through foreclosure or dation in payment, it should be recognised at the carrying amount of the original loan at the most, including the relevant bad debt provisions transferred.

Of the value adjustments for impairment, specifically calculated indicated above, €181,428 thousand relates to adjustments for substandard risks at 31 December 2015 (€306,003 thousand at 31 December 2014).

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

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

Impairment losses by counterparty categories break down as follows:

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

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

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

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

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

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

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

11. HELD-TO-MATURITY INVESTMENTS

11.1. Breakdown of the balance and maximum credit risk

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

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

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

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

The average effective interest rate on debt instruments classified in this portfolio during 2015 was 2.79% (1.38% in 2014).

11.2. Overdue and impaired assets

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

12. HEDGING DERIVATIVES (RECEIVABLE/PAYABLE) AND ADJUSTMENTS OF FINANCIAL ASSETS AND LIABILITIES DUE TO MACRO-HEDGES

12.1. Hedging derivatives

Financial derivatives designated as hedging instruments in fair-value hedging operations break down as follows by product type, fair value and notional value at 31 December 2015 and 2014:

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

The carrying value figuring in the above table represents the maximum credit risk exposure relating to the financial instruments indicated, except for the asset derivatives contracted for which there are netting or compensation agreements in place and which are also covered by a collateral agreement which consists of formalising deposits in an amount equivalent to the net fair value of the derivative transactions, such that in the event of any default affecting the derivative obligations by one of the parties, the other party does not have to satisfy the obligations associated with the deposit.

The Company has not offset the financial instruments that give rise to these guarantee deposits and has maintained the separate recognition of assets and liabilities without recording a net position, as the conditions described in Note 2.7. are fulfilled. Details of the carrying value of the financial instruments covered by these agreements and the deposits payable and receivable that are generated with counterparties (both for hedging derivatives and the derivatives held for trading identified in Note 7.3), are as follows:

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

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

All fair value hedges obtained by the Group are for the purpose of hedging the risk of changes in the fair value of asset and liability debt instruments issued at a fixed rate of interest, in the event of changes in the interest rate of reference. This risk involves an increase in the fair value of financial liabilities should the interest rate of reference decline, and a decrease in the fair value of financial assets if the rate should increase. To mitigate this risk, the Group obtains mainly financial swaps, whose value varies in line and symmetrically with the changes in the value of the hedged items.

The following table contains details regarding the face value of hedges, set out by hedged and hedging items:

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

12.2. Adjustments of financial assets and liabilities due to macro-hedges

As explained in Note 2.4, gains or losses arising from changes in fair value of interest-rate risk relating to financial instruments which are efficiently covered in fair-value macro-hedging operations are credited or debited to this heading on the consolidated balance sheet.

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

(Thousand euro)	Fair value			
	Balances receivable		Balances payable	
	2015	2014	2015	2014
Mortgage loans	–	128,991	–	–
Financial liabilities	–	–	6,930	6,668
	–	128,991	6,930	6,668

Concerning the assets affected by macro-hedges, in 2012 Banco Grupo Cajates, S.A.U. entered into an interest-rate option agreement under which, during the period 2013-2026, it shall pay, over and above the relevant face value in each period, the positive difference between the floor rate and the 12-month Euribor rate (or zero if the difference is negative). The initial face value and maximum value of the option was €2,672 million and covered any change in value of the implicit floor rate in the mortgage loans against interest rate fluctuations. During 2015 the Group decided to interrupt the macro-hedge. The adjustment to the amortized cost of the covered assets at the date the hedge was interrupted will be apportioned over the initially designated term of

the hedge. At 31 December 2015 the adjustment that has yet to be apportioned totals €136.2 million and it was recognized starting at the time of the hedge interruption in the heading "Loan investments" on the asset side of the balance sheet (Note 10.3). The derivative with the counterparty was cancelled on the same date and a loss of €6.4 million was generated.

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

13. NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

(Thousand euro)	Foreclosure assets	Other assets	Total
Cost			
Balances at 1 January, 2014	960,342	35,162	995,504
Additions	135,140	–	135,140
Disposals due to sales or through other means	(116,925)	–	(116,925)
Other transfers and other movements	22,669	45,324	67,993
Balances at 31 December 2014	1,001,226	80,486	1,081,712
Additions	169,082	–	169,082
Disposals due to sales or through other means	(197,527)	(15,056)	(212,583)
Other transfers and other movements	(36,364)	5,353	(31,011)
Balances at 31 December 2015	936,417	70,783	1,007,200
Impairment losses			
Balances at 1 January, 2014	(352,730)	(232)	(352,962)
Transfer charged to profit and loss for the year	(48,089)	–	(48,089)
Recovered amount credited to profit	15,387	–	15,387
Applications and other movements	38,235	(1,658)	36,577
Balances at 31 December 2014	(347,197)	(1,890)	(349,087)
Transfer charged to profit and loss for the year	(78,934)	–	(78,934)
Recovered amount credited to profit	36,694	–	36,694
Applications and other movements	97,933	411	98,344
Balances at 31 December 2015	(291,504)	(1,479)	(292,983)
Net non-current assets held for sale			
Balances at 31 December 2014	654,029	78,596	732,625
Balances at 31 December 2015	644,913	69,304	714,217

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

According to the Group's historical experience, non-current assets held for sale remain on the balance sheet for an average of between one and three years. Since most non-current assets held for sale relate to the real estate assets, the Group considers it possible that part of these assets may remain on the balance sheet for longer than the Group's historical experience would indicate in view of the situation of the market.

Non-current assets are realised in cash, with a deferral for a prudent time period to preserve the Group's interests through adequate legal formulae or financing secured by mortgage under the usual conditions for this type of transactions.

There are no gains pending recognition since sales fulfil the following conditions:

- the purchaser is not controlled by the seller,
- the Group retains none of the significant risks or rewards associated with ownership of the asset sold,

- the Group does not retain any involvement in the asset's current management associated with ownership and does not retain effective control,
- the percentage of the sale financed by the entity for the purchase does not exceed that which the latter would obtain from a non-related credit institution,
- the purchaser's present and future payment capacity is sufficient to repay the loan and
- the financing plan and conditions are similar to those granted by the Group to finance acquisitions of similar assets not owned by it.

Loans granted during the year to finance sales of this type of assets amount to €59,597 thousand (€51,344 thousand at 31 December 2014) and the accumulated amount of loans granted is €308,004 thousand (€248,407 thousand at 31 December 2014).

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

The following table sets out a classification by type of asset of non-current assets for sale. In addition, the balance valued by an independent appraiser is indicated.

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

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

The valuations are on Level 2 in the fair value hierarchy.

The valuations of foreclosed assets were practically all performed in the last three years by valuation companies and agencies that have a recognised professional capacity and recent experience in the location and category of the assets subject to appraisals. Most appraisals were performed by Tasaciones Hipotecarias S.A., Gesvalt Sociedad de Tasación, S.A. and UVE Valoraciones, S.A.

Different valuation methods have been used to calculate the market value of the assets acquired depending on the type of asset involved. The residual method has been used to value land, the discounted cash flow method for assets for rent and the comparable method for housing. The main features of these methods are as follows:

- Residual method: The final market value is determined on the basis of the projected selling prices of the units to be built. This amount is reduced by development, construction and financial costs and the developer's industrial margin, to arrive at the price of the land. In those cases, where the management and development period is higher than the normal average for a development, a project timeline is estimated and forecast cash flows are discounted at an appropriate market rate (dynamic residual method).

- Discounted cash flow method: In order to determine the value of property rentals, the present value is calculated according to the market rent and/or present rent, taking into account the return required on each type of asset.
- Comparison method: This takes as a starting point the principle of replacement under which the property to be valued is compared with other properties the value of which is known. The method involves the compilation of comparable homogeneous products, taking into account sales transactions in the area, the supply of similar properties and the opinions of other operators in the property market. In order to arrive at a definitive value, the value obtained is adapted to the specific characteristics of the property, according to its physical and structural condition, the design and lay-out of its surface area, location and other factors (planning status, immediate environment etc.).

14. INVESTMENTS

14.1. Investments in associates

Investments in associates break down as follows on the consolidated balance sheets at 31 December 2015 and 2014:

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

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

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

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

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

14.2. Investments in jointly-controlled entities

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

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

14.3. Notification concerning share acquisitions

Pursuant to Article 155 of the Spanish Companies Act 2010, it is reported that during the year no acquisitions in which an interest of over 10% has been obtained in a company have taken place.

15. REINSURANCE ASSETS

At 31 December 2015 and 2014, the entire balance recorded under this consolidated balance sheet heading relates to profit sharing arising from reinsurance policies.

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

(Thousand euro)	
Balances at 31 December 2013	1,214
Acquisition of Caja Badajoz Vida y Pensiones (**)	380
Net transfers	(30)
Balances at 31 December 2014	1,564
Net transfers	(604)
Balances at 31 December 2015	960

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

16. TANGIBLE ASSETS

Movements in this consolidated balance sheet heading in 2015 and 2014 are as follows:

(Thousand euro)	For own use	Investment properties	Assigned under operating leases	Total
Cost				
Balances at 1 January, 2014	1,598,589	566,614	30,935	2,196,138
Additions	14,546	23,005	6,585	44,136
Disposals due to sales or through other means	(36,002)	(5,616)	(7,110)	(48,728)
Other transfers and other movements	(140,734)	122,323	(6,043)	(24,454)
Balances at 31 December 2014	1,436,399	706,326	24,367	2,167,092
Additions	16,300	7,766	12,574	36,640
Disposals due to sales or through other means	(26,093)	(21,101)	(14,492)	(61,686)
Other transfers and other movements	(6,723)	8,850	–	2,127
Balances at 31 December 2015	1,419,883	701,841	22,449	2,144,173
Accumulated depreciation				
Balances at 1 January 2014	(735,541)	(75,194)	(14,363)	(825,098)
Disposals due to sales or through other means	23,575	1,493	3,994	29,062
Transfers against the income statement	(31,761)	(9,237)	(3,934)	(44,932)
Other transfers and other movements	35,354	(34,869)	5,893	6,378
Balances at 31 December 2014	(708,373)	(117,807)	(8,410)	(834,590)
Disposals due to sales or through other means	18,951	2,664	3,872	25,487
Transfers against the income statement	(28,743)	(10,411)	(3,212)	(42,366)
Other transfers and other movements	(6,311)	(2,978)	–	(9,289)
Balances at 31 December 2015	(724,476)	(128,532)	(7,750)	(860,758)
Impairment losses				
Balances at 1 January 2014	(2,390)	(83,156)	(150)	(85,696)
Transfer charged to profit and loss for the year	(1,916)	(30,503)	–	(32,419)
Recovered amount credited to profit	–	224	–	224
Applications and other movements	1,163	(4,357)	150	(3,044)
Balances at 31 December 2014	(3,143)	(117,792)	–	(120,935)
Transfer charged to profit and loss for the year	(714)	(4,061)	–	(4,775)
Recovered amount credited to profit	–	363	–	363
Applications and other movements	2,390	3,276	–	5,666
Balances at 31 December 2015	(1,467)	(118,214)	–	(119,681)
Net tangible assets				
Balances at 31 December 2014	724,883	470,727	15,957	1,211,567
Balances at 31 December 2015	693,940	455,095	14,699	1,163,734

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

During 2013, Ibercaja Banco, S.A. and Banco Grupo Cajatres, S.A.U. (which merged in 2014 as explained in Note 1.10.3) availed themselves of the option allowed under Article 9 of Law 16/2012 to restate the value of tangible assets for tax purposes. Accordingly, certain properties for own use and investment properties were restated.

The restatement for tax purposes in Ibercaja Banco, S.A. totalled €17,888 thousand, generating tax payable of 5% of said amount, i.e. €894 thousand. Since the restatement of assets as a result of tax legislation is not allowed by IFRS-EU, the carrying value of the assets did not change in consolidated terms.

In Banco Grupo Cajatres, S.A.U., the restatement for tax purposes totalled €36,094 thousand, generating tax payable of 5% of said amount, i.e. €1,805 thousand. However, as the assets restated for tax purposes had already been restated for accounting purposes in 2010 due to the creation of the Institutional Protection System which gave rise to the Company, there was no increase in the assets' carrying value since the new tax value did not exceed the book value prior to the restatement in any case.

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

16.1. Property, plant and equipment for own use:

The breakdown by nature of the items forming part of the balance of this consolidated balance sheet caption at 31 December 2015 and 2014, not taking into account impairment losses, is as follows:

(Thousand euro)	Cost	Accumulated depreciation	Impairment losses	Net balance
Computer equipment and facilities	232,935	(198,587)	–	34,348
Furniture, vehicles and other installations	440,429	(366,650)	–	73,779
Buildings	761,526	(143,136)	(3,143)	615,247
Work in progress	1,509	–	–	1,509
Balances at 31 December 2014	1,436,399	(708,373)	(3,143)	724,883
Computer equipment and installations	238,516	(207,231)	–	31,285
Furniture, vehicles and other installations	428,755	(369,548)	–	59,207
Buildings	745,554	(147,697)	(1,467)	596,390
Buildings in course of construction	7,058	–	–	7,058
Balances at 31 December 2015	1,419,883	(724,476)	(1,467)	693,940

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

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

16.2. Investment properties

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

In 2015 78.13% (75.12% in 2014) of the carrying amount is based on valuations carried out by experts with recognised professional capacity and recent experience in the location and category of investment properties being appraised. These properties have mainly been appraised by TINSA, Tasaciones Inmobiliarias, S.A., General de Valoraciones, S.A. and Gesvalt Sociedad de Tasación, S.A.

The following table sets out a classification by type of investment properties. Similarly, the carrying amount of these assets (not taking into account impairment losses) which has been valued by an independent appraiser is indicated.

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

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

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

The appraisals are on Level 2 in the fair value hierarchy.

There are no major commitments to acquire or hold investment properties, or restrictions on their ownership at 31 December 2014.

16.3. Other assets assigned under operating leases

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

16.4. Impairment losses

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

17. INTANGIBLE ASSETS

17.1. Goodwill

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

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

The goodwill associated with Caja Badajoz Vida y Pensiones, S.A de Seguros arose from the acquisition on 3 September 2014 of the 50% of that entity that the Group did not own at the end of the preceding year.

This acquisition took place within the reorganisation of the Group's insurance business due to the takeover of Banco Grupo Cajatres, S.A.U. in 2013 (Note 1.10.2). In 2015 Caja Badajoz Vida y Pensiones, S.A. de Seguros (Target company) merged into Ibercaja Vida, Compañía de Seguros y Reaseguros, S.A.U. (Acquiring company).

For the purposes of allocating the goodwill referred to in Note 2.16.1, the Group considered that there is only one cash generating unit coincident with the entire balance, since the goodwill is not monitored on a lower level for internal management purposes nor are there distinct operating segments, as indicated in Note 27.9.

At the year end, the Group has calculated the value in use of the cash generating unit consisting of Ibercaja Banco and concluded that no impairment needs to be reflected in that CGU.

The value in use was calculated based on estimated future cash flows derived from business projects to 2020, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of €385 million and a growth rate in that cash flow of 1%. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 9.6%.

A sensitivity analysis was performed of the valuation given the reasonably foreseeable changes in the key valuation variables (distributable cash flow used to calculate the terminal value, perpetual growth rate of said cash flow and discount rate), and it was observed that these changes would not, in any event, entail the need to recognise impairment of the goodwill since the value in use calculated would continue to exceed the carrying value of the CGU.

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

- Estimated cash flows base on the Company's business plan.
 - Recovery of the net interest income and fees in coming years
 - Normalisation of the results of financial operations.

- Significant improvement in the efficiency ratio as a result of leveraging synergies arising from the integration with Banco Cajatres Group.
- Normalisation of provisions for loan losses, considering the current consensus on macro-economic expectations.
- Discount rate

This figure is based on a 10-year Spanish bond yield of 4% (versus 1.7% currently), a beta of 1.4 (versus 1.2 at present for median banks over the past five years) and a market risk premium of 4%.

- Growth rate to perpetuity of cash flows as from 2019

The rate is set at a level below the forecast of the International Monetary Fund for the growth in Spain's Gross Domestic Product in the medium-term.

17.2. Other intangible assets

This heading is analysed below:

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

“Trademark” refers to the estimated value of the brands of the former savings banks that gave rise to Banco Grupo Cajatres S.A. (CAI, Caja Círculo and Caja Badajoz).

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

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

(Thousand euro)	Software	Trademark	Customer relations Banco Grupo Cajates	Other	Total
Cost					
Balances at 1 January 2014	123,438	7,500	45,031	4,444	180,413
Additions	11,846	-	-	-	11,846
Disposals due to sales or through other means	(50,398)	-	-	(99)	(50,497)
Other transfers and other movements	5,848	-	-	-	5,848
Balances at 31 December 2014	90,734	7,500	45,031	4,345	147,610
Additions	8,374	-	-	-	8,374
Disposals due to sales or through other means	(603)	-	-	(2,729)	(3,332)
Other transfers and other movements	3,381	-	-	-	3,381
Balances at 31 December 2015	101,886	7,500	45,031	1,616	156,033
Accumulated amortisation					
Balances at 1 January 2014	(104,839)	(750)	(2,252)	(1,427)	(109,268)
Disposals due to sales or through other means	41,858	-	-	72	41,930
Transfers against the income statement	(6,886)	(1,500)	(5,887)	(282)	(14,555)
Other transfers and other movements	(1,532)	-	-	-	(1,532)
Balances at 31 December 2014	(71,399)	(2,250)	(8,139)	(1,637)	(83,425)
Disposals due to sales or through other means	277	-	-	1,312	1,589
Transfers against the income statement	(5,111)	(1,500)	(5,422)	(137)	(12,170)
Other transfers and other movements	(3,390)	-	-	-	(3,390)
Balances at 31 December 2015	(79,623)	(3,750)	(13,561)	(462)	(97,396)
Impairment losses					
Balances at 1 January 2014	(271)	-	-	(1,400)	(1,671)
Transfer charged to profit and loss for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	-	-	-	-	-
Balances at 31 December 2014	(271)	-	-	(1,400)	(1,671)
Transfer charged to profit and loss for the year	-	-	-	-	-
Recovered amount credited to profit for the year	-	-	-	-	-
Applications and other movements	271	-	-	1,400	1,671
Balances at 31 December 2015	-	-	-	-	-
Net other intangible asset					
Balances at 31 December 2014	19,064	5,250	36,892	1,308	62,514
Balances at 31 December 2015	22,263	3,750	31,470	1,154	58,637

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

18. OTHER ASSETS

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

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

Impairment analysed above relates in full to Inventories.

Movements in Inventories in 2015 and 2014 are as follows:

(Thousand euro)	Foreclosure assets	Other assets	Total
Cost			
Balances at 1 January 2014	319,178	176,441	495,619
Additions	12,336	229	12,565
Disposals due to sales or through other means	-	(86,647)	(86,647)
Other transfers and other movements	(10,351)	-	(10,351)
Balances at 31 December 2014	321,163	90,023	411,186
Additions	4,115	1,042	5,157
Disposals due to sales or through other means	(9,879)	-	(9,879)
Other transfers and other movements	15,715	6,562	22,277
Balances at 31 December 2015	331,204	97,627	428,831
Impairment losses			
Balances at 1 January 2014	(167,796)	(62,622)	(230,418)
Transfer charged to profit and loss for the year	(562)	(2,537)	(3,099)
Recovered amount credited to profits	1,842	-	1,842
Applications and other movements	236	52,868	53,104
Balances at 31 December 2014	(166,280)	(12,291)	(178,571)
Transfer charged to profit and loss for the year	(2,653)	(664)	(3,317)
Recovered amount credited to profits	157	-	157
Applications and other movements	(4,379)	-	(4,379)
Balances at 31 December 2015	(173,155)	(12,955)	(186,110)
Net inventories			
Balances at 31 December 2014	154,883	77,732	232,615
Balances at 31 December 2015	158,049	84,672	242,721

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

The appraisals of the above assets have been restated principally in the past three years. Appraisals have at all times been carried out by experts with recognised professional capacity and recent experience in the location and category of the assets being appraised. Most appraisals have been performed by TINSA, Tasaciones Inmobiliarias, S.A., Gesvalt Sociedad de Tasación, S.A. and General de Valoraciones, S.A.

Note 13 sets out the criteria applied to determine the fair value of these assets.

Inventory-related expenses for 2015 and 2014 break down as follows:

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

19. FINANCIAL LIABILITIES AT AMORTIZED COST

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

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

19.1. Deposits from central banks

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

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

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

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

19.2. Deposits from credit institutions

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

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

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

Sight accounts include the deposits arranged for the net value of assets purchased or sold under repurchase agreements with the same counterparty on the basis of the offset agreements concluded for repo or simultaneous operations.

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

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

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

19.3. Customer deposits

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

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

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

The heading mortgage backed bonds (in the breakdown by nature) includes unique mortgage backed bonds issued under Law 2/1981 (25 March) governing the Mortgage Market for amounts of €4,151,162 thousand (€5,104,469 thousand at 31 December 2014). The mortgage bonds have been issued at variable interest rates while issues at fixed interest rates are hedged against interest-rate risk through interest rate swaps.

19.4. Marketable debt securities

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

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

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

Rate	Nominal interest	Issue date	Maturity date	Nominal issue	Amount subscribed	
					2015	2014
TDA2 securitisation bonds	Variable	13-10-2005	*	904,500	130,673	208,457
TDA3 securitisation bonds	Variable	12-05-2006	*	1,007,000	148,588	226,249
TDA4 securitisation bonds	Variable	18-10-2006	*	1,410,500	166,255	207,946
TDA5 securitisation bonds	Variable	11-05-2007	*	1,207,000	168,497	193,557
TDA6 securitisation bonds	Variable	25-06-2008	*	1,521,000	22,124	21,550
TDA ICO-FTVPO securitisation bonds	Variable	15-07-2009	*	447,200	147,996	165,862
					784,133	1,023,621

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

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

Rate	Nominal interest	Issue date	Maturity date	Nominal issue	Amount subscribed	
					2015	2014
Ordinary bonds	Variable	24-06-2013	25-05-2016	10,508	10,508	10,508
Ordinary bonds	Variable	10-07-2013	25-05-2016	1,239	1,239	1,239
					11,747	11,747

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

19.5. Subordinated liabilities

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

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

The figure for preferred shares relates to the outstanding balance of an issue in 2006 for a nominal value of €150,000 thousand with an indefinite duration and an interest rate of 3-month Euribor plus 113 basis points. They may be redeemed at the Company's discretion once 10 years have elapsed as from the issue date, subject to Bank of Spain authorisation. If the early redemption right is not exercised, the nominal annual variable interest rate applicable to this issue will be increased as from that date by 100 basis points.

Details regarding each issue of subordinated bonds are as follows:

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

* The Group reserves the right to redeem these issues after 7 years since the issue date have elapsed and after receiving authorisation from the competent authority.

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

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

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

Issues of preferred shares and subordinated bonds are authorised by the Bank of Spain for their classification as computable tier 1 and tier 2 capital, respectively.

Accrued interest payable on subordinated liabilities amounts to €49,386 thousand at 31 December 2015 (€36,981 thousand at 31 December 2014).

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

19.6. Other financial liabilities

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

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

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

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

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

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

20. LIABILITIES UNDER INSURANCE CONTRACTS

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

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

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

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

(Thousand euro)	
Balances at 31 December 2013	6,333,643
Acquisition of Caja Badajoz Vida y Pensiones*	289,704
Net transfers	67,447
Other movements	412,723
Balances at 31 December 2014	7,103,517
Net transfers	(622,015)
Other movements	(99,280)
Balances at 31 December 2015	6,382,222

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

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

20.1. Risk management under insurance contracts

The Group's risk exposure under the insurance contracts arranged and related operations are market (interest rate, concentration, spread and variable income); counterparty, operational and underwriting - life.

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

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

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

- Longevity risk: the risk of incurring losses due to an increase in the survival rate of insureds above projections. Its impact derives from the arrangement of life annuities and liability policies managed by the insurance company. To manage longevity risk, the insurance company follows up on the technical result obtained by the affected portfolios on a monthly basis.
- Portfolio decline risk: risk of incurring losses deriving from a change in the surrender rates above projections. The impact derives from the volatility of the savings and life-risk business. To manage portfolio decline risk, the insurance company follows-up on the historic evolution of surrender rates, taking into account prior year experience. The conclusions obtained from this analysis are taken into account when calculating liabilities for matching flows (joint management of assets and liabilities) so that they reflect the actual situation as accurately as possible at all times. It is thus verified that the flows expected from the assets are sufficient in time and quantity to meet expected future commitments.

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

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

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

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

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

Irrespective of the mortality table applied to calculate the premium, which depends on the type of product, date on which it is first sold or other aspects, mortality tables PERM/F-2000P that were approved by the Resolution of the Directorate General for Insurance and Pension Funds of 3 October 2000, that conforms to transitional provision 2.5 of the Private Insurance Regulations, have been taken as a reference.

Set out below is the performance of the claims ratio for direct life insurance and its comparison with the forecast claims ratio.

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

The insurance company has established a policy for assigning risks to leading reinsurers in the sector, mitigating the risk through the dispersion of the sums insured and the accumulation of claims deriving from the same event. The adequacy of this reinsurance policy to the business volume was validated in 2008 by the actuarial analysis department at a reinsurance company. In 2014 and 2015 Ibercaja Vida's technical department performed a broad review of the reinsurance policy at the time of the merger of the life insurance businesses of CAI Vida y Pensiones and de Caja Badajoz Vida y Pensiones.

20.2. Classification of the insurance risk

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

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

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

The premiums under the insurance contracts detailed in the table above are presented in the income statement under "Income on insurance and reinsurance contracts", which amounted to €992,563 thousand at 31 December 2015 (€1,112,826 thousand at 31 December 2014). This heading also reflects income from reinsurance amounting to €2,955 thousand at 31 December 2015 (€3,837 thousand at 31 December 2014).

According to the Directorate General for Insurance, those insurance policies where, although a group policy is formalised, the premium payment obligations and inherent rights pertain to the insured are classed as individual policies. All insurance policies were arranged in Spanish territory.

Expenses under insurance and reinsurance contracts recognised in the income statement for 2015 amounting to €992,975 thousand, (€1,113,735 thousand in 2014) relate to the underwriting reserves associated with such contracts.

20.3. Sensitivity to insurance risk

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

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

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

As most of the insurers' portfolios are immunised and bearing in mind their classification for accounting purposes, any upward or downward change in the interest rate structure would not have a significant impact on the income statement.

21. PROVISIONS

Movements in 2015 and 2014, and the purpose of the provisions recorded under these captions in the consolidated balance sheet at 31 December 2015 and 2014, are as follows:

(Thousand euro)	Provisions for pensions and similar obligations	Provisions for taxes and other legal contingencies	Provisions for contingent exposures and commitments	Other provisions
Balances at 1 January 2014	152,267	5,949	22,382	81,223
Appropriations charged to income statement				
<i>Interest and similar charges</i>	196	-	-	-
<i>Appropriations to provisions and other</i>	574	6,070	10,653	18,603
<i>Personnel expenses (Note 37)</i>	-	-	-	77,390
Reversal of provisions by credit to income	-	-	-	(20,543)
Provisions utilised	(1,828)	-	(7,717)	(13,579)
Transfers (Note 37.2)	(11,867)	(909)	-	-
Other movements	33,413	(803)	709	-
Balances at 31 December 2014	172,755	10,307	26,027	143,094
Appropriations charged to income statement				
<i>Interest and similar charges</i>	96	-	-	-
<i>Appropriations to provisions and other</i>	1,675	-	2,856	37,632
<i>Personnel expenses (Note 37)</i>	-	-	-	-
Reversal of provisions by credit to income	(988)	-	(3,967)	(233)
Provisions utilised	(3,003)	(38)	(137)	(52,035)
Other movements	(23,346)	71	55	6,175
Balances at 31 December 2015	147,189	10,340	24,834	134,633

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

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

A relevant portion of the balance under "Other provisions" corresponds to the labour cost relating to the redundancy proceedings in 2013, 2014 and 2015 pending payment (€51,480 thousand and €96,402 thousand at 31 December 2015 and 2014; Note 34). The remainder of the balance relates to the coverage of other ordinary business risks for the Company.

As mentioned in Note 2.13, the Group has undertaken certain post-employment commitments with personnel. These pension and long-term compensation commitments are described below, which are recorded as provisions on the balance sheet at 31 December 2015 and 2014:

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

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

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

* Financial assets in subsidiary Ibercaja Vida, S.A.

** Recorded under "Other assets" on the consolidated balance sheet.

The costs recognised in the income statement for employee benefits are as follows:

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

Amounts recognised on the statement of changes in equity:

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

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

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

The technical interest rates taken into account for calculating the present value of benefit flows are applied based on the duration of each commitment and the reference curve has been determined taking as a reference high-quality AA corporate bonds issued in the same currency and within the payment period estimated for the payment of the benefits at the date referred to in the financial statements. The method applied for building the discount rate curve is based on high-quality Euro-Denominated Corporate bonds (AA) selected by reference to Bloomberg data as the principal source.

The average weighted duration of the post-employment obligations is 10.72 years and the weighted average discount rate was 1.69%.

22. OTHER LIABILITIES

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

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

23. VALUATION ADJUSTMENTS

23.1. Available-for-sale financial assets

This caption on the consolidated balance sheets reflects the net amount of changes in fair value of assets classified as available for sale which, as described in Note 2, must be classified as an integral part of the Group's consolidated equity, net of the relevant tax effect (detailed in Note 25.4). These changes are recorded in the income statements when the assets that gave rise to them are sold or impaired.

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

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

(Thousand euro)	Valuation adjustments	Fair value	Fair value hierarchy		
			Tier 1	Tier 2	Tier 3
2014					
Listed equity instruments	5,161	258,737	258,737	–	–
Unlisted equity instruments	40,109	171,117	–	–	171,117
Listed fixed interest securities	626,863	14,253,973	13,907,991	345,982	–
Total	672,133	14,683,827	14,166,728	345,982	171,117

23.2. Other valuation adjustments

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

24. SHAREHOLDER'S FUNDS AND NON-CONTROLLING INTERESTS

24.1. Shareholder's funds

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

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

24.1.1. Share capital

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

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

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

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

24.1.2. Reserves

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

24.1.2.1. Legal reserve

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

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

24.1.2.2. Revaluation reserves

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

- The part of the restated assets corresponding to the reserve has been depreciated.
- The restated assets have been transferred or removed from the books.

24.1.2.3. Reserve for goodwill

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

24.2. Non-controlling interests

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

Movimiento del ejercicio 2015:

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

Movements in 2014:

(Thousand euro)						
Company	Balance at 01.01.15	Increases in shareholding	Decreases in shareholding	Attributed results	Other changes in equity	Balance at 31.12.15
Agencia de Viajes de la Caja de Ahorros de Badajoz, S.A.	(57)	–	–	1	51	(5)
Arcai Inmuebles, S.A.	(2)	–	2	–	–	–
Dopar, S.L.	105	–	–	4	6	115
Enclama, S.L.	96	–	–	50	6	152
Gestora Valle de Tena, S.A.	70	–	(63)	–	(7)	–
Grupo Alimentario Naturiber, S.A.	1,942	–	–	9	(1,666)	285
Interchip, S.A.	(8)	–	(7)	15	–	–
Tintas Arzubialde, S.L.	53	–	(13)	(40)	–	–
Viajes Caja Círculo, S.A.	(185)	–	–	32	133	(20)
Total	2,014	–	(81)	71	(1,477)	527

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

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

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

(Thousand euro)				
Company	Assets	Liabilities	Profit/(loss) after taxes	Cash flow
Agencia de Viajes de Caja de Ahorros de Badajoz, S.A.	120	8	6	35
Dopar, S.L.	378	123	10	52
Enclama, S.L.	552	210	119	237
Grupo Alimentario Naturiber, S.A.	65,307	60,331	117	1,353
Viajes Caja Círculo, S.A.	126	13	187	33

25. TAX SITUATION

25.1. Consolidated Tax Group

Within the framework of the spin-off process, and in accordance with applicable legislation, in 2011 Ibercaja Banco and la Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja) decided to form a Corporate Income Tax Consolidated Tax Group (No. 579/11). Since 2012 the rest of the Group companies have been added to this tax group when they qualify and therefore the settlement of corporate income tax is done on a consolidated basis.

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

Fundación Bancaria Ibercaja is also the parent company of the VAT group (No. 78/11) which includes all qualifying group companies which have voluntarily agreed to form part of said group.

25.2. Years open to tax inspection

Ibercaja Banco was incorporated in 2011 as a result of the spin-off for the indirect performance of the financial activities of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja. On acquiring in bloc all the assets and liabilities effectively spun off, it assumed all the obligations and subrogated to all the rights and relationships associated therewith, including those related to tax.

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

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

Due to possible different interpretations of the applicable tax regulations, there may be certain tax contingencies which cannot be reasonably quantified. However, in the opinion of the Group's Board of Directors and Management, should these contingencies result in actual liabilities they will not have a significant effect on the financial position and the results obtained by the Group.

25.3. Reconciliation of book and tax income

The reconciliation of the consolidated profit before taxes for 2015 and 2014 and the corporate income tax expense is as follows:

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

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

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

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

(Thousand euro)	Income	Year of reinvestment
Year income obtained		
1998	3,498	2001
1999	190	2001
2001	6,001	2002
2002	6,017	2002
2003	4,181	2003
2004	6,707	2004
2005	4,486	2007
2006	14,633	2005-2007
2007	3,380	2007
2008	101,953	2007-2011
2009	1,598	2008-2012
2010	4,403	2009-2010
2011	17,729	2010-2011
2012	1,406	2012
2013	1,165	2012-2013
2014	9,229	2013-2014

Note: the data for 2010 and prior years refers to operations of Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (now Fundación Bancaria Ibercaja).

25.4. Deferred tax assets and liabilities

Based on tax legislation in force in Spain, there are certain timing differences and tax credits that should be taken into account when calculating the consolidated corporate income tax expense. The balance of and movements in the deferred tax assets and liabilities recorded in the consolidated balance sheets at 31 December 2015 and 2014 are as follows:

(Thousand euro)	Deferred taxes assets	Deferred taxes liabilities
Balance at 1 January 2014	1,558,062	435,544
Prior year restatement and other	(129,974)	(102,392)
Generated during the year	156,953	–
Applied during the year	(154,263)	(2,287)
Change in deferred tax assets and liabilities applied to equity	(3,284)	76,524
Balance at 31 December 2014	1,427,494	407,389
Prior year restatement and other	(12,697)	15,033
Generated during the year	83,543	410
Applied during the year	(115,170)	(2,212)
Change in deferred tax assets and liabilities applied to equity	(7,703)	(76,003)
Balance at 31 December 2015	1,375,467	344,617

The breakdown of deferred tax assets and liabilities of the Group, classified by type of temporary difference and tax credit is as follows:

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

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

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

No significant temporary differences associated with investments in subsidiaries, branches and associates or interests in joint arrangements have arisen which could give rise to deferred tax liabilities not recognised on the balance sheet.

Royal Decree Law 14/2013 (29 November) amended the Corporate Income Tax Act as follows:

- a) Effective for tax periods beginning on or after 1 January 2011, provisions for impairment of loans and other assets arising from the possible insolvency of debtors not related to the taxpayer and those pertaining to apportionments or contributions to social welfare systems and, where appropriate, early retirement, which might have generated deferred tax assets, are to be included in the tax base in accordance with the provisions of the corporate income tax act, subject to the limit of the positive taxable base prior to their inclusion and the offsetting of tax losses. The application of this rule has meant a decrease in tax credits for tax loss carryforwards and deductions pending application as well as an increase in deferred tax assets related to loan impairment, foreclosure asset impairment and expenses related to pension obligations, amounting to €353,939 thousand.
- b) The deferred tax assets relating to provisions for the impairment of loans and other assets arising from possible debtor insolvency not related to the taxpayer, as well as those derived from appropriations or contributions to social welfare systems and, if applicable, early retirement, will become an enforceable claim against the tax authorities in cases where the taxpayer incurs accounting losses or the entity is liquidated or is judicially declared insolvent. Deferred tax assets arising from the right to offset tax losses in subsequent years will become an enforceable claim against the tax authorities when they result from the inclusion in the tax base, as from the first fiscal year commencing 2014, the provisions for impairment of loans and other assets arising from possible borrower insolvency, as well as appropriations or contributions to employee welfare systems and, where appropriate, early retirement, which generated the deferred tax assets referred to above. These assets may be exchanged for public debt securities once the term for offsetting tax loss carryforwards stipulated in the Corporate Income Tax Law expires, calculated as from the accounting recognition of said assets. In the case of assets recorded prior to the entry into force of this Law, said term is calculated as from the entry into force of the Law.

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

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

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

In 2015, the net amount of deferred tax assets and liabilities related to temporary differences amounted to €483,177 thousand (€500,425 thousand at 31 December 2014). There are no deductible temporary differences, losses or tax credits for which deferred tax assets have not been recognised on the balance sheet.

As noted above, a portion of deferred tax assets arising from temporary differences are enforceable against public authorities in the above circumstances (monetised assets), which assume that their recoverability is not dependent on the existence of future taxable profits. Their recognition is therefore justified. At 31 December 2015 these deferred tax assets amounted to €648 million (€667 million 31 December 2014), which exceeds the net amount of the deferred tax assets and liabilities for temporary differences indicated in the above paragraph.

In addition, at 31 December 2015 there are deferred tax assets for tax loss carryforwards pending offset and unused tax credits amounting to €547,673 thousand (€519,680 thousand at 31 December 2014). The vast majority of these tax assets result from prior year losses that were extraordinary and non-recurring in nature, mainly due to the write-down of real estate assets in 2012 and renegotiated assets in 2013, as disclosed in the annual accounts for those years.

The tax credits described in the preceding paragraph were recorded for accounting purposes on the premise that future tax benefits might be obtained that will allow such tax loss carryforwards to be offset in a reasonably short time. According to applicable regulations, there is no time limit for offsetting these deferred tax assets.

According to Ibercaja Banco's business plan, which has provided the basis for the valuation of the Company at 31 December 2015, sufficient future taxable profits will be generated to enable the recovery of these deferred tax assets and therefore the Company considers that there is convincing objective evidence for the recognition of the deferred tax assets. Note 17.1 describes the grounds for the basic assumptions used in determining the business plan taken into consideration by the Company.

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

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

(Thousand euro)					
2014	Total balance sheet	Fair value	Fair value hierarchy		
			Tier 1	Tier 2	Tier 3
Cash and deposits with central banks	435,089	435,089	–	435,089	–
Held for trading	55,832	55,832	514	20,679	34,639
Other financial assets at fair value through profit or loss	61,547	61,547	61,180	367	–
Available-for-sale financial assets	14,778,280	14,683,827	14,166,728	345,982	171,117
Loans and receivables	35,632,878	38,807,072	499,744	1,227,289	37,080,039
Held-to-maturity investments	6,681,683	6,799,611	3,850,358	2,949,253	–
<i>Of which: Sovereign risk</i>	3,887,049	4,000,413	4,000,413	–	–
Hedging derivatives	496,506	496,506	–	496,506	–
Total financial assets	58,141,815	61,339,484	18,578,524	5,475,165	37,285,795
Held for trading	48,462	48,462	–	13,416	35,046
Other financial liabilities at fair value through profit or loss	–	–	–	–	–
Financial liabilities at amortised cost	50,824,160	52,038,088	–	52,038,088	–
Hedging derivatives	604,912	604,912	–	604,912	–
Total financial liabilities	51,477,534	52,691,462	–	52,656,416	35,046

The criteria used to determine fair value are as follows:

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

In particular, the valuation techniques used in tiers 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.
- Options are valued by applying models accepted as standard in the market. In those cases, where no valuation model is available, they are valued through the quotation provided by counterparties
- Equity instruments measured at fair value: Generally fair value is determined by discounting the estimated cash flows, which are derived from business plans in the investees generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.

The fair value of financial assets available for sale does not include financial instruments measured at historical cost amounting to €88,012 thousand at 31 December 2015 (€94,453 thousand 31 December 2014). No information on the fair value of these instruments is disclosed as it cannot be estimated accurately. These securities are not traded on a regulated market and sufficient information is not available to determine their fair value because they are instruments in which a non-significant individual investment has been made and as there are no recent transactions involving such instruments that would enable a reference to be established for calculating fair value. In any event, an individual analysis is performed to identify evidence of impairment and any impairment detected is recorded in accordance with the criteria described in Note 2.3.4. Note 9.1 sets out information on these instruments.

- Loans and advances to customers (loans and receivables): The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early redemption of 5% of the total has been taken into account. This percentage is based on the Group's historical data and is used in internal management.

The impact of a 100 basis point rise in the interbank interest rate curve would bring about a 0.92% reduction in fair value.

In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, in an economic and financial crisis such as the present crisis and since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the losses incurred and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.
- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between fair value and the carrying value of financial instruments are as follows:

- For fixed-income instruments, the fair value varies based on market interest rates. The variance is higher the longer the instrument's residual life.
- For variable-income instruments, fair value may differ from carrying value if the margins relating to the interest rate of reference have changed since the instrument was issued. If the margins remain constant the fair value coincides with the carrying value only on the repricing dates. At all other dates there is interest rate risk for flows that have already been calculated.

The Company performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated as having taken place at the end of the quarter in which they are identified. During 2015 there were no financial instruments no longer measured using tier 2 and 3 criteria and which have been measured with tier 1 criteria (€5,345 thousand in 2014).

For certain financial instruments (mainly the trading portfolio and operations related to financial derivatives), there is a balancing entry in the income statement for changes in fair value. Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the fair value on which the financial instruments are located:

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

Set out below in the fair value hierarchy of Tier 3 fair value, there is a reconciliation of opening balances to closing balances, revealing separately changes during the year attributable to the following:

(Thousand euro)	Controlling interests - Assets	Available- for-sale financial assets	Held for trading - Liabilities
Balance at 1 January 2014	19,043	200,636	18,954
Profit/(loss) recognised in the income statement and/ or statement of recognised income and expense	2,680	(16,025)	3,450
Purchases	15,411	164	15,028
Sales	–	(2,927)	–
Issues	–	–	–
Settlements and maturities	(2,495)	–	(2,386)
Transfers to or from tier 3 in or out of the above portfolios	–	(10,731)	–
Balance at 31 December 2014	34,639	171,117	35,046
Profit/(loss) recognised in the income statement and/ or statement of recognised income and expense.	(4,202)	835	(3,777)
Acquisitions	4,801	198	4,706
Sales	–	(7,809)	–
Issues	–	–	–
Settlements and maturities	(9,626)	–	(9,492)
Transfers from or to tier 3 in or out of the above portfolios	–	–	–
Balance at 31 December 2015	25,612	164,341	26,483

Financial liabilities and assets held for trading with tier 3 fair values are related, respectively, to embedded derivatives in structured deposits arranged with customers and to derivatives arranged with counterparties to cover the risk of the above-mentioned embedded derivatives. As shown in the table included at the beginning of this Note, the values of both derivatives compensate each other since they have the same features and almost the same nominal values. The Company measures both derives according to the quotations offered by the counterparty.

As for instruments classified as financial assets available for sale, most of the balance corresponds to investments in an insurance company and venture capital funds.

The fair value of the investment in the insurance company was calculated based on estimated future cash flows derived from business projects to 2020, a residual value being calculated for the remaining period which was determined taking into account a distributable cash flow of €105 million and a growth rate in that cash flow of 0%. These flows have been discounted using market rates and adjusted at the average cost of capital, at an average rate of 11.6%.

The fair value of investments in venture capital funds is determined according to the valuations regularly provided by the fund manager. The valuation criteria are generally based on the guidelines set by the EVCA (European Venture Capital Association).

Considering the amount of these investments, the Company believes that the changes that would occur in their fair value as a result of possible changes in the variables that determine said value would not have a significant impact on the results, total assets or equity of Ibercaja Banco.

27. OTHER SIGNIFICANT INFORMATION

27.1. Contingent exposures

The following table breaks down financial guarantees granted at 31 December 2015 and 2014 in accordance with the maximum risk assumed by the Group:

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

A significant portion of these amounts will mature without any payment obligation arising for the Group and therefore the full amount recorded for these commitments cannot be considered to be an actual future need for financing or liquidity to be granted to third parties.

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

The provisions recorded to cover the guarantees provided to third parties, which have been calculated by applying criteria similar to those for the calculation of financial asset impairment stated at their amortised cost, are included under the caption "Provisions for contingent exposures and commitments" in the balance sheet (Note 21).

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

27.2. Assets loaned or pledged

The breakdown of these assets is as follows:

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

* Additionally, €4,840,584 thousand (€4,929,570 thousand in 2014) relating to own securitisation bonds and mortgage bonds that are also associated with the policy with the Bank of Spain, to secure monetary policy operations in the Eurosystem which at 31 December 2015 and 2014 was not available.

27.3. Contingent commitments

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

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

The amounts available relate to variable interest operations.

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

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

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

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

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

27.5. Asset securitization

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

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

The Group has also securitized assets by assigning loans from its portfolio to a securitisation fund in which it continued to bear the related substantial risks and benefits on the securitized assets, and therefore these assets have been retained in full on the balance sheet. Details of the balances recorded in relation to these operations are set out below:

(Thousand euro)	2015	2014
Assets transferred to TDA Ibercaja 2, FTA in 2005	284,120	318,987
Assets transferred to TDA Ibercaja 3, FTA in 2006	365,652	403,819
Assets transferred to TDA Ibercaja 4, FTA in 2006	551,308	607,031
Assets transferred to TDA Ibercaja 5, FTA in 2007	543,196	595,508
Assets transferred to TDA Ibercaja 6, FTA in 2008	802,970	873,567
Assets transferred to TDA Ibercaja ICO-TVPO, FTH in 2009	219,885	249,586
Assets transferred to TDA Ibercaja 7, FTA in 2009	1,373,406	1,471,321
	4,140,537	4,519,819

Note 10.1 provides details concerning the Company's exposure in securitisation funds and the amount of the liabilities of securitisation funds that have been subscribed by non-Group third parties.

Note 26 details the calculation criteria for estimating the fair value of customer loans, under which the securitized assets included in the above table are recorded.

The fair value of the liabilities issued by securitisation funds at 31 December 2015 and 2014, which are backed by the transferred assets mentioned above, is as follows:

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

27.6. Assets received under guarantees

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

27.7. Leases

27.7.1. Finance leases

Finance leases in which the Group is the lessor are characterized as follows:

- The interest rate is variable.
- There is a purchase option in the lessee's favour arranged as the last instalment of the contract, through which the lessee may obtain the ownership of the asset at a cost which is significantly lower than the asset's market value at that time. As it may be considered reasonably certain that the lessee will exercise the purchase option, its value is recorded as a debt-claim together with the other minimum payments to be made by the lessee.

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

- At 31 December 2015 the total gross investment amounts to €240,380 thousand (€182,517 at 31 December 2014).
- The present value at 31 December 2015 of the minimum future payments to be received during the mandatory period (considering that neither renewals nor purchase options will be exercised) totals €70,095 thousand in less than one year, €139,475 thousand between one and five years and €27,181 thousand in more than five years.
- Accrued financial income totals €19,619 thousand in 2015 (€19,048 thousand in 2014).
- The residual value of those agreements amounted to €7,536 thousand at 31 December 2015 (€6,309 thousand at 31 December 2014).
- The amount of valuation adjustments due to the impairment of finance lease agreements totals €12,251 thousand at 31 December 2015 (€11,280 thousand at 31 December 2014).

27.7.2. Operating leases

Most operating leases in which the Group participates may be cancelled and normally the initial term of the lease is five years. Rental income is adjusted annually based on the Consumer Price Index.

Nonetheless, for a set of properties, there are lease contracts which establish a 15-year mandatory compliance period, with a total term of up to 35 years. At 31 December 2015 there are 100 contracts (56 concluded in 2012, 26 in 2013 and 18 in 2014) which were entered into simultaneously at the time the property was sold and include a purchase option at market prices at the end of the contract. The rental income associated with these properties, is updated annually based on the Consumer Price Index (without any correction factor). The value of the instalments payable within the mandatory compliance period amounts to €2,942 thousand within one year, €11,767 thousand within one to five years and €22,325 thousand in more than 5 years. The embedded derivative consisting of updating rentals based on the CPI has not been separated from the main lease contract because the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risks the main contract.

In the operations in which the Group is the lessee, the amount of the leases recorded as an expense in 2015 totalled €24,054 thousand (€24,532 thousand in 2014).

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

27.8. Environment

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

The Group has adopted the appropriate measures to protect and improve the environment and to minimize possible environmental impact and complies with current environmental legislation. During 2015 and 2014 no significant investments were made in this area and no significant contingencies are deemed to exist with respect to the protection and improvement of the environment.

27.9. Segmentation

The highest instance for taking decisions to define the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments as the results of the activities carried out are not examined on a differentiated basis by Management, for the following reasons:

- The services provided to customers do not differ significantly from each other, and therefore there is no justification for a differentiated supervision.
- Non-banking activities (not including the marketing of bancassurance products) are not significant

Nevertheless, in accordance with applicable regulations, information on the distribution of the Group's revenues by geographical area and product type have been included in the present Note to the annual accounts.

The Group carries out almost all of its activities in Spain, except for the three branches in Portugal that were closed during the year and the type of customer is similar throughout its area of action. Therefore, the Group considers there is a single geographical segment for its operations.

The breakdown of the Group's revenue (which includes interest and similar income, income from equity instruments, fees received, income from financial transactions and other operating income) by type of product or service is as follows:

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

28. INTEREST AND SIMILAR INCOME

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

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

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

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

29. INTEREST AND SIMILAR CHARGES

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

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

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

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

30. RETURN ON EQUITY INSTRUMENTS

The amount recorded under this caption relates in full to dividends from equity instruments and other shares in the Available-for-sale asset portfolio amounting to €10,252 thousand at 31 December 2015 (€11,802 thousand at 31 December 2014).

31. FEE AND COMMISSION INCOME

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

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

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

32. FEE AND COMMISSION EXPENSE

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

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

33. NET GAINS/(LOSSES) OF FINANCIAL ASSETS AND LIABILITIES

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

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

34. EXCHANGE DIFFERENCES

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

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

No gain or loss was obtained on the cancellation of exchange differences recorded in equity, in accordance with the matters explained in Note 2.5.3.

35. OTHER OPERATING INCOME

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

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

36. OTHER OPERATING CHARGES

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

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

37. PERSONNEL EXPENSES

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

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

In May 2014, Ibercaja management and the employees' representatives reached an agreement within a redundancy procedure that included a plan for voluntary early retirement for which 375 employees were eligible who, due to their age or the closure of their places of work, decided to terminate their employment. The 287 employees that availed themselves of the plan left the Bank in stages, until February 2015. This plan has resulted in personnel expenses amounting to €41,271 thousand recognised in the 2014 income statement.

In December 2014, Ibercaja management took the decision to instigate new redundancy proceedings in 2015 which, among other matters, include the conditions for voluntary early retirement for which 350 employees are eligible who, due to their age or the closing of their workplace, decided to terminate their employment, in the same terms as those agreed in May 2014. In December 2014 the employees' representatives were informed of the decision. Under the provisions of Circular 4/2004, which is compatible with paragraph 165 of IAS 19 "Employee Benefits" and the conditions set out in IAS 37 "Provisions" for the recognition of restructuring costs are met, this plan resulted in the recognition of personnel expenses amounting to €59,504 thousand in the 2014 income statement.

Note 21 explains the liabilities pending payment related to the agreements described in the foregoing paragraphs.

37.1. Number of employees

The distribution by category and gender of the Group's employees at 31 December 2015 and 2014 is as follows:

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

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

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

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

37.2. Personnel expenses - post-employment benefits

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

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

* Financial assets in the subsidiary Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.

** Recorded under "Other assets" on the consolidated balance sheet.

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

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

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

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

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

(Thousand euro)	2015	2014
Shares	-	-
Debt instruments	82.00%	76.45%
Real estate	-	-
Insurance policies	4.22%	10.85%
Other assets	13.78%	12.70%
Total	100.00%	100.00%

An analysis of the expected termination of non-discounted post-employment benefits in the coming 10 years is as follows:

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

Changes in the main assumptions will give rise to changes in the calculation of the obligations. The sensitivity of the post-employment plan obligations to changes in the main assumptions is explained below:

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

The sensitivity analysis relates to individual changes in each assumption while the remainder remain constant.

37.3. Personnel expenses - long-term compensation for early retirees

Net figures recognised on the balance sheet for long-term compensation payable to early retirees under defined benefit plans at 31 December 2015 and 2014 are as follows:

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

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

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

38. OTHER GENERAL ADMINISTRATIVE EXPENSES

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

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

- Other information

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

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

39. OTHER ASSET IMPAIRMENT LOSSES

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

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

40. GAINS/(LOSSES) FROM DISPOSALS OF ASSETS NOT CLASSIFIED AS NON-CURRENT AVAILABLE-FOR-SALE

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

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

41. GAINS/(LOSSES) FROM NON-CURRENT ASSETS AVAILABLE-FOR-SALE NOT CLASSIFIED AS DISCONTINUED OPERATIONS

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

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

42. RELATED PARTIES

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

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

* Investment funds and companies and pension funds.

** Senior management, Board of Directors, relatives to the second degree and entities related thereto.

The financial operations included have been carried out in accordance with the usual operating processes of the Group parent entity, in arm's length conditions. Arm's length conditions are also applied in other operations with related parties. For these purposes, the preferred valuation method taken into account is the comparable market price method.

43. OTHER DISCLOSURES

43.1. Information on the mortgage market

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

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

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

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage bonds issued by an entity and not matured may not exceed 80% of unamortised capital on all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of bonds issued may not exceed 65%. At 31 December 2015, the figure was 42.12% (47.76% at 31 December 2014).

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

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

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

Set out below is information on the mortgage market:

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

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

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

- Information on eligible loans and mortgages:

(Thousand euro)	2015				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
	Less than 40%	Over 40% and less than or equal to 60%	Over 60 % and less than or equal to 80 %	Over 80%	Total
Eligible loans for the issue of secured bonds and mortgage bonds					18,045,952
Housing	3,887,990	6,043,971	6,426,002	11,259	16,369,222
On other assets	819,917	725,607	131,206		1,676,730

(Thousand euro)	2014				
	Risk with respect to latest available valuation for purposes of mortgage market (loan to value)				
	Less than 40%	Over 40% and less than or equal to 60%	Over 60 % and less than or equal to 80 %	Over 80%	Total
Eligible loans for the issue of secured bonds and mortgage bonds					18,962,427
Housing	3,729,785	5,971,684	7,466,537	13,069	17,181,075
On other assets	832,215	829,195	119,942		1,781,352

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

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

- Nominal value of backed bonds issued by the Company:

(Thousand euro)	Nominal value	
	2015	2014
Mortgage backed bonds (Note 19.4)	3,430,000	3,930,000
Ibercaja April 2010	–	500,000
Ibercaja April II 2010	100,000	100,000
Ibercaja March 2011	30,000	30,000
Ibercaja December 2011	1,000,000	1,000,000
Ibercaja March 2012 I	750,000	750,000
Ibercaja March 2012 II	750,000	750,000
Ibercaja September 2012	800,000	800,000
AYT mortgage backed bonds (Nota 19.3)	2,451,162	3,404,469
AYT 5 unique covered bond (15 years)	101,613	101,613
AYT 8 unique covered bond (15 years)	104,634	104,634
AYT 9 unique covered bond (10 years)	–	383,333
AYT 9 unique covered bond (15 years)	216,667	216,667
AYT 10 unique covered bond (10 years)	–	323,974
AYT 10 unique covered bond (20 years)	341,026	341,026
AYT Global 2016 unique covered bond	227,778	227,778
AYT Global 2021 unique covered bond	225,000	225,000
AYT Global 2017 unique covered bond	150,000	150,000
AYT Global 2018 unique covered bond	270,000	270,000
AYT Global 2022 Series III unique covered bond	19,444	19,444
AYT Cajas Global 2018 Series IV covered bond	50,000	50,000
AYT Cajas Global 2023 Series X covered bond	75,000	75,000
AYT Cajas Global 2016 Series XI covered bond	50,000	50,000
AYT Cajas Global 2027 Series XIII covered bond	165,000	165,000
AYT Cajas Global 2019 Series XIV covered bond	25,000	25,000
AYT Cajas Global 2016 Series XXIII covered bond	310,000	310,000
AYT Cajas Global 2015 Series XXVI covered bond	–	90,000
AYT Financiación Inversiones II, F.T.A. (BEI II)	–	16,000
AYT Financiación Inversiones III, F.T.A. (BEI III)	–	15,000
AYT Cajas Global 2017 Series XVI covered bond	120,000	120,000
AYT Cajas Global 2015 Series XX covered bond	–	125,000
TDA mortgage backed bonds (Nota 19.3)	1,700,000	1,700,000
TDA 5 unique covered bond	300,000	300,000
TDA 6 unique covered bond	250,000	250,000
TDA 7 unique covered bond	400,000	400,000
TDA 6 unique covered bond (extension)	250,000	250,000
TDA Series A4 unique covered bond	300,000	300,000
TDA Series A1 unique covered bond	200,000	200,000

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

(Thousand euro)	2015		2014	
	Amount	Average period to maturity (months)	Amount	Average period to maturity (months)
Active mortgage bonds issued	–	–	–	–
Mortgage covered bonds in issue	7,581,162	–	9,034,469	–
<i>Of which: Not recorded under liabilities on the balance sheet</i>	<i>3,300,000</i>	–	<i>3,300,000</i>	–
Debt securities Issued through public offerings	–	–	–	–
Debt securities Other issues	3,430,000	–	3,930,000	–
<i>Time to maturity up to one year</i>	<i>780,000</i>	–	<i>500,000</i>	–
<i>Time to maturity from one to two years</i>	–	–	<i>780,000</i>	–
<i>Time to maturity from two to three years</i>	<i>1,000,000</i>	–	–	–
<i>Time to maturity from three to five years</i>	<i>1,650,000</i>	–	<i>2,550,000</i>	–
<i>Time to maturity from five to ten years</i>	–	–	<i>100,000</i>	–
<i>Time to maturity more than ten years</i>	–	–	–	–
Deposits	4,151,162	–	5,104,469	–
<i>Time to maturity up to one year</i>	<i>787,778</i>	–	<i>953,308</i>	–
<i>Time to maturity from one to two years</i>	<i>670,001</i>	–	<i>787,779</i>	–
<i>Time to maturity from two to three years</i>	<i>421,612</i>	–	<i>670,000</i>	–
<i>Time to maturity from three to five years</i>	<i>646,301</i>	–	<i>851,247</i>	–
<i>Time to maturity from five to ten years</i>	<i>1,460,470</i>	–	<i>836,110</i>	–
<i>Time to maturity more than ten years</i>	<i>165,000</i>	–	<i>1,006,025</i>	–
Mortgage securities issued	1,840,303	110	2,037,579	123
Other issues	1,840,303	110	2,037,579	123
Mortgage transfer certificates issued	2,300,234	125	2,482,239	138
Other issues	2,300,234	125	2,482,239	138

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

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

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

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

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

43.2. Customer Service

Within the framework of the protection measures for customers of financial institutions established by Law 44/2002 (22 November) on financial system reform measures and with the double aim of preserving and strengthening customer confidence, at a meeting held on 22 September 2011 the Board of Directors of Ibercaja Banco, S.A. approved the Customer Care Regulations which govern the activity of the Ibercaja Group's Customer Care Service, in order to attend to and resolve customer complaints regarding their interests and legally recognised rights concerning transactions, contracts or financial services rendered by Group companies.

The content of the Regulations can be consulted at any Ibercaja Group branch and on the web site www.ibercaja.es. Users can also use the branches and website to present complaints or claims, or consult the relevant procedures.

For these purposes, Ibercaja Group is made up of Ibercaja Banco, S.A. and the following companies: Ibercaja Leasing y Financiación, S.A., Establecimiento Financiero de Crédito; Ibercaja Patrimonios, S.A., Sociedad Gestora de Carteras; Ibercaja Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva; Ibercaja Vida, S.A., Compañía de Seguros y Reaseguros; Ibercaja Pensión, S.A., Sociedad Gestora de Fondos de Pensiones; and Ibercaja Mediación de Seguros, S.A.

In accordance with the above-mentioned legislation, the Customer care service at Ibercaja Group presented a statistical report to the Board of Directors of Ibercaja Banco S.A. at a meeting held on 24 February 2016 regarding complaints and claims handled, the decisions taken, the general criteria followed when taking these decisions and the recommendations or suggestions made to improve the Group's actions. A summary of this information is included below:

a) Complaints received

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

- 7,392 Complaints, Claims and Suggestions (1,455 complaints, 5,886 claims and 51 suggestions).
- There were 2,223 cases relating to the Data Protection Law (142 relating to requests to eliminate data and 2,081 relating to other rights, such as opposing, correcting or accessing), which is a 32% increase compared with the requests managed last year.

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

b) General criteria contained in the decisions

The decisions have been issued with strict observance of corporate governance and banking practice standards, transparency and protection of financial users, taking into account the opinions formally expressed by customers and the reports issued by the branches, departments and Group companies concerned. The decisions were based on contractual documents signed with customers.

44. BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014, INCOME STATEMENTS, STATEMENTS OF RECOGNISED INCOME AND EXPENSE, TOTAL STATEMENTS OF CHANGES IN EQUITY AND CASH-FLOW STATEMENTS FOR IBERCAJA BANCO, S.A. FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

Balance sheet at 31 december 2013 and 2014

(Thousand euro)	Assets	2015	2014*
Cash and deposits with central banks		532,616	434,700
Financial assets held for trading		39,872	53,999
Debt securities		690	959
Derivatives held for trading		39,182	53,040
<i>Memorandum Items: Loaned or pledged</i>		–	–
Available-for-sale financial assets		10,179,266	9,471,223
Debt securities		9,771,049	8,981,953
Equity instruments		408,217	489,270
<i>Memorandum Items: Loaned or pledged</i>		6,163,518	3,618,820
Loans and receivables		36,176,524	36,048,514
Loans and advances to credit institutions		486,747	834,981
Loans and advances to customers		33,737,277	34,709,965
Debt securities		1,952,500	503,568
<i>Memorandum Items: Loaned or pledged</i>		6,083,916	4,977,648
Held-to-maturity investments		2,662,571	6,681,685
<i>Memorandum Items: Loaned or pledged</i>		1,919,326	4,399,885
Adjustment to financial assets due to macro-hedges		–	128,992
Hedging derivatives		354,998	492,742
Non-current assets held for sale		149,166	189,233
Investments		793,206	857,624
Associates		77,543	90,239
Jointly-controlled entities		38,329	46,685
Group companies		677,334	720,700
Insurance contracts linked to pensions		118,947	130,467
Tangible assets		853,833	882,266
Property, plant and equipment		546,631	560,898
<i>For own use</i>		546,631	560,898
Investment properties		307,202	321,368
<i>Memorandum Items: Acquired under finance leases</i>		–	–
Intangible assets		185,638	189,373
Goodwill		128,065	128,065
Other intangible assets		57,573	61,308
Tax assets		1,465,057	1,516,596
Current		5,671	8,106
Deferred		1,459,386	1,508,490
Other assets		141,949	94,908
Total assets		53,653,643	57,172,322
Memorandum items			
Contingent exposures		623,101	638,663
Contingent commitments		3,230,731	3,273,191

* Presented for comparative purposes only.

(Thousand euro)	Liabilities and equity	2015	2014*
Financial liabilities held for trading		35,970	48,462
Derivatives held for trading		35,970	48,462
Financial liabilities at amortised cost		49,988,126	53,060,501
Deposits from central banks		2,053,035	4,848,302
Deposits from credit institutions		4,895,683	3,227,669
Customer deposits		41,229,546	43,060,404
Marketable debt securities		159,555	691,732
Subordinated liabilities		1,051,041	560,582
Other financial liabilities		599,266	671,812
Adjustments to financial liabilities due to macro-hedges		6,930	6,668
Hedging derivatives		325,433	596,975
Provisions		305,034	328,517
Pension funds and similar obligations		129,208	143,696
Provisions for taxes and other legal contingencies		10,150	10,150
Provisions for liabilities and contingent commitments		24,834	26,089
Other provisions		140,842	148,582
Tax liabilities		300,816	373,833
Current		322	251
Deferred		300,494	373,582
Other liabilities		157,263	173,525
Total liabilities		51,119,572	54,588,481
Shareholder's funds		2,418,105	2,367,434
Share capital		2,144,276	2,611,730
Reserves		226,960	(315,512)
Profit/(loss) for the year		46,869	71,216
Valuation adjustments		115,966	216,407
Available-for-sale financial assets		115,846	216,255
Resto		120	152
Total equity		2,534,071	2,583,841
Total liabilities and equity		53,653,643	57,172,322

* Presented for comparative purposes only.

Consolidated income statements for the years ended 31 december 2015 and 2014

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

* Presented for comparative purposes only.

Statements of recognised income and expense for the years ended 31 december 2015 and 2014

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

* Presented for comparative purposes only.

Total statement of changes in equity for the year ended 31 december 2015

(Thousand euro)

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

Total statement of changes in equity for the year ended 31 december 2014

	Shareholder's funds							Total equity
	Share capital	Share premium	Reserves	Profit/(loss) for the year	Dividends	Total shareholder's	Valuation adjustments	
I. Ending balance at 31/12/2013	2,611,730	-	(220,387)	(63,940)	-	2,327,403	64,307	2,391,710
Adjustments due to changes in accounting policy	-	-	(26,366)	-	-	(26,366)	29,254	2,888
Adjustments due to errors	-	-	-	-	-	-	-	-
II. Adjusted beginning balance	2,611,730	-	(246,753)	(63,940)	-	2,301,037	93,561	2,394,598
Total recognised income and expense	-	-	(4,819)	71,216	-	66,397	122,846	189,243
Other changes in equity	-	-	(63,940)	63,940	-	-	-	-
Share capital increases	-	-	-	-	-	-	-	-
Conversion of financial liabilities into capital	-	-	-	-	-	-	-	-
Increases in other equity instruments	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-
Distribution of dividends	-	-	-	-	-	-	-	-
Transactions involving treasury shares (net)	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	(63,940)	63,940	-	-	-	-
Increases/(decreases) due to business combinations	-	-	-	-	-	-	-	-
Equity settled payments	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	-	-
III. Ending balance at 31/12/2014 *	2,611,730	-	(315,512)	71,216	-	2,367,434	216,407	2,583,841

* Presented for comparative purposes only.

Cash flow statements for the years ended 31 december 2015 and 2014

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

* Presented for comparative purposes only.

Cash flow statements for the years ended 31 december 2015 and 2014

(Thousand euro)	2015	2014*
Cash flows from financing activities	482,747	(395,841)
Payments made	(17,253)	(5,270)
Dividends	-	-
Subordinated liabilities	(17,253)	(5,270)
Other payments related to financing activities	-	-
Payments received	500,000	-
Subordinated liabilities	500,000	-
Issue of treasury shares	-	-
Other collections related to financing activities	-	-
Acquisition of Cajatres	-	401,111
Effect of exchange rates fluctuations	-	-
Net increase/(decrease) in cash and cash equivalents	128,112	453,864
Cash and cash equivalents at the beginning of the year	462,355	8,491
Cash and cash equivalents at the end of the year	590,467	462,355
Memorandum Items:		
Components of cash and cash equivalents at end of year		
Cash	194,600	191,427
Cash equivalent balances at central banks	338,016	243,273
Net balances of on-demand deposits in credit institutions	57,851	27,655
Total cash and cash equivalents at end of year	590,467	462,355

* Presented for comparative purposes only.

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

Group companies:

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

Jointly controlled entities:

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

Associates:

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

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

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

Group companies:

(Thousand euro)							
Company	Date of financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Non-controlling interests	
		2015	2014	2015	2014	2015	2014
Agencia de Viajes de la Caja Badajoz, S.A.	-	98	6	(98)	(348)	-	(5)
Anexa Capital, S.A.U.	Dec-15	1,829	3,342	(1,272)	20	-	-
Araprom, S.A.	-	-	(6)	-	-	-	-
Arcai Inmuebles, S.A.	-	-	(854)	-	-	-	-
Asociación Técnica de Cajas de Ahorro, A.I.E. (in liquidation)	Dec-15	-	-	-	-	-	-
Badajoz Siglo XXI	Dec-15	(11,488)	(1,479)	(1,002)	(10,009)	-	-
CAI Inmuebles, S.A.	Dec-15	(203,181)	1,982	(530)	(205,164)	-	-
CAI Mediación de Seguros, S.A.	-	-	1,089	-	3,514	-	-
Caja 3 Gestión, S.A.	-	138	(121)	(138)	1,495	-	-
CAI Viajes, S.A.	-	-	29	-	300	-	-
Caja Badajoz Vida y Pensiones, seguros y Reaseguros, S.A.	-	-	3,350	-	10,698	-	-
Caja Inmaculada Energía e Infraestructuras, S.A.	Dec-15	55	31	(126)	24	-	-
Cajaragón, S.L.	Dec-15	(2)	-	-	(2)	-	-
Cartera de Inversiones Lusitania, S.L.	Dec-15	568	(76)	(745)	644	-	-
Cerro Goya, S.L.	Dec-15	(3,644)	(3,631)	(370)	(11)	-	-
Cerro Murillo, S.A.	Dec-15	(124)	(66,595)	(57,286)	(131)	-	-
Dopar Servicios, S.L.	Dec-15	234	10	(25)	224	98	115
Enclama, S.L.	Dec-15	322	119	124	204	198	152
Espacio Industrial Cronos, S.A.	Dec-15	(10,163)	(2,438)	823	(7,725)	-	-
Gedeco Zona Centro, S.L.	Dec-15	(18,988)	(177)	85	(18,812)	-	-
Gestión de Inmuebles Saldivia (formerly Ibercaja Servicios Inmobiliarios, S.A.)	Dec-15	378	59	705	319	-	-
Golf del Puerto, S.A.	-	-	(842)	-	-	-	-
Grupo Alimentario Naturiber, S.A.	Oct-15	(7,279)	117	(237)	(7,357)	813	285
Ibercaja, S.A.	Dec-15	(22,443)	686	273	(23,237)	-	-
Ibercaja Banco, S.A.	Dec-15	226,960	71,216	46,869	(315,512)	-	-
Ibercaja Gestión, S.A.	Dec-15	45,483	24,441	32,181	45,042	-	-
Ibercaja Gestión de Inmuebles, S.A.	Dec-15	40	8	4	32	-	-
Ibercaja Leasing y Financiación, S.A.	Dec-15	15,219	823	1,527	14,395	-	-
Ibercaja Mediación de Seguros, S.A.	Dec-15	39,390	24,121	20,489	34,606	-	-
Ibercaja Participaciones Empresariales, S.A.	Dec-15	53	14	45	71	-	-
Ibercaja Patrimonios, S.A.	Dec-15	2,074	847	1,148	1,989	-	-
Ibercaja Pensión, S.A.	Dec-15	24,400	10,495	11,253	23,932	-	-
Ibercaja Viajes, S.A.	Dec-15	489	(116)	(9)	220	-	-
Ibercaja Vida, S.A.	Dec-15	352,705	80,422	89,979	258,401	-	-
Iberprofin, S.L.	Dec-15	25	36	56	25	-	-
Inmobiliaria Impulso XXI, S.A.	Dec-15	(27,512)	344	124	(27,855)	-	-

(Thousand euro)

Company	Date of financial statements	Contribution to consolidated results		Contribution to consolidated reserves		Non-controlling interests	
		2015	2014	2015	2014	2015	2014
Inmobinsa Inversiones Inmobiliarias, S.A.	Dec-15	25,513	210	539	24,828	-	-
Interchip, S.A.	-	-	66	-	-	-	-
Inversiones Turísticas y Deportivas, S.L.	-	-	(379)	-	-	-	-
Mantenimiento de Promociones Urbanas, S.A.	Dec-15	222	61	49	222	-	-
Método 21 S.L.	-	-	4,464	-	-	-	-
Nuevas Inversiones Aragonesas 2011, S.L.	-	-	(12)	-	-	-	-
Promociones Inmobiliarias Berben el Puerto, S.L.	-	-	(1)	-	-	-	-
Radio Huesca, S.A.	-	(1)	(352)	1	1,076	-	-
Residencial Murillo, S.A.	Dec-15	(39,037)	(54,350)	(60,687)	15,318	-	-
Servicios a Distancia, IBD S.L.	Dec-15	52	153	189	36	-	-
Telehuesca, S.L.	-	3	(50)	(3)	(208)	-	-
Tintas Arzubialde, S.L.	-	-	(176)	-	-	-	-
Tipo Línea, S.A.	Dec-15	1,253	(341)	(225)	1,594	-	-
Viajes Caja Círculo, S.A.	-	95	187	(95)	(794)	-	(20)
Viviendas Caja Círculo, S.A.	-	-	335	-	-	-	-

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

(Thousand euro)

Company	Date financial statements	Financial information					
		2015			2014		
		Share capital	Reserves & val. adj.	P/(L)	Share capital	Reserves & val. adj.	P/(L)
Nuevas Inversiones Aragonesas 2011, S.L.	-	-	-	-	3	13	(12)
Promociones Inmobiliarias Berben el Puerto, S.L.	-	-	-	-	121	(714)	(1)
Radio Huesca, S.A.	-	-	(1)	1	1,291	1,076	(352)
Residencial Murillo, S.A.	Dec-15	132,012	(39,037)	(60,687)	132,012	15,465	(54,350)
Servicios a Distancia, IBD S.L.	Dec-15	480	52	189	480	36	153
Telehuesca, S.L.	-	-	3	(3)	752	(208)	(50)
Tipo Línea, S.A.	Dec-15	120	1,253	(225)	120	1,596	(341)
Viajes Caja Círculo, S.A.	-	-	95	(95)	720	(794)	187
Viviendas Caja Círculo, S.A.	-	-	-	-	60	62	335

Jointly controlled entities:

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

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

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

Associates:

(Thousand euro)

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

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

** Latest available unaudited data.

*** Entity classified at 31 December 2014 as a non-current asset held for sale (Note 13).

(Thousand euro)

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

APPENDIX III. ANNUAL BANKING REPORT

On 27 June 2014 the Official State Gazette published Law 10/2014 on the organisation, supervision and solvency of credit institutions, which transposed Article 89 of European Parliament and Council Directive 2013/36/EU of 26 June 2013 relating to access to the business of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC (CRD IV) and repealing Directives 2006/48/EC and 2006/49/EC.

In compliance with Article 87 of Transitional Provision 12 of Law 10/2014, credit institutions are required to publish as an appendix to the audited financial statements, specifying by country in which they operate, the following information on a consolidated basis for the last completed financial year:

- a) Name, nature and geographical location of the activity.
- b) Business volume.
- c) Number of equivalent full time employees.
- d) Gross income before taxes.
- e) Corporate income tax.
- f) Grants or public aid received.

Therefore, the above-mentioned information is set out below:

a) Name, nature and geographical location of the activity

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

Ibercaja Banco, S.A. engages in the banking business and is subject to the standards and regulations governing banking institutions operating in Spain.

In addition to the operations carried out directly, the Bank is the parent of a group of dependent entities that engage in various activities and together with it, make up the Ibercaja Banco Group. The Bank is therefore required to draw up the Group's consolidated annual accounts, as well as its own annual accounts.

The consolidated Group carries out practically all its activity in Spain.

b) Business volume

Information on consolidated business volume is as follows, by country. Business volume has been regarded as gross income, as reflected in the Group's consolidated income statement at the end of 2015:

(Thousand euro)	31-12-2015
Spain	1,039,637
Portugal	1,194
	1,040,831

c) Number of equivalent full time employees

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

(Thousand euro)	31-12-2015
Spain	5,927
Portugal	-
	5,927

d) Gross income before taxes

(Thousand euro)	31-12-2015
Spain	114,908
Portugal	3,329
	118,237

e) Corporate income tax

(Thousand euro)	31-12-2015
Spain	34,109
Portugal	49
	34,158

f) Grants or public aid received

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

Other information

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

IBERCAJA BANCO, S.A. AND SUBSIDIARIES

Consolidated Directors' Report for 2015

SECTION I: DIRECTORS' REPORT

1. Ibercaja Group: current situation
 - 1.1. Description and organisational structure
 - 1.2. Corporate Governance
 - 1.3. Business model and Strategic Plan 2015-2017
2. Business evolution and results
 - 2.1. Economic and financial environment
 - 2.2. Most relevant aspects of the year for Ibercaja Group
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4. Capital management
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7. Research, development and technology
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 - 10.1. Dividend policy
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11. Business outlook and projections
12. Subsequent events

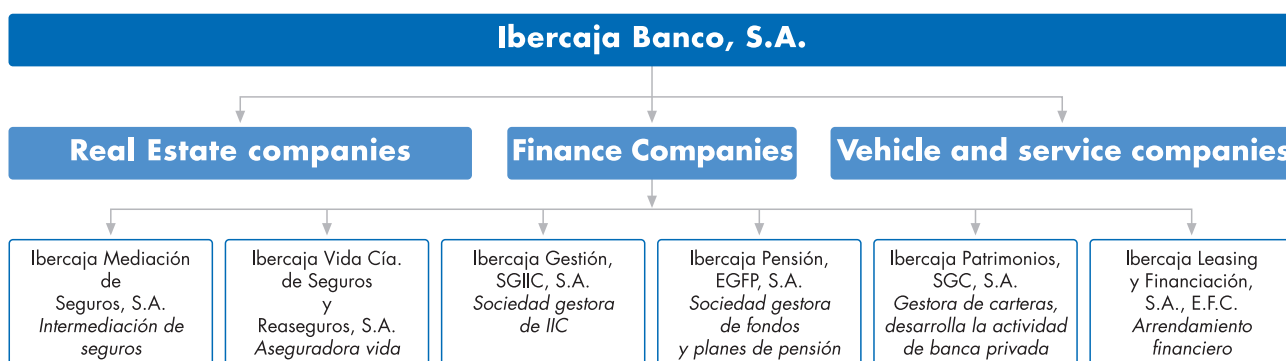
1. IBERCAJA GROUP: CURRENT SITUATION

1.1. Description and organisational structure

Ibercaja Banco Group primarily engages in retail banking and carries out practically all of its business in Spain. Its corporate purpose is the performance of all types of activities, operations, actions, contracts and services relating to the banking business in general and which are allowed by current legislation at any given moment, including the rendering of investment and auxiliary services.

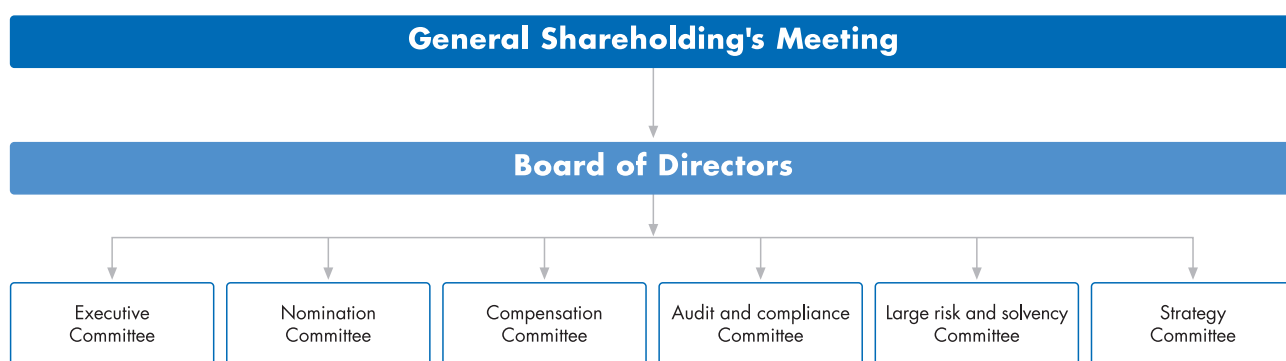
From an organisational standpoint, the Bank is the head of a group of subsidiaries, notably those of the Financial Group, which consists of companies specializing in investment funds, savings and bancassurance, wealth management and operating and finance leases, due to their importance from the standpoint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

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



1.2. Corporate Governance

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



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

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

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

Executive Committee

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

Nominations Committee

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

Compensation Committee

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

Audit and Compliance Committee

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

Large Risk and Solvency Committee

The Committee has the primary duty of advising the Board as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

Strategy Committee

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation. During 2015 this Committee regularly monitored the Strategic Plan approved by the Board of Directors, which is of great importance for the adequate management of the Entity in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

The composition and members of the various governing bodies and of the executive team are indicated in the Corporate Governance Report.

Control tasks

The Group has a procedures-based internal control system for financial and operating risks deriving from its business. The Risk Control Unit verifies compliance with the risk limits approved by the Board of Directors and the Regulatory Compliance Unit supervises observance of the laws and govern the Group's business. Ibercaja also has an Internal Audit Unit that reviews the proper operation of the risk control systems, verifying compliance with established policies, procedures and standards. The Audit and Compliance Committee supervises the effectiveness of internal audit and control as well as the risk management systems.

The Memorandum on Standards of Conduct and Operating Security is addressed to all employees and contains a summary of the standards, actions and policies that must be taken into account. The Audit and Compliance Committee is responsible for approving updates and improvements, as well as receiving information regarding any behaviour that violates the Company's standards, principles.

1.3. Business model and Strategic Plan 2015-2017

The Group has €58,922 million in assets and it is the eighth largest entity by asset volume in the Spanish banking system. It primarily engages in retail banking, focusing on the financing of families and SMEs, savings management and other financial services. At the national level the Group has a 2.6% market share in loans, 3.5% in retail customers and 3.2% in deposits.

The Entity has a relevant position in its traditional area of influence (Aragon, La Rioja, Guadalajara, Burgos and Badajoz) where 64% of its network is concentrated and it obtains 59% of its business volume. It also has a significant presence in other relevant economic areas: Madrid and the Mediterranean coast. Its market share is equal to or higher than 15% in six Spanish provinces. In December 2015 the network was comprised of 1,272 offices and 5,963 employees.

Ibercaja focuses on a universal banking model concentrating on retail businesses and based on service quality and innovation. It attends to a stable base of 2,8 million customers: families, companies and public and private institutions. It has specific channels and differentiated products adapted to the various customer segments. As a supplement to the traditional banking services it offers, Ibercaja offers products from its financial group that specialises in investment funds, pension plans, insurance, finance and operating leases, and private banking services.

The Strategic Plan 2015-2017 was presented in February 2015 with the goal of supporting a profitable, competitive and value-creating business within an increasingly demanding market that is attractive for customers and investors with a view to the planned stock market listing. The selected targets are: maximise solvency and profitability, increase recurring income and reduce costs to obtain a group of diversified sources of profitability improvements, build a business project that is recognised for its good governance, reputation and transparency to instil maximum confidence in customers and society and to gain market share with respect to loans and deposits while growing strategic lines of business.

The low interest rate environment and the tightening of spreads make it necessary to develop a more diversified model over the coming quarters, addressing the rendering of financial services and reducing the dependency on interest rates. In this respect we note the strengthening of investment funds, pension plans, life insurance and wealth management, etc.

The Group's lines of business are:

Personal Banking

Personal banking is a fundamental pillar of the Group's business model. It manages 2.7 million customers that provide 85% of the business volume, including family, personal, and private banking segments.

Families provide stability and provide the highest percentage of resources under management and loan investments. The management of the office network concentrates on the objective of obtaining new customers and consolidated loyalty the existing by developing attractive proposals adapted to the needs of each query based on their family and situation.

Full-service branches co-exist alongside personal offices, private banking centres, specialised advisory offices and other quick-service offices.

One of the main objectives of the Strategic Plan 2015-2017 the driving of segments with the highest potential to generate volume and profits, among which is personal banking. This area attends to customers with a certain level of financial assets to whom Ibercaja offers a management model based on a personal manager that proposes financial planning, investment advice and provides detailed information regarding products and services that best meet the customer's needs. The Financial Group plays a notable role in the design of products.

Ibercaja Patrimonios SGC, S.A. is the portfolio management company that carries out the Group's private banking business. It offers investment proposals to high-net worth customers and provides a specialized, customized and quality service. Customers have the advisory services of a personal manager and access to all types of financial assets. The commercial structure consists of 10 offices.

Business Banking

One of the priority targets of the Strategic Plan is the development of business banking, especially for SMEs. The objective is to attain a better position in this business segment by providing individual responses to companies that are customized for all of their needs.

Business Banking has a specific unit of more than 100 specialized managers that attend to the largest companies with the most complex operations. They are supported by Branch Managers that have a critical mass of SMEs as customers. In order to grow the relationship with companies the opening of the first two Business Centres in Zaragoza and Madrid is imminent.

In 2015 61% of loans and credit facilities granted were for financing non-real estate business activities and for which marketing agreements have been obtained for the lines of financing granted by public institutions. Those signed with the Official Credit Institute and the European Investment Bank are notable due to their importance.

Asset management

The Financial group was created in 1988 and is wholly owned by Ibercaja. It consists of companies specializing in investment funds, savings plans and pensions, bancassurance, asset management and finance and operating leases. A capacity for innovation and specialized offers place it in a notable position among Spanish financial institutions. Its products are intended for both individuals and companies and are marketed through the branch office network, supplementing the Entity's banking services.

Investment fund management

Ibercaja Gestión, SGIC, S.A. is the Group's investment fund management company.

In December 2015, Ibercaja Gestión managed assets totalling €8,641 million, which is 30.52% higher than at the same time last year. This is a record for the Entity, which raises it to the eighth position in the national ranking. A good part of the increase in assets originates from the net contributions of over €2,000 million made during the period, nearly double those recorded in 2014 and which is, in terms of percentage, the highest increase among entities in the sector. The market share of investment funds managed or marketed by the Group totals 4.06%, which is an increase of 26 basis points during the year.

The management company has 65 investment funds that are adapted to any market situation and to any investor. Ibercaja also manages 16 investment trust companies (SICAV).

Pension fund management

Ibercaja Pensión, EGFP, S.A. is the Group company that manages the various types of pension plans.

At the end of 2015, the savings under management totalled €5,930 million, distributed into employment and individual plans. The 1.88% year-on-year growth places the Entity in the fifth position in the industry ranking with a market share of 5.67%.

The assets under management in individual plans totalling €1,978 million grew by 3.14% to a market share of 2.91%. The increase is the result of the commercial action taken out to promote savings supplementing public pensions at the time of retirement.

The assets in employment plans totalling €3,952 million grew by 1.26%. The 11.12% market share in this business segment places the Entity in the third position among Spanish management companies. Among the 20 plans with 70,436 participants are those of notable groups such as the employees of Endesa, the Bank of Spain, Public Employees of Aragon, in addition to important municipalities throughout Spain.

Insurance business

The Group's insurance business is carried out through several companies that operate in life and non-life lines of business.

Ibercaja Vida Compañía de Seguros y Reaseguros S.A.U. focuses its activities on the structuring of investment savings insurance and life insurance for distribution throughout the office network. It has a product catalogue that includes systematic savings insurance, investment savings, lifetime and temporary annuities, individual systematic savings plans, individual long-term savings insurance, insured retirement plans and others.

Underwriting reserves total €6,067 million. Ibercaja Vida is ranked fifth in the industry with a 3.62% market share. The €990 million in premiums collected means that Ibercaja Vida is ranked fifth with a market share of 3.88%.

Ibercaja Mediación de Seguros, S.A.U. is a general insurance brokerage. It markets risk insurance for individuals and companies that is distributed through the office network. The Company's portfolio generates premiums totalling €227 million, which is 2% higher than in December 2014.

Other lines of business

Activities in the capital market area focus on the management of fixed income and equity portfolios in order to diversify the sources of financial margins and supplement the income that originates from the retail business. It also plans issues and the repurchase of securities, and it obtains hedges for structured and other deposits.

The Group has business interests in several sectors: tourism, real estate, media, logistics, services and other. The historically limited investments in investee companies take place in order to support production, preferably by

SMEs, in projects that contribute to create wealth and employment in the Entity's area of influence, as well as to contribute to the diversification of the Group's sources of income.

The Group constantly reviews its shareholdings to carry out an ordered disposal of its stakes in those companies that are not strategic for its business or do not generate adequate profits for the capital they consume, while simultaneously ensuring the continuity of the business in the hands of qualified managers.

2. BUSINESS EVOLUTION AND RESULTS

2.1. Economic and financial environment

The global economy grew by nearly 3.1% at the end of 2015, slightly below the 2014 figure. The good performance of the most developed countries was overshadowed by the deceleration of growth in emerging economies.

Internal demand in the United States drove GDP up by a rate of nearly 2.5%. The good rate is supported by the vigour of household consumption, which has benefited from the strong employment increase by 2.65 million jobs over the course of the year, as well as investments in capital goods and residential housing. Given the favourable outlook, the Federal Reserve has started to normalize its monetary policy and did December raised its benchmark interest rate for the first time since 2004.

Moderate growth of 1.6% was achieved in the Eurozone according to the European Commission. The ECB's policy of quantitative easing, the drastic decline in crude oil prices, the depreciation of the euro and the dilution of risks, such as the threat of Greece exiting the euro, have all contributed to the recovery. The main economies in that area, led by Spain, have seen how economic activities have accelerated. Based on the latest information available, Germany could grow by 1.7% on a year-on-year basis, while France and Italy will achieve slightly lower levels.

The ECB maintained the benchmark interest rate at 0.05%, thereby ratifying its commitment to use all available instruments as long as necessary to support the recovery. At its December meeting it approved a new package of stimulus measures: reduction of the marginal deposit facility rate to -0.3% and an expansion of the liquidity supply system at least until the end of 2017 using fixed-rate and direct award options.

The main European stock markets have shown gains, despite the volatile moments that were experienced starting in the second quarter. The Eurostoxx 50 ended up 3.9% while the CAC 40 and the Dax Xetra advanced by 8.5% and 9.6%, respectively. The Spanish index was an exception in this panorama, with a loss of 7.2%.

The Spanish economy has continued the expansion that started in 2015 with a growth rate that puts it in the lead among the most developed countries. GDP growth was 3.2%, much higher than the 1.4% recorded in 2014, supported by both internal and external factors. Internal demand is leading the recovery. Private consumption grew by more than 3% on a year-on-year basis, favoured by the increase in disposable household income, while a more expansive fiscal policy has driven government expenditures upward. Investments in capital goods consolidate the good tone of 2014 and the residential component of construction is recovering energy given the reduction in the stock of available homes and the adjustment of prices. The export sector has decreased GDP growth by 0.4%. This is due to the spike in imports since exports reached due to the gains in competitiveness and the depreciation of the euro.

The employment figures are encouraging, although the unemployment rate continues to be above 20% of the working population. Social Security membership grew by 3.18% on a year-on-year basis, such that over the past 12 months 533,186 individuals entered the job market and all sectors showed positive figures, even construction.

The annual inflation rate at the end of December is zero. This flat behaviour of prices is mainly due to the energy component since underlying inflation is 0.9%. The difference compared with the Eurozone continues to be positive, protecting the competitiveness of exports.

The public deficit has fallen due to the increase in tax receipts and the savings on debt interest payments. However, the 4.2% adjustment in GDP agreed with the European authorities for the year as a whole will be a difficult objective to meet. The variance will originate from the Autonomous Regions and Social Security more than the national government.

Government debt is very nearly 100% of GDP. The low interest rate environment minimizes the effect of the high volume attained but it could have a significant effect in the hypothetical case of a change in the direction of the ECB's monetary policy.

The Spanish banking sector has benefited from the improving macro-economic conditions and the reinforcement of its solvency after the restructuring and consolidation process that took place over the past few years.

The contraction of credit is moderating and credit granted to families and companies fell by 4.31%, compared to the 7.07% seen in 2014. This was essentially due to growth in new loans to SMEs and consumer loans, although there has been an increase in the granting of mortgage loans.

The environment of abnormally low interest rates and the increase in competition when granting loans has tightened spreads and placed pressure on profitability, while the decline in the cost of financing is touching bottom. Efficiency improvements through the reduction of operating costs as a result of new adjustments to networks and the payroll, as well as taking advantage of economies of scale deriving from the consolidation of the sector, allow the limited capacity to generate recurring income to be partially offset.

Non-performing assets have significantly declined due to lower rates of customers entering into difficulty in the more benign economic climate and the sale of portfolios, which has improved balance sheet quality. As a result, the delinquency ratio in the system declined by 241 basis points during the year to 10.20%.

New steps have been taken from a regulatory perspective towards Banking Union. On 1 January 2015 the Directive on the Resolution of Credit Institutions entered into force and transposed into Spanish Law through Law 11/2015 (June 18) on the recovery and resolution of credit institutions and investment service companies. The amendment of the Corporate Income Tax Act by the General State Budget Act for 2016 affected the solvency of Spanish banks by eliminating the uncertainty that existed with respect to the inclusion of guaranteed tax assets in the calculation of regulatory capital. Finally, at the end of 2015 the European Central Bank reported the definitive results of the Supervisory Review and Evaluation Process (SREP) that determines the individual capital needs of each bank in 2016 to cover the risks deriving from their business. All Spanish banks exceeded the required levels.

2.2. Most relevant aspects of the year for Ibercaja Group

At a time that is marked by historically low interest rates, the year has ended with satisfactory business levels and profits. The most relevant aspects of the year may be summarized as follows:

- Ibercaja has reinforced its solid solvency due to the organic generation of capital through profits, a more efficient risk weighting, a decline in non-performing assets and the issue of €500 million in subordinated debt placed among wholesale investors. The CET1 ratio, which measures the relationship between top-tier capital and risk weighted assets, is 11.95% at the end of year, 82 basis points more than last year. Fully loaded CET1 totals 9.74%.
- Risk indicators have shown positive development. Non-performing balances have accelerated their decline due to the lower levels of new delinquencies and to recovery efforts, to which the sale of a portfolio of non-

performing real estate loans must be added. The default rate of 8.95% fell by more than 1.83% and remains at a wide margin above the average in the Spanish financial system. Real estate risk declined significantly by -20.38%, which was influenced by the situation in the sector, prudent policy applied to this business segment and the sale of portfolios. Ibercaja successfully completed several market transactions, including the placement of a real estate developer loan portfolio, consisting mainly of non-performing items, with wholesale investors and a package of bad loans for which full provision had been made. At the start of 2016, Ibercaja agreed to transfer the real estate servicing subsidiary to a top-tier specialized company.

- The dynamic performance of small business loans is notable within the objective of diversifying the loan portfolio and improving the market share of this key segment for the Group's strategy. Customer funds have increased due to the growth of off-balance sheet items. The increase of assets managed in investment funds easily exceeded that seen in the system, which is a reflection of the good impression that customers have of the Group management company as a point of reference within the Spanish market.
- The Group has a large buffer of liquid assets whose volume exceeds 19% of total assets. The LTD ratio is below 100%, which shows the balance that has been reached between loans and retail deposits.
- Presentation of the Strategic Plan 2015-2017 and the start of the development of the first-year projects and actions. The objective of the "Plan +" consists of implementing a competitive and profitable business model focused on customers and investments in a progressively more demanding market in order to successfully attain a market listing.
- Continuation of the efficiency plans to attain cost savings and the synergies from the merger with Cajatres: adaptation of the payroll, rationalisation of the network, divestment from investee companies, restructuring of the financial and real estate groups.
- The entry into force of the Single Supervisory Mechanism (SSM) has made it necessary to adapt to the ECB's new supervisory mechanisms and processes. The regulator has issued specific recommendations regarding capital requirements and governance. The "Supervisory Review and Evaluation Process" resulted in Ibercaja Banco having a minimum capital ratio of 9.25%, one of the lowest in the Spanish banking system. This shows the Group's prudence when assuming risks and the alignment of its management structures with the best corporate governance practices. The Entity has prepared the "Risk Appetite Framework" (RAF), which is intended to establish a group of principles, procedures, controls and systems that define, report and monitor its risk appetite, which is understood to be the level of risk that Ibercaja Group is willing to assume, and its tolerance. Finally, in November 2015 the Board of Directors approved the Recovery Plan in accordance with the European Banking Association (EBA) guidelines and recommendations and the provisions of Law 11/2015 (18 June), on the recovery and resolution of credit institutions and investment service companies.

2.3. Analysis of the main balance sheet figures

The total consolidated balance sheet assets fell by €3,401 million, or 5.46% in relative terms, to €58,922 million. The decline was mostly seen in the securities portfolio (€1,729 million) and customer loans net of provisions (€1,039 million).

Gross customer loans totalled €34,449 million, which is 4.47% lower than last year. This performance is due to several factors: the deleveraging of families and companies that continues to take place, although more softly than in preceding periods, the reduction of exposure to real estate developers and the decline in non-performing balances. Taking into consideration ex-developer credit in a normal situation, the contraction falls to 1.58%.

The improvement in the economic environment, the increased demand for loans and the Group's strategy of

increasing the flow of financing to SMEs and consumers mean that there has been a notable increase in the number of loans granted. The new loans granted during the year totalling €4,125 million are 51% higher than the amount granted in 2014 and reach the objective set out in the Strategic Plan.

The financing of production activities other than real estate leads the reactivation of credit transactions. After accumulating 61% of the transactions concluded during the year the portfolio balance has slightly retreated. Real estate development loans declined significantly by 27.41% as a result of the evolution of the sector and the management efforts applied by the Entity. Ibercaja has had an active presence in the market and has concluded several large-volume transactions. In November it sold a real estate developer loan portfolio, most of which were classified as non-performing, for a nominal amount of nearly €700 million. Together with the disposal of a portfolio of non-performing and bad loans for which full provision had been made in the amount of €210 million, this transaction has allowed the balance sheet to be optimized due to the elimination of non-performing assets and a reduction of delinquencies.

Non-performing balances have accelerated their decline (-20.68%) due to the lower levels of new delinquencies, to recovery efforts, and the sale of portfolios of non-performing loans. The delinquency rate fell by 183 basis points to 8.95%, and there is a substantial positive gap compared with the Spanish financial system. The provisions for solvencies, including those associated with contingent risks and commitments, total €1,684 million. Coverage of non-performing risks is high at 53.70%.

Non-performing items and coverage:

(Million euro and %)	2015	2014
Non-performing customer loans	3,085	3,889
Gross customer loans	34,449	36,061
Default rate (%)	8.95	10.78
Total non-performing risks	3,137	3,967
Coverage of total risks	1,684	2,283
Coverage rate (%)	53.70	57.56

The gross carrying amount of the Group's property portfolio, foreclosed or acquired in lieu of debts, totals €1,842 million. The coverage associated with real estate assets (including initial write-downs and the provisions recorded subsequent to the foreclosure of the property) is 51.43%.

The result of the property marketing activity has been very positive with sales exceeding 4,000 units, 25% more than in 2014. Sales were distributed uniformly throughout Spain and there were no negative impacts on the income statement given the high level of provisions.

Real estate developer, credit and real estate asset risk deriving from the financing of construction and real estate development fell by €969 million, or 20.38% in relative terms. The coverage for problematic assets (doubtful, subprime and foreclosed) associated with the real estate sector is 52.86%.

The Group manages its securities portfolio prudently, aiming to achieve an adequate financial rate of return in relation to the level of risk assumed. The portfolios exposed to market risk are characterized by their industry, geographic and investment term diversification, high level of liquidity and solid credit quality and no trading activities are carried out which means that market risk is low overall.

The fixed income and equities portfolios total €20,591 million, of which €5,640 million is associated with the Group's insurance business.

Fixed income securities valued at €19,967 million represents 97% of the total, which is a €1,620 million decline as a result of the maturities that took place during the year and the sales that were made. This portfolio consists of low risk bonds and has a high concentration of Spanish government debt with an average term of around 3.4 years. Its purpose is to manage balance sheet interest rate risk, generate recurring yields to reinforce the interest margin and to contribute to maintaining a comfortable liquidity level as the assets are highly liquid. The equities portfolio declined by €109 million to €624 million. It mainly consists of listed shares in domestic and foreign companies, in addition to shares in unlisted companies.

The balance in cash and deposits at credit institutions is €1,339 million. The reduction of €257 million is mainly due to the decline in term deposits. Borrowings from credit institutions and central banks fell by €1,128 million to €6,962 million. ECB financing fell by €2,795 million compared with December 2014 as a result of the LTRO auction due dates, such that these items total €2,053 million. This amount relates in full to the liquidity obtained through the TLTRO program in 2014 and 2015. In turn, deposits from credit institutions increased by €1,667 million due to the increase in asset repos taking place through central clearinghouses.

Tangible assets net of depreciation totals €1,164 million, and 60% relates to assets being used by the Entity. Intangible assets totalling €204 million mainly consist of the goodwill and other items generated on the acquisition of Cajatres, and computer software. Deferred tax assets amount to €1,375 million, of which €648 million can be monetised, i.e. their recovery does not depend on future taxable profits.

Customer funds under management total €62,871 million, which is a €320 million increase (+0.51%) compared to December 2014. The €49,510 million from the retail network increased by 2% year-on-year due to the strong increase in traded products. The decrease in interest rates on term deposits has led depositors to look for alternative investments that offer better yield expectations. The on-balance sheet retail funds totalling €31,264 million declined by 1.90%. Off-balance sheet retail funds managed by the Group total €18,246 million (+9.17%). The excellent trajectory of investment funds is very notable and the assets increased by more than 18% since the beginning of the year. This performance has been much more favourable than that of the system (+12.46%), and reveals the good impression that Customers have of the Group's specialisation in asset management.

Analysis of customer funds:

(Million euro and %)	31-12-2015	31-12-2014*	Change	Change %
On demand savings	17,439	14,636	2,803	19.16
Term deposits	13,808	17,222	(3,414)	(19.82)
Asset repos	17	11	6	55.64
On-balance sheet retail customer funds	31,264	31,868	(605)	(1.90)
Ceding of assets held to maturity	171	232	(61)	(26.26)
Investment funds	9,224	7,808	1,417	18.14
Pension plans	3,388	3,306	82	2.48
Insurance	5,463	5,368	95	1.77
Off-balance sheet retail customer funds	18,246	16,713	1,533	9.17
Total retail customer funds	49,510	48,581	928	1.91
Total funds managed by Group	62,871	62,551	320	0.51

* Information restated based on latest available.

The investment fund market share reached a new record and ended the year at 4.06%, which is a 26 basis point increase. Despite the turbulent markets during the second quarter of 2015, the rate of net contributions was very high. The increase in portfolio management agreements should be mentioned as they easily doubled assets under management. The increase in the volume of pension plans and insurance was more moderate, showing growth of 2.48% and 1.77%, respectively.

Provisions for on-balance sheet liabilities totalling €317 million mainly consist of funds for pensions and similar obligations and personnel expenses yet to be paid. Equity amounts to €2,801 million, while capital and reserves represent €2,616 million and increased by €97 million due to the contribution of profits for the year.

2.4. Income Statement

The net profit of €84 million reflects the good performance of the recurring business. The pressure on margins due to the impact of extremely low interest rates is offset by the improvement in the cost of financing, the rise in small business and consumer loans, the increase in income from asset management and the successful cost savings policy. Simultaneously, the level of allocations decreases and therefore the cost of risk, while remaining high due to the impaired assets that were accumulated during the crisis, is trending downward.

The interest margin totalled €632 million, 9.69% less than in 2014. The adaptation of the liability costs to the evolution of interest rates has partly mitigated the decline in loan income, particularly mortgages indexed to the Euribor, and the lower returns from fixed income securities.

Net fees and differences on exchange grew by 5.56% to €333 million. Those originating from asset management increased by nearly 13%. The changes due to the increase in those received for the management and marketing of investment funds (+24.56%), which showed sustained growth in equity over the course of the year. Other fees declined slightly by 0.77% mainly as a result of those generated on the use of credit and debit cards, due to the limitation on exchange fees established by Royal Decree-Law 8/2014.

Financial transactions gave rise to €86 million in profit, basically arising on the sale of sovereign debt securities. This heading's contribution to the income statement is 79.75% less than last year, when significant capital gains materialized on the sale of fixed income portfolios. the ROF thus only represents 8% of the gross margin, substantially reducing dependence on non-recurring income.

The heading "Other operating profit/loss" includes a net expense of €18 million, €15 million less than in 2014. This heading records the contribution to the Deposit Guarantee Fund (€40 million) and the contribution to the National Resolution Fund (€12 million), which was made for the first time in 2015. The positive change is explained by the lower contribution to the Deposit Guarantee Fund and the absence of extraordinary costs arising on corporate transactions that were carried out in 2014, offsetting the higher expenses originating from real estate assets.

Returns on equity instruments contributed €10 million to the gross margin, 13.13% less than in December 2014 due to the divestment from some of the companies that made up the portfolio. Results from companies carried under the equity method total €2 million. The losses seen one year ago have substantially decreased due to the policy of divesting from those companies that do not contribute adequate profits and to the improvement of the profits contributed by other companies as a result of the more benign economic climate.

The gross margin of €1,041 million is slightly lower than in 2014 (-3.09%), isolating the results from financial transactions. True banking income, interest margins and fees, have a high weight representing more than 90% of the total in the composition of this heading.

Operating expenses declined to €656 million which is a 16.8% contraction and 5.60% if the extraordinary expenses incurred in 2014 and 2015 are excluded. Personnel expenses totalling €404 million declined by

3.75% in comparable terms, while overhead and depreciation/amortization fell by 8.36% and 8.32%, respectively. This reflects the efforts made to rationalize the structure and operating processes during the past few years.

The operating margin increased by 2.63% to €308 million. This item does not take into account the results obtained on financial transactions less recurring operating expenses, in other words it only takes into account typical banking businesses.

The total volume of provisions and write-downs, which includes impairment losses affecting financial and non-financial assets, non-current assets for sale and allocations to provisions, totals €294 million or 32% less than in 2014 as a result of the progressive improvement in credit quality. The Group's cost of risk was 0.73% and significantly improved compared with the end of 2014. This item is measured as the ratio of the write downs of loans and properties to the loan portfolio.

The heading other profit and loss (€28 million) records the results obtained on the sale of property, plant and equipment, primarily property used by the Entity that is no longer needed after the conversion of the network, and the amounts originating from the sale of business interests within the framework of the plan to divest from non-strategic companies.

The capacity to generate recurring income, together with the decline in expenses and the trend towards the normalization of provision levels, have allowed Ibercaja to obtain a pre-tax profit of €118 million. The net profit attributed to the parent company totals €84 million after applying corporate income tax.

3. FINANCING AND LIQUIDITY STRUCTURE

Ibercaja has been traditionally characterized by a conservative liquidity policy based on the clear vocation of financing the growth of credit activities using retail resources, limiting the use of wholesale markets. This policy has the objectives of managing liquidity and diversifying sources of financing in a prudent and balanced manner, anticipate needs to comply with obligations on a timely basis to prevent investing activities from being affected and ensuring the continuity of the business.

The basic principles that govern its strategy are: active management through a regular control system based on limits and internal indicators documented in the Liquidity Manual, establishment of measures and actions in the event of a crisis scenario (contingency plan), taking advantage of the various alternatives offered by the market to diversify investments in both terms and highly-liquid instruments, while maintaining an important asset buffer to provide collateral to the ECB to cover any possible tension.

The measurement of liquidity risk takes into consideration the estimated cash flows from assets and liabilities, and on guarantees or additional instruments available to it to secure such alternative sources of liquidity as may be required. Provisions in the short, medium and long-term outlooks are developed to obtain information regarding financing needs and compliance with limits, which take into consideration the most recent macro-economic trends, due to their influence on the development of the various assets and liabilities in the balance sheet and on contingent liabilities and derivative products. Liquidity risk is controlled through the establishment of limits to exposure within levels that are compatible with the approved policies.

Note 3.4 to the annual accounts provides further details regarding the liquidity risk management strategy and policies, as well as measurement and control procedures.

Retail customer deposits are the primary source of outside financing. More than 80% of the total is classified as stable, in accordance with Bank of Spain regulations, which shows the association and confidence of the Entity's customer base.

The deleveraging of the balance sheet and the stabilization of retail sources of financing have contributed to the decrease in the commercial gap. The loan to deposits ratio was 91.33%, 58 basis points less than in December last year.

The Group has a comfortable liquidity position. The volume of liquid assets that are entirely eligible to be collateral for the ECB totals €11,272 million, or 19.13% of assets, at the end of the year. The capacity to issue mortgage and regional bonds totals €7,127 million, such that available liquid assets amount to €18,398 million.

The LCR, which measures the level of high-quality liquid assets free of encumbrances available to overcome a 30-day liquidity stress scenario is 242.35%, far higher than the requirements established by Basel III. The NSFR, which is required starting in 2018, is 117.42%. This indicator measures the proportion of stable financing at one year to stable liabilities and is intended to ensure an equilibrium in the balance sheet structure, limiting excessive dependence on short-term wholesale financing.

Liquidity indicators:

(Million euro)	2015	2014
Volume of liquid assets	11,272	12,785
Additional capacity to issue mortgage backed and territorial bonds	7,127	6,567
Availability of liquid assets	18,399	19,352
Liquid assets/Total assets	19.13	20.51
Loan/retail financing ratio (LTD)	91.33	91.91

Over collateralization, measured as the qualifying portfolio in excess of active mortgage bonds, is 237.42% which easily exceeds the legal minimum of 125% and the average for all financial institutions.

The Entity has a comfortable repayment profile. The due dates for wholesale market issues are distributed out until 2027. In 2016 and 2017 they total €802 million and €937 million, respectively, and they may be comfortably covered with available liquidity.

The business outlook with respect to liquidity trends and expected fluctuations allows a forecast for progressive replacement of wholesale assets and liabilities by retail investments and resources. In the short and medium term, the Group will have adequate liquidity levels that will be in line with both the internal management and regulatory limits given the low importance of wholesale maturity dates, the stability of retail deposits and the situation of capital markets.

4. CAPITAL MANAGEMENT

The Group's capital management has the objective of ensuring compliance with regulatory requirements at all times and maintaining an adequate ratio between the risk profile and equity. It therefore self-assesses capital on a recurring basis through the application of procedures to identify, measure and group together risks in order to determine the level of capital that is necessary to cover them. In addition to the minimum equity levels that are required, the Entity establishes a capital target that provides an adequate cushion above its actual needs. It prepares projections of capital sources and consumption based on the business concerned and the expected medium-term results.

The expected development of capital and the solvency indexes for Ibercaja Banco show the Entity's capacity to handle stress situations. However, if due to an extremely adverse change in the macro-economic environment, in regulations or the banking business it is necessary to add alternative sources of capital to cover a possible shortfall, in accordance with the European Banking Association (EBA) guidelines and recommendations and the provisions of Law 11/2015 (18 June) on the recovery and resolution of credit institutions and investment service companies, the Group has defined a recovery plan to forecast and guarantee its capacity to react in situations in which its solvency or its capacity to obtain financing are impaired. The objective is to maintain capital and liquidity levels that allow it to cover unexpected losses in severe stress situations. Within the context of the plan, Ibercaja has defined quantitative and qualitative indicators to detect risk scenarios early. The indicators have been integrated into the current control, monitoring and governance structures at the Entity in order to guarantee their effectiveness, monitoring, review and appropriateness with respect to the decision-making process. Early alert and recovery thresholds have been established for each one. The Entity has operating contingency plans that would activate the implementation of ordinary management measures to mitigate the risk that the Bank could enter into a recovery situation.

The solvency legislation known as Basel III entered into force on 1 January as transcribed from European Regulation 575/2013 and Directive 2013.36/EU into Spanish Royal Decree Law 14/2013 and Law 10/2014 (26 June) on the organization, supervision and solvency of credit institutions. The new capital standards increase minimum requirements and restrict computation criteria for some instruments, particularly in the ordinary capital CET1 level, which is of the highest quality.

At the end of 2015 the European Central Bank reported the final results of the Supervisory Review and Evaluation Process (SREP) that determines the individual capital requirements for each bank in 2016 in order to cover the risks deriving from their activities. The evaluation takes into account for basic issues: business model, governance and internal control, capital and liquidity risk. The result for Ibercaja Banco is to maintain an ordinary Tier 1 capital ratio (CET1) phased-in of 9.25% on a consolidated basis, as defined by Regulation 575/2013 of the European Parliament and Council. The ratio is one of the lowest in the Spanish banking system. This shows the Group's prudence when assuming risks and the alignment of its management structures with the best corporate governance practices.

Total computable equity is €3,385 million and represents a solvency ratio of 14.40%, increasing during the year by 263 basis points. The strengthening of capital was mainly due to the good performance of profits obtained during the year and the issue of €500 million in subordinated debt that was placed among wholesale investors. The CET1 phased-in ratio, which measures the relationship between top-tier capital and risk weighted assets, is 11.95%, rising 82 basis points since December 2014. The excess amount over the regulatory minimum of 4.5% is €1,751 million and €634 million above the 9.25% requirement calculated by the ECB.

Applying the standards established for the end of the transition period prior to the full implementation of Basel III, the fully loaded CET1 ratio is 9.74%. The excess amount over the regulatory minimum of 7% is €639 million, including the 2.5% capital conservation buffer.

The Basel III leverage ratio, which is required starting in 2018, is defined as the ratio between tier 1 capital and on and off-balance sheet exposures. At 31 December 2015 this ratio is 5.2% above the required minimum of 3%.

Solvency Evolution and main indicators:

(Million euro and %)	2015	2014
Computable equity	3,385	2,905
CET1 phased in (%)	11.95	11.13
Solvency ratio phased in (%)	14.40	11.78
Leverage ratio phased in (%)	5.16	4.75
CET1 fully loaded	9.74	9.62

5. RISK MANAGEMENT

Overall risk management is essential to preserve the Entity's solvency. Among the strategic priorities is the development of systems, tools and structures that allow it to measure, monitor and control risk exposure levels at all times, ensuring that they are adequate for the resources being managed and respond to the demands of regulators and markets.

The Risk Appetite Framework is the risk management tool whose fundamental objective is to establish a group of principles, procedures, controls and systems through which the Group's risk appetite is defined, reported and monitored. The risk appetite is understood to be the risk level or profile that Ibercaja is willing to assume and maintain in terms of both the type and amount of risk, as well as the Entity's degree of tolerance.

Credit risk is most relevant within the banking activity, although the management of risk includes counterparty, concentration, market, liquidity, interest rate, operating, reputation and insurance and other risks.

Note 3 of Ibercaja Bank Group's notes to the annual accounts for 2015 presents more detailed information regarding the management of various types of risk.

6. HUMAN RESOURCES AND OFFICE NETWORK

Ibercaja Group has 5,963 employees, of which 5,486 work for the parent company. During the year the payroll was reduced by 457 employees. As part of the reconversion process that is affecting the Spanish financial system and means that the personnel structure must be adapted to the current business needs, in April 2015 Ibercaja signed a labour agreement with union representatives under which a maximum of 350 employees could voluntarily take early retirement and redundancy incentives. In the end 300 employees voluntarily entered into this agreement.

The human resource policy has the objective of developing professional and personal capacities, as well as adapting profiles to each job post and there is an employee evaluation system that measures performance and competencies and identifies capacities and areas for improvement.

Another principle forming part of the foundation of the human resources policy is the active promotion of equal opportunities and non-discrimination of gender. The Equality Plan, which has been agreed with employee representatives, faces the challenge of attaining a balanced composition of men and women throughout all professional levels and to adopt measures to reconcile working and personal lives.

The Entity encourages talent development through training programs and internal promotion for the highest number of employees possible. In 2015 660 employees received professional promotions.

Training programs provide incentives for professional development and respond to the needs that arise in a very dynamic environment such as the banking business. Nearly 300,000 hours of classroom and on-line training were given during the year, 11% more than in 2014.

There were 1,272 branch offices at the end of 2015, 84 offices less than last year. The distribution by Autonomous Region is: 451 points of sale in Aragón, 190 in the Province of Madrid, 128 in Extremadura, 109 in La Rioja, 105 in Castilla y León, 95 in Catalonia, 67 in Castilla-La Mancha, 61 in the Province of Valencia, 32 in Andalusia and 34 in other regions.

7. RESEARCH, DEVELOPMENT AND TECHNOLOGY

Ibercaja is implementing new technological and organizational projects or improving existing resources in order to increase the quality of customer service, make operations at offices more agile and respond to regulatory requirements. In 2015 activities were focused on completing the merger with Cajatres, adapting to new banking regulations and the Entity's Strategic Plan and the updating of systems and platforms.

The most relevant actions include:

- The completion of outstanding matters relating to the merger of Cajatres and the migration of administrative and management aspects of the transactions transferred by the SAREB to the new operator
- The map of processes and tasks was updated during the operational transformation of central services, which will have a positive impact on efficiency.
- Review of the credit risk management model, especially with respect to the company segment in order to make credit evaluations of borrowers more agile and to decentralize decisions.
- Preparation of the Security Steering Plan, which is a multiyear project that develops initiatives to improve and adapt information security regulations.
- The technology transformation project that forms part of the Strategic Plan 2015-2017 and which defines the main action to be taken over the next few years in order to improve technological resources and to make the use of the most advanced technology a competitive advantage and an increase in value for our customers.

8. INFORMATION ON THE ENVIRONMENT

The Group is aware of the need to reconcile business development with the preservation and care of the environment. It has defined an environmental policy that constitutes the framework of reference for all environmental action. It is based on compliance with general environmental legislation, the prevention of pollution from its own processes, adequate waste management, making employees aware of the responsible use of natural resources and the communication of the actions taken by customers and suppliers.

The Environmental Management System Certificate issued by AENOR, which certifies that the Central Services building meets the requirements of Standard UNE-EN ISO 14001:2004.

It believes that it substantially complies with environmental legislation and it maintains procedures to ensure and guarantee compliance. During 2015 no significant investments were made and no significant contingencies are deemed to exist with respect to the protection and improvement of the environment.

9. INFORMATION REGARDING TREASURY SHARES

There have been no transactions involving treasury shares in 2015.

10. OTHER INFORMATION

10.1. Dividend policy

The proposal to distribute dividends by charging 2015 profits that the Board of Directors will present for the approval of Shareholders at a General Meeting totals €20 million.

Taking into consideration the current trend towards business and profit normalization after the intense regulatory requirements that were in place of the past few years, over the coming few years the Entity proposes continuing with the policy of compensating its shareholders. Based on its capital position, the Bank does not have any restriction or limitation whatsoever on the distribution of dividends. However, it will distribute its profits in a prudent manner such that it does not affect the objective of maintaining a capital cushion, even in the event that there is an impairment of the economic situation and financial conditions.

10.2. Rating agencies

The evolution of the macro-economic figures and the favourable outlook for the Spanish economy have led the main rating agencies to ratify the rating for the Kingdom of Spain, improving the perspectives of the framework in which financial institutions operate.

In April 2014 the European Parliament approved the Directive regarding the Single Banking Resolution Mechanism that entered into force on 1 January 2015. This legislation gives rise to the decrease in the support that Member States may provide entities in difficulty. The implementation of this Directive generally caused a downward move in the rating of European financial institutions such that the long-term rating is determined by their intrinsic financial strength.

Standard & Poor's and Fitch corroborated the Entity's credit ratings and maintained a positive outlook. By applying a new methodology as a result of the approval of the BRRD Directive mentioned above, Moody's has issued a B1 rating for Ibercaja Banco's term deposits, with a stable outlook.

Rating agency classifications:

	Long-term	Short-term	Outlook
Standard&Poors	BB	B	Positive
Moody's*	B1	NP	Stable
Fitch Ratings	BB+	B	Positive

* Rating for deposits.

10.3. Average payment period to suppliers

The average payment period to suppliers in 2015 was 21 days, well within the legal maximum of 60 days established by Law 15/2010 (5 July) that establishes measures to combat against late payments in commercial transactions.

11. BUSINESS OUTLOOK AND PROJECTIONS

The macro-economic data at the end of the year means that the outlook for the Spanish economy in 2016 is favourable. The growth forecast for GDP is around 2.7% on a year-on-year basis, slightly lower than the 2015 forecast due to the lower influence of certain external factors that haven't had a positive contribution over the past 12 months. Household consumption will continue to be a protagonist, driven by job creation and the improving conditions for accessing credit. Simultaneously, the strengthening of demand will mean that companies will intensify their investments once excess capacity has been eliminated. After eight years of declines, housing construction projects have reversed the trend in some areas and therefore the sector will contribute to growth in 2016. The good outlook could change due to some latent geopolitical risks that cannot be predicted.

The macro-economic situation should have a moderate positive influence on the financial system, particularly with respect to the granting of credit after the growth in the number of transactions that were formally concluded in 2015. However, risk factors continue to exist. This is particularly the case with extremely low interest rates that place pressure on business margins and the intense competition among entities that partly derives from the abundant liquidity originating from the ECB's monetary policy. The rationalisation of costs, together with lower impairment losses will be key to preserving profitability.

Within this framework and as part of the Strategic Plan 2015-2017, Ibercaja accepts the challenge of accelerating the process of continuing to adopt measures and implement projects that improve its business profitability.

- Refine the customer relationship model based on the highest quality standards.
- Increase penetration into the personal, private and business banking segments.
- Continue to obtain cost savings through an efficient functional structure.
- Reduce delinquencies and obtain profits from irregular investments.
- Maintain Ibercaja's cultural identity and corporate reputation by achieving sustainable differentiation over time that contributes value and grows business.

The success of the Strategic Plan is key for Ibercaja to be an attractive entity in the market with respect to the planned stock listing.

12. SUBSEQUENT EVENTS

On 2 February 2016, the Group agreed to transfer 100% of Gestión de Inmuebles Saldivia, S.A. to Global Acamar S.L., an Aktua Group subsidiary, with which a service agreement was concluded so that the buyer will be exclusively responsible for the administration, management and marketing of the real estate assets covered by the agreement. The agreement allows Ibercaja to focus on its traditional financial business while simultaneously driving the sale of real estate assets in the retail channel, taking into account Aktua Group's specialization and experience with property marketing. This transaction will have a positive impact on the income statement in 2016.

SECCIÓN II: CORPORATE GOVERNANCE REPORT

Annual corporate governance report for entities other than savings banks that issue securities traded on official markets

A. Structure of ownership

A.1. Details regarding shareholders or most significant members of the company at the year-end:

Name	% of share capital
Fundación Bancaria Ibercaja	87.80%
Fundación Caja de Ahorros de la Inmaculada de Aragón	4.85%
Fundación Caja Badajoz	3.90%
Cajacírculo Fundación Bancaria	3.45%

A.2. Indicate if there are family, commercial, contractual or corporate relationships between owners of significant shareholdings and, to the extent that the company has knowledge of them, detail them below unless they are scantily relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description
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A.3. Indicate if there are commercial, contractual or corporate relationships between the owners of significant shareholdings and the company, detail them below unless they are scantily relevant or arise from ordinary commercial transactions:

Name of related person or company	Type of relationship	Brief description
Fundación Bancaria Ibercaja	Corporate	Protocol for the management of the financial interest held by Fundación Bancaria Ibercaja in Ibercaja Banco, S.A. in accordance with the provisions of Law 26/2013 (27 December).

A.4. Indicate the legal and bylaw restrictions, if any, on the exercise of voting rights and the legal restrictions on the purchase or sale of ownership interests in the capital stock:

Yes No

Description of the restrictions

B. General meeting or equivalent body

B.1. List the quorum that is necessary to validly call to order a general meeting or equivalent body as established in the Articles of Association. Describe how this is different from the minimum system established by the Spanish Companies Act 2010 or any other applicable legislation.

A general meeting, whether ordinary or extraordinary, will be validly called to order on first call or on second call when the shareholders that are present or represented hold the percentage of voting rights established by law. Notwithstanding the above, a General Meeting will be validly called to order as a universal meeting provided that all share capital is present or represented and those in attendance unanimously agree to hold the meeting and approve the agenda. The validity of calling the meeting to order will be determined with respect to each of the resolutions that must be adopted and any absences that take place once the General Meeting has been validly called to order will not affect the holding of the meeting. In order to validly call the meeting to order, even if held as a universal meeting, the attendance of the Company's administrators is not necessary.

B.2. Explain the system for adopting resolutions. Describe how this is different from the system established by the Spanish Companies Act 2010 or any other applicable legislation.

The system for adopting corporate resolutions is in line with the system established by the Spanish Companies Act. Except in those cases in which the law or the bylaws establish a qualified majority, resolutions will be adopted by the ordinary majority of votes cast shareholders present or represented at the meeting, and a resolution will be understood to be accepted when it obtains more votes in favour than against.

Those attending the general meeting will have one share for each share that they possess or represent.

Once a resolution has been submitted to a vote and the votes have been counted, the Chairman will report the results and declare, if appropriate, the resolution validly adopted.

B.3. Briefly indicate the Resolutions adopted by shareholders at a General Meeting or equivalent body held during the year to which this report refers and the percentage of votes with which each Resolution was adopted.

On 28 January 2015 the Shareholders held an Extraordinary meeting and adopted a resolution to establish the number of the directors at twelve, to appoint Mr. Víctor Iglesias Ruiz as a Director, and to amend Articles 39 and 48 of the bylaws relating to the administration and supervision authority of the Board and the Executive Committee, respectively. The resolutions were adopted unanimously.

At the Universal Extraordinary Shareholders Meeting held on 10 March 2015, an issue of subordinated bonds in Ibercaja Banco was authorized with a nominal amount of up to €500,000,000, which could be increased to €700,000,000, thereby renewing the validity of the resolutions adopted by shareholders on 22 September 2011 and 19 April 2012 authorizing the Board of Directors to issue debentures up to a total amount of €1,000 million. The resolutions were adopted unanimously.

On 13 April 2015 an Ordinary and Extraordinary General Meeting was called through an announcement published on the corporate website (www.ibercaja.es), which all Shareholders attended and unanimously adopted resolutions to: (i) approve the 2014 individual and consolidated annual accounts for Ibercaja Banco, S.A. that were prepared by the Board of Directors at the meeting held on 10 March 2015, (ii) approve the management of the Board of Directors and (iii) the application of the profit for the year.

Shareholders also unanimously approved the Compensation Policy for Directors. The maximum amount of the annual compensation for all directors was established at €2 million in accordance with the provisions of Article

217 of the Spanish Companies Act and the Board of Directors was authorized to distribute the compensation among the various directors taking into consideration the duties and responsibilities attributed to each director. At that same meeting Shareholders unanimously voted in favour of the Annual Compensation Report for the Entity's Directors.

Shareholders also unanimously approved the amendment of Articles 3, 15, 20, 21, 32, 34, 36, 43, 44, 45, 47, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60 and 61 of the bylaws to adapt them to the new provisions of the Spanish Companies Act and to Law 10/2014 on the organization, supervision and solvency of credit institutions, in the terms proposed by the Board of Directors.

On 29 October 2015 a Universal and Extraordinary General Shareholders Meeting was held at which, after receiving a favourable report from the Nominations Committee and at the proposal of the Board of Directors, Mr. José Ignacio Mijangos Linaza was appointed as an outside proprietary director, replacing Mr. Vicente Eduardo Ruiz de Mencia at the request of CajaCirculo Fundación Bancaria.

At that same meeting Shareholders adopted a resolution to reduce the Entity's share capital by €467,454,000 in order to adapt the Entity's equity structure in order to: offset prior-year losses by two hundred fifty three million, twenty six thousand four hundred euro and twenty cents (€253,026,400.20) and create a legal reserve in the amount of two hundred and fourteen million four hundred twenty seven thousand five hundred ninety nine euro and eighty cents (€214,427,599.80), which is 10% of the new share capital level after the reduction. As a result of that resolution shares were renumbered and Article 5 of the bylaws was amended in order to reflect the change in the share capital figure as well as the resulting number of shares. These resolutions were unanimously adopted by shareholders.

B.4. State the address and manner of accessing the entity's website to obtain information regarding corporate governance.

The information regarding corporate governance at Ibercaja Banco is accessible through the website <http://www.ibercaja.es> under the section <http://www.ibercaja.es/informacioncorporativa/>.

B.5. Indicate whether or not meetings have been held with any unions that may exist, holders of securities issued by the entity, the purpose of the meetings held during the year to which this report relates and the main agreements reached.

In 2015 no meeting was held with the various syndicates of the holders of securities issued by Ibercaja Banco or Banco Grupo Cajatres.

C. Management structure of the company

C.1. Board or governing body

C.1.1. State the maximum and minimum numbers of Directors stipulated in the Articles of Association:

Maximum number of Directors/members of the governing body	15
Minimum number of Directors/members of the governing body	5

C.1.2. Complete the following table regarding the members of the Board of Directors or Governing Body, and their status:

Directors/members of the governing body

Name of the Director/Member of the governing body	Representative	Latest date of appointment
Amado Franco Lahoz		22-9-2011
José Luis Aguirre Loaso		22-9-2011
José Ignacio Mijangos Linaza		29-10-2015
Víctor Manuel Iglesias Ruiz		28-1-2015
Jesús Máximo Bueno Arrese		22-9-2011
Gabriela González-Bueno Lillo		24-7-2013
Jesús Solchaga Loitegui		24-7-2013
Juan María Pemán Gavín		24-7-2013
Francisco Manuel García Peña		24-7-2013
Vicente Córdor López		27-1-2014
Jesús Barreiro Sanz		11-11-2014

C.1.3. Name the Board members, if any, who are also directors or executives of other companies in the same group as the entity:

Name of the Director/Member of the governing body	Name of the Group company	Position
Amado Franco Lahoz	Fundación Bancaria Ibercaja	Chairman
Jesús Máximo Bueno Arrese	Fundación Bancaria Ibercaja	Patron
Jesús Solchaga Loitegui	Cerro Murillo, S.A.	Director
Jesús Solchaga Loitegui	Ibercaja Mediación de Seguros, S.A.U.	Director
Jesús Solchaga Loitegui	Residencial Murillo, S.A.	Director
Jesús Barreiro Sanz	Ibercaja Vida Compañía de Seguros y Reaseguros, S.A.U.	Director

C.1.4. Fill-in the following table with information regarding the number of female Directors on the Board Directors and Committees, and the evolution of this figure over the past four years:

	Number of Directors							
	2015		2014		2013		2012	
	N.º	%	N.º	%	N.º	%	N.º	%
Board of Directors	1	9%	1	11%	1	10%	–	–
Executive Committee	1	12.5%	1	14%	–	–	–	–
Audit and Compliance Committee	1	25%	1	33%	1	33%	–	–
Nominations Committee	–	–	–	–	–	–	–	–
Compensation Committee	–	–	–	–	–	–	–	–
Large Risk and Solvency Committee	–	–	–	–	–	–	–	–
Strategy Committee	1	33%	–	–	–	–	–	–

C.1.5. Complete the following table regarding aggregate compensation for Directors or members of the Governing Body that accrued during the year.

(Thousand euro)		
Compensation	Individual	Group
Fixed compensation	865	–
Variable compensation	101	–
Per Diems	299	–
Other compensation	275	–
Total	1,540	–

C.1.6. Identify the members of senior management who are not Executive Directors and indicate the aggregate compensation accrued to them during the year:

Name	Position
Francisco José Serrano Gill de Albornoz	Assistant General Manager
Maria Pilar Segura Bas	Assistant General Manager
Mr. Luis Miguel Carrasco Miguel	Assistant General Manager
Enrique Arrufat Guerra	Assistant General Manager for the CEO
Francisco Javier Palomar Gómez	Deputy Assistant General Manager for the CEO
Luis Fernando Allué Escobar	Deputy Director General
José Palma Serrano	Sub-Director General
Antonio Martínez	Sub-Director
Maria Raquel Martínez Cabañero	Deputy Director
José Ignacio Oto Ribate	Sub-Director
Rodrigo Galán Gallardo	Sub-Director
Angel Carlos Serrano Villavieja	Sub-Director
Maria Teresa Fernández Fortún	Deputy Director
José Luis Lázaro Crespo	Deputy Director General
José Luis Rodrigo Molla	Deputy Director General
José Manuel Merino Aspiazu	Deputy Director General
Joaquín Rodríguez de Almeida Pérez-Surio	Deputy Director General
José Morales Paules	Deputy Director
José Javier Pomar Martín	Deputy Director
Javier Arto Fillola	Deputy Director
(Thousand euro)	
Total senior management compensation	
3.258	

C.1.7. Indicate whether the bylaws or the Board Regulations establish any limit on the term of office for Directors or members of the Governing Body:

Yes No

Maximum term (years)
5

C.1.8. Indicate whether the individual and consolidated annual accounts presented to the Board or Governing Body for approval are previously certified:

Yes No

If appropriate, name the person(s) who certify the Entity's individual or consolidated annual accounts before they are approved by the Board or Governing Body:

Name	Position
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C.1.9. Explain the mechanisms, if any, established by the Board or Governing Body to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting or equivalent body.

The Audit and Compliance Committee authorities granted by the Articles of Association are intended to serve as a conduit for communication between the Board of Directors and the auditors, evaluating the results of each audit and the responses of the management team to the auditors' recommendations, and mediating in cases of disagreements between the auditors and the management team regarding the principles and criteria applicable in the preparation of the financial statements. In addition, the Audit and Compliance Committee is also responsible for receiving information regarding the audit plan from the external auditor as well as the results of its execution and verifying that senior management takes into account the recommendations made, ensuring that the opinion on the annual accounts and the main content of the audit report are worded clearly and precisely.

C.1.10. Is the Secretary to the Board of Directors or Governing Body a Director?

Yes No

C.1.11. Describe any mechanisms established by the Company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Among the duties assigned to the Audit and Compliance Committee, Article 19 of the Board Regulations includes the duty of ensuring the independence of the external audit, establishing the appropriate relationships with the auditor to receive information regarding those issues that may put the auditor's independence at risk.

In any event, the Audit and Compliance Committee must receive a written statement of independence from the auditor with respect to the Company or any directly or indirectly related companies, as well as information regarding additional services of any nature rendered to these companies by the auditor, or by persons or companies associated with the auditor in accordance with the provisions of Law on Audits.

The Committee will issue, prior to the issue of the audit report, an annual report expressing its opinion as to the auditor's independence. In any event, this report must contain an evaluation of the rendering of the additional services referred to in the preceding section, taken individually or as a whole, other than the legal audit and with respect to the independence system or audit regulations.

It must also ensure that the company and the auditor respect rules in force regarding the rendering of services other than audit services, business concentration limits affecting the auditor and, in general, all of the rules established to ensure the independence of auditors and examine the circumstances of any resignation of an external auditor

C.2. Board of Directors or Governing Body Committees.

C.2.1. List the Board of Directors or Governing Body Committees.

Name of the Committee	No. of members
Executive Committee	7
Audit and Compliance Committee	4
Nominations Committee	4
Compensation Committee	4
Large Risk and Solvency Committee	3
Strategy Committee	3

C.2.2. List all of the Board or governing body committees, their members and the proportion of executive, proprietary, independent and other outside directors holding positions (the entities that are not legal capital companies will not complete the category of director ion the relevant box and will provide an explanation of the category of each director in the text box in accordance with their legal form and the manner in which they comply with the conditions relating to the composition of the audit, nominations and compensation committees)

Executive or delegate committee

Name	Position	Category
Mr. Amado Franco Lahoz	Chairman	Proprietary
Mr. José Luis Aguirre Loaso	Director	Proprietary
Mr. Víctor Iglesias Ruiz.	Director	Executive
Mr. Jesús Bueno Arrese	Director	Proprietary
Ms. Gabriela González-Bueno Lillo	Director	Independent
Francisco Manuel García Peña	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	Proprietary
% of Executive Directors	14.29%	
% of Proprietary Directors	71.43%	
% of Independent Directors	14.29%	
% of Other External Directors	–	
Number of meetings	24	

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The permanent delegation of authority by the Board of Directors to the Executive Committee consists of all the Board's authorities, except for those that cannot be delegated. Its resolutions are valid and binding without the full board having to subsequently ratify the decision. In those cases, in which, in the opinion of the Chairman or three members of the committee, the importance of the matter so merits, the resolutions adopted by the committee will be ratified by the full Board.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the course of its regular ordinary meetings the Executive Committee has received reports from the Chairman and CEO regarding, among other things, the main macro-economic figures and the evolution of information regarding the Entity: balance sheet and income statement, evolution of the Company's securities portfolio, customer funds and customer loans, market share, liquidity management, non-performing and coverage rates, business volumes and the results obtained by the Group's subsidiaries. It has also issued its opinions regarding the financing operations that have been submitted for its consideration when its authorization or ratification is required due to the amount concerned or the status of the applicants. It has ratified the transactions approved, denied or ratified by the Credit Risk Committee, it has adopted several resolutions to divest from investee companies and received disciplinary case files in the terms established by employment legislation and in the collective agreement.

Audit and compliance committee

Name	Position	Category
Ms. Gabriela González-Bueno Lillo	Chairman	Independent
Mr. Jesús Máximo Bueno Arrese	Director	Proprietary
Mr. Vicente Condor López	Director	Independent
Mr. Juan María Pemán Gavin	Director	Proprietary
<hr/>		
% of Executive Directors	–	
% of Proprietary Directors	50%	
% of Independent Directors	50%	
% of Other External Directors	–	
Number of meetings	12	

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Committee's duties are expressly stipulated in the Board of Directors Regulations. In particular:

- Inform the Shareholders' Meeting about issues raised by shareholders regarding matters within its sphere of competence.
- Supervise the effectiveness of the Entity's internal control and risk management systems, including taxes.
- To supervise the process of preparing and presenting regulated financial information.

- Propose the designation or re-election of the auditor.
- Establish appropriate relationships with the external auditor to receive information regarding matters relating to the auditor's independence.
- Receive annual written confirmation from the auditor regarding its independence respect to the Entity or the group, issue of the relevant report.

The committee chairman must be an independent Director and replaced every four years and may be re-elected again after one year elapses after leaving the position. The Secretary to the committee will be the Secretary to the Board of Directors.

The Executive Committee will be validly called to order with the attendance, present or represented, of at least one-half plus one of its members and will adopt resolutions with a majority vote of the Directors forming part of the committee, present or represented, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee may require the attendance of the Company's auditor. One of its meetings will be necessarily dedicated to evaluate the efficiency and compliance with the rules and procedures for the governance of the Company and prepare information that the Board must approve and include in the annual financial reporting documentation.

The Committee was informed during the year of all requests and notifications received from supervisory bodies within the scope of its competencies. It has received information regarding and reported on the transactions to be carried out with related parties and it has received regular reports regarding compliance with regulations and on internal audits, as well as the reports issued by the external auditor. It has received and supervised the process of preparing and presenting regulated financial information. It has reviewed the Entity's annual accounts and the financial information to be provided on a regular basis to the markets by the Board and supervisory bodies.

Identify the director pertaining to the audit committee that has been designated based on his/her knowledge and experience with accounting, audit or both, and report the number of years that the Chairman of this committee has been in that position.

Name of the director with experience	Ms. Gabriela González-Bueno Lillo
Number of years the chairman has been in that position	1 year

Nominations committee

Name	Position	Category
Mr Jesús Solchaga Loitegui	Chairman	Independent
Mr. Vicente Condor López	Director	Independent
Mr. Jose Ignacio Mijangos Linaza	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	Proprietary
% of Executive Directors	–	
% of Proprietary Directors	50%	
% of Independent Directors	50%	
% of Other External Directors	–	
Number of meetings	6	

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Nominations Committee is responsible for proposing nominations to the Board of Directors. In particular, it is responsible for:

- Evaluating the suitability of directors.
- Establishing a representation target for the gender less represented on the board.
- Make proposals for the nomination, re-election or removal of independent directors for Shareholders at a general meeting.
- Report proposed nominations and removal of senior executives and employees with key duties and the basic conditions of their contracts.
- Examine and organize the succession of the Chairman and the CEO.

The Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors. The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter.

A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During the year the Committee reported the proposal to nominate the CEO, the nomination of directors as well as employees with key duties at the Entity (members of the Management Committee and the person responsible for regulatory compliance).

Compensation committee

Name	Position	Category
Mr. Jesús Solchaga Loitegui	Chairman	Independent
Mr. Vicente Condor López	Director	Independent
Mr. Jose Ignacio Mijangos Linaza	Director	Proprietary
Mr. Jesús Barreiro Sanz	Secretary	Proprietary
% of Executive Directors	–	
% of Proprietary Directors	50%	
% of Independent Directors	50%	
% of Other External Directors	–	
Number of meetings	6	

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

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

The Compensation Committee will have a minimum of three and a maximum of five non-executive members, at least two of which must be independent Directors.

The meetings will be validly called to order with one-half plus one of the Directors that form part of the Committee present or represented. A minutes book will indicate the resolutions that have been adopted through a majority vote of the members of the committee and be made available to all members of Board of Directors.

During the year, the Compensation Committee informed, advised and presented to the Board of Directors proposals regarding compensation for directors, senior executives, as well as for the persons whose professional activity has a significant impact on the Entity's risk profile.

Large risk and solvency committee

Name	Position	Category
Mr. Vicente Condor López	Chairman	Independent
Mr. Jesús Máximo Bueno Arrese	Director	Proprietary
Mr. José Luis Aguirre Loaso	Director	Proprietary
% of Executive Directors	–	
% of Proprietary Directors	66.66%	
% of Independent Directors	33.33%	
% of Other External Directors	–	
Number of meetings	5	

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Committee has the primary duty of advising the Board of Directors as to the overall current and future risk appetite of the Entity and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

It will consist of a minimum of three and a maximum of five Directors, who will not perform executive duties at the Entity and which possess the appropriate knowledge, capacity and experience to understand and control the risk strategy and the Entity's appetite for risk. At least one third of the members will be independent and the Chairman will be independent in any case. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chairman will have a casting vote.

During the year Committee informed the Board of Directors of the Entity's Risk Appetite Framework, the quarterly monitoring reports as well as the annual capital and liquidity self-assessment report for 2014. The Committee informed the Board of proposals to amend the Risk Management Procedures and Policies Manuals.

Strategy committee

Name	Position	Category
Mr. José Luis Aguirre Loaso	Chairman	Proprietary
Ms. Gabriela González-Bueno Lillo	Director	Independent
Francisco Manuel García Peña	Director	Proprietary
% of Executive Directors	–	
% of Proprietary Directors	66.66%	
% of Independent Directors	33.33%	
% of Other External Directors	–	
Number of meetings	4	

Explain the duties attributed to this Committee, describe the procedures and rules for organizing and operating the Committee and summarize the most important action that it took during the year.

The Strategy Committee has the core function of informing the Board of Directors of the Company's strategic policy, ensuring that there is precise organization for its implementation.

The Committee will have a minimum of 3 and a maximum of 5 members that will be designated based on their knowledge, aptitudes and experience of the Directors with respect to the Committee's duties. The Board of Directors will designate the chairman, and the Secretary will be the Secretary to the Board.

The Committee will meet as many times as called by the Committee or its Chairman and at least once per quarter. The Committee will adopt its resolutions by a majority vote of the directors that form part of the committee and are present or represented at the meeting, and the Chairman will have a casting vote. A minutes book will indicate the resolutions that have been adopted and be made available to all members of Board of Directors.

During 2015 this Committee regularly monitored the Strategic Plan approved by the Board of Directors, which is of great importance for the adequate management of the Entity in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

D. Related party operations and intra-group operations

D.1. Provide details of the transactions carried out between the Company or its group companies, and shareholders, cooperative members, proprietary rights holders or those of any other equivalent nature at the Company.

Service agreement concluded with Fundación Bancaria Ibercaja in the amount of €664,754.

D.2. List any significant transactions between the Company and/or Companies in its group, directors or members of the governing body and company executives:

Transfer to Fundación Bancaria Ibercaja of the Ibercaja Zentrum building owned by Ibercaja Banco, located at Calle Sanclemente 26 in Zaragoza, for €13 million.

All transactions to be concluded with the shareholder foundations are previously reported by the Audit and Compliance Committee and submitted for the approval Board of directors.

D.3. Provide details of intra-group transactions.

During the year no significant intra-group transactions were carried out.

D.4. Explain the mechanisms established to detect and resolve possible conflicts of interest between the Entity or its Group and its Directors, or members of the Governing Body, or executives.

The Directors have the obligation adopt the measures that are necessary to avoid situations in which there may be a conflict of interest with the business and their duties to the Entity, as is stipulated by Article 33 Board of Directors Regulations.

Directors must inform the Board of Directors of any direct or indirect conflict situation that they, or persons related to them, may have with respect to the interests of the Company or its group companies, as well as all positions that they hold and the duties that they perform at other companies or entities and, in general, any event or

situation that may be relevant to their duties as a Company Director. Directors must abstain from participating in the deliberation and voting of resolutions or decisions in which the Director or a related person (as defined by Article 36 of the Regulations), has a direct or indirect conflict of interest.

Conflict of interest situations involving Directors must be reported in the annual accounts.

The Entity has internal procedures to avoid the granting of loans, guarantees or other surety without the prior authorization of the competent governing bodies.

E. Control and risk management systems

E.1. Explain the scope of the Risk Management System.

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

Ibercaja Group has risk management policy and procedures manuals that are reviewed and approved by the Board of Directors on an annual basis.

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

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

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

The Risk Management System operates in an integral and continuous manner, consolidating that management by business area, geographic zone or subsidiary at the corporate level.

E.2. Identify the governing bodies at the entity that are responsible for preparing and executing the Risk Management System.

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

- The Board of Directors is responsible for establishing and supervising the risk reporting and control systems, approving the Risk Appetite Framework as well as for the policies, manuals and procedures relating to risk management.

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

The following Executive Committees have been created with the involvement of the Entity's senior management.

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

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

E.3. Indicate the primary risks that could affect the attainment of business objectives.

The material financial and non-financial risks affecting Ibercaja Group that are taken into account in the Risk Appetite Framework are as follows:

- Business and profitability risk: Possibility of incurring losses as a result of not generating sufficient profitable business volume to cover the costs incurred. A variant of business risk is strategic risk, which is defined as the likelihood of incurring losses as a result of the selection of a strategy that is finally determined to be inadequate to remain and compete in the market.
- Credit risk: Possibility of losses being generated due to borrowers defaulting on their payment and losses in value due to the impairment of borrowers' credit ratings.
- Concentration risk Possibility of incurring losses as a result of a position or group of positions that are sufficiently important with respect to capital, total assets or the general risk level, and could endanger the solidity of the institution.
- Operational risk: Risk of loss resulting from a failure to adequately design or implement processes, personnel and internal systems, or it may derive from external events.
- Interest rate risk: This is defined as the possibility that the financial margin or the Entity's equity will be affected by adverse changes in market interest rates to which asset, liability or off-book transaction positions are referenced.
- Market Risk: This is defined as the possibility of incurring losses due to maintaining market positions as a result of adverse movements in financial variables or risk factors (interest rates, exchange rates, share prices, etc.) that determine the value of those positions.

- Liquidity risk: Possibility of incurring losses due to not having access to sufficient liquid funds to meet payment obligations.
- Reputational and compliance risk: This is defined as the risk of legal or regulatory penalties, significant financial loss, or loss of reputation, suffered by an Entity due to the breach of laws, regulations, rules, standards for the self-regulation of the organization, and codes of conduct applicable in its financial activities; this risk is inherent to such activities, given that they are highly regulated and subject to on-going supervision by the authorities.
- Risk associated with the perception of the various stakeholders.

E.4. State whether the entity has a risk tolerance level.

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

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

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

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

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

The RAF takes an overall view of the Consolidated Group and takes into consideration all risks that affect the performance of the Group's business and attaining its business objectives described in section E.3.

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

E.5. State the risks that have materialized during the year.

The risks that affect the Group are inherent to the financial activity carried out by the Entity, and are described in section capital E.3. Established control systems have functioned adequately throughout the year.

E.6. Explained the response and supervision plans for the entity's primary risks.

The thresholds that allow the risk profile to be placed into the following categories have been defined for each of the metrics taken into consideration in the Risk Appetite Framework:

- Compliance: the risk level that the Entity is willing to assume to in accordance with its strategic and business objectives. This is a normal risk situation at the target risk level
- Alert: this is an intermediate level of monitoring the risk appetite with the objective of detecting whether or not the risk profile is significantly deviating from tolerance levels and, therefore, requires additional monitoring.
- Non-compliance: limit at which a non-compliance situation commences that activates specific action plans for measures.

The Overall Risk Committee is the management and control body that is responsible for establishing an action plan to attain the target risk level and must report on the monitoring of the situation at least on a quarterly basis to the Large Risk and Solvency Committee (or more frequently if considered necessary).

The action plans to be implemented will consist of one of the following:

- Proposal of measures to reduce the risk to compliance levels.
- Evaluation of the adequacy of the limits or thresholds as a result of unexpected events or changes in the strategic targets or the Entity's business.
- Temporary approval of exceeded limits.

F. Internal control and risk management systems relating to the process of issuing financial information (icsfr)

Describe the mechanisms that make up the control and risk management systems with respect to the financial reporting information control system (ICSFR) at the entity.

F.1. Control environment at the Entity

State whether at least the following exists and, if so, describe the main characteristics:

F.1.1. Which bodies and/or areas are responsible for: (i) the existence and maintenance of an adequate and effective ICSFR; (ii) its implementation; and (iii) its supervision.

The Entity's Board of Directors and Senior Management are conscious of the importance of guaranteeing the reliability of financial information reported to the market for investors and therefore these bodies are fully involved in the development of the ICSFR.

The Board of Directors assumes the responsibility of establishing and supervising the risk control and reporting systems, as is formally stated in its Regulations and this responsibility covers the ICSFR.

One of the authorities falling to the Board that cannot be delegated in accordance with the Board Regulations is "to be informed of and supervise the procedures that guarantee the quality and integrity of financial information, prepare the individual and consolidated annual accounts, approved the Annual Banking Record and Capital Self-Assessment Report, be informed of the content of the report that is of prudent relevance and approve and agree to the sending of the half-yearly financial report.

The Company has a Financial Information Disclosure Policy that has been approved by the Board of Directors and establishes the actions and procedures that encourage the highest level of transparency with the ultimate objective of ensuring that the disclosed financial information is clear, relevant, reliable and comparable, as defined by Rule Seven of Bank of Spain Circular 4/2004, as well as within the conceptual framework of IFRS.

Senior Management has assumed the responsibility of designing and implementing the ICSFR through the Management Control Department, since it centralizes the large majority of the activities intended to attain an adequately functioning ICSFR.

Finally, the Audit and Compliance Committee, in accordance with the Board Regulations, has been delegated the following basic responsibilities relating to the internal control and reporting systems:

- With respect to the reporting and internal control systems, " verify the adequacy and integrity of the internal control systems, supervise the effectiveness of the internal control and risk management systems, including tax systems, regularly reviewing those systems so that the main risks are identified, managed and reported adequately and discuss any significant weaknesses in the internal control system detected during the audit with the auditor.

- • With respect to the financial information, “be informed of and supervise the process of preparing and presenting the Company's regulated financial information and, if appropriate, that relating to the Group, as well as its integrity by reviewing compliance with legislation, the adequate definition of the scope of consolidation and the proper application of accounting policies. In addition, the review of the company's accounts, supervise compliance with legal requirements and the proper application of accounting principles generally accepted in Spain and receive proposals from management to change accounting principles and policies, review the regular financial information that the Board must provide to the markets and supervisory bodies and, in particular, the information not covered by the audit of the annual accounts that is of prudent relevance. Be informed of and supervise the preparation of the regulated financial information that the Company must regularly make public and ensure that the interim accounts are prepared using the same accounting policies as the annual accounts and, in that respect, consider the appropriateness of a limited review by an external auditor”.

F.1.2. Do the following elements exist, especially with respect to the process of preparing financial information:

- **Which Departments and/or mechanisms are responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for making them known to company employees, especially with regard to the process of preparing financial information.**

In accordance with the provisions of the Board regulations the Nominations Committee assists the Board with nominations, elections and the removal of directors and senior executives.

The Organizational Development Department at Ibercaja is responsible for ensuring an efficient organizational structure at the company, the finding the most productive distribution of tasks and resources, as is stated in its mission statement and it contributes, by defining duties, resources and responsibilities, to the adequate operation of the internal control system with respect to the preparation of financial information.

The Human Resources Department is responsible for establishing the competencies of each position within the framework of the duties assigned to each unit, as well as determining the functional and hierarchical dependencies that are coherently appropriate in coordination with the department involved.

The current executive structure and the definition of the primary duties has been approved by the Board of Directors of Ibercaja at the proposal of the CEO. Intern, each Department, together with the Organizational Development Apartment, has defined the structure of its area into Units or Departments, specifying the associated duties, which have been ratified by the CEO.

This structure is available to all employees in the Regulations published on the Entity's intranet and it is revised should there be any organizational change made.

As regards the process of preparing financial information, this is the responsibility of the Control Department, which includes the General Accounting, Management Control, Management Information, Overall Risk Control, Innovation, Management Information System Control and Quality, Internal Control and Validation units. The Management Control Department and, in particular, the General Accounting Unit, is responsible for the General accounting process at Ibercaja and for the Group's consolidation for accounting purposes as subsidiary accounting is decentralized and they are responsible for the management and preparation of their individual accounts in accordance with the guidelines issued by the parent company.

The persons responsible for the Management Control Department are those that define the lines of responsibility and authority and assign tasks and duties for each job post, applying criteria of efficiency and effectiveness and ensuring that there is an adequate segregation of tasks in this process, as well as guaranteeing continuity of those tasks and duties.

- **Code of conduct, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing noncompliance and proposing corrective/disciplinary actions.**

The Professional Ethics and Conduct Standards are set out in the regulations and are regularly distributed for the general knowledge of employees through various channels. Ibercaja Banco employees must follow these rules as part of a daily working attitude, not just as imposed obligations, and they form part of the Entity's culture, values and manner of operating.

The objective is to provide information regarding professional integrity and ethics, the handling of information, personal data protection, securities market regulations, money-laundering prevention and other areas that are applicable to the Financial Institution and for which Ibercaja provides the necessary information and training through various channels.

The monthly bulletin "RRHH Informa" reports modifications to the Professional Ethics and Conduct Rules.

The Entity has a Memorandum of Rules of Conduct and Operating Security that summarizes standards, actions and criteria that must be taken into account by all employees. In particular, emphasis is placed on the importance of the proper entry of information into automated systems that affects the reliability and the guarantees for the processes carried out subsequently, particularly with respect to risk operations. This document is available on the Entity's Intranet.

The Group's Internal Audit Statutes include the ethics rules that are applicable to the Internal Audit area and they are known and accepted by all Internal Audit personnel.

- **A reporting system which allows employees to report financial and/or accounting irregularities, breaches of the Code of Conduct and irregular activities within the organisation to the Audit Committee.**

All Ibercaja Banco employees may use the intranet to access a "Criminal Risk Prevention Reporting Channel" to send an e-mail to the Regulatory Compliance Unit of any possible risks or failures to comply with criminal legislation, including financial and accounting matters, that may arise within the organisation during the course of their activities.

The Regulatory Compliance Unit maintains a database of all reports received and processes them in accordance with the provisions of the criminal risk management and prevention model, and guarantees the confidentiality of the reporting party all times.

The Regulatory Compliance Unit regularly issues reports to the Audit and Compliance Committee that include information regarding any reports received and the results of the subsequent process. The Board of Directors is informed of the actions taken in this area at least once per year.

- **Training and regular refresher programmes for personnel involved with the preparation and review of financial information, as well as the evaluation of the FRICS, covering at least the accounting, audit, internal control and risk management rules.**

The Entity has an annual training plan which is designed in accordance with the professional category and the department/unit to which the employee pertains. consolidated annual accounts", "Preventing Money-Laundering" "Analysis and Evaluation of Credit Institutions", etc.

Ibercaja has mechanisms that allow it to ensure that the personnel directly involved with the preparation of financial information, as well as its supervision, have the capacity and professional competency that is necessary to carry out their duties. In this connection, employees are constantly informed of current legislative requirements and have sufficient capacity to efficiently perform their tasks and duties.

The persons responsible for each Unit and Department identify training needs and manage the necessary training action in cooperation with the Human and Material Resources Department, and keep records of the training.

The technical updates are received by the General Accounting Unit within the Bank of Spain Financial Reporting Department and they are also received through other channels such as CECA. It also receives alerts from different professional service firms with technical updates.

The Company has the e-learning platform Ibercampus, which is a virtual space that offers diverse courses for all employees. In 2015 Ibercampus implemented the training itineraries defined for each profile and this has allowed more than 98% of employees to acquire knowledge in fundamental areas for their jobs: skills, products and services, financial legislation, banking business, financial platform, etc.

The training regarding accounting, audit, internal control and risk management that has been provided throughout 2013 was particularly focused on internal training sessions at the Department level that covered legislative novelties regarding accounting and audit and the impact that those changes have on the normal performance of their duties.

External training is fundamentally for new employees that attend accounting courses provided by the Spanish Confederation of Savings Banks (CECA) and to cover specific training needs that may be identified, and they materialize in seminars or meetings with consultants or regulators.

F.2. Evaluation of financial information risks

Describe at least:

F.2.1. The main characteristics of the risk identification process, including error or fraud:

- **Whether the process exists and is documented.**

Ibercaja has developed and applied a procedure to identify the material areas or headings in the financial statements and critical management processes involving the potential impact of error and fraud risks that could significantly affect the Group's financial information.

This procedure is set out in the Policies for identifying processes and relevant areas and the associated risks, and the execution responsibility falls to the Management Control Unit while supervision is the responsibility of the Audit and Compliance Committee.

- **Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, disclosure and comparability; rights and obligations), whether it is regularly updated and how frequently.**

The procedure has been designed taking into account all of the financial information objectives set out in the document "Internal control over financial reporting in listed companies" issued by the Spanish Stock Market Commission (existence, integrity, measurement, presentation and disclosures and rights and obligations).

This procedure is expected to be applied at least once per year using the most recent financial information. Furthermore, this risk evaluation will be carried out when circumstances arise that have not been previously identified that reveal possible errors in the financial information or when there are substantial changes in operations that could give rise to the identification of new risks.

- **The existence of a process for identifying the scope of consolidation, bearing in mind the existence of complex business structures, instrumental entities or special purpose vehicles, among others.**

In this connection, and with respect to the sources of information used to apply the procedure, any changes in the Group's structure such as modifications to the scope of consolidation or to the lines of business, or other relevant events are taken into account, among other things. Ibercaja therefore has a specific procedure for reviewing the scope of consolidation that is applied by the General Accounting Unit.

The possible risks relating to the proper identification of the scope of consolidation are documented in the Accounting Close Procedure and the Preparation of the Consolidated Financial Statements, which is one of the three transversal processes at the Bank.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.**

The criteria to be followed for all types of risks to be identified and that are included in the design of the procedure are both quantitative (balance and granularity) and qualitative (degree of process automation, standardisation of operations, level of accounting complexity, changes with respect to the preceding year, identified control weaknesses, etc.). In addition to considering the identification of error and fraud risks involving published financial information, it also takes into account the effect of other types of risks such as operating, technology, financial, legal, reputational or environmental risks.

This evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) measurement; (iv) presentation; (v) and rights and obligations; and it effectively takes into consideration other types of risks (operating, technological, financial, legal, reputational, environmental, etc.).

- **Which governing body supervises the process.**

The Board of Directors Regulations stipulate that one of the Board's duties is to define and review the structure of the group of companies of which the Bank is the parent at least once per year and after having received a report from the Strategy Committee.

The Audit and Compliance Committee must review the adequate demarcation of the scope of consolidation and is responsible for informing the Board of Directors, as is stipulated in the Board Regulations, regarding the creation or acquisition of shareholdings in special-purpose vehicles or companies domiciled in countries or territories that are classified as tax havens, as well as any other similar transaction or operation which, due to its complexity, could harm the transparency of Ibercaja Bank Group.

Through this procedure in 2015 Ibercaja has updated the process to identify the transactions, areas and processes that are relevant with respect to the generation of the Group's financial information in order to identify error risks that affect those areas.

F.3. Control activities.

Report, indicating the main characteristics, if there is at least:

- F.3.1. Procedures for reviewing and authorising the financial information and the description of the FRICS to be published in securities markets, indicating the persons responsible, as well as the documentation describing the flow of activities and controls (including those relating to the risk of fraud) for the various types of transactions that may materially affect the financial statements, including the accounting closing procedure and the specific review of relevant judgements, estimates, valuations and projections.**

As was shown in section F.1.1. above, the Financial Information Disclosure Policy contains a list of the financial information to be published in the markets, its characteristics within the control environment as well as the persons responsible for its preparation, review, approval and distribution to supervisory bodies or to the market.

The generation, preparation and review of financial information is carried out by the Control Department, which obtains the necessary collaboration from the rest of areas at the Entity to obtain the level of detail in that information that is considered to be necessary.

The professional profile of the persons involved with the review and authorization procedure for the financial information is adequate and covers broad knowledge and experience in the areas of accounting, audit and/or risk management. The technical measures and information systems see the reliability and integrity of the financial information through the established control mechanisms.

The Entity has established control and supervisory mechanisms at different levels of information and they are prepared and supported using three lines of defence.

a) A first line of control at the Business, Management and Support Units.

Under the general principle that the primary party responsible for control must be person responsible for each business area, they must have effective risk management processes (identification, measurement or evaluation, vigilance, mitigation and communication of risks).

b) A second centralized and independent control line.

In order to supervise the exercising of the primary controls, and to exercise specialised financial operating and management controls, the Entity has systems that guarantee: effective and efficient operations, adequate risk control, prudent business conduct, the reliability of financial and non-financial information that is reported or disclosed (internally and externally), as well as compliance with laws, regulations, supervisory requirements and the entity's internal policies and procedures. These systems cover the entire organization, including the activities of all business, support and control units.

c) An Internal Audit Unit

This "third line of defence" is responsible for performing an independent review of the first two "lines of defence".

This area includes the participation of the governing bodies and senior management.

Ibercaja carries out various control activities intended to mitigate the risk of error, omission or fraud that could affect the reliability of the financial information and which were identified in accordance with the previously explained process.

Specifically, and with respect to processes where material risks have been detected, including error and fraud, Ibercaja has developed uniform documentation, consisting of:

- A description of the activities relating to the process from the start, indicating the particularities that may apply to a certain product or operation.
- The risk and control matrix, which contains the relevant risks with a material impact on the Entity's financial statements and their association with the mitigating controls, as well as all the evidence regarding their application. These controls include those that are considered to be key to the process and which, in any event, ensure the adequate recognition, measurement, presentation and disclosure of transactions in the financial information.

The documents allow a quick and clear visualization of which part of the processes include identified risks and key controls. Each of the risk matrices help to identify the risk that affects each of the objectives of the financial information, the controls mitigating that risk, as well as their characteristics, the persons responsible for the control mechanism, the frequency with which it must be applied and the associated evidence.

The details of the significant processes (making a distinction between areas of the business and transversal business process) associated with the Entity's financial areas and for which the aforementioned documentation is available, are set out below:

Transversal processes

- The procedures for closing the fiscal year and preparing the consolidated annual accounts. The group has specific procedures for closing the fiscal year and this responsibility falls to each of its subsidiaries, although it is the General Accounting Unit that prepares the consolidated information based on the individual reports.

- The process of issuing judgments, estimates, measurements and projections that are relevant including, among other things, the measurement of goodwill, the useful life of property, plant and equipment and intangible assets, the measurement of certain financial assets (illiquid assets), impairment losses affecting property, plant and equipment and intangible assets, the measurement of adjudicated assets or the calculation of liabilities and commitments for post-employment compensation.
- The General Computer controls established by the Group at the Technology and Systems level, physical security, computer security, maintenance and development.

Business areas

- Credit investments: recognition and performance, doubtful debts and provisions
- Creditors: recognition and costs (on-demand and term accounts, including an accounting of coverage).
- Corporate security issues (including an accounting of coverage)
- Financial instruments: debt securities and equity instruments (listed and unlisted).
- Real estate assets receive in lieu of payment (Non-current assets held for sale, Investments Properties and Inventories).
- Corporate income tax.
- Pension commitments.
- Insurance.

In general terms, the Management Control Unit is responsible for establishing the accounting policies that are applicable to new transactions in accordance with the criteria established in current legislation. As regards the critical judgments relating to the application of accounting policies and relevant estimates, this Unit establishes the criteria to be applied within the legislative framework. The application of these criteria may be carried out directly by the Units (with supervision) or the Bodies in which Senior Management is present (Committees).

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the Bank's relevant processes in relation to the preparation and publication of financial information.

The Entity has a general computer control procedure with the relevant risk and control matrix that provides details of the risks and controls relating to access security, change controls, operations, operating continuity and the segregation of duties.

The Technology and Systems Department and, specifically, the Computer Unit, is responsible for supporting and maintaining the operating system, communications and data administration and its duties include the analysis of systems and standards that allow a proper degree of protection and recovery of data and programs, in cooperation with Operations, ensuring compliance with legislation and legally required security measures. The Technology and Systems Security Unit is responsible for proposing the information security measures and the policy for applying them.

Ibercaja has a series of standards and codes of good practices for final users that are set out in the Regulations available on the intranet. In addition, it has taken action addressing the definition of overall policies and procedures that are uniform with respect to the required security for information systems involved with the preparation of financial information, including physical and logical security, data processing security and final user security.

The information servers are located at the central and back-up processing centres and only authorized personnel have access (generally operations) together with subcontractors.

The Group has a Business Continuity Plan for the areas involved with the process of preparing and reporting financial information. It covers the existing information systems at the parent company, which is where the preparation of financial information primarily takes place.

Finally, the Group has mechanisms that ensure the daily preparation of a backup copy of critical environments and in order to make improvements it is implementing formal information recovery test procedures.

Finally, the Audit Department, through the Audit Unit for Computer Processes is responsible for reviewing computer processes and the Group's information systems, systematically analysing and reviewing technological controls that have been implemented, as well as making proposals to expand and/or improve the systems.

F.3.3. Internal control procedures and policies intended to supervise subcontractors, as well as the evaluation, calculation or measurement activities tasked to independent experts that could have a material effect on the financial statements.

The Group has subcontracted third parties to carry out certain duties that are not very significant but which affect the process of the preparation of financial information through certain measurements, calculations and estimates used to generate the individual and consolidated annual accounts that are published in the stock market.

In accordance with the Board Regulations the Board cannot delegate the approval and review of outsourcing policy.

It currently has supervision and review procedures of both subcontracted activities and the calculations or measurements prepared by independent experts that are relevant to the process of generating financial information and which are included in the formal review process that forms part of the defined ICSFR framework, in order to comply with the specifications of that system and best practices in the market.

The procedures carried out specify the following aspects:

- Formal designation of the persons responsible for carrying out the various actions.
- Analysis prior to contracting, and there is a formal process that is implemented at the time the need to externalize a service or obtain the services of an independent expert arises and this process examines different proposals that define the persons responsible for approving the contractual relationship.
- Supervision and review of the information generated or the service provided:
 - For subcontracted activities: request for regular reports; obligation to be audited by a third party; regular review of the capacity and accreditation of the external expert. In those cases, in which the relevance of the externalized service with respect to financial information is high, requests for reports from independent third parties regarding the control activities carried out by the company rendering the service.
 - For measurements prepared by external experts: review controls regarding the validity of the information provided; regular review of the capacity and accreditation of the expert.

In 2015 the activities that were assigned to third parties with respect to appraisals and calculations by independent experts related to:

- The actuarial calculation of commitments assumed with employees.
- The appraisal of foreclosed properties and properties that are used to secure loans granted by the Company.
- Certain tax and legal advisory services.

F.4. Information and communications

Report, indicating the main characteristics, if there is at least:

F.4.1. Specific task responsible for defining and updating the accounting policies (accounting policy area or department) and resolving doubts or conflicts deriving from their interpretation, maintaining fluid communications with the persons responsible for operations at the organisation, as well as an up-to-date accounting policy manual that has been communicated to the units through which the entity operates:

Through the General Accounting Unit, the Control Management is responsible for defining, reviewing and updating the accounting procedures that must be implemented at the Entity and at the various Group companies, which requires the collaboration of the Internal Audit Department and the General Secretary's Office (Legislation Compliance Unit) with respect to legal aspects in order to ensure rigorous compliance with the law. This task of analysing accounting legislation, evaluating and proposing action to implement or adapt procedures that are necessary is guaranteed through the resources that are currently attributed to this Unit, bearing in mind the size of the Entity and the Group.

In any event, the accounting policies are updated to reflect any change in legislation and any new decision that modifies those policies in those cases in which there is a certain amount of discretion. Any update that may have taken place is published daily on the intranet.

In addition, Control Management is responsible for resolving any doubt or conflict regarding interpretation arising from the application of the accounting policies, maintaining fluid communications with the various persons responsible for the areas at the parent company and the rest of the Group's subsidiaries that are involved in the process of preparing financial information.

Ibercaja does not have a single Accounting Policy Manual, but rather the whole of its accounting policies consist of International Financial Reporting Standards (IFRS), Bank of Spain circular letters (Circular number 4/2004 and subsequent amendments), the policies that must be developed in accordance with current legislation and the specific policies that the Entity has prepared. All of the accounting policies approved by the Entity are available on its intranet, which also indicates any update to those policies. Based on the relevance of the content of accounting standards, the appropriate level of approval is established ranging from the Board of Directors to the person responsible for General Accounting.

With respect to the Group's subsidiaries, if they prepare their own accounts on a decentralized manner in accordance with their own procedures, the accounting policies must comply with the rules and guidelines issued from General Accounting, which is also responsible for supervising the preparation of that information.

It should be noted that the subsidiaries prepare their own financial information based on formats that have already been agreed with the parent company in order to obtain the financial statements in the most uniform format possible to facilitate the presentation of the Group's consolidated information. They must comply with the accounting standards or criteria issued by General Accounting.

F.4.2. Mechanisms for capturing and preparing financial information using uniform formats, applicable and to be used by all units at the Entity or the Group, and support the main financial statements and the notes to the accounts, as well as the information provided regarding the ICSFR.

Ibercaja has applications and computer systems that allow individual accounts to be aggregated and unified from the various areas and subsidiaries that make up the Group, including the necessary level of disclosure, and, finally, generate the individual and consolidated annual accounts that are reported together with other financial information published in the market. The Control Unit is responsible for aggregating, unifying and reporting the information, using common systems and applications.

Each subsidiary is responsible for preparing its own accounts in systems established for that purpose and, in any event, the accounting information is recorded in GAP format (General Accounting Plan). They therefore prepare their own financial statements, always using the guidelines of the Control Management.

The subsidiaries send the necessary supplementary information to both verify the information that has been sent, and to harmonize and unify accounting policies. They also send the consolidation packages that are necessary to prepare the relevant disclosures in the financial statements and auxiliary statements that are necessary to cover the remaining reporting needs.

The General Accounting Unit is responsible for the preparation and update of internal financial reporting control systems (matrices and controls) for the various areas and processes and establishes controls and obtains evidence in this respect, while implementing any necessary improvements.

Finally, the Internal Audit Department is responsible for reviewing the circuits and operating procedures that have been implemented at Control Units or subsidiaries, determining the reliability of the information that they generate and compliance with applicable internal requirements.

F.5. Supervision of system operations.

State whether the following exists and, if so, describe the main characteristics:

F.5.1. State whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including ICSFR. A description of the scope of the evaluation of the ICSFR carried out during the year and the procedures used to execute that review and communicate the results obtained, and does the Entity have an action plan that details any corrective measures that make reference to such an evaluation, having taken into consideration its impact on the financial information:

The internal audit function is the responsibility of Ibercaja's Internal Audit Department, which reports hierarchically to the Board of Directors through the Audit and Compliance Committee.

This Department is configured into the following Units to fulfil its duties: Distribution Network Audit, Credit Risk Audit, Computer Process Audit and Financial Audit

The internal audit function is tasked to perform programmed reviews of the systems implemented to control all risks, internal operating procedures and compliance with applicable internal and external regulations. Among the current duties assigned to the Internal Audit Department are set out in the Entity's internal regulations is the constant evaluation of the adequacy and proper operation of the financial, regulatory management and internal control reporting systems at Ibercaja Group that are inherent to the Entity's or the Group's businesses, and proposing any recommendations for improvement in accordance with a preventative approach.

In order to obtain its objectives and fulfil the assigned duties, the Internal Audit Department prepared a multi-year Strategic Plan in 2015 within the framework of the Entity's Strategic Plans that covers the strategic objectives to be attained during the period, the duties, tools and projects to be carried out and the projected calendar for completion. Among the action plans, the review efforts by the ICSFR is a fundamental pillar, establishing annual reviews of the Entity's critical procedures.

The Annual Operating Plan for Internal Audit includes the specific audits to be performed in each Specialized Unit during the year, at least on a quarterly basis, and the resources that are available for their execution, together with the training activities that must be carried out by the auditors in the various Units. The Internal Audit Department must regularly inform the Board of Directors or the Audit and Compliance Committee and Senior Management of the operation of the internal control reporting systems, the internal audit annual plan and compliance with the objectives set out therein.

Both the Internal Audit Strategic plan and the Annual Operating Plan have been submitted for the approval of the Audit and Compliance Committee.

The efforts made by internal audit and carried out through the execution of the Annual Audit Operating Plan is fundamental to the supervision of the ICSFR.

The Audit Operating Plan for 2015 specifically included several evaluation activities applied to the ICSFR and other issues that affect the process of preparing financial information have been reviewed. Among the actions that have been taken, the audit of the corporate issue procedure and the review of the general computer control procedures are notable. The reviews that are carried out may result in audit recommendations that are prioritized in accordance with their relative importance and they are continuously monitored until fully implemented.

F.5.2. Is there a discussion procedure through which the auditor (in accordance with the provisions of the Technical Audit Standards (TAS)), internal audit and other experts may communicate with senior management and the Audit Committee or Directors at the entity to report significant weaknesses in internal control identified during the review of the annual accounts or any other accounts being reviewed. Report if you have an action plan that is intended to correct or mitigate detected weaknesses.

In accordance with the Board Regulations, the Audit and Compliance Committee is responsible for regularly receiving information from the external auditor regarding the audit plan and the results of its execution and to verify that senior management takes into account the recommendations made, as well as discussing with the auditor any significant internal control weaknesses detected during the performance of the audit.

Currently, the Audit and Compliance Committee meets with the external auditors at least twice during the course of the year at which time any significant weakness that may have been detected can be reported. That meeting is also attended by the Audit Department, the Management Control Department and the Director of the General Accounting Unit. The action plans or measures necessary to implement them are specified at these meetings and the parties responsible for such implementation are also designated. Subsequently, there are mechanisms that guarantee that they are carried out and the mitigation of the weaknesses is verified.

The Audit and Compliance Committee has the responsibility to supervise the main conclusions relating to the internal audit work performed and to do so the person responsible for the Audit Department attends the meetings and provides a summary of the main were carried out over the last accounting period.

In order to define the action plans that will allow any weakness in the internal control system to be mitigated, the Internal Audit Department makes the reports resulting from its review work available to the responsible members of management. These reports are sent to the Executive Internal Audit Committee at which the detected weaknesses are discussed and, any that are significant or critical for the Entity are covered by action plans involving the various areas concerned, defining the persons responsible and the projected resolution deadline.

The resolutions adopted by the Executive Audit Committee with respect to the action plans are included in the minutes that are presented to the Managing Director. These items are monitored by senior management and, specifically, by the Departments involved by holding meetings with the aforementioned Committee. Finally, the most relevant items are reported to the Audit and Compliance Committee at bi-yearly meetings.

F.6. Other relevant information

Nothing to be noted.

F.7. Report from the external auditor

Report from:

F.7.1. If the information regarding the FRICS that is sent to markets been subjected to review by the external auditor, in which case the relevant report should be included as an Appendix. If not, the reason for not doing this should be explained.

The information on the “Financial Reporting Internal Control Systems” set out in section F of the 2015 CGR was examined by the external auditors. The scope of the auditor’s review was in keeping with the terms of Circular E 14/2013 of the Spanish Institute of Certified Public Accountants dated 25 January 2012.

The resulting report will be included as an appendix to this Annual Corporate Governance Report.

G. Other information of interest

If there is some relevant corporate governance item at the Company or at the group companies that has not been included in the rest of the sections of this report, but must be included to more completely reflect the governance structure and practices at the Company or its Group, briefly describe:

This section may also include any other information, clarification or nuance relating to previous sections of the report, provided that they are relevant and non-reiterative.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

The Entity may also indicate if it has voluntarily applied other codes of ethical principles or good practices, whether international, industry-related or of any other scope. If appropriate, the Entity will identify the code in question and the date on which it was applied.

C.1.1. Mr. Víctor Manuel Iglesias Ruiz was appointed the Entity's CEO on 28 January 2015 to replace Mr. José Luis Aguirre Loaso, who remained as a director and First Deputy Chairman of the Board of Directors.

C.1.2. Mr. Manuel Pizarro Moreno was a member of the Board of Directors of Ibercaja Banco, S.A. until 24 June 2015, at which time he resigned for personal reasons. Mr. Vicente Eduardo Ruiz de Mencía was replaced by Mr. José Ignacio Mijangos Linaza, as the proprietary director representing the interests of Fundación Bancaria Cajacírculo at the Extraordinary Shareholder Meeting held on 29 October 2015 at the request of that Foundation.

The appointment of Mr. José Ignacio Mijangos Linaza as a member of the Board of Directors (and, as a result, of the Committees to which he forms part) is subject to the approval of the competent supervisory body.

C.1.4. The Large Risk and Solvency Committee was created in February 2014 and the Strategy Committee was created on 12 May 2015. The Nominations and Compensation Committee was split into two committees in 2015, the Nominations Committee and the Compensation Committee.

C.1.5. “Fixed compensation” includes the amounts received by Directors, including life insurance premiums. “Other items” indicates the compensation received by Directors for their membership on internal Board committees, other than the per diems received for attending meetings.

The section Group indicates the compensation accruing to the Members of the Board of Directors for being members of the Board and/or senior management at Group companies, excluding the parent company.

Incomplete years: Even if a Director has not carried out activities during the complete period being reported, the compensation that has received is included in section C.1.5 of the report.

C.1.6. Senior management is understood to be the General Managers and similar positions that carry out management duties directly under the governing bodies, executive committees or CEOs. As a result, the members of the Management Committee are considered to be “senior management” for the purposes of this report.

To calculate the “senior management compensation” the same compensation items indicated in section C.1.5 that are applicable are used. Contributions to pension funds are included. Severance payments are not included for those in management that joined the voluntary redundancy plan in the amount of €1.7 million.

Incomplete years: Even if a Senior Manager has not carried out activities during the complete period being reported, the compensation that has received is included in section C.1.6 of the report. The compensation received in 2015 includes that received by all persons that at any time during the year were considered to be senior management at the Entity, which includes the compensation received by six persons in addition to those taken into account last year.

The dates on which directors ceased to hold their positions during the year are indicated below:

Mr. Luis Enrique Arrufat Guerra: Up until 30 June 2015.

Mr. Francisco Javier Palomar Gómez. Up until 14 August 2015.

Mr. José Luis Lázaro Crespo. Up until 30 June 2015.

Mr. José Manuel Merino Aspiazu. Up until 24 July 2015.

Mr. Joaquín Rodríguez de Almeida Pérez Surio. Up until 30 September 2015.

Mr. José Morales Paules. Up until 27 February 2015.

Mr. José Luis Rodrigo Molla. Up until 15 June 2015.

Mr. José Javier Pomar Martín. Up until 31 December 2015.

Mr. Javier Arto Fillola: Up until 3 July 2015.

The compensation received by Mr. Víctor Iglesias Ruiz as a director up until his appointment as the CEO on 28 January 2015 is also included.

C.1.8. The annual accounts, both individual and consolidated, are considered to be “certified” when they are presented to the governing body with a statement signed by the persons certifying the accounts declaring that they reflect, in all material respects, the true and fair view of the financial situation at the year-end, as well as the results of the entity's operations and any changes in its financial situation during the year, and that they contain the necessary and sufficient information for an adequate understanding, in accordance with applicable legislation.

C.2.1 and C.2.2. This section includes all the committees created by the Board of Directors.

The CEO's duties cover the effective management of the Company's business, always in accordance with the decisions and criteria established by shareholders at a General Meeting, the Board of Directors and the Executive Committee in the areas of their respective competencies.

At a meeting held on 27 May 2015 the Board of Directors adopted a resolution to split the Nominations and Compensation Committee into two separate committees the Nominations Committee and the Compensation Committee. Up until its split into two separate committees the Nominations and Compensation Committee had held 5 meetings.

Mr. Jesús Barreiro Sanz is the non-voting Secretary to the Audit and Compliance Committee, the Strategy Committee and the Large Risk and Solvency Committee. Mr. Jesús Solchaga Loitegui was appointed Chairman

of the Nominations Committee and Chairman of the Compensation Committee by the Board of Directors at the meeting held on 29 July 2015. Mr. Vicente Córdor López was appointed Chairman of the Large Risk and Solvency Committee on 28 January 2015 to replace Mr. Jesús Bueno Arrese, who remained as a member of the Committee. At that same meeting, Mr. José Luis Aguirre Loaso was appointed Chairman of the Strategy Committee and Member of the Large Risk and Solvency Committee, replacing Mr. Juan María Pemán Gavín. At the meeting held on 28 January 2015, Ms. Gabriela González Bueno-Lillo and Mr. Francisco Manuel García Peña were appointed members of the Strategy Committee.

Ms. Gabriela González Bueno-Lillo was appointed Chairman of the Audit and Compliance Committee on 6 February 2014. Ms. Gabriela González Bueno Lillo, Mr. Vicente Córdor López and Mr. Jesús Bueno Arrese were appointed taking into account their knowledge and experience with accounting, audit or both.

At the meeting held on 30 September 2015 the Board of Directors adopted a resolution to replace Mr. Juan María Pemán Gavín by Mr. Francisco Manuel García Peña as a member of the Executive Committee.

Mr. José Ignacio Mijangos Linaza was appointed Second Deputy Chairman to replace Mr. Francisco Manuel García Peña, and member of the Nominations Committee and the Compensation Committee at the meeting held by the Board of Directors on 22 December 2015. At the date to which this report refers the appointment of Mr. Mijangos Linaza was subject to the approval of the competent supervisory bodies.

Heading D. In accordance with the instructions received from the CNMV to complete the report, with respect to definitions, criteria and type of aggregation, the provisions of Order EHA/3050/2004 (15 September) are used with respect to the reporting of associated transactions that must be provided by companies issuing securities that may be listed for trading on official secondary markets. As a result, transactions between group companies that have been eliminated from the consolidated annual accounts and which form part of the ordinary course of the business of those companies with respect to their purpose and conditions are not reported, nor are those that relate to the company's ordinary course of business, those that are carried out under normal market conditions and are of little importance, which are understood to be those whose reporting is not necessary to express the true and fair view of the equity, financial situation and the results obtained by the Entity.

All the information that must be included in the report and is outside of the control of the Entity, is provided based on the knowledge held by the Company, the reports that have been made in compliance with current legislation and information stated in public registries.



APPENDIX. REPORT OF THE EXTERNAL AUDITOR

IBERCAJA BANCO, S.A.

Informe de auditor referido a la "Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF)" de Ibercaja Banco, S.A. correspondiente al ejercicio 2015



Informe de auditor referido a la "Información relativa al Sistema de Control Interno sobre la Información Financiera (SCIIF)" de Ibercaja Banco, S.A. correspondiente al ejercicio 2015

Al Consejo de Administración de Ibercaja Banco, S.A.,

De acuerdo con la solicitud del Consejo de Administración de Ibercaja Banco, S.A. (en adelante, la Entidad) y con nuestra carta propuesta de fecha 16 de diciembre de 2015, hemos aplicado determinados procedimientos sobre la "Información relativa al SCIIF" adjunta incluida en el apartado "F. Sistemas internos de control y gestión de riesgos en relación con el proceso de emisión de la información financiera (SCIIF)" del Informe Anual de Gobierno Corporativo de Ibercaja Banco, S.A., correspondiente al ejercicio 2015, en el que se resumen los procedimientos de control interno de la Entidad en relación a la información financiera anual.

El Consejo de Administración es responsable de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno así como del desarrollo de mejoras de dicho sistema y de la preparación y establecimiento del contenido de la Información relativa al SCIIF adjunta.

En este sentido, hay que tener en cuenta que, con independencia de la calidad del diseño y operatividad del sistema de control interno adoptado por la Entidad en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue, debido a las limitaciones inherentes a todo sistema de control interno.

En el curso de nuestro trabajo de auditoría de las cuentas anuales y conforme a las Normas Técnicas de Auditoría, nuestra evaluación del control interno de la Entidad ha tenido como único propósito el permitirnos establecer el alcance, la naturaleza y el momento de realización de los procedimientos de auditoría de las cuentas anuales de la Entidad. Por consiguiente, nuestra evaluación del control interno, realizada a efectos de dicha auditoría de cuentas, no ha tenido la extensión suficiente para permitirnos emitir una opinión específica sobre la eficacia de dicho control interno sobre la información financiera anual regulada.

A los efectos de la emisión de este informe, hemos aplicado exclusivamente los procedimientos específicos descritos a continuación e indicados en la Guía de Actuación sobre el Informe del auditor referido a la Información relativa al Sistema de Control Interno sobre la Información Financiera de las entidades cotizadas, publicada por la Comisión Nacional del Mercado de Valores en su página web, que establece el trabajo a realizar, el alcance mínimo del mismo, así como el contenido de este informe. Como el trabajo resultante de dichos procedimientos tiene, en cualquier caso, un alcance reducido y sustancialmente menor que el de una auditoría o una revisión sobre el sistema de control interno, no expresamos una opinión sobre la efectividad del mismo, ni sobre su diseño y su eficacia operativa, en relación a la información financiera anual de la Entidad correspondiente al ejercicio 2015 que se describe en la Información relativa al SCIIF adjunta. En consecuencia, si hubiéramos aplicado procedimientos adicionales a los citados a continuación o realizado una auditoría o una revisión sobre el sistema de control interno en relación a la información financiera anual regulada, se podrían haber puesto de manifiesto otros hechos o aspectos sobre los que les habríamos informado.

Asimismo, dado que este trabajo especial no constituye una auditoría de cuentas ni se encuentra sometido al Texto Refundido de la Ley de Auditoría de Cuentas, aprobado por el Real Decreto Legislativo 1/2011, de 1 de julio, no expresamos una opinión de auditoría en los términos previstos en la citada normativa.

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Se relacionan a continuación los procedimientos aplicados:

1. Lectura y entendimiento de la información preparada por la Entidad en relación con el SCIIF – información de desglose incluida en el Informe de Gestión - y evaluación de si dicha información aborda la totalidad de la información requerida de acuerdo al contenido mínimo descrito en el Apartado F, relativo a la descripción del SCIIF, del modelo de IAGC según se establece en la Circular n° 5/2013 de la CNMV de fecha 12 de junio de 2013 y las modificaciones introducidas por la Circular 7/2015 de 22 de diciembre.
2. Preguntas al personal encargado de la elaboración de la información detallada en el punto 1 anterior con el fin de: (i) obtener un entendimiento del proceso seguido en su elaboración; (ii) obtener información que permita evaluar si la terminología utilizada se ajusta a las definiciones del marco de referencia; (iii) obtener información sobre si los procedimientos de control descritos están implantados y en funcionamiento en la Entidad.
3. Revisión de la documentación explicativa soporte de la información detallada en el punto 1 anterior, y que comprenderá, principalmente, aquella directamente puesta a disposición de los responsables de formular la información descriptiva del SCIIF. En este sentido, dicha documentación incluye informes preparados por la función de auditoría interna, alta dirección y otros especialistas internos o externos en sus funciones de soporte a la Comisión de Auditoría y Cumplimiento.
4. Comparación de la información detallada en el punto 1 anterior con el conocimiento del SCIIF de la Entidad obtenido como resultado de la aplicación de los procedimientos realizados en el marco de los trabajos de la auditoría de cuentas anuales.
5. Lectura de actas de reuniones del Consejo de Administración, Comisión de Auditoría y Cumplimiento y otras comisiones de la Entidad a los efectos de evaluar la consistencia entre los asuntos en ellas abordados en relación al SCIIF y la información detallada en el punto 1 anterior.
6. Obtención de la carta de manifestaciones relativa al trabajo realizado adecuadamente firmada por los responsables de la preparación y formulación de la información detallada en el punto 1 anterior.

Como resultado de los procedimientos aplicados sobre la Información relativa al SCIIF no se han puesto de manifiesto inconsistencias o incidencias que puedan afectar a la misma.

Este informe ha sido preparado exclusivamente en el marco de los requerimientos establecidos por el artículo 540 del texto refundido la Ley de Sociedades de Capital, por la Circular n° 5/2013 de fecha 12 de junio de la Comisión Nacional del Mercado de Valores y por las modificaciones introducidas por la Circular 7/2015 de 22 de diciembre, a los efectos de la descripción del SCIIF en los Informes Anuales de Gobierno Corporativo.

PricewaterhouseCoopers Auditores, S.L.



Raúl Ara Navarro

8 de marzo de 2016

INFORME ANUAL DE GOBIERNO CORPORATIVO DE OTRAS ENTIDADES -DISTINTAS A LAS CAJAS DE AHORROS- QUE EMITAN VALORES QUE SE NEGOCIEN EN MERCADOS OFICIALES

F] SISTEMAS INTERNOS DE CONTROL Y GESTIÓN DE RIESGOS EN RELACIÓN CON EL PROCESO DE EMISIÓN DE LA INFORMACIÓN FINANCIERA (SCIIF)

Describa los mecanismos que componen los sistemas de control y gestión de riesgos en relación con el proceso de emisión de información financiera (SCIIF) de su entidad.

F.1 Entorno de control de la entidad

Informe, señalando sus principales características de, al menos:

F.1.1. Qué órganos y/o funciones son los responsables de: (I) la existencia y mantenimiento de un adecuado y efectivo SCIIF; (II) su Implantación; y (III) su supervisión.

El Consejo de Administración de la Entidad y la Alta Dirección son conscientes de la importancia que tiene garantizar a los inversores la fiabilidad de la información financiera publicada al mercado, por lo que están plenamente involucrados en el desarrollo del SCIIF.

El Consejo de Administración ejerce la responsabilidad del establecimiento y supervisión de los sistemas de información y control de riesgos, como queda formalmente recogido en su Reglamento, englobando esta responsabilidad al propio SCIIF.

El citado Reglamento del Consejo establece, como función indelegable de éste, "conocer y supervisar los procedimientos que garanticen la calidad e integridad de la información financiera; formular las cuentas anuales individuales y consolidadas; aprobar, el Informe Bancario Anual y el Informe de Autoevaluación de Capital; conocer el contenido del Informe con relevancia prudencial y aprobar y acordar la remisión del informe financiero semestral".

La Sociedad dispone de una Política de Divulgación de la Información Financiera, aprobada por el Consejo de Administración, que recoge las actuaciones y procedimientos que favorecen una mayor transparencia, con el objetivo último de velar para que la información financiera divulgada sea clara, relevante, fiable y comparable, en el sentido de lo establecido por la Norma séptima de la Circular 4/2004 de Banco de España así como en el marco conceptual de las NIIF.

Por otro lado, la Alta Dirección ha asumido la responsabilidad del diseño e implementación del SCIIF a través de la Dirección de Control en la medida en que ésta centraliza la realización de la gran mayoría de las actividades encaminadas a conseguir un adecuado funcionamiento del SCIIF.

Por último, la Comisión de Auditoría y Cumplimiento, de acuerdo al Reglamento del Consejo de Administración, tiene delegadas las siguientes responsabilidades básicas en relación con los sistemas de información, control interno e información financiera:

- Sobre los sistemas de información y control interno, "comprobar la adecuación e integridad de los sistemas internos de control; supervisar la eficacia de los sistemas de control interno y gestión de riesgos, incluidos los fiscales, revisando periódicamente los mismos, para que los principales riesgos se identifiquen, gestionen y den a conocer adecuadamente y discutir con el auditor de cuentas las debilidades significativas del sistema de control interno que en su caso se detecten en el desarrollo de la auditoría."

- Sobre la información financiera, "conocer y supervisar el proceso de elaboración y presentación de la información financiera regulada relativa a la Sociedad y, en su caso, al Grupo, así como su integridad, revisando el cumplimiento de los requisitos normativos, la adecuada delimitación del perímetro de consolidación y la correcta aplicación de los criterios contables; revisar las cuentas de la sociedad, vigilar el cumplimiento de los requerimientos legales y la correcta aplicación de los principios de contabilidad generalmente aceptados, así como informar las propuestas de modificación de principios y criterios contables sugeridos por la Dirección; revisar la información financiera periódica que deba suministrar el Consejo a los mercados y sus órganos de supervisión, y en particular, la información no cubierta por la auditoría de cuentas anuales contenida en la Información con relevancia prudencial; conocer y supervisar la elaboración de la información financiera regulada que la Sociedad deba hacer pública periódicamente y asegurarse de que las cuentas intermedias se formulen con los mismos criterios contables que las anuales y, a tal fin, considerar la procedencia de una revisión limitada del auditor externo".

F.1.2. Si existen, especialmente en lo relativo al proceso de elaboración de la información financiera, los siguientes elementos:

- **Departamentos y/o mecanismos encargados: (I) del diseño y revisión de la estructura organizativa; (II) de definir claramente las líneas de responsabilidad y autoridad, con una adecuada distribución de tareas y funciones; y (III) de que existan procedimientos suficientes para su correcta difusión en la entidad.**

La Comisión de Nombramientos, conforme a lo que establece el Reglamento del Consejo de Administración, asiste al Consejo en sus funciones de nombramientos, reelección y cese de los Consejeros y Alta Dirección.

La Dirección de Desarrollo Organizativo de Ibercaja Banco es la responsable de velar por una estructura organizativa eficiente en la Entidad, definiendo la más productiva distribución de funciones y medios, tal y como consta entre las funciones asignadas a la misma, y contribuir, mediante la definición de funciones, medios y responsabilidades, a un adecuado funcionamiento del sistema de control interno respecto a la elaboración de la información financiera.

Adicionalmente, la Dirección de Recursos Humanos es la responsable de establecer las competencias propias de cada puesto en el marco de las funciones asignadas a cada Unidad, así como determinar la dependencia funcional y jerárquica que coherentemente proceda, en coordinación con la Dirección implicada.

La actual estructura directiva y la definición de sus funciones principales han sido aprobadas por el Consejo de Administración de Ibercaja, previa propuesta por parte del Consejero Delegado. A su vez, cada Dirección junto a la Dirección de Desarrollo Organizativo han definido la estructura de su propia área en Unidades o Departamentos concretando sus funciones asociadas y quedando ratificadas por el Consejero Delegado.

Esta estructura está a disposición de todos los empleados en la Normativa recogida en la intranet de la Entidad y se encuentra sujeta a revisiones ante cualquier cambio organizativo que se plantee.

Respecto al proceso de elaboración de la Información financiera, éste es realizado desde la Dirección de Control, que engloba las Unidades de Contabilidad General, Control de Gestión, Información de Gestión, Control Global de Riesgos, Innovación, Calidad y Control del Sistema de Información de Gestión (SIG) y Control Interno y Validación. La Dirección de Control, y especialmente su Unidad de Contabilidad General, es la responsable del proceso de la contabilidad general de Ibercaja y de la consolidación contable del Grupo, en tanto que la contabilidad está descentralizada en las filiales, siendo éstas responsables de la gestión y elaboración de su contabilidad individual bajo las directrices emitidas desde la matriz.

Son los responsables de la Dirección de Control los que realizan la definición de las líneas de responsabilidad y autoridad y asignan las tareas y funciones para cada puesto de trabajo, siempre bajo criterios de eficiencia y eficacia y velando por una adecuada segregación de tareas en este proceso, así como garantizando la continuidad en el ejercicio de dichas tareas y funciones.

- **Código de conducta, órgano de aprobación, grado de difusión e Instrucción, principios y valores incluidos (indicando si hay menciones específicas al registro de operaciones y elaboración de información financiera), órgano encargado de analizar Incumplimientos y de proponer acciones correctoras y sanciones.**

Las Normas de Conducta y Ética Profesional se encuentran recogidas en Normativa y son difundidas periódicamente para general conocimiento de la plantilla a través de distintos canales. Los empleados de Ibercaja Banco deben asumir estas Normas, no sólo como una obligación impuesta, sino como una actitud en el trabajo diario, como parte de la cultura, valores y formas de actuar de la Entidad.

El objetivo es dar a conocer aspectos relacionados con la integridad y ética profesional, el tratamiento de la información, protección de datos de carácter personal, normativa sobre mercado de valores, prevención de blanqueo de capitales y otras que resulten de aplicación como Entidad Financiera, para lo que Ibercaja facilita, a través de distintos canales, la información y formación necesarias.

Adicionalmente, en el boletín mensual "RRHH Informa" se comunican las modificaciones en las Normas de Conducta y Ética Profesional.

La Entidad dispone de un Memorándum de Normas de Conducta y Seguridad Operativa, que contiene un resumen de las normas, actuaciones y criterios que deben tenerse en cuenta, dirigido a todos los empleados. En particular, se hace hincapié en la importancia de la introducción correcta de la información en los sistemas automatizados ya que afecta a la fiabilidad y garantía de los procesos desarrollados posteriormente, particularmente en la concesión de operaciones de riesgo. Este documento está disponible en la intranet de la Entidad.

Asimismo, el Estatuto de Auditoría Interna del Grupo incluye las normas de ética aplicables a la función de Auditoría Interna que son conocidas y aceptadas por todo el personal de Auditoría Interna.

- **Canal de denuncias, que permita la comunicación al Comité de Auditoría de irregularidades de naturaleza financiera y contable, en adición a eventuales Incumplimientos del código de conducta y actividades irregulares en la organización, Informando en su caso si éste es de naturaleza confidencial.**

Todos los empleados del Ibercaja Banco, a través de la intranet, disponen de un "Canal de comunicación de prevención de Riesgos Penales" para informar, mediante correo electrónico, a la Unidad de Cumplimiento Normativo de posibles riesgos e incumplimientos de la normativa penal, incluidos los de naturaleza financiera y contable, que puedan producirse en el seno de la organización en el desarrollo de sus actividades.

La Unidad de Cumplimiento Normativo mantiene un registro Informatizado de todas las denuncias recibidas y tramita las mismas conforme a lo previsto en el modelo de prevención y gestión de riesgos penales, garantizando en todo momento la confidencialidad del denunciante.

La Unidad de Cumplimiento Normativo emite periódicamente un informe dirigido a la Comisión de Auditoría y Cumplimiento, en el que se incluye información sobre las denuncias recibidas y el resultado de las mismas. Adicionalmente, al menos una vez al año se informa al Consejo de Administración de las actuaciones realizadas en este ámbito.

- **Programas de formación y actualización periódica para el personal involucrado en la preparación y revisión de la información financiera, así como en la evaluación del SCIIF, que cubran al menos, normas contables, auditoría, control interno y gestión de riesgos.**

La Entidad cuenta con un Plan de Formación anual, el cual se diseña de acuerdo con la categoría profesional y el departamento/unidad al que pertenece el personal. Estas acciones formativas se imparten, por personal externo e interno, tanto por vía online como por actuaciones presenciales.

Asimismo, dispone de mecanismos que le permiten asegurar que el personal involucrado de manera directa en la elaboración y preparación de la información financiera así como en su supervisión, cuenta con la capacitación y competencia profesional necesarias para el ejercicio de sus funciones. En este sentido, los empleados están permanentemente informados de los requisitos normativos vigentes y cuentan con la capacitación suficiente para el desempeño eficiente de sus tareas y funciones.

Son los responsables de cada Unidad y Dirección los encargados de identificar las necesidades de formación y de gestionar la realización de las acciones formativas necesarias, en colaboración con la Dirección de Área de Recursos Humanos, llevando el correspondiente registro de la formación impartida.

Las actualizaciones técnicas son recibidas puntualmente en la Unidad de Contabilidad General por parte del Departamento de Información Financiera del Banco de España y a su vez se reciben por otros canales como CECA. Adicionalmente, se reciben alertas de distintas Firmas de Servicios profesionales con actualizaciones técnicas.

La Sociedad cuenta con la plataforma e-learning Ibercampus, un espacio virtual donde se albergan cursos de muy diversa índole dirigidas a toda la plantilla. En 2015, se ha implantado en Ibercampus los itinerarios formativos definidos para cada perfil, lo que ha permitido que este año más del 98 % de la plantilla adquiriera conocimientos en ámbitos fundamentales para el desarrollo de su actividad: habilidades, productos y servicios, normativa financiera, negocio bancario, plataforma financiera, etc.

La formación que, en materia contable, auditoría, control interno y gestión de riesgos, ha sido impartida a lo largo de 2015 ha estado centrada especialmente en la calibración de sesiones formativas internas a nivel departamental, que han versado sobre control interno, gestión de riesgos, así como las novedades legislativas en materia contable y de auditoría que han tenido lugar y de los impactos que han supuesto en el ejercicio habitual de las funciones.

Respecto a formación externa, ésta fundamentalmente se dirige a nuevas incorporaciones de empleados mediante la asistencia a cursos contables proporcionados por la Confederación Española de Cajas de Ahorro (CECA), así como a cubrir necesidades específicas en materia de formación que hayan sido identificadas y que se materializan en jornadas o reuniones con consultores o reguladores.

F.2 Evaluación de riesgos de la Información financiera

Informe, al menos, de:

F.2.1. Cuáles son las principales características del proceso de identificación de riesgos, incluyendo los de error o fraude, en cuanto a:

- **Si el proceso existe y está documentado.**

Ibercaja ha desarrollado y aplicado un procedimiento para la identificación de las áreas o epígrafes de los estados financieros materiales y procesos críticos de gestión relevantes que contempla los potenciales impactos de los riesgos de error y fraude que afectan de forma significativa a la información financiera del Grupo.

El citado procedimiento ha sido recogido en la Política de Identificación de procesos y áreas relevantes y riesgos asociados, cuya responsabilidad de ejecución recae en la Dirección de Control mientras que su supervisión corresponde a la Comisión de Auditoría y Cumplimiento.

- **Si el proceso cubre la totalidad de objetivos de la Información financiera, (existencia y ocurrencia; Integridad; valoración; presentación, desglose y comparabilidad; y derechos y obligaciones), si se actualiza y con qué frecuencia.**

El procedimiento ha sido diseñado teniendo en cuenta la totalidad de los objetivos de la información financiera contemplados en el Documento de Control Interno sobre la información financiera en las entidades cotizadas emitido por la CNMV (existencia, integridad, valoración, presentación y desglose y derechos y obligaciones).

La periodicidad de aplicación de este procedimiento se prevé, como mínimo anual, utilizando la información financiera más reciente. Además, esta evaluación de riesgos también se llevará a cabo siempre y cuando surjan circunstancias no identificadas previamente que pongan de manifiesto posibles errores en la información financiera o cuando se produzcan cambios sustanciales en las operaciones que puedan dar lugar a la identificación de nuevos riesgos.

- **La existencia de un proceso de identificación del perímetro de consolidación, teniendo en cuenta, entre otros aspectos, la posible existencia de estructuras societarias complejas, entidades instrumentales o de propósito especial.**

En este sentido y respecto a las fuentes de información utilizadas para aplicar el procedimiento, se tienen en cuenta eventuales cambios en la estructura del Grupo tales como modificaciones en el perímetro de consolidación o en las líneas de negocio, u otros hechos relevantes ocurridos, entre otros aspectos. De este modo, Ibercaja cuenta con un procedimiento específico para la revisión del perímetro de consolidación realizado desde la Unidad de Contabilidad General.

Los posibles riesgos relativos a la correcta identificación del perímetro de consolidación se encuentran documentados en el definido Procedimiento de Cierre contable y Preparación de los estados financieros consolidados, el cual conforma uno de los tres procesos transversales del Banco.

- **Si el proceso tiene en cuenta los efectos de otras tipologías de riesgos (operativos, tecnológicos, financieros, legales, reputacionales, medioambientales, etc.) en la medida que afecten a los estados financieros.**

Los criterios a seguir para toda la tipología de riesgos a identificar y que están incluidos en el diseño del procedimiento son tanto cuantitativos (saldo y granularidad) como cualitativos (grado de automatización de los procesos, estandarización de las operaciones, nivel de complejidad contable, cambios con respecto al ejercicio precedente, debilidades de control identificadas, etc.). Además de considerar la identificación los riesgos de error y fraude sobre la información financiera publicada, también tiene en cuenta el efecto de otras tipologías de riesgos, como son los de carácter operativo, tecnológico, financiero, legal, fiscal, reputacional o medioambiental.

Este proceso de evaluación cubre la totalidad de objetivos de la información financiera: (i) existencia y ocurrencia; (ii) integridad; (iii) valoración; (iv) presentación; (v) y derechos y obligaciones; y tiene en consideración en efecto otras tipologías de riesgos (operativos, tecnológicos, financieros, legales, fiscales, reputacionales, medioambientales, etc.).

- **Qué órgano de gobierno de la entidad supervisa el proceso.**

El Reglamento del Consejo de Administración establece, entre sus funciones, definir y revisar, al menos con carácter anual, y previo informe de la Comisión de Estrategia, la estructura del Grupo de sociedades de la que el Banco sea entidad dominante.

Asimismo, la Comisión de Auditoría y Cumplimiento debe revisar la adecuada delimitación del perímetro de consolidación y tiene la responsabilidad de informar al Consejo de Administración, como se recoge en el Reglamento de este órgano de gobierno, sobre la creación o adquisición de participaciones en entidades de propósito especial o domiciliadas en países o territorios que tengan la consideración de paraísos fiscales, así como cualesquiera otras transacciones u operaciones de naturaleza análoga que, por su complejidad, pudieran menoscabar la transparencia del Grupo Ibercaja Banco.

A través del procedimiento indicado, durante el ejercicio 2015 Ibercaja ha actualizado el proceso de identificación de las transacciones, áreas y procesos que son relevantes en la generación de la información financiera en el Grupo con el fin de identificar los riesgos de error que les afectan.

F.3 Actividades de control

Informe, señalando sus principales características, si dispone al menos de:

- F.3.1. Procedimientos de revisión y autorización de la información financiera y la descripción del SCIF, a publicar en los mercados de valores, indicando sus responsables, así como de documentación descriptiva de los flujos de actividades y controles (Incluyendo los relativos a riesgo de fraude) de los distintos tipos de transacciones que puedan afectar de modo material a los estados financieros, incluyendo el procedimiento de cierre contable y la revisión específica de los juicios, estimaciones, valoraciones y proyecciones relevantes.**

Tal y como se ha puesto de manifiesto en el apartado F.1.1 anterior, en la Política de Divulgación de la Información Financiera se recoge el detalle de la Información financiera a publicar a los mercados, sus características dentro del entorno de control, así como los responsables de su elaboración, revisión, aprobación y difusión a organismos supervisores o al mercado.

La generación, elaboración y revisión de la Información financiera se lleva a cabo desde la Dirección de Control, que recaba del resto de Áreas de la Entidad la colaboración necesaria para obtener el nivel de detalle de dicha información que se considera adecuado.

El perfil profesional de las personas que intervienen en el procedimiento de revisión y autorización de la información financiera es adecuado, con amplios conocimientos y experiencia en materia de contabilidad, auditoría y/o gestión de riesgos. Por otra parte, los medios técnicos y los sistemas de información garantizan, mediante el establecimiento de mecanismos de control, la fiabilidad e integridad de la información financiera.

La Entidad tiene establecidos mecanismos de control y supervisión a distintos niveles de la información que se elabora y se sustenta en tres líneas defensivas:

a) Una primera línea de control en Unidades de Negocio, Gestión y Soporte.

Bajo el principio general de que el primer responsable de control debe ser el responsable de cada área de negocio, deben contar con procesos eficaces de gestión de riesgos (identificación, medición o evaluación, vigilancia, mitigación y comunicación de los riesgos).

b) Una segunda línea centralizada e independiente de control.

Con la misión de supervisar el ejercicio de los controles primarios, ejercer controles financieros, operativos y de gestión especializados, cuenta con sistemas que garantizan: operaciones eficaces y eficientes, un control adecuado de los riesgos, una conducta empresarial prudente, la fiabilidad de la información financiera y no financiera comunicada o divulgada (interna y externamente), así como el cumplimiento de las leyes, normativas, requisitos de los supervisores y las políticas y procedimientos internos de la Entidad. Estos sistemas abarcan toda la organización, incluidas las actividades de todas las unidades de negocio, de apoyo y de control.

c) Una Unidad de Auditoría Interna

Como tercera línea defensiva que se encarga de realizar una revisión independiente de las dos primeras «líneas defensivas».

Todo ello con la participación de los Órganos de Gobierno y de la Alta Dirección.

Ibercaja cuenta con diferentes actividades de control encaminadas a mitigar los riesgos de incurrir en errores, omisiones o fraudes que puedan afectar a la fiabilidad de la información financiera y que han sido identificados de acuerdo al proceso anteriormente explicado.

En concreto y respecto a las áreas y los procesos con riesgo material detectados, incluyendo los de error y fraude, Ibercaja ha desarrollado una documentación homogénea de los mismos, estando formada por:

- La descripción de las actividades relacionadas con el proceso desde su inicio, indicando las particularidades que puede contener un determinado producto u operativa.
- La matriz de riesgos y controles, que recoge los riesgos relevantes con impacto material en los estados financieros de la Entidad y su asociación con los controles que los mitigan, así como el conjunto de evidencias en que se materializa su aplicación. Entre los controles pueden identificarse aquellos que son considerados clave en el proceso y que, en todo caso, aseguran el adecuado registro, valoración, presentación y desglose de las transacciones en la información financiera.

Los documentos permiten visualizar de forma rápida y clara en qué parte de los procesos se han localizado los riesgos y controles clave. Por su parte, las matrices de riesgo ayudan a detectar los riesgos que afectan a cada uno de los objetivos de la Información financiera, los controles mitigantes de los mismos, así como las características de éstos, los responsables del control, la frecuencia y la evidencia asociada.

A continuación detallamos los procesos significativos (distinguiendo entre áreas de negocio y procesos de negocio de transversales) asociados a las áreas financieras de la Entidad para las que se dispone de la documentación mencionada anteriormente.

Procesos Transversales

- Los Procedimientos de Cierre contable y de Preparación de los estados financieros consolidados. El Grupo cuenta con procedimientos específicos de cierre contable, recayendo esta responsabilidad en cada una de las filiales del mismo, si bien es la Unidad de Contabilidad General la que realiza, a partir de esa información, la Información consolidada.
- El Procedimiento de Emisión de juicios, estimaciones, valoraciones y proyecciones relevantes, versando, entre otros, sobre la valoración del fondo de comercio, la vida útil del activo material y el activo inmaterial, la valoración de determinados activos financieros (activos líquidos), las pérdidas por deterioro de activos materiales e inmateriales, las valoraciones de activos adjudicados o el cálculo de los pasivos y compromisos por retribuciones post-empleo
- Los Controles generales informáticos establecidos en el Grupo a nivel de organización del departamento de Tecnología y Sistemas, seguridad física, seguridad lógica, mantenimiento y desarrollo.

Áreas de Negocio

- Inversión Crediticia: reconocimiento y rendimientos; dudosidad y provisiones.
- Acreedores: reconocimiento y costes (cuentas a la vista y a plazo incluyendo contabilidad de coberturas).
- Emisiones corporativas (Incluyendo contabilidad de coberturas).
- Instrumentos financieros: valores representativos de deuda e instrumentos de capital (cotizados y no cotizados).
- Activos inmobiliarios recibidos en pago de deuda (ANCEV, Inversiones Inmobiliarias y Extencías).
- Impuestos sobre Sociedades.
- Compromisos por Pensiones.
- Actividad aseguradora.

En términos generales, la Dirección de Control se encarga de establecer las políticas contables aplicables a nuevas transacciones conforme a los criterios establecidos en la normativa vigente. Respecto a los juicios críticos en relación con la aplicación de políticas contables y estimaciones relevantes, esta Dirección establece los criterios a aplicar dentro del marco normativo. La aplicación de dichos criterios puede llevarse a cabo directamente por las Unidades (con supervisión) o por Órganos Colegiados en los que está presente la Alta Dirección (Comités).

F.3.2. Políticas y procedimientos de control interno sobre los sistemas de información (entre otras, sobre seguridad de acceso, control de cambios, operación de los mismos, continuidad operativa y segregación de funciones) que apoyen los procesos relevantes de la entidad en relación a la elaboración y publicación de la información financiera.

La Entidad dispone de un Procedimiento de Controles generales Informáticos con su correspondiente matriz de riesgos y controles donde se detallan los riesgos y controles referentes a seguridad de acceso, control de cambios, operaciones de los mismos, continuidad operativa y segregación de funciones.

La Dirección de Tecnología y Sistemas y, en concreto, la Unidad de Informática tiene como competencia el soporte y mantenimiento del sistema operativo, comunicaciones y administración de datos, estando entre sus funciones el estudio de los sistemas y normas que permiten un correcto grado de protección y recuperación de los datos y programas, en colaboración con la Unidad Explotación asegurando el cumplimiento de la normativa y medidas de seguridad legalmente exigibles. Por su parte, la Unidad de Seguridad de Tecnología y Sistemas es la responsable de proponer las medidas de seguridad de la información y su política de aplicación.

Ibercaja dispone, en la Normativa recogida en la intranet, de una serie de normas y códigos de buenas prácticas de cara al usuario final. Además, ha emprendido acciones dirigidas a definir políticas y procedimientos globales que sean homogéneos relativos a la seguridad requerida en los sistemas de información implicados en la elaboración de la información financiera, entre ella, seguridad física y lógica, seguridad en el procesamiento de datos y seguridad de usuario final.

Los servidores de información están alojados en los centros de proceso central y de respaldo, teniendo acceso únicamente el personal autorizado de la Entidad (generalmente explotación) y de las compañías subcontratadas.

El Grupo dispone de un Plan de Continuidad de Negocio para las áreas involucradas en el proceso de elaboración y envío de información financiera. El mismo cubre los sistemas de información existentes en la matriz, donde fundamentalmente se lleva a cabo el proceso de elaboración de la información financiera.

Por último, el Grupo cuenta con mecanismos que aseguran la realización diaria de una copia de seguridad de los entornos críticos; con el fin de mejorar los mismos, incorporando procedimientos de prueba formal de recuperación de la información.

Finalmente, la Dirección de Auditoría Interna, a través de la Unidad de Auditoría de Procesos Informáticos, tiene entre sus funciones revisar los procesos informáticos y los sistemas de información del Grupo, analizar y revisar sistemáticamente los controles tecnológicos implantados, así como realizar propuestas de ampliación y/o mejora.

F.3.3. Políticas y procedimientos de control interno destinados a supervisar la gestión de las actividades subcontratadas a terceros, así como de aquellos aspectos de evaluación, cálculo o valoración encomendados a expertos independientes, que puedan afectar de modo material a los estados financieros.

El Grupo ha externalizado en terceros ciertas funciones, no muy significativas, que afectan al proceso de elaboración de la información financiera a través de la obtención de determinadas valoraciones, cálculos y estimaciones utilizadas en la generación de los estados financieros individuales y consolidados que se publican en los mercados de valores.

De acuerdo con el Reglamento del Consejo de Administración, es competencia indelegable del Consejo aprobar y revisar la política de outsourcing (externalización de servicios).

Actualmente cuenta con procedimientos de supervisión y revisión tanto de las actividades subcontratadas a terceros como de los cálculos o valoraciones realizadas por expertos independientes que son relevantes en el proceso de generación de la información financiera, los cuales se encuentran en proceso de revisión y formalización dentro del marco de definición del SCIIF con el objeto de cumplir con las especificaciones de ésta y con las mejores prácticas del mercado.

De este modo, los procedimientos desarrollados concretan los siguientes aspectos:

- Designación formal de los responsables de llevar a cabo las distintas acciones.
- Análisis previo a la contratación, existiendo un proceso formalizado desde el momento en que surge la necesidad de externalizar un servicio o contar con un experto independiente, en el que se analizan diferentes propuestas y donde están definidos los responsables que deben aprobar la formalización de la relación contractual.
- Supervisión y revisión de la información generada o del servicio proporcionado:
 - Para actividades subcontratadas: solicitud de reportes periódicos; obligatoriedad de ser auditados por terceros; revisión periódica de la capacitación y acreditación del experto externo. En aquellos casos en los que la relevancia del servicio externalizado respecto a la Información financiera sea elevada, solicitud de informes a terceros independientes sobre las actividades de control desarrolladas por la sociedad que presta el servicio.
 - Para valoraciones realizadas por expertos externos: controles de revisión sobre la validez de la información proporcionada; revisión periódica de la capacitación y acreditación del experto.

En el ejercicio 2015, las actividades encomendadas a terceros relacionadas con valoraciones y cálculos de expertos independientes han tenido relación con:

- Cálculo de estudios actuariales de los compromisos asumidos con los empleados.
- Tasaciones de inmuebles adjudicados y de inmuebles que actúan como garantía en las operaciones de la cartera crediticia de la Sociedad.
- Determinados servicios de asesoramiento Fiscal y Legal.

F.4 Información y comunicación

Informe, señalando sus principales características, si dispone al menos de:

F.4.1. Una función específica encargada de definir, mantener actualizadas las políticas contables (área o departamento de políticas contables) y resolver dudas o conflictos derivados de su interpretación, manteniendo una comunicación fluida con los responsables de las operaciones en la organización, así como un manual de políticas contables actualizado y comunicado a las unidades a través de las que opera la entidad.

La Dirección de Control, a través de la Unidad de Contabilidad General es la responsable de definir, revisar y actualizar los procedimientos que en materia contable deban de implantarse en la Entidad y en las distintas empresas del Grupo, requiriendo la colaboración de Dirección de Auditoría Interna y de Secretaría General (Unidad de Cumplimiento Normativo) en lo que se refiera a aspectos legales, para asegurar el riguroso cumplimiento de la Normativa. Esta función de analizar la normativa contable valorando y proponiendo las acciones de implantación o adecuación que sean necesarias, queda garantizada con los recursos atribuidos actualmente a esta Unidad, teniendo en cuenta la dimensión de la Sociedad y del Grupo.

En todo caso, las políticas contables son objeto de actualización ante cualquier cambio normativo que lo requiera y ante cualquier nueva decisión que las modifique en aquellos casos en los que exista cierta discrecionalidad. A través de la intranet se hace pública diariamente cualquier actualización que haya tenido lugar.

Adicionalmente, desde la Dirección de Control se resuelven las dudas o conflictos de Interpretación que pudieran surgir en la aplicación de las políticas contables, manteniendo una comunicación fluida con los distintos responsables de las áreas de la sociedad matriz y del resto de filiales del Grupo involucrados en el proceso de elaboración de la información financiera.

Por otro lado, Ibercaja no cuenta con un único Manual de Políticas Contables, sino que el conjunto de sus políticas contables se compone de las Normas internacionales de información financiera (NIIF), de las circulares del Banco de España (Circular 4/2004 y sus modificaciones posteriores), de las políticas cuyo desarrollo exige la propia normativa vigente, así como de las específicas que ha elaborado la Entidad. Todas las políticas contables aprobadas por la Entidad están disponibles en su intranet, donde también se advierte de cualquier actualización. En función de la relevancia del contenido de las normas contables, se establece el nivel de aprobación necesario, pasando desde el Consejo de Administración hasta el Responsable de Contabilidad General.

Respecto a las filiales del Grupo, si bien éstas elaboran su propia contabilidad de manera descentralizada conforme a sus propios procedimientos, las políticas contables han de cumplir obligatoriamente con las normas y directrices emitidas desde Contabilidad General, quien también tiene la labor de ejercer una labor de supervisión sobre las mismas.

Es necesario señalar que las filiales elaboran su propia información financiera en base a formatos previamente consensuados con la matriz a efectos de obtener los estados financieros en un formato lo más homogéneo posible que facilite la obtención de la información consolidada del Grupo. Por ello, deben cumplir con los criterios o normas contables emitidas desde Contabilidad General.

F.4.2. Mecanismos de captura y preparación de la información financiera con formatos homogéneos, de aplicación y utilización por todas las unidades de la entidad o del grupo, que soporten los estados financieros principales y las notas, así como la información que se detalla sobre el SCIIF.

Ibercaja cuenta con aplicaciones y sistemas informáticos que permiten agregar y homogeneizar la contabilidad individual realizada desde las distintas áreas y filiales que componen el Grupo, con el nivel de desglose necesario, así como finalmente generar los estados financieros individuales y consolidados que son reportados y otra información financiera publicada en los mercados. La Dirección de Control es la responsable de agregar, homogeneizar y reportar la información, utilizando unos sistemas y aplicaciones comunes para ello.

Por otra parte, cada filial es responsable de realizar su propia contabilidad en los sistemas establecidos para ello y en todo caso registran la información contable en formato PGC (Plan General de Contabilidad). Por tanto, elaboran sus propios estados financieros, siempre bajo directrices de la Dirección de Control.

Adicionalmente, las filiales remiten la información complementaria necesaria, tanto para la comprobación y contraste de la información remitida, como para el proceso de armonización u homogenización de criterios contables. Además, envían los paquetes de consolidación necesarios para la confección de los desgloses correspondientes a los estados financieros y estados auxiliares que son necesarios para dar cobertura al resto de las necesidades de información.

La Unidad de Contabilidad General tiene entre sus funciones asignadas la de elaborar y actualizar los sistemas de control interno de la información financiera (matrices y controles) de las diferentes áreas y procesos, estableciendo controles y evidencias sobre éstos, e implementando las mejoras necesarias.

Por último, la Dirección de Auditoría Interna, entre sus funciones asignadas, debe revisar circuitos y procedimientos operativos implantados en las Unidades de Central o en Empresas filiales, contrastando la fiabilidad de la información que generan y el cumplimiento de los requerimientos internos aplicables.

F.5 Supervisión del funcionamiento del sistema

Informe, señalando sus principales características, al menos de:

F.5.1. Las actividades de supervisión del SCIIF realizadas por el Comité de Auditoría así como si la entidad cuenta con una función de auditoría interna que tenga entre sus competencias la de apoyo al comité en su labor de supervisión del sistema de control interno, incluyendo el SCIIF. Asimismo se informará del alcance de la evaluación del SCIIF realizada en el ejercicio y del procedimiento por el cual el encargado de ejecutar la evaluación comunica sus resultados, si la entidad cuenta con un plan de acción que detalle las eventuales medidas correctoras, y si se ha considerado su impacto en la información financiera.

La Función de Auditoría Interna recae en la Dirección de Auditoría Interna de Ibercaja, la cual depende jerárquica y funcionalmente del Consejo de Administración, a través de la Comisión de Auditoría y Cumplimiento.

Dicha Dirección se configura, para el ejercicio de sus funciones, en las siguientes Unidades: Auditoría de Red de Distribución, Auditoría de Riesgo de Crédito, Auditoría de Procesos Informáticos y Auditoría Financiera.

La Función de Auditoría Interna ejerce revisiones programadas de los sistemas implantados para el control de todos los riesgos, de los procedimientos operativos internos y del cumplimiento de la normativa interna y externa aplicable. Entre las actuales funciones asignadas a la Dirección de Auditoría Interna y recogidas en la normativa interna de la Entidad, se encuentra evaluar de forma permanente la adecuación y el buen funcionamiento de los sistemas de información financiera, regulatoria, de gestión y de control interno del Grupo Ibercaja, inherentes a las actividades de la Entidad o su Grupo, proponiendo, con un enfoque preventivo, recomendaciones de mejora sobre los mismos.

Con el fin de alcanzar sus objetivos y llevar a cabo las funciones asignadas, la Dirección de Auditoría Interna ha elaborado en 2015 un Plan Estratégico de carácter plurianual, en el marco de los Planes Estratégicos de la Entidad, en el que se recogen los objetivos estratégicos a alcanzar en el período, las funciones, herramientas y proyectos a desarrollar y el calendario previsto para su consecución. Dentro de los planes de acción, la labor de revisión del SCIIF es un pilar fundamental, estableciendo revisiones anuales de los procedimientos críticos de la Entidad.

Asimismo, el Plan Operativo Anual de Auditoría Interna, incluye las auditorías concretas a realizar por cada Unidad Especializada en el ejercicio, con una programación mínima trimestral, los recursos con que se cuenta para su ejecución y las actividades de formación que han de llevar a cabo los auditores de las distintas Unidades. La Dirección de Auditoría Interna debe informar regularmente al Consejo de Administración o a su Comisión de Auditoría y Cumplimiento, y a la Alta Dirección, sobre el buen funcionamiento de los sistemas de información de control interno, del Plan Anual de Auditoría Interna y del cumplimiento de los objetivos en él fijados.

Tanto el Plan Estratégico de Auditoría Interna como el Plan Operativo Anual, se han sometido a la aprobación de la Comisión de Auditoría y Cumplimiento del Consejo de Administración.

La labor realizada por la Función de Auditoría Interna, llevada a cabo a través de la ejecución del Plan Operativo Anual de Auditoría, es fundamental en la labor de supervisión del SCIIF.

El Plan Operativo de Auditoría del ejercicio 2015 ha recogido específicamente diversas actividades de evaluación del SCIIF e igualmente, se han revisado otros aspectos que inciden en el proceso de elaboración de la información financiera. En particular, entre las actuaciones llevadas a cabo se debe destacar la auditoría del Procedimiento de Emisiones corporativas y la revisión del Procedimiento de Controles generales informáticos. De las revisiones realizadas puede derivarse la formulación de recomendaciones de auditoría, que son priorizadas de acuerdo con su importancia relativa, y de las que se realiza un seguimiento continuo hasta su completa implantación.

- F.5.2. Si cuenta con un procedimiento de discusión mediante el cual, el auditor de cuentas (de acuerdo con lo establecido en las Normas Técnicas de Auditoría), la función de auditoría interna y otros expertos puedan comunicar a la alta dirección y al Comité de Auditoría o administradores de la entidad las debilidades significativas de control interno identificadas durante los procesos de revisión de las cuentas anuales o aquellos otros que las hayan sido encomendados. Asimismo, informará de si dispone de un plan de acción que trate de corregir o mitigar las debilidades observadas.**

De acuerdo al Reglamento del Consejo de Administración, la Comisión de Auditoría y Cumplimiento tiene como competencias el recibir regularmente del auditor externo información sobre el plan de auditoría y los resultados de su ejecución y verificar que la alta dirección tiene en cuenta sus recomendaciones, así como discutir con el auditor de cuentas las debilidades significativas de control interno detectadas en el desarrollo de la auditoría.

Actualmente, la Comisión de Auditoría y Cumplimiento se reúne con los auditores externos, al menos, en dos ocasiones a lo largo del ejercicio, donde puede ser comunicada cualquier debilidad significativa que haya sido detectada. A dicha reunión también asisten la Dirección de Auditoría, la Dirección de Control y el Jefe de la Unidad de Contabilidad General. En dichas reuniones, se concretan los planes de acción o las medidas necesarias para implantarlos, determinando los responsables de los mismos. Posteriormente, existen mecanismos que garantizan que los planes son llevados a cabo comprobando que las debilidades son mitigadas.

En relación a la comunicación con la Función de Auditoría Interna, la Comisión de Auditoría y Cumplimiento tiene como competencia la supervisión de las principales conclusiones relativas a los trabajos realizados y, para ello, a sus reuniones acude el Director de Auditoría, en las que expone un resumen de los principales trabajos llevados a cabo en el último periodo.

Para la definición de los planes de acción que permitan contrarrestar cualquier debilidad en el sistema de control interno, desde la Dirección de Auditoría Interna se comunican los informes resultantes de sus trabajos de revisión a las Direcciones responsables. Estos informes son elevados al Comité de Auditoría, donde se exponen las debilidades detectadas y, para aquellas que sean significativas o de carácter transversal en la Entidad, se concretan los planes de acción entre las distintas áreas involucradas, definiéndose los responsables y el plazo de resolución previsto.

Los acuerdos alcanzados en el Comité de Auditoría respecto a los planes de acción se reflejan en las actas que son elevadas al Consejero Delegado. El seguimiento de las mismas es realizado por la Alta Dirección y, en concreto, por las Direcciones involucradas a través de las reuniones del citado Comité. Por último, los temas más relevantes son puestos en conocimiento de la Comisión de Auditoría y Cumplimiento en sus reuniones bimestrales.

F.6 Otra Información relevante

Nada a destacar.

F.7 Informe del auditor externo

Informe de:

F.7.1. Si la información del SCIIF remitida a los mercados ha sido sometida a revisión por el auditor externo, en cuyo caso la entidad debería incluir el Informe correspondiente como Anexo. En caso contrario, debería informar de sus motivos.

El Grupo ha sometido a revisión por parte del auditor externo la información de los "Sistemas de Control Interno de la Información Financiera" contenida en el presente apartado F del IAGC correspondiente al ejercicio 2015. El alcance de los procedimientos de revisión del auditor se ha realizado de acuerdo con la Circular E 14/2013 del Instituto de Censores Jurados de Cuentas de España del 19 de julio de 2013.

El informe resultante será incluido a su emisión como anexo en el presente Informe Anual de Gobierno Corporativo.

This Annual Corporate Governance Report was approved by the Board of Directors or Governing Body of the Bank at its meeting on 8 march 2016.

Indicate the members of the Board or Governing Body who abstained or voted against the approval of this Report.

None.

Grupo iberCaja 