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

Independent Auditor's report
on the Condensed consolidated interim financial statements
and the consolidated interim Directors' report
June 30, 2019

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

Independent auditor's report on the condensed consolidated interim fininancial statements

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

Report on the condensed consolidated interim financial statements

Opinion

We have audited the condensed consolidated interim financial statements of Ibercaja Banco, S.A. (the Parent company) and subsidiaries (the Group), which comprise the balance sheet as of June 30, 2019, and the income statement, statement of recognised income and expense, statement of changes in total equity, statement of cash flows and related notes, all condensed and consolidated, for the six months period then ended.

In our opinion, the accompanying condensed consolidated interim financial statements present fairly, in all material respects, the equity and financial position of the Group as of June 30, 2019, as well as its financial performance and cash flows, all condensed consolidated, for the period of six months then ended, in accordance with International Accounting Satndard (IAS) 34, Financial Reporting Standards as adopted by the European Union, agreeing with the article 12 of Real Decreto 1362/2007, for the condensed consolidated interim financial statements preparation.

Basis of opinion

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

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

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

Key audit matters

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

Key Audit matters	How our audit addressed the key audit matter
Impairment of financial assets for credit risk and foreclosed assets	

Key Audit matters

The estimation of the impairment of financial assets for credit risk and forecloased assets is one of the most significant and complex estimates in the preparation of the condensed consolidated interim financial statements. This estimation is based on individual and colective, using different Group models. Mentioned estimations are included within the International Financial Reporting Standards 9 (IFRS 9) and considers elements such as:

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

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

The impairment for financial assets estimation of the foreclosed assets obtained by Group is consistent with the criteria used to determined the value of the collaterals.

How our audit addressed the key audit matter

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

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

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

In addition, we performed the following tests of details:

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

Regarding the assets portfolio sales, we have performed the following procedures:

- Obtained and analysed the evidence for the agreement contracts.
- Verify the control transfer requirements referred to the financial assets and consequently, its derecognition from the condensed consolidated balancesheet.
- Check the estimated results from the operation and booked within the condensed consolidated interim income statement.

We have not identified exceptions outside of a reasonable range in the tests outlined above.

Key Audit matters	How our audit addressed the key audit matter
Impairment of financial assets for credit risk and foreclosed assets On 27 June, 2019, Ibercaja Banco, S.A. sold a portfolio of assets. The loss is registered within the Financial Statement line "Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net" of the condensed consolidated income statement (Note 14.6). Refer to notes 2.3, 2.6 and 5.4 of the condensed consolidated interim financial statements as of June 30, 2019.	
Goodwill impairment testing On annual basis or when there is any evidence of impairment, the Group performs an evaluation to determine if a impairment exists. In connection with the condensed consolidated interim financial statements, the Group's Management assesses the existence of evidence of impairment in the Cash Generating Unit (CGU) since the previous year-end close. This goodwill is related to one CGU, agreeing with the total condensed consolidated balance sheet, using for the estimation the discounted potencial dividends derived from the business projections. These estimations are inherently uncertain and include a high level of judgement as they are based on aspects such as macroeconomic evolution and key hypothesis (credit growth, customer deposits, interest rates, capital requirements, etc..) which determined the cash flows, the discount rates and the long term gorwth rates used. These estimations are sensitive to variables and assumptions used, which based on their own nature are subject to the risk of material misstatement when being valued. Refer to note 2.3 of the condensed consolidated interim financial statements for the period of six months ended at June 30, 2019.	We have understood and analysed the estimation process carried by the Group, and performed the following: • Obtained the criteria to decide the Group CGU related to the goodwill. • Assess of the methodology used to estimate the goodwill impairment. Analisys of the budget for the main CGUs, and obtained comfort over the relevant hypothesis such as the growth rate, the discount rate and the impact of the deviations identified against the budget and the rates that allowed the Group to identify potential evidence of impairment. As a result of the above procedures, we believe that the evaluation carried out by Management is reasonable and the estimations of key assumptions employed are not outside a reasonable range in the context of the condensed consolidated interim financial statements.

Key Audit matters	How our audit addressed the key audit matter
Legal and tax provisions	
As a result of the Group´s ordinary course of its operations, it is party to a range of tax and legal proceedings, including administrative and regulatory. There are also situations that eventhough still not subject to any legal proceedings, are nevertheless required from the Group to recognise provisions; these include customer conduct related matters and the related compensation. These may include the cancellations from the regulatory organism of the “Floor clauses” or the application of the “Royal Decree 1/2017” to protects the customers regarding these mentioned clause. These proceedings generally take a long period of time to run their course, giving rise to complex processes dictated by the applicable legislation prevailing in the various jurisdictions in which the Group operates. The Group's Management decide when to recognise a provision for these proceedings based on estimates made using reasonable calculation procedures that are consistent with the uncertainty intrinsic to the obligations they cover. Litigations is one of the estimation areas that requires more judgement. Refer to notes 2.3 y 8 of the condensed consolidated interim financial statements.	We have obtained our understanding and evaluated the estimation process of the litigation, legal and tax provisions performed by the Group and the analysis of the internal control on the mentioned process including the following: • Understanding the process of update of the databases that contain the ongoing litigation and provision needs based on the accounting standards. • Analysis of the main claims, both individually and colectivelly ones. • Obtaining confirmation letters from Group´s legal department to agree their evaluation with the litigations, provisions and possible unrecorded liabilities. • Follow-up the open inspections using the help of our internal tax and legal experts and evaluation of the final results for the more significant tax open procedures and possible contingencies realted to the open to inspection years. • Provisions booking, estimation and movement analysis. Specifically, for the claims and conduct matters related to the “Floor clauses”, our procedures focused on: • Understanding the internal control related to the provision to compensate the customers calculations. • Evaluation of the methodology and hypothesis used by the Group, and verify that they are alignd with the ones used in the market. As result of the work mentioned above, we consider that the judgements and assumptions made by the Group are reasonable based on the available information.

Key Audit matters	How our audit addressed the key audit matter
Valuation of the liabilities related to life insurance contracts The Group activity operates in the life insurance business offering saving, protection and unit linked products , , being the most representative the saving products. In relation to the insurance saving products, the Group registers the liabilities related to their contracts in accordance with the Spanish regulation which includes a certain amount of judgement from Group management in the calculation of the mathematical provision. The Group estimates the mathematical provision in line with actuarial techniques based on assumptions such as discountrates, future expenses or mortality tables. The mathematical provision represents 99% of the total liabilities of the life insurance companySpecifically, the majority of the contract liabilities are calculated in accordance with article 33.2.bfrom the "Reglament of Management and Supervision of Private Insurance". In addition, for those contracts whoseprovision is calculated according to the article 33.1 of the "Reglament of Management and Supervision of Private Insurance", the Group opted in 2017, to adopt the transitional arrangements of such article in relation to application of the temporary discount rate structure to the insurance contracts entered before 1st January 2016.	We have obtainedan understanding of the processes and controls related to to value and account the liabilities for the life insurance contracts that are included within the mathematical provision. Our procedures focused on the following: • Understanding and assess the methodologies used in the calculation of theinsurance contract liabilitites. • Validate of the Group controls on the calculation of the mathematical provision. • Test of details over the consistency of the information related to those provisions. We performed additional procedures together with the support of the actuarial specialists which include the followingg: • Ensure the accuracy and reconciliation of the data used for the calculations for a sample of contracts. • Validate a sample of financial investments cashflows and liability cashflows for the immunization exercise performed by Group management in accordance with article 33.2. And also validate for a samplethe compliance with the regulatory requirements.. • Obtained comfort over the biometricalassumptions. • Recalculation of the mathematical provision for a sample of products. Validate the adequacy of the expense assumptions used in the calculation in line witharticle 35 of the "Reglament of Management and Supervision of Private Insurance". As result of the procedures described above, we have not found any relevant issue affecting the condensed consolidated interim financial statements.

Key Audit matters	How our audit addressed the key audit matter
Risk related to IT systems The Group, as per its nature and specifically in the accouting and financial information generating process is dependent of the IT systems. This occurs both becasuse of the platform that runs the mayority of the Group´s activity and the personel that managed it. Therefore, an adecuate control over them is relevant to ensure the right recording and flow of information. In addition, as the IT systems become with more complex systems, the risks related to the IT systems and the information that runs on them increases. In this context, it is vital to evaluate aspects such as the organisation of the Group’s Technology and Operations department, controls over software maintenance and development, physical and logical security controls, and controls over computer operations. Therefore, the assessment of risk related to IT systems and the internal control environment are relevant for the audit.	We have assessed, in collaboration with our IT system specialists, the internal controls over the IT systems, databases and applications that support the core business activity and have an impact on the Group’s financial reporting. For the relevant IT systems related to the financial reporting process, we have performed the following procedures: • Testing the Group internal controls for the developement and maintenance of the systems trying to minimize the risk on the program changes. • Check the authorisation access and application limits procedures. On those where can be found some weakness over the access control we identified compensating controls either in the IT or business department. We performed the following procedures: • Obtained comfort over the compensating controls that allow to detect problems in the completeness and accuracy of the information. • On those situations where compensating controls has been implemented, we have increased samples in the test of details performed to verify them. As resulto of our procedures and testings mentioned above, we have not found any relevant issue affecting the condensed consolidated interim financial statements.

Emphasis of matter

We draw attention to Note 2.1, which describes that these condensed consolidated interim financial statements do not include all the information required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and therefore the accompanying condensed consolidated interim financial statements should be read together with the consolidated annual accounts of the Group for the year ended December 31, 2018. Our opinion is not modified in respect of this matter.

Other information: Interim consolidated director's report

Other information comprises only the interim consolidated director's report for the six-month period ended June 30, 2019, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the condensed consolidated interim financial statements.

Our audit opinion on the condensed consolidated interim financial statements does not cover the interim consolidated director's report. Our responsibility regarding the interim consolidated director's report, in accordance with legislation governing the audit practice, is to evaluate and report on the consistency between the interim consolidated director's report and the condensed consolidated interim financial statements as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, and does not include information different to that obtained as evidence during our audit. Likewise, our responsibility is to evaluate and report on whether the content and presentation of the interim consolidated director's report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, the information contained in the interim consolidated director's report is consistent with that contained in the condensed consolidated interim financial statements for the six month period ended June 30, 2019, and its content and presentation are in accordance with the applicable regulations.

Responsibility of the directors and the audit committee for the condensed consolidated interim financial statements

The Parent company's directors are responsible for the preparation of the accompanying condensed consolidated interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

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

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the condensed consolidated interim financial statements.

Auditor's responsibilities for the audit of the condensed consolidated interim financial statements

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the condensed consolidated interim financial statements, including the disclosures.

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

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

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

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the condensed consolidated interim financial statements of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Appointment period

The General Ordinary Shareholders' Meeting held on April 10, 2018 appointed us as auditors of the Group for a period of three years, from the year ended December 31, 2017.

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

Services provided

PricewaterhouseCoopers Auditores, S.L. has provided to the Group, services different to the audit ones, including the issuance of *comfort letters*, assurance services and other regulatory reviews required to the auditor.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by
Julián González Gómez (20179)

July 26, 2019

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

Condensed consolidated interim financial statements at 30 June 2019
consolidated interim directors' report
for the six-month period ended on said date

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

At its meeting on 25 July 2019 in Zaragoza, pursuant to the prevailing legislation, the Board of Directors of Ibercaja Banco, S.A. resolved to publish and disseminate the condensed consolidated financial statements, comprising the balance sheet at 30 June 2019, the income statement, the statement of recognised income and expense, the statement of total changes in equity, the statement of cash flows and the notes to the financial statements, all condensed and consolidated, and the interim consolidated directors' report for the six-month period ended on 30 June 2019, which were set forth on official stamped paper and were numbered correlatively. Those documents were approved by means of the Directors' signatures, which appear below.

To the best of our knowledge, the condensed consolidated interim financial statements for the six-month period ended on 30 June 2019, prepared in accordance with the applicable accounting principles, present fairly the equity, financial position and the results of Ibercaja Banco, S.A. and subsidiaries forming the Ibercaja Banco Group. Likewise, the consolidated interim directors' report for the six-month period ended on 30 June 2019 presents fairly the performance, results and position of the Ibercaja Banco, S.A. and subsidiaries forming the Ibercaja Banco Group, together with a description of the main risks and uncertainties facing them.

SIGNATORIES:

MR JOSÉ LUIS AGUIRRE LOASO
Chairman

MR JESÚS BUENO ARRESE
First Deputy Chairman

MR VÍCTOR IGLESIAS RUIZ
CEO

MR JESÚS BARREIRO SANZ
Director Secretary

Ms. GABRIELA GONZÁLEZ-BUENO LILLO
Director

MR JESÚS SOLCHAGA LOITEGUI
Director

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

MR JUAN MARÍA PEMÁN GAVÍN
Director

MR EMILIO JIMÉNEZ LABRADOR
Director

MR VICENTE CÓNDOR LÓPEZ
Director

MR FÉLIX LONGÁS LAFUENTE
Director

MR JESÚS TEJEL GIMÉNEZ
Director

MR ENRIQUE ARRUFAT GUERRA
Director

Ms. MARÍA PILAR SEGURA BAS
Director

MR JORGE SIMÓN RODRIGUEZ
Director

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2019 AND 31 DECEMBER 2018

ASSETS	Note	Thousands of euros	
		30/06/2019	31/12/2018 (*)
Cash and cash balances at central banks and other demand deposits		**2,525,412**	**1,118,206**
Financial assets held for trading	**5**	**8,060**	**7,411**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**5.2**	**224,359**	**141,315**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through profit or loss	**5**	**9,287**	**9,575**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		-	-
Financial assets at fair value through other comprehensive income	**5.3**	**7,843,076**	**8,754,640**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*105,670*	*1,060,771*
Financial assets at amortised cost	**5.4**	**39,191,090**	**39,378,416**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge		*2,373,234*	*2,550,586*
Derivatives - Hedge accounting		**180,269**	**161,371**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**-**	**-**
Investments in joint ventures and associates		**117,542**	**126,235**
Joint ventures		27,669	28,462
Associates		89,873	97,773
Assets under insurance or reinsurance contracts		**396**	**719**
Tangible assets	**7**	**985,265**	**941,991**
Property, plant and equipment		696,018	637,704
For own use		*634,119*	*592,611*
Assigned under operating lease		*61,899*	*45,093*
Investment property		289,247	304,287
of which: assigned under operating lease		*82,354*	*100,701*
Memorandum items: acquired under finance lease		-	-
Intangible assets		**199,103**	**203,877**
Goodwill		144,934	144,934
Other intangible assets		54,169	58,943
Tax assets		**1,378,204**	**1,383,560**
Current tax assets		17,081	18,467
Deferred tax assets		1,361,123	1,365,093
Other assets		**185,410**	**189,833**
Inventories		145,310	152,397
Other assets		40,100	37,436
Non-current assets and disposal groups classified as held for sale		**284,462**	**288,590**
TOTAL ASSETS		**53,131,935**	**52,705,739**

(*) Presented for comparison purposes only (Note 2.2).

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated balance sheet at 30 June 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2019 AND 31 DECEMBER 2018

LIABILITIES	Note	Thousands of euros	
		30/06/2019	31/12/2018 (*)
Financial liabilities held for trading	6	**13,681**	**8,691**
Financial liabilities at fair value through profit or loss		**-**	**-**
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortised cost	6	**41,127,278**	**41,141,636**
Memorandum items: subordinated liabilities		*521,269*	*586,614*
Derivatives - Hedge accounting		**225,595**	**155,200**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging		**46,969**	**24,961**
Liabilities under insurance or reinsurance contracts		**7,853,199**	**7,514,769**
Provisions	8	**303,843**	**348,811**
Pensions and other post-employment defined benefit obligations		124,099	124,265
Other long-term employee remuneration		849	1,931
Lawsuits and litigation for outstanding taxes		9,027	9,027
Commitments and guarantees given		29,668	33,465
Other provisions		140,200	180,123
Tax liabilities		**189,063**	**181,263**
Current tax liabilities		657	2,295
Deferred tax liabilities		188,406	178,968
Other liabilities		**130,920**	**170,181**
Liabilities included in disposal groups of items classified as held for sale		**-**	**-**
TOTAL LIABILITIES		**49,890,548**	**49,545,512**

(*) Presented for comparison purposes only (Note 2.2).

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated balance sheet at 30 June 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2019 AND 31 DECEMBER 2018

EQUITY	Note	Thousands of euros 30/06/2019	31/12/2018 (*)
Shareholders' equity	**9**	**3,138,920**	**3,091,665**
Capital		214,428	2,144,276
Paid-in capital		*214,428*	*2,144,276*
Called-up capital		-	-
Memorandum items: uncalled capital		-	-
Share premium		-	-
Equity instruments issued other than capital		350,000	350,000
Equity components of compound financial instruments		-	-
Other equity instruments issued		*350,000*	*350,000*
Other equity items		-	-
Retained earnings		545,090	521,762
Revaluation reserves		3,309	3,313
Other reserves		1,950,172	31,510
(Treasury shares)		-	-
Profit attributable to owners of the parent		75,921	40,804
(Interim dividends)		-	-
Other accumulated comprehensive income		**102,467**	**68,562**
Items that will not be reclassified to profit or loss		27,498	18,464
Actuarial gains/(losses) on defined benefit pension plans		*(17,367)*	*(17,367)*
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised in joint ventures and associates		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		*44,865*	*35,831*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Changes in fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk.		-	-
Items that may be reclassified to profit or loss		74,969	50,098
Hedges of net investment in foreign operations (effective portion)		-	-
Currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		*13,734*	*9,288*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income		*60,096*	*40,200*
Hedging instruments (undesignated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Share in other income and expense recognised at joint ventures and associates		*1,139*	*610*
Non-controlling interests		**-**	**-**
Other accumulated comprehensive income		-	-
Other items		-	-
TOTAL EQUITY		**3,241,387**	**3,160,227**
TOTAL EQUITY AND LIABILITIES		**53,131,935**	**52,705,739**
Memorandum items: off-balance sheet exposures	**5.4.4**		
Loan commitments given		2,881,532	2,970,560
Financial guarantees granted		78,930	79,289
Other commitments given		870,576	908,335

(*) Presented for comparison purposes only (Note 2.2).

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated balance sheet at 30 June 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SIX-MONTH PERIODS
ENDED ON 30 JUNE 2019 AND 2018

		Thousands of euros	
	Note	30/06/2019	30/06/2018 (*)
(+) Interest income	14.1	334,823	328,360
a) Financial assets at fair value through other comprehensive income		68,680	71,796
b) Financial assets at amortised cost		266,660	262,179
c) Other assets		(517)	(5,615)
(-) Interest expense	14.2	56,717	51,346
(-) Expenses on share capital repayable on demand		-	-
(=) A) NET INTEREST INCOME		**278,106**	**277,014**
(+) Dividend income	14.3	10,908	9,471
(+/-) Share of profit of entities accounted for using the equity method		(134)	(673)
(+) Fee and commission income	14.4	198,728	194,599
(-) Fee and commission expenses	14.5	7,815	7,768
(+/-) Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	14.6	15,417	35,431
a) Financial assets at amortised cost		(13,167)	1,693
b) Other financial assets and liabilities		28,584	33,738
(+/-) Net gains/(losses) on financial assets and liabilities held for trading	14.6	564	197
a) Reclassification of financial assets from fair value through other comprehensive income		-	-
b) Reclassification of financial assets from amortised cost		-	-
c) Other gains or (-) losses		564	197
(+/-) Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	14.6	(3,600)	(573)
a) Reclassification of financial assets from fair value through other comprehensive income		-	-
b) Reclassification of financial assets from amortised cost		-	-
c) Other gains or (-) losses		(3,600)	(573)
(+/-) Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	14.6	313	401
(+/-) Net gains/(losses) from hedge accounting	14.6	(366)	37
(+/-) Net exchange differences		487	404
(+) Other operating income	14.7	17,527	21,270
(-) Other operating expenses	14.8	21,545	27,577
(+) Income from assets covered by insurance and reinsurance contracts		517,802	701,159
(-) Liability expenses covered by insurance or reinsurance contracts		517,952	701,421
(=) B) GROSS INCOME		**488,440**	**501,971**
(-) Administration expenses	14.9	259,784	335,802
(-) a) Personnel expenses		178,299	240,913
(-) b) Other administration expenses		81,485	94,889
(-) Amortisation and depreciation		33,640	25,337
(+/-) Provisions or reversal of provisions		16,442	(19,748)
(+/-) Impairment or reversal of impairment on financial assets not measured fair value through profit or loss or net gain on change		60,144	60,173
(+/-) a) Financial assets at fair value through other comprehensive income		(1,870)	(1,077)
(+/-) b) Financial assets at amortised cost		62,014	61,250
(=) C) PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		**118,430**	**100,407**
(+/-) Impairment or reversal of impairment on investments in joint ventures or associates		-	-
(+/-) Impairment or reversal of impairment of non-financial assets	14.10	466	1,777
(+/-) a) Tangible assets		(198)	194
(+/-) b) Intangible assets		-	-
(+/-) c) Other		664	1,583
(+/-) Net gains/(losses) on derecognition of non-financial assets	14.11	(1,210)	1,431
(+) Negative goodwill recognised in profit or loss		-	-
(+/-) Gains/(losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	14.12	(6,275)	(35,857)
(=) D) PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**110,479**	**64,204**
(+/-) Expense or income from taxes on income from continuing operations		34,558	24,944
(=) E) PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**75,921**	**39,260**
(+/-) Profit/(loss) after tax from discontinued activities		-	-
= PROFIT OF THE PERIOD		**75,921**	**39,260**
Attributable to non-controlling interests		-	2
Attributable to owners of the parent		75,921	39,258

(*) Presented for comparison purposes only (Note 2.2).

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated income statement for the six-month period ended 30 June 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX-MONTH PERIODS ENDED ON 30 JUNE 2019 AND 2018

	Note	Thousands of euros 30/06/2019	30/06/2018 (*)
A) PROFIT OF THE PERIOD		**75,921**	**39,260**
B) OTHER COMPREHENSIVE INCOME		**31,390**	**(48,544)**
Items that will not be reclassified to profit or loss		**6,519**	**(22,814)**
a) Actuarial gains/(losses) on defined benefit pension plans		-	-
b) Non-current assets and disposal groups of items held for sale		-	-
c) Share in other income and expense recognised of investments in joint ventures and associates		-	-
d) Changes in the fair value of equity instruments measured at fair value through other comprehensive income		9,313	(32,592)
e) Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
f) Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		-	-
g) Income tax relating to items not to be reclassified		(2,794)	9,778
Items that may be reclassified to profit or loss		**24,871**	**(25,730)**
a) Hedges of net investment in foreign operations (effective portion)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
b) Currency translation		-	-
Gains/(losses) from foreign currency exchange taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
c) Cash flow hedges (effective portion)		6,351	(1,817)
Valuation gains/(losses) taken to equity		*6,351*	*(1,817)*
Transferred to the income statement		-	-
Transferred to initial carrying amount of hedge items		-	-
Other reclassifications		-	-
d) Hedging instruments (undesignated items)		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
e) Debt instruments at fair value through other comprehensive income		28,424	(34,907)
Valuation gains/(losses) taken to equity		*56,533*	*(1,268)*
Transferred to the income statement	14.6	*(28,109)*	*(33,639)*
Other reclassifications		-	-
f) Non-current assets and disposal groups of items held for sale		-	-
Valuation gains/(losses) taken to equity		-	-
Transferred to the income statement		-	-
Other reclassifications		-	-
g) Share in other income and expense recognised of investments in joint ventures and associates		529	(23)
h) Income tax relating to items that may be reclassified to profit or loss		(10,433)	11,017
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**107,311**	**(9,284)**
Attributable to non-controlling interests		-	2
Attributable to owners of the parent		107,311	(9,286)

(*) Presented for comparison purposes only (Note 2.2).

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of recognised income and expense for the six-month period ended 30 June 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent	(Interim dividends)	Other accumulated comprehensive income	Other accumulated comprehensive income	Other items	Total
I. Closing balance at 31/12/2018	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**521,762**	**3,313**	**31,510**	**-**	**40,804**	**-**	**68,562**	**-**	**-**	**3,160,227**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75,921**	**-**	**31,390**	**-**	**-**	**107,311**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**23,328**	**(4)**	**1,918,662**	**-**	**(40,804)**	**-**	**2,515**	**-**	**-**	**(26,151)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	40,828	(4)	(2,535)	-	(40,804)	-	2,515	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(8,651)	-	-	-	-	-	-	(8,651)
III. Closing balance at 30/06/2019	**214,428**	**-**	**350,000**	**-**	**545,090**	**3,309**	**1,950,172**	**-**	**75,921**	**-**	**102,467**	**-**	**-**	**3,241,387**

The accompanying explanatory Notes 1 to 16 and the Appendices are an integral part of the condensed consolidated statement of total changes in equity at 30 June 2019.

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED CONSOLIDATED STATEMENT OF TOTAL CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2018 (*)
(Thousands of euros)

												Non-controlling interests		
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Attributable to owners of the parent	(Interim dividends)	Other accumulated comprehensive income	Other accumulated comprehensive income	Other items	Total
I. Closing balance at 31/12/2017	**2,144,276**	**-**	**-**	**-**	**418,783**	**3,321**	**150,168**	**-**	**138,367**	**-**	**144,077**	**-**	**300**	**2,999,292**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(115,872)	-	-	-	(2,045)	-	-	(117,917)
II. Adjusted opening balance	**2,144,276**	**-**	**-**	**-**	**418,783**	**3,321**	**34,296**	**-**	**138,367**	**-**	**142,032**	**-**	**300**	**2,881,375**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,258**	**-**	**(48,544)**	**-**	**2**	**(9,284)**
Other changes in equity	**-**	**-**	**350,000**	**-**	**127,595**	**(4)**	**(11,835)**	**-**	**(138,367)**	**-**	**(492)**	**-**	**(14)**	**326,883**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	350,000	-	-	-	(2,883)	-	-	-	-	-	-	347,117
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(17,500)	-	-	-	-	-	-	-	-	(17,500)
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	145,095	(4)	(6,221)	-	(138,367)	-	(503)	-	-	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(2,731)	-	-	-	11	-	(14)	(2,734)
III. Closing balance at 30/06/2018	**2,144,276**	**-**	**350,000**	**-**	**546,378**	**3,317**	**22,461**	**-**	**39,258**	**-**	**92,996**	**-**	**288**	**3,198,974**

The accompanying explanatory Notes 1 to 16 and the Appendices are an integral part of the condensed consolidated statement of total changes in equity at 30 June 2019.

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIODS
ENDED ON 30 JUNE 2019 AND 2018

	Thousands of euros	
	30/06/2019	**30/06/2018 (*)**
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**1,497,164**	**(2,340,118)**
1. Profit of the period	75,921	39,260
2. Adjustments to obtain cash flows from operating activities:	107,565	64,827
(+) Amortisation and depreciation	33,640	25,337
(+/-) Other adjustments	73,925	39,490
3. Net increase/decrease in operating assets:	(760,243)	1,740,479
(+/-) Financial assets held for trading	649	(1,560)
(+/-) Non-trading financial assets mandatorily measured at fair value through profit or loss	85,351	(1,047
(+/-) Financial assets at fair value through profit or loss	609	(360)
(+/-) Financial assets at fair value through other comprehensive income	(873,632)	(176,763)
(+/-) Financial assets at amortised cost	20,589	1,937,952
(+/-) Other operating assets	6,191	(17,743)
4. Net increase/(decrease) in operating liabilities:	368,568	(622,150)
(+/-) Financial liabilities held for trading	4,990	2,435
(+/-) Financial liabilities at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	67,870	(965,329)
(+/-) Other operating liabilities	295,708	340,744
5. Income tax credit/(payments)	184,867	(81,576)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 +2)	**11,832**	**53,150**
1. Payments:	43,542	57,322
(-) Tangible assets	35,362	27,617
(-) Intangible assets	3,213	447
(-) Investments in joint ventures and associates	558	-
(-) Subsidiaries and other business units	-	-
(-) Non-current assets and liabilities classified as held for sale	4,409	29,258
(-) Other payments related to investing activities	-	-
2. Receipts:	55,374	110,472
(+) Tangible assets	27,761	30,129
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	40	684
(+) Subsidiaries and other business units	-	-
(+) Non-current assets and liabilities classified as held for sale	27,573	79,659
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(111,555)**	**282,968**
1. Payments:	111,555	62,915
(-) Dividends	17,500	17,500
(-) Subordinated liabilities	81,805	45,415
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	-	-
(-) Other payments related to financing activities	12,250	-
2. Receipts:	-	345,883
(+) Subordinated liabilities	-	-
(+) Issuance of own equity instruments	-	345,883
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**1,397,441**	**(2,004,000)**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**1,099,290**	**3,467,597**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**2,496,731**	**1,463,597**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
(+) Cash	214,683	200,767
(+) Cash equivalents at central banks	2,098,040	1,089,015
(+) Other financial assets	184,008	173,815
(-) Less: bank overdrafts repayable on demand	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,496,731**	**1,463,597**
of which: in the possession of Group companies but not drawable by the Group	-	-

The accompanying explanatory Notes 1 to 16 are an integral part of the condensed consolidated statement of cash flows for the six-month period ended 30 June 2019.

(*) Presented for comparison purposes only (Note 2.2).

Ibercaja Banco, S.A. and subsidiaries

Explanatory notes to the condensed consolidated interim financial statements for the six-month period ended 30 June 2019

Contents

IBERCAJA BANCO, S.A. AND SUBSIDIARIES
(IBERCAJA BANCO GROUP)

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

1. Introduction

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

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

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

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

Details of the companies composing the Group are presented in Appendix I to the Group's consolidated financial statements at 31 December 2018.

The activities carried on by the Group and the detail of the companies composing it did not change significantly in the first half of 2019 (Note 3).

2. Basis of presentation and other information

2.1 Basis of presentation

The condensed consolidated interim financial statements of the Bank and subsidiaries composing the Ibercaja Banco Group for the six-month period ended 30 June 2019 (hereinafter, interim financial statements) were authorised for issue by the Bank's directors at the meeting of the Board of Directors held on 25 July 2019.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" set out in the International Financial Reporting Standards adopted by the European Union (hereinafter EU-IFRS) and have been prepared from the accounting records kept by the Bank and by the other Group companies. The preparation thereof has taken account of Bank of Spain Circular 4/2017 of 27 November (hereinafter Circular 4/2017) and Circular 3/2018 of 28 June from the National Securities Market Commission (hereinafter CNMV), which repealed Circular 1/2008 of 30 January and Circular 5/2015 of 28 October, both from the CNMV.

Circular 4/2017 on “Public and confidential financial reporting standards and model financial statements of credit institutions”, aims to adapt the accounting system of these entities to the accounting climate arising from the adoption by the European Union of the International Financial Reporting Standards, in order to make this Circular fully compatible with the conceptual framework on which it is based.

The condensed consolidated interim financial statements prepared by the Directors of the Bank, which do not include all the information that would be required by complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, must be read in conjunction with the consolidated financial statements for the year ended 31 December 2018, prepared in accordance with the principles, accounting standards and measurement criteria applicable in accordance with International Financial Reporting Standards adapted by the European Union and taking into consideration Bank of Spain Circular 4/2017 of 27 November (“Circular 4/2017”) and subsequent amendments, which were authorised for issue on 1 March 2019 and approved by the Annual General Meeting of Shareholders held on 9 April 2019. Consequently, it has not been necessary to repeat or update certain notes or estimates included in the aforementioned consolidated financial statements. Instead, the accompanying selected explanatory notes include an explanation of any events or changes that are significant for the explanation of changes in the consolidated financial position from 31 December 2018 to 30 June 2019.

These condensed consolidated interim financial statements, unless stated otherwise, are prepared in thousands of euros from the accounting records kept by the Company and by other entities included in the Group. However, given that the accounting policies and valuation standards used by some of the Group companies may differ from those used in preparing the Group's condensed consolidated interim financial statements at 30 June 2019. Adjustments and reclassifications have been made as necessary in the consolidation process to make said accounting policies and valuation standards consistent with the EU-IFRS used by the Company.

2.2 Information relating to 2018

Under the regulations in force, the information contained in these explanatory Notes to the consolidated interim financial statements for 2018 is presented exclusively for the purpose of comparison with the information for 2019.

2.3 Accounting principles and policies

In the first half of 2019, amendments were made to the accounting regulations applicable to the Group with respect to those applied in the previous period. The changes considered to be most important are listed below.

The mandatory standards, amendments and interpretations for the years commencing on 1 January 2019, which have not resulted in a significant impact for the Group, were as follows:

Standards and Interpretations	**Title**
IFRS 16	Leases
Amendment to IFRS 9	Prepayment Features with Negative Compensation
IFRIC 23	Uncertainty over Income Tax Treatments
Amendment to IAS 28	Long-term interests in associates and joint ventures
Amendment to IAS 19	Plan amendment, curtailment or settlement
Annual improvements to IFRS	Cycle 2015-2017

Adoption of IFRS 16 "Leases"

On 1 January 2019, IFRS 16, "Leases", entered into force. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases in order to ensure that both lessee and lessor provide relevant information that presents a true and fair view of these transactions. The Group has adopted the amended standard retrospectively since 1 January 2019, without restating the comparative financial statements for 2018, as permitted under the specific transitional provisions of the standard.

The adoption of IFRS 16 has led to changes in the Group's accounting policies for the recognition, measurement, presentation and disclosure of leases.

The main aspects contained in the new regulations and the disclosures relating to the impact of the adoption of IFRS 16 in the Group are as follows:

a) Lease accounting policy

From 1 January 2019, leases are recognised as an asset by right of use and the corresponding liability on the date on which the leased asset is available for use by the group. Each lease payment is allocated between liabilities and finance expense. The interest expense is charged to income over the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the useful life of the asset or the shorter of the two lease terms on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

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

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

The incremental interest rate is defined as the interest rate that a lessee would have to pay for borrowing, for a term similar to the duration of the lease and with similar security, funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment.

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense. Short-term leases are leases with a term less than or equal to 12 months.

b) Recognised effects on the adoption of the standard

With the adoption of IFRS 16, the Group recognised lease liabilities for leases that had previously been classified as "operating leases" under the principles of IAS 17 Leases, in force at 31 December 2018. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the lessee on 1 January 2019. At that date of first application, the weighted average discount rate was 2.54%.

As a result of the entry into force of IFRS 16, the impact of first-time application recognised by the Group relates mainly to the recognition of right-of-use assets amounting to 62 million euros and lease liabilities of the same amount. The Ibercaja Group has estimated an impact on *Common Equity Tier* 1 - CET 1 fully loaded of 4 basis points.

At the date of authorisation for issue of these interim financial statements, there are standards and interpretations issued by the International Accounting Standards Board (IASB) that have not yet entered into force, either because their effective date is subsequent to the date of these interim financial statements or because they have not yet been adopted by the European Union. A description of these standards and interpretations is included in Note 1.11 to the Group's consolidated financial statements at 31 December 2018.

<u>Approved for use in the EU</u>

There are no standards and interpretations that have been approved for application in the EU that have not entered into force because their effective date is later than the date of these interim financial statements.

<u>Not approved for use in the EU</u>

Standards and Interpretations	**Title**
Amendment to IFRS 10 and IAS 28	Sales or contributions of assets between an investor and its associate/joint venture
IFRS 17 (**)	Insurance contracts
IFRS 14	Regulatory deferral accounts
Amendment to IFRS 3 (*)	Definition of a business
Amendment to IAS 1 and IAS 8 (*)	Definition of "material"

(*) Applicable for financial years beginning on or after 1 January 2020.
(**) Applicable for financial years beginning on or after 1 January 2021.

The Group is assessing the impact that these standards, amendments and interpretations may have on the consolidated financial statements.

2.4 Estimates made

The interim financial statements for the six months ended 30 June 2019 contain estimates to quantify some of the assets, liabilities, income, expenditure and commitments disclosed herein. These estimates basically relate to:

- impairment losses on certain assets and the estimate of associated guarantees, particularly with respect to the consideration of the "significant increase in credit risk (SICR)" and "default", as well as the incorporation of forward-looking information,

- the assumptions used in the actuarial calculation of post-employment remuneration liabilities and commitments and other long-term obligations to employees, and those used to calculate liabilities arising under insurance contracts,
- the measurement of goodwill and other intangible assets,
- useful life of tangible and intangible assets,
- the probability of occurrence of those events deemed to be contingent liabilities and, where appropriate, the provisions required to cover such events,
- the fair value of certain financial assets,
- the income tax expense for the six months ended 30 June 2019 which, in accordance with IAS 34, is recognised in interim periods on the basis of the best estimate of the weighted average tax rate the group expects for its annual period, and the recoverability of deferred tax assets,
- the valuation of investments in joint ventures and associates, and
- the determination of returns from investments in joint ventures and associates.

Although these estimates were made on the basis of the best information available on the events analysed, future events may require them to be modified in the coming years, which would occur in accordance with prevailing regulations, prospectively recognising the effects of the change in estimate in the consolidated financial statements for the years in question.

2.5 Information on the mortgage market

In accordance with Royal Decree 716/2009, of 24 April, whereby certain aspects of Law 2/1981, of 25 March, governing the mortgage market and other rules on the financial mortgage system were developed, and Bank of Spain Circular 3/2010, of 29 June, the Board of Directors approved the “Loan and discount risk management policy and procedure manual” drawn up by the Company to guarantee compliance with legislation governing the mortgage market, including guidance on the following:

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

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

Mortgage certificates are issued in accordance with Spanish legislation on the mortgage and securities markets. Under applicable legislation, the volume of mortgage covered bonds issued by an entity and not matured may not exceed 80% of the unamortised principal of all loans and mortgages in the eligible portfolio. The Company's Board of Directors approved a more restrictive limit, and therefore the above percentage of mortgage covered bonds issued may not exceed 65%. At 30 June 2019, the figure was 38.55% (42.28% at 31 December 2018).

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

The level of overcollateralisation or backing of mortgage covered bonds by the entire mortgage portfolio is 259.39% at 30 June 2019 (236.51% at 31 December 2018).

At that date 99.43% of transactions in the mortgage portfolio have been formalised through loans (95.36% at 31 December 2018). Of these, instalments are collected on a monthly basis for 97.44% (97.29% at 31 December 2018). The operations formalised at variable interest rates are 99.54% of the total (99.52% at 31 December 2018) and of these, 82.97% are tied to Euribor (83.36% at 31 December 2018).

Set out below is information on the mortgage market:

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

	Thousands of euros	
	Nominal value	
	30/06/2019	**31/12/2018**
Total loans	**23,626,089**	**24,575,457**
Mortgage participations issued	**1,259,615**	**1,342,807**
Of which: loans recognised on asset side of balance sheet	1,223,373	1,302,055
Mortgage transfer certificates issued	**1,739,652**	**1,823,997**
Of which: loans recognised on asset side of balance sheet	1,719,614	1,802,053
Mortgage loans pledged in guarantee for financing received	**-**	**-**
Loans backing mortgage bonds issues and covered bond issues	**20,626,822**	**21,408,653**
Non-eligible loans	4,726,961	5,012,268
Fulfil requirements to be eligible except for limit under Article 5.1 of Royal Decree 716/2009	4,180,352	4,248,933
Other non-eligible loans	546,609	763,335
Eligible loans	15,899,861	16,396,385
Loans backing mortgage bond issues	-	-
Loans suitable for backing mortgage bond issues	15,899,861	16,396,385
Non-computable amounts	20,831	25,536
Computable amounts	15,879,030	16,370,849
Memorandum items		
Loans backing mortgage bond issues	-	-

- Information on eligible loans and mortgages:

	Thousands of euros				
	30/06/2019				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80%**	**Total**
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**15,899,861**
Residential	4,177,303	6,278,304	4,383,559	-	14.839.166
Other properties	572,571	448,710	39,414		1,060,695

	Thousands of euros				
	31/12/2018				
	Loan to value (LTV) ratio				
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80%**	**Total**
Mortgage loans and credits eligible for issuing mortgage bonds and mortgage covered bonds					**16,396,385**
Residential	4,369,429	6,388,295	4,494,184	-	15.251.908
Other properties	644,149	455,999	44,329		1,144,477

- Information concerning the issue of mortgage covered bonds. breakdown of mortgage loans pending repayment:

	Thousands of euros			
	30/06/2019		31/12/2018	
	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans	Loans backing mortgage bonds issues and covered bond issues	Of which: Eligible loans
Total	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Origin of operations	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Originated by the Entity	13,839,291	10,096,755	14,357,138	10,448,388
Subrogated from other entities	420,380	399,775	444,327	420,161
Other	6,367,151	5,403,331	6,607,188	5,527,836
Currency	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Euro	20,624,658	15,899,861	21,406,433	16,396,385
Other currencies	2,164	-	2,220	-
Payment status	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Payment normality	19,438,967	15,721,423	19,641,277	16,153,050
Other situations	1,187,855	178,438	1,767,376	243,335
Average residual period to maturity	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Up to 10 years	2,858,296	1,914,172	3,285,935	1,962,845
More than 10 years and up to 20 years	7,424,331	6,112,942	7,569,936	6,140,648
More than 20 years and up to 30 years	8,882,887	6,856,627	8,879,369	7,066,727
More than 30 years	1,461,308	1,016,120	1,673,413	1,226,165
Interest rate	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Fixed interest rate	174,654	58,547	255,544	57,477
Variable interest rate	18,853,721	14,593,861	19,446,363	14,945,641
Mixed interest rate	1,598,447	1,247,453	1,706,746	1,393,267
Holders	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Legal entities and individual entrepreneurs (business activities)	3,269,549	1,474,750	3,829,992	1,907,919
Of which: real estate construction and development (including land)	*1,387,532*	*352,868*	*1,689,779*	*746,958*
Other households	17,357,273	14,425,111	17,578,661	14,488,466
Type of collateral	**20,626,822**	**15,899,861**	**21,408,653**	**16,396,385**
Finished assets/buildings	19,661,882	15,546,829	20,134,352	16,007,109
Homes	18,844,681	15,016,159	19,215,328	15,470,561
of which: state-subsidised housing	*1,478,879*	*1,382,915*	*1,563,662*	*1,460,017*
Offices and commercial premises	411,599	278,804	474,841	286,430
Other buildings and constructions	405,602	251,866	444,183	250,118
Assets/buildings under construction	394,709	200,705	467,236	229,053
Homes	89,128	2,357	141,490	29,518
of which: state-subsidised housing	*3,293*	*1,257*	*7,446*	*1,508*
Offices and commercial premises	-	-	-	-
Other buildings and constructions	305,581	198,348	325,746	199,535
Land	570,231	152,327	807,065	160,223
Consolidated urban land	288,979	3,646	487,312	3,966
Other land	281,252	148,681	319,753	156,257

- Nominal value of mortgage covered bonds issued by the Bank:

	Thousands of euros	
	Nominal value	
	30/06/2019	31/12/2018
Mortgage covered bonds	**3,900,000**	**4,650,000**
Ibercaja April II 2010	100,000	100,000
Ibercaja March 2012 II	-	750,000
Ibercaja September 2012	800,000	800,000
Ibercaja October 2016	500,000	500,000
Ibercaja September 2017 I	750,000	750,000
Ibercaja September 2017 II	750,000	750,000
Ibercaja December 2018	1,000,000	1,000,000
AYT covered bonds	**1,146,771**	**1,171,771**
AYT 8 Single Covered Bond (15 years)	104,634	104,634
AYT 9 Single Covered Bond (15 years)	216,667	216,667
AYT 10 Single Covered Bond (20 years)	341,026	341,026
AYT Global 2021 Single Covered Bond	225,000	225,000
AYT Global 2022 Single Covered Bond Series III	19,444	19,444
AYT Cajas Global 2023 Covered Bond Series X	75,000	75,000
AYT Cajas Global 2027 Covered Bond Series XIII	165,000	165,000
AYT Cajas Global 2019 Covered Bond Series XIV	-	25,000
TDA covered bonds	**1,100,000**	**1,100,000**
TDA 5 Single Covered Bond	300,000	300,000
TDA 6 Single Covered Bond	250,000	250,000
TDA 6 Single Covered Bond (Extension)	250,000	250,000
TDA Single Covered Bond Series A4	300,000	300,000

- Information on the residual maturity of mortgage market securities:

	Thousands of euros			
	30/06/2019		31/12/2018	
	Nominal value	Average res. mat. (months)	Nominal value	Average res. mat. (months)
Mortgage bonds issued	-	-	-	-
Of which: recognised under liabilities	-	-	-	-
Mortgage covered bonds issued	**6,146,771**	-	**6,921,771**	-
of which: recognised under liabilities	*2,956,771*	-	*2,971,771*	-
Debt securities. Issued through public offering	-	-	-	-
Debt securities. Other issues	3,900,000	-	4,650,000	-
Residual maturity up to one year	-	-	1,550,000	-
Residual maturity greater than one year and up to two years	900,000	-	100,000	-
Residual maturity greater than two years and up to three years	-	-	-	-
Residual maturity greater than three years and up to five years	1,250,000	-	1,250,000	-
Residual maturity greater than five years and up to ten years	1,750,000	-	1,750,000	-
Residual maturity greater than ten years	-	-	-	-
Deposits	2,246,771	-	2,271,771	-
Residual maturity up to one year	621,301	-	429,634	-
Residual maturity greater than one year and up to two years	525,000	-	216,667	-
Residual maturity greater than two years and up to three years	-	-	525,000	-
Residual maturity greater than three years and up to five years	94,444	-	94,444	-
Residual maturity greater than five years and up to ten years	1,006,026	-	1,006,026	-
Residual maturity greater than ten years	-	-	-	-
Mortgage participations issued	**1,223,373**	**99**	**1,302,055**	**99**
Issued through public offering	-	-	-	-
Other issues	1,223,373	99	1,302,055	99
Mortgage transfer certificates issued	**1,719,614**	**114**	**1,802,053**	**114**
Issued through public offering	-	-	-	-
Other issues	1,719,614	114	1,802,053	114

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

- Information on mortgage loans backing the issue of mortgage bonds (*bonos hipotectarios*) and secured mortgage covered bonds (*cédulas hipotecarias*) (eligible and non-eligible):

	Thousands of euros			
	2019		2018	
	Eligible loans	Non-eligible loans	Eligible loans	Non-eligible loans
Opening balance at 1 January	**16,396,385**	**5,012,268**	**17,389,805**	**4,713,590**
Write-offs in the year	**1,007,543**	**473,438**	**789,709**	**330,043**
Due principal received in cash	413,334	74,528	522,073	197,100
Repaid early	210,294	88,432	207,573	102,079
Subrogated by other entities	1,158	221	1,590	185
Other write-offs	382,757	310,257	58,473	30,679
Additions in the year	**511,019**	**188,131**	**728,423**	**159,010**
Originated by the Entity	393,860	164,020	595,264	131,778
Subrogated from other entities	1,401	-	4,272	232
Other additions	115,758	24,111	128,887	27,000
Closing balance at 30 June	**15,899,861**	**4,726,961**	**17,328,519**	**4,542,557**

- Information on mortgage loans backing the issue of mortgage bonds (*bonos hipotectarios*) and secured mortgage covered bonds (*cédulas hipotecarias*). Available balances:

	Thousands of euros	
	30/06/2019	31/12/2018
Total	**620,074**	**155,438**
Potentially eligible	596,037	128,186
Non-eligible	24,037	27,252

At 30 June 2019 and 31 December 2018, the Group had no replacement assets in connection with issues of secured mortgage covered bonds and mortgage bonds.

2.6 Key information on exposure to certain risks at the close of the half-yearly financial statements

2.6.1 Financing related to development and real estate activities.

The breakdown of the financing for the real estate construction and development at 30 June 2019 and 31 December 2018 is as follows:

	Thousands of euros							
	Gross carrying amount		Excess of the gross exposure on the maximum recoverable amount of the effective collateral (*)		Accumulated impairment		Net value	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Financing for real estate construction and development (including land) (businesses in Spain)	**1,260,986**	**1,586,107**	**193,535**	**430,806**	**120,090**	**339,426**	**1,140,896**	**1,246,681**
of which: default/non-performing	232,417	600,566	122,266	352,142	113,507	331,647	118,910	268,919
Memorandum items: written-off assets	**184,111**	**254,431**	**-**	**-**	**-**	**-**	**-**	**-**

(*) Excess of the gross exposure on the maximum recoverable amount of the effective collateral calculated according to Circular 04/2017. That is, the positive difference between the gross carrying amount of the financial assets and the maximum recoverable amount of the effective collateral.

	Thousands of euros	
Memorandum items: Data from the public consolidated balance sheet	**30/06/2019**	**31/12/2018**
Total carrying amount of financing granted to customers	32,116,770	32,585,104
Loans to customers, excluding Public Administrations (businesses in Spain) (carrying amount)	31,063,597	31,616,692
Total assets (total businesses) (carrying amount)	53,131,935	52,705,739
Impairment loss and provisions for exposures classified as normal (total businesses)	146,703	163,438

The breakdown of the heading of the financing for the real estate construction and development (including land), on 30 June 2019 and at 31 December 2018 is as follows:

	Thousands of euros	
	Gross carrying amount	
	30/06/2019	31/12/2018
Without real estate collateral	**49,686**	**73,946**
With real estate collateral (breakdown as per the type of asset received in collateral)	**1,211,300**	**1,512,161**
Buildings and other completed constructions	357,463	437,106
Housing	*303,632*	*386,825*
Other	*53,831*	*50,281*
Buildings and other constructions under construction	677,205	645,769
Housing	*676,006*	*644,502*
Other	*1,199*	*1,267*
Land	176,632	429,286
Consolidated urban land	*172,654*	*399,261*
Other land	*3,978*	*30,025*
Total	**1,260,986**	**1,586,107**

Below a breakdown of the collateral received and financial guarantees granted in relation with the financing for real estate construction and development (including land) is shown at 30 June 2019 and 31 December 2018:

Collateral received:

	Thousands of euros	
	30/06/2019	31/12/2018
Value of collateral	1,188,078	1,349,752
Of which: guarantees default/non-performing risks	*139,354*	*335,138*
Value of other collateral	349,168	427,366
Of which: guarantees default/non-performing risks	*24,316*	*87,398*
Total value of the collateral received	**1,537,246**	**1,777,118**

Financial guarantees granted:

	Thousands of euros	
	30/06/2019	31/12/2018
Financial guarantees granted related to real estate construction and development	**7,842**	**9,125**
Amount recognised under liabilities on the balance sheet	2,514	3,146

At 30 June 2019 and 31 December 2018, the breakdown of loans to households for housing acquisition, is the following:

	Thousands of euros			
	Gross carrying amount		Of which: default/non-performing	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Housing acquisition loans	**19,583,823**	**19,916,029**	**767,951**	**820,226**
Without mortgage loan	251,945	257,738	27,566	27,776
With mortgage loan	19,331,878	19,658,291	740,385	792,450

The breakdown of the loans with mortgage loan to households for housing acquisition according to the percentage that implies the gross carrying amount over the latest appraisal amount (loan to value) at 30 June 2019 and 31 December 2018 is the following:

	Thousands of euros					
	30/06/2019					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross carrying amount	5,314,352	7,458,977	5,379,868	730,620	448,061	**19,331,878**
Of which: default/non-performing	62,804	131,943	252,292	130,746	162,600	**740,385**

	Thousands of euros					
	31/12/2018					
	Gross carrying amount based on latest appraisal amount (loan to value)					
	Less than or equal to 40%	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**	**Total**
Gross amount	5,277,125	7,485,817	5,616,639	789,707	489,003	**19,658,291**
Of which: default/non-performing	64,351	141,930	265,953	143,146	177,070	**792,450**

At 30 June 2019, 94% of the housing acquisition loans with real estate collateral has an LTV lower than 80% (93% at 31 December 2018).

2.6.2 Distribution of loans to customers by type of activity

Below is a breakdown of the carrying value of the distribution of customer loans and receivables by subject and activity at 30 June 2019 and 31 December 2018:

	Thousands of euros							
	30/06/2019							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	**Of which: real estate collateral**	**Of which: other collateral**	**Less than or equal to 40%**	**Greater than 40% and less than or equal to 60%**	**Greater than 60% and less than or equal to 80%**	**Greater than 80% and less than or equal to 100%**	**Greater than 100%**
Public administrations	**405,569**	**60,652**	**-**	**4,492**	**19,489**	**32,276**	**3,245**	**1,150**
Other financial institutions and individual entrepreneurs (financial business activity)	**1,615,807**	**2,476**	**1,602,360**	**1,220**	**748**	**407**	**1,602,461**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**8,003,555**	**2,896,905**	**27,019**	**898,139**	**743,994**	**598,277**	**295,497**	**388,017**
Real estate construction and development (including land)	1,127,898	1,084,804	4	121,669	188,463	311,001	215,725	247,950
Civil engineering	22,100	38	-	38	-	-	-	-
Other purposes	6,853,557	1,812,063	27,015	776,432	555,531	287,276	79,772	140,067
Large corporations	*1,246,172*	*19,460*	*121*	*6,954*	*2,655*	*5,216*	*4,204*	*552*
SMEs and individual entrepreneurs	*5,607,385*	*1,792,603*	*26,894*	*769,478*	*552,876*	*282,060*	*75,568*	*139,515*
Other households	**21,444,235**	**20,059,557**	**21,547**	**13,341,371**	**5,503,269**	**783,729**	**434,275**	**18,460**
Homes	19,752,197	19,501,879	5,795	13,039,724	5,357,832	698,772	411,282	64
Consumption	673,395	132,692	6,760	95,268	27,382	12,042	2,727	2,033
Other purposes	1,018,643	424,986	8,992	206,379	118,055	72,915	20,266	16,363
Total	**31,469,166**	**23,019,590**	**1,650,926**	**14,245,222**	**6,267,500**	**1,414,689**	**2,335,478**	**407,627**
Memorandum items: refinancing, refinanced and restructured operations	**897,738**	**831,509**	**631**	**154,477**	**147,359**	**188,375**	**135,579**	**206,350**

	Thousands of euros							
	31/12/2018							
				Collateralised loans Carrying amount based on latest available appraisal (loan to value)				
	Total	Of which: real estate collateral	Of which: other collateral	Less than or equal to 40%	Greater than 40% and less than or equal to 60%	Greater than 60% and less than or equal to 80%	Greater than 80% and less than or equal to 100%	Greater than 100%
Public administrations	**248,501**	**62,310**	**-**	**4,744**	**17,132**	**37,123**	**3,311**	**-**
Other financial institutions and individual entrepreneurs (financial business activity)	**1,718,978**	**2,825**	**1,703,612**	**976**	**1,196**	**498**	**1,703,767**	**-**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**8,230,436**	**3,181,008**	**25,248**	**1,248,452**	**981,492**	**622,335**	**176,553**	**177,424**
Real estate construction and development (including land)	1,236,085	1,190,702	2	404,039	398,298	272,100	60,849	55,418
Civil engineering	22,585	39	-	39	-	-	-	-
Other purposes	6,971,766	1,990,267	25,246	844,374	583,194	350,235	115,704	122,006
Large corporations	*1,047,464*	*17,784*	*162*	*8,552*	*2,663*	*5,922*	*83*	*726*
SMEs and individual entrepreneurs	*5,924,302*	*1,972,483*	*25,084*	*835,822*	*580,531*	*344,313*	*115,621*	*121,280*
Other households	**21,667,278**	**20,417,059**	**19,576**	**5,789,262**	**7,710,932**	**5,687,230**	**781,287**	**467,924**
Homes	20,087,031	19,831,216	4,548	5,477,141	7,559,292	5,594,006	756,809	448,516
Consumption	687,627	141,787	6,522	101,081	28,541	13,985	2,503	2,199
Other purposes	892,620	444,056	8,506	211,040	123,099	79,239	21,975	17,209
Total	**31,865,193**	**23,663,202**	**1,748,436**	**7,043,434**	**8,710,752**	**6,347,186**	**2,664,918**	**645,348**
Memorandum items: refinancing, refinanced and restructured operations	**1,230,637**	**1,137,616**	**728**	**207,357**	**203,306**	**281,508**	**184,084**	**262,089**

2.6.3 Amount of exposure by activity and geographical area

The carrying amount of exposure classified by business and geographic area are set out below, including loans and advances to entities, debt securities, equity instruments, trading derivatives, hedge derivatives, investments in subsidiaries, joint ventures and associates and guarantees provided.

- Total activity:

	Thousands of euros				
	30/06/2019				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**3,495,003**	**342,808**	**87**	**-**	**3,837,898**
Public administrations	**9,531,932**	**1,087,352**	**-**	**-**	**10,619,284**
Central government	8,521,358	1,087,352	-	-	9,608,710
Other public administrations	1,010,574	-	-	-	1,010,574
Other financial companies and individual entrepreneurs (financial business activity)	**3,781,674**	**230,558**	**10,231**	**42**	**4,022,505**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**9,579,045**	**1,056,637**	**25,774**	**10,532**	**10,671,988**
Real estate construction and development (including land)	1,641,761	-	-	-	1,641,761
Civil engineering	20,013	-	-	2,086	22,099
Other purposes	7,917,271	1,056,637	25,774	8,446	9,008,128
Large corporations	*1,532,639*	*1,014,686*	*8,889*	*7,692*	*2,563,906*
SMEs and individual entrepreneurs	*6,384,632*	*41,951*	*16,885*	*754*	*6,444,222*
Other households	**21,432,199**	**72,363**	**13,620**	**34,816**	**21,552,998**
Homes	19,638,695	67,039	12,235	34,227	19,752,196
Consumption	671,639	575	839	342	673,395
Other purposes	1,121,865	4,749	546	247	1,127,407
Total	**47,819,853**	**2,789,718**	**49,712**	**45,390**	**50,704,673**

	Thousands of euros				
	31/12/2018				
	Spain	Rest of the EU	America	Rest of the world	Total
Central banks and credit institutions	**2,057,974**	**118,133**	**1,880**	**1,475**	**2,179,462**
Public administrations	**10,083,006**	**1,094,101**	**75,123**	**-**	**11,252,230**
Central government	9,191,608	1,094,101	75,123	-	10,360,832
Other public administrations	891,398	-	-	-	891,398
Other financial companies and individual entrepreneurs (financial business activity)	**4,002,734**	**138,814**	**10,378**	**369**	**4,152,295**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**9,813,417**	**944,113**	**42,317**	**11,386**	**10,811,233**
Real estate construction and development (including land)	1,484,278	-	-	-	1,484,278
Civil engineering	20,427	-	-	2,158	22,585
Other purposes	8,308,712	944,113	42,317	9,228	9,304,370
Large corporations	*1,283,012*	*84,563*	*24,784*	*8,283*	*1,400,642*
SMEs and individual entrepreneurs	*7,025,700*	*859,550*	*17,533*	*945*	*7,903,728*
Other households	**21,784,772**	**70,775**	**12,653**	**36,092**	**21,904,292**
Homes	19,975,000	64,867	11,532	35,634	20,087,033
Consumption	686,092	334	838	363	687,627
Other purposes	1,123,680	5,574	283	95	1,129,632
Total	**47,741,903**	**2,365,936**	**142,351**	**49,322**	**50,299,512**

- Activity in Spain:

	Thousands of euros								
	30/06/2019								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,072,559**	**2,214,302**	**-**	**4,622**	**45,620**	**-**	**-**	**157,900**	**3,495,003**
Public administrations	**210,754**	**128,203**	**10,664**	**89,972**	**132,928**	**26,927**	**24,391**	**386,735**	**9,531,932**
Central government (*)	-	-	-	-	-	-	-	-	8,521,358
Other public administrations	210,754	128,203	10,664	89,972	132,928	26,927	24,391	386,735	1,010,574
Other financial institutions and individual entrepreneurs (financial business activity)	**42,624**	**3,683,551**	**1,537**	**464**	**33,848**	**730**	**357**	**18,563**	**3,781,674**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**3,152,781**	**2,177,296**	**1,010,121**	**618,027**	**509,490**	**568,217**	**304,115**	**1,238,998**	**9,579,045**
Real estate construction and development (including land)	503,752	698,903	66,785	93,866	81,388	71,207	45,458	80,402	1,641,761
Civil engineering	1,996	17,346	18	-	89	349	-	215	20,013
Other purposes	2,647,033	1,461,047	943,318	524,161	428,013	496,661	258,657	1,158,381	7,917,271
Large corporations	*406,196*	*421,566*	*209,244*	*107,718*	*60,710*	*68,932*	*37,322*	*220,951*	*1,532,639*
SMEs and individual entrepreneurs	*2,240,837*	*1,039,481*	*734,074*	*416,443*	*367,303*	*427,729*	*221,335*	*937,430*	*6,384,632*
Other households	**5,875,661**	**5,349,239**	**1,988,895**	**1,819,627**	**1,358,933**	**993,046**	**1,357,494**	**2,689,304**	**21,432,199**
Homes	4,924,800	5,108,716	1,878,441	1,734,272	1,306,504	909,861	1,281,660	2,494,441	19,638,695
Consumption	255,679	109,935	47,370	38,668	26,141	41,512	38,058	114,276	671,639
Other purposes	695,182	130,588	63,084	46,687	26,288	41,673	37,776	80,587	1,121,865
Total	**10,354,379**	**13,552,591**	**3,011,217**	**2,532,712**	**2,080,819**	**1,588,920**	**1,686,357**	**4,491,500**	**47,819,853**

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

	Thousands of euros								
	31/12/2018								
	Aragon	Madrid	Catalonia	Comm. of Valencia	Andalusia	Castilla León	Castilla La Mancha	Other	Total
Central banks and credit institutions	**1,131,396**	**813,189**	**-**	**10,133**	**53,931**	**1**	**-**	**49,324**	**2,057,974**
Public administrations	**85,981**	**138,893**	**11,600**	**105,221**	**113,230**	**77,992**	**25,694**	**332,787**	**10,083,006**
Central government (*)	-	-	-	-	-	-	-	-	9,191,608
Other public administrations	85,981	138,893	11,600	105,221	113,230	77,992	25,694	332,787	891,398
Other financial institutions and individual entrepreneurs (financial business activity)	**64,099**	**3,932,896**	**1,627**	**523**	**690**	**1,450**	**404**	**1,045**	**4,002,734**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**3,096,939**	**2,231,105**	**1,080,140**	**650,403**	**550,352**	**599,254**	**328,860**	**1,276,364**	**9,813,417**
Real estate construction and development (including land)	259,582	702,881	77,541	91,984	107,925	77,694	62,689	103,982	1,484,278
Civil engineering	1,554	18,206	24	-	106	303	-	234	20,427
Other purposes	2,835,803	1,510,018	1,002,575	558,419	442,321	521,257	266,171	1,172,148	8,308,712
Large corporations	*264,727*	*331,255*	*255,494*	*108,311*	*61,382*	*61,393*	*32,196*	*168,254*	*1,283,012*
SMEs and individual entrepreneurs	*2,571,076*	*1,178,763*	*747,081*	*450,108*	*380,939*	*459,864*	*233,975*	*1,003,894*	*7,025,700*
Other households	**5,985,974**	**5,412,466**	**2,010,586**	**1,856,943**	**1,380,956**	**1,019,028**	**1,386,127**	**2,732,692**	**21,784,772**
Homes	5,040,146	5,166,208	1,896,720	1,769,598	1,327,314	933,230	1,308,370	2,533,414	19,975,000
Consumption	261,832	111,560	48,071	38,899	26,086	43,746	38,552	117,346	686,092
Other purposes	683,996	134,698	65,795	48,446	27,556	42,052	39,205	81,932	1,123,680
Total	**10,364,389**	**12,528,549**	**3,103,953**	**2,623,223**	**2,099,159**	**1,697,725**	**1,741,085**	**4,392,212**	**47,741,903**

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

2.6.4 Assets foreclosed or acquired in payment for debts.

The following is a breakdown regarding foreclosed or acquired real estate assets in payment of debt on 30 June 2019 and 31 December 2018:

	Thousands of euros			
	30/06/2019			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**606,322**	**(351,371)**	**(216,528)**	**254,951**
Buildings and other completed constructions	80,064	(32,225)	(17,609)	47,839
Housing	*25,831*	*(11,443)*	*(6,102)*	*14,388*
Other	*54,233*	*(20,782)*	*(11,507)*	*33,451*
Buildings and other constructions under construction	11,633	(4,033)	(1,079)	7,600
Housing	*9,202*	*(2,792)*	*(610)*	*6,410*
Other	*2,431*	*(1,241)*	*(469)*	*1,190*
Land	514,625	(315,113)	(197,840)	199,512
Consolidated urban land	*213,766*	*(124,480)*	*(73,492)*	*89,286*
Other land	*300,859*	*(190,633)*	*(124,348)*	*110,226*
Real estate assets acquired in mortgage loans to households for housing acquisition	**61,002**	**(22,265)**	**(7,985)**	**38,737**
Other foreclosed or received real estate assets in payment of debt	**30,239**	**(16,658)**	**(5,458)**	**13,581**
	697,563	**(390,294)**	**(229,971)**	**307,269**

(*) Amount before deducting the allowances for impairment loss

	Thousands of euros			
	31/12/2018			
	Gross carrying amount (*)	Total allowances for impairment losses	Of which: Allowances for impairment losses from the time of the foreclosure	Carrying amount
Real estate assets acquired from loans for real estate construction and development	**673,356**	**(406,690)**	**(262,762)**	**266,666**
Buildings and other completed constructions	92,165	(37,441)	(20,120)	54,724
Housing	*30,743*	*(13,511)*	*(6,712)*	*17,232*
Other	*61,422*	*(23,930)*	*(13,408)*	*37,492*
Buildings and other constructions under construction	10,212	(3,706)	(682)	6,506
Housing	*7,782*	*(2,828)*	*(576)*	*4,954*
Other	*2,430*	*(878)*	*(106)*	*1,552*
Land	570,979	(365,543)	(241,960)	205,436
Consolidated urban land	*213,594*	*(129,159)*	*(72,279)*	*84,435*
Other land	*357,385*	*(236,384)*	*(169,681)*	*121,001*
Real estate assets acquired in mortgage loans to households for housing acquisition	**57,102**	**(19,790)**	**(6,705)**	**37,312**
Other foreclosed or received real estate assets in payment of debt	**36,509**	**(20,289)**	**(6,404)**	**16,220**
	766,967	**(446,769)**	**(275,871)**	**320,198**

(*) Amount before deducting the allowances for impairment loss

2.6.5 Policies for the management of problematic assets

The Group establishes specific policies relating to the management of assets of the real estate sector, affected very specifically by the recent crisis.

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

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

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

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

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

2.6.6 Information concerning refinancing and restructuring

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

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

<u>Acceptance of transactions:</u>

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

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

<u>Sanctions:</u>

The branch network is not authorised to sanction refinancing or restructuring operations.

This pertains to the units of the Credit Risk Department and the attributions are significantly reduced when the refinancing/restructuring operation required the transaction to be classified as non-performing.

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

A breakdown of refinancing and restructuring balances at 30 June 2019 and 31 December 2018 can be seen below:

	Thousands of euros			
	30/06/2019		31/12/2018	
	Total	Of which: default/not-performing	Total	Of which: default/not-performing
Gross amount	**1.256.353**	**912.758**	**1.878.722**	**1.451.618**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	**2,231**	**2,231**	**2,222**	**2,222**
Allowances for impairment of assets	**356,384**	**325,717**	**645,863**	**607,988**
Of which: collective	200,653	193,091	286,453	252,714
Of which: individual	155,731	132,626	359,410	355,274
Net amount	**897,738**	**584,810**	**1,230,637**	**841,408**
Value of the collateral received	**1,307,431**	**924,662**	**1,878,568**	**1,399,619**
Value of collateral	949,743	676,039	1,358,376	1,015,222
Value of other collateral	357,688	248,623	520,192	384,397

The total carrying amount of the financing granted to customers at 30 June 2019 amounted to 32,116,770 thousand euros (32,585,104 thousands of euros as at 31 December 2018).

The changes in refinanced and restructured operations during the six-month periods ended 30 June 2019 and 30 June 2018 are shown below:

	Thousands of euros	
	2019	2018
Balance at 1 January	**1,878,722**	**2,500,207**
(+) Refinancing and restructuring in the period	40,105	33,454
Memorandum items: impact recognised in the statement of profit and loss for the period	*9,931*	*6,814*
(-) Debt repayments	112,554	158,687
(-) Foreclosures	6,988	17,501
(-) Derecognitions (reclassification to written-off assets)	7,421	18,537
(+)/(-) Other changes (*)	(535,511)	(106,679)
Balance at 30 June	**1,256,353**	**2,232,257**

(*) Includes operations that are no longer classified as refinancing, refinanced or restructured as the requirements for reclassification from performing exposures under special vigilance to performing exposures and operations of this type included in the loan book (explained in Note 5.4.1) have been met.

The breakdown of current balances of refinancing and restructuring as at 30 June 2019, is as follows:

	Thousands of euros							
	Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered			
					Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	3	2,044	6	3,245	2,644	-	995	4,294
Other financial companies and individual entrepreneurs (financial business activity)	3	39	1	31	30	-	40	30
Non-financial companies and individual entrepreneurs (non-financial business activity)	1,629	114,596	1,721	413,236	262,348	197	208,422	319,410
of which: financing for real estate construction and development (including land)	*31*	*14,128*	*262*	*206,510*	*120,368*	*-*	*93,511*	*127,127*
Other households	4,053	40,767	7,384	682,395	531,560	44	149,158	574,004
Total	5,688	157,446	9,112	1,098,907	796,582	241	358,615	897,738
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

	Thousands of euros							
	of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered			
					Real estate collateral	Other collateral		
Credit institutions	-	-	-	-	-	-	-	-
Public administrations	1	692	2	874	273	-	995	571
Other financial companies and individual entrepreneurs (financial business activity)	3	39	-	-	-	-	39	-
Non-financial companies and individual entrepreneurs (non-financial business activity)	1,038	80,058	1,176	320,393	182,588	-	195,342	205,109
of which: financing for real estate construction and development (including land)	*27*	*13,404*	*222*	*179,510*	*94,899*	*-*	*92,116*	*100,798*
Other households	2,454	28,661	5,018	482,041	356,784	19	131,572	379,130
Total	3,496	109,450	6,196	803,308	539,645	19	327,948	584,810
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	-	-	-	-	-	-	-	-

The breakdown of current balances of refinancing and restructuring as at 31 December 2018, is as follows:

	Thousands of euros – Total							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered – Real estate collateral	Maximum amount of the collateral that can be considered – Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**7**	**3,777**	**8**	**4,074**	**3,473**	**-**	**1,056**	**6,795**
Other financial companies and individual entrepreneurs (financial business activity)	**6**	**176**	**3**	**132**	**119**	**-**	**157**	**151**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,833**	**180,906**	**2,621**	**884,404**	**493,237**	**324**	**489,299**	**576,011**
of which: financing for real estate construction and development (including land)	*91*	*48,074*	*519*	*512,212*	*255,706*	*-*	*289,311*	*270,975*
Other households	**4,602**	**42,604**	**8,247**	**762,649**	**598,322**	**44**	**157,573**	**647,680**
Total	**6,448**	**227,463**	**10,879**	**1,651,259**	**1,095,151**	**368**	**648,085**	**1,230,637**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

	Thousands of euros – of which: default/non-performing							
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk	Carrying amount
	No. of transactions	Gross carrying amount	No. of transactions	Gross carrying amount	Maximum amount of the collateral that can be considered – Real estate collateral	Maximum amount of the collateral that can be considered – Other collateral		
Credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Public administrations	**3**	**1,941**	**2**	**874**	**273**	**-**	**1,056**	**1,759**
Other financial companies and individual entrepreneurs (financial business activity)	**4**	**140**	**2**	**99**	**87**	**-**	**154**	**85**
Non-financial companies and individual entrepreneurs (non-financial business activity)	**1,158**	**138,982**	**1,908**	**759,598**	**384,790**	**172**	**472,875**	**425,705**
of which: financing for real estate construction and development (including land)	*88*	*47,274*	*464*	*474,087*	*220,128*	*-*	*287,103*	*234,258*
Other households	**2,522**	**27,663**	**5,379**	**522,321**	**389,427**	**25**	**136,125**	**413,859**
Total	**3,687**	**168,726**	**7,291**	**1,282,892**	**774,577**	**197**	**610,210**	**841,408**
Additional information								
Financing classified as non-current assets and disposal groups of items classified as held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

The detail of the refinanced or restructured transactions is attached that, after the restructuring or refinancing, have been classified as non-performing during the first half of 2019 and in 2018:

	Thousands of euros	
	30/06/2019	31/12/2018
Public administrations	**-**	**-**
Other legal persons and individual entrepreneurs	**7,184**	**48,946**
Of which: financing for real estate construction and development	1,072	28,662
Other individuals	**14,259**	**46,986**
Total	**21,443**	**95,932**

2.6.7 Exposure to sovereign debt

Below, the following information is detailed regarding the exposure to sovereign debt at 30 June 2019 and 31 December 2018:

- Breakdown of the gross amount of the exposure per country:

	Thousands of euros	
	30/06/2019	31/12/2018
Spain	9,523,139	10,071,844
Italy	1,003,924	996,636
Portugal	53,024	75,123
France	22,989	23,887
United States	-	63,802
Other	6,831	9,185
	10,609,907	**11,240,477**
Of which: from the insurance company	5,480,624	5,113,817

- Breakdown of the gross amount of the exposure per portfolio in which the assets are recorded:

	Thousands of euros	
	30/06/2019	31/12/2018
Financial assets held for trading	-	-
Financial assets at fair value through profit or loss	7,861	6,079
Financial assets at fair value through other comprehensive income	5,588,043	6,380,314
Financial assets at amortised cost	5,014,003	4,854,084
	10,609,907	**11,240,477**
Of which: from the insurance company	5,480,624	5,113,817

The gross amount shown in the above table corresponds to the maximum credit risk exposure in relation to each financial instrument.

- Breakdown of the term to residual maturity of the exposure per portfolio in which the assets are recorded:

	Thousands of euros					
	30/06/2019					
	Up to 3 months	From 3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Financial assets at fair value through profit or loss	-	-	-	5.849	2.012	**7.861**
Financial assets at fair value through other comprehensive income	102,886	635,397	1,190,208	858,866	2,800,686	**5,588,043**
Financial assets at amortised cost	39,259	200,574	287,232	238,708	4,248,230	**5,014,003**
Total	**142,145**	**835,971**	**1,477,440**	**1,103,423**	**7,050,928**	**10,609,907**
Of which: from the insurance company	102,000	502,156	1,149,209	855,624	2,871,635	5,480,624

	Thousands of euros					
	31/12/2018					
	Up to 3 months	**From 3 months to 1 year**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Financial assets at fair value through profit or loss	-	-	-	1,536	4,543	**6,079**
Financial assets at fair value through other comprehensive income	23,973	326,052	1,967,645	895,838	3,166,806	**6,380,314**
Financial assets at amortised cost	121,592	84,226	402,201	309,008	3,937,057	**4,854,084**
Total	**145,565**	**410,278**	**2,369,846**	**1,206,382**	**7,108,406**	**11,240,477**
of which: from the insurance company	23,973	325,165	1,260,290	791,349	2,713,040	5,113,817

- Other information

  - Fair value. The fair value of instruments in the portfolio of financial assets held for trading, the portfolio of financial assets designated at fair value through profit or loss and the portfolio of financial assets at fair value through other comprehensive income matches the amount indicated above.

    Note 10 sets out the methodology for measuring the portfolio of financial assets at amortised cost. Except for this portfolio, the remaining fair value associated with sovereign risk is obtained using tier 1 valuation techniques (as described in Note 10).

  - The effect of a variation of 100 basis points in the interest rates would have an effect on the fair value of -6.53% (-6.24% in financial year 2018).

2.7 Other information

Materiality

For the purposes of preparing the interim financial statements as at 30 June 2019, the materiality of the items and information presented has been evaluated on the basis of the figures shown in those statements and not on the basis of the amounts or balances corresponding to an annual period.

Earnings per share

- Basic earnings per share: is determined by dividing the net profit attributable to the Group for the year by the weighted average number of outstanding shares, excluding the average number of treasury shares held, during that period.

- Diluted earnings per share: for its calculation, both the amount of profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, net of treasury shares, are adjusted for all dilutive effects inherent in potential ordinary shares (share options, warrants and convertible debt).

Basic and diluted earnings per share at 30 June 2019 and 2018 are detailed below:

	30/06/2019	30/06/2018
Earnings per share numerator		
Profit/(loss) attributed to the parent (thousands of euros)	75,921	39,258
Adjusted profit (thousands of euros)	75,921	39,258
Earnings per share denominator		
Average weighted number of shares	1,265,122,838	2,144,275,998
Basic and diluted earnings per share (euros)	**0.06**	**0.02**

Information regarding dividends paid

The following is detailed information as at 30 June 2019 and 2018 on dividends paid:

	30/06/2019			30/06/2018		
	% of nominal value	€ per share	Amounts (thousands of euros)	% of nominal value	€ per share	Amounts (thousands of euros)
Ordinary shares	0.82%	0.01	17,500	0.82%	0.01	17,500
Other shares (no voting rights, callable, etc.)	-	-	-	-	-	-
Total dividends paid	**0.82%**	**0.01**	**17,500**	**0.82%**	**0.01**	**17,500**
a) Dividends charged to income statement	0.82%	0.01	17,500	0.82%	0.01	17,500
b) Dividends charged to reserves or share premium	-	-	-	-	-	-
c) Dividends in kind	-	-	-	-	-	-

Seasonality of operations

Given the nature of the activities and operations carried out by the Group, they are not affected by the seasonality or cyclical factors that may exist in other types of business.

Solvency information

At 30 June 2019, the Ibercaja Banco Group was complying with the minimum solvency ratios (Basel Pilar I) demanded by current regulations, as detailed in the following tables:

	30/06/2019	31/12/2018
Capital ratios		
Eligible common equity tier 1 (thousands of euros) (a)	2,506,424	2,495,554
Additional eligible equity tier 1 (thousands of euros) (b)	350,000	350,000
Eligible equity tier 2 (thousands of euros) (c)	482,800	487,640
Risks (thousands of euros) (d)	20,711,324	21,379,068
Common equity tier 1 ratio (CET 1) (A)=(a)/(d)	12.10%	11.67%
Additional tier 1 capital ratio (AT 1) (B)=(b)/(d)	1.69%	1.64%
Tier 1 capital ratio (Tier 1) (A)+(B)	13.79%	13.31%
Tier 2 capital ratio (Tier 2) (C)=(c)/(d)	2.33%	2.28%
Total capital ratio (A)+(B)+(C)	**16.12%**	**15.59%**

	30/06/2019	31/12/2018
Market leverage		
Tier 1 capital (thousands of euros) (a)	2,856,424	2,845,554
Exposure (thousands of euros) (b)	46,937,412	47,133,663
Leverage ratio (a)/(b)	**6.09%**	**6.04%**

Pursuant to the requirements established in the CRR, credit institutions must comply at all times with a CET1 ratio of 4.5%, Tier I of 6% and a total solvency ratio of 8%. However, under the new regulatory framework, the regulators may request the entities to maintain additional levels of capital.

Accordingly, the European Central Bank (ECB) notified its decision with respect to the prudent minimum capital requirements for 2019 applicable to Ibercaja Banco, following the supervisory review and evaluation process (SREP).

The decision means that Ibercaja Banco must maintain a phased-in common equity tier 1 (CET1) ratio of 9% and a total capital ratio of 12.50%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (2%) and the capital conservation buffer (2.5%).

At 30 June 2019, Ibercaja Banco's consolidated ratios, CET1 of 12.10% and total capital of 16.12%, stood at 3.10 points and 3.62 points, respectively, above the regulatory requirements established for 2019.

Other events

In the six months ended 30 June 2019, there was no significant events whose nature, amount or impact might significantly affect the Group's assets, liabilities, equity or results, except for those indicated in the different sections of these Notes.

3. Composition of Ibercaja Banco Group

Note 2 to the consolidated financial statements of the Ibercaja Banco Group at 31 December 2018 describes the criteria used by the Group to consider an entity to be a subsidiary, jointly controlled entity or associate, together with the consolidation and measurement methods applied to each of them for the purposes of preparing these consolidated financial statements. Appendices I and II to said consolidate report include a listing of the companies considered to be subsidiaries, jointly controlled entities and associates, respectively, for the purposes of preparing the aforementioned consolidated financial statements, together with certain relevant information thereon available at the date of preparation.

In these interim financial statements at 30 June 2019, the criteria applied to consider a company to be a subsidiary, jointly controlled entity or associate and the consolidation or measurement methods applied to each type of company have not changed with respect to 31 December 2018.

During the six months ended 30 June 2019, there were no acquisitions or other increases in holdings in subsidiaries, joint ventures and/or investments in associates.

The following is a breakdown of the decrease at 30 June 2019 of holdings in subsidiaries, joint ventures and/or investments in associates or similar operations:

Name of entity (or activity) disposed of, spun off or written off	Category	Effective date of operation	% of voting rights disposed of or written off	% of total voting rights in the entity following disposal	Profit /(loss) generated (thousands of euros)
IBERCAJA GLOBAL INTERNATIONAL SICAV	Associate	01/04/2019	46.65%	-	-

4. Segment reporting

The ultimate decision-making body responsible for defining the operating segments is the Group's Management Committee. The Group has concluded that there are no distinct segments, as the results of its activities are not examined on an independent basis by Management, for the following reasons:

- The 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 immaterial.

The Group carries out all its activity in Spain. The Group therefore considers it has a single geographical segment for operating purposes.

5. Financial assets

5.1. Disclosure of financial assets

The breakdown, by type and category, of the financial assets included in the Bank's balance sheet and in the Group's consolidated balance sheet as at 30 June 2019 and 31 December 2018, is as follows:

	Thousands of euros				
	30/06/2019				
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial assets at amortised cost**
Derivatives	6,356	-	-	-	-
Equity instruments	-	-	-	312,793	-
Debt securities	-	10,350	-	318,824	6,371,021
Loans and advances	-	18,516	-	-	32,877,111
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	522,931
Customers	-	18,516	-	-	32,354,180
BANK TOTAL	**6,356**	**28,866**	**-**	**631,617**	**39,248,132**
Derivatives	8,060	-	-	-	-
Equity instruments	-	127,075	-	346,465	-
Debt securities	-	78,768	9,287	7,496,611	6,483,098
Loans and advances	-	18,516	-	-	32,707,992
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	591,222
Customers	-	18,516	-	-	32,116,770
GROUP TOTAL	**8,060**	**224,359**	**9,287**	**7,843,076**	**39,191,090**

	Thousands of euros				
	31/12/2018				
	Financial assets held for trading	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
Derivatives	5,632	-	-	-	-
Equity instruments	-	-	-	314,295	-
Debt securities	-	13,554	-	1,625,424	6,446,612
Loans and advances	-	19,730	-	-	33,369,935
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	207,728
Customers	-	19,730	-	-	33,162,207
BANK TOTAL	**5,632**	**33,284**	**-**	**1,939,719**	**39,816,547**
Derivatives	7,411	-	-	-	-
Equity instruments	-	38,852	-	340,000	-
Debt securities	-	82,733	9,575	8,414,640	6,544,456
Loans and advances	-	19,730	-	-	32,833,960
Central banks	-	-	-	-	-
Credit institutions	-	-	-	-	248,856
Customers	-	19,730	-	-	32,585,104
GROUP TOTAL	**7,411**	**141,315**	**9,575**	**8,754,640**	**39,378,416**

5.2. Financial assets not held for trading mandatorily measured at fair value through profit or loss

5.2.1 Breakdown of the balance and maximum credit risk

Below is a breakdown of the financial assets included in this category at 30 June 2019 and 31 December 2018:

	Thousands of euros	
	30/06/2019	**31/12/2018**
Debt securities	78,768	82,733
Unimpaired assets	*78,768*	*82,733*
Impaired assets	-	-
Credits and loans	20,747	21,952
Unimpaired assets	*18,516*	*19,730*
Impaired assets	*2,231*	*2,222*
Shares	-	400
Ownership interests in Investment Funds	127,075	38,452
Total gross amount	**226,590**	**143,537**
(Accumulated negative changes in fair value due to credit risk from non-performing exposures)	(2,231)	(2,222)
Total net amount	**224,359**	**141,315**

5.2.2 Credit quality of portfolio of financial assets not held for trading mandatorily measured at fair value through profit or loss

There follows a description of the credit quality of the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss at 30 June 2019 and 31 December 2018:

	Thousands of euros			
	30/06/2019			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**97,284**	**-**	**2,231**	**99,515**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	-	-	2,231	2,231
Net amount	**97,284**	**-**	**-**	**97,284**

	Thousands of euros			
	31/12/2018			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**102,463**	**-**	**2,222**	**104,685**
Accumulated negative changes in fair value due to credit risk from non-performing exposures	-	-	2,222	2,222
Net amount	**102,463**	**-**	**-**	**102,463**

5.3. Financial assets at fair value through other comprehensive income

5.3.1 Breakdown of the balance and maximum credit risk

Below is a breakdown of the financial assets included in this category at 30 June 2019 and 31 December 2018:

	Thousands of euros	
	30/06/2019	31/12/2018
Debt securities	7,504,881	8,425,514
Unimpaired assets	*7,504,881*	*8,425,514*
Impaired assets	-	-
Equity instruments	346,465	340,000
Total gross amount	**7,851,346**	**8,765,514**
(Impairment losses)	(8,270)	(10,874)
Total net amount	**7,843,076**	**8,754,640**

The entirety of losses from impairment detailed in the table above are related to the hedge against credit risk of debt securities, which are reversible.

In the first half of 2019, the Group, on the basis of the latest Business Plan approved by Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB), has decreased the value of the interest it holds in this entity by €7,147 thousand, with a charge to consolidated equity. At 30 June 2019, the decrease in the fair value of this ownership interest amounted to €48,629 thousand and the ownership interest was fully impaired (carrying amount of €7,147 thousand at 31 December 2018).

5.3.2 Credit risk hedges

The movement of the registered impairment losses for the credit risk hedge of the debt securities during the six-month periods ended 30 June 2019 and 2018 is presented below:

	Thousands of euros	
	30/06/2019	30/06/2018
Opening balance	**10,874**	**3,071**
First-time application of IFRS9 9	-	3,688
Transfer charged to profit for the year	1,938	1,340
Reversal of provisions credited to profits	(3,808)	(2,417)
Amounts used	(881)	-
Exchange differences and other movements	147	(6)
Closing balance	**8,270**	**5,676**
Of which:	-	-
- Individually determined	2,609	-
- Collectively determined	5,661	5,676

5.4. Financial assets at amortised cost

5.4.1 Breakdown of the balance and maximum credit risk

Below is a breakdown of the financial assets included in this category at 30 June 2019 and 31 December 2018:

	Thousands of euros	
	30/06/2019	31/12/2018
Debt securities	6,483,527	6,544,728
Unimpaired assets	*6,483,527*	*6,544,728*
Impaired assets	-	-
Loans and advances	33,496,269	33,950,668
Credit institutions	591,222	248,856
Customers	32,905,047	33,701,812
Unimpaired assets	*31,268,262*	*31,429,476*
Impaired assets	*1,636,785*	*2,272,336*
Total gross amount	**39,979,796**	**40,495,396**
(Impairment losses)	(788,706)	(1,116,980)
Total net amount	**39,191,090**	**39,378,416**

On 27 June 2019, Ibercaja Banco, S.A. entered into a contract for the sale of a book of mostly doubtful loans with a nominal value of 534 million euros to Melf Investment Holding II, S.A.R.L. The negative impact of the operation, 27 million euros, is registered under heading "Net gains or losses derecognised in financial asset and liability accounts not measured at fair value through profit or loss" of the condensed consolidated interim income statement (Note 14.6).

5.4.2 Impaired assets

The financial assets classified as financial assets at amortised cost and considered as impaired owing to their credit risk are shown below as at 30 June 2019 and 31 December 2018

	Thousands of euros	
	30/06/2019	31/12/2018
Resident public administrations	2,759	2,833
Other resident sectors	1,627,369	2,261,753
Other non-resident sectors	6,657	7,750
	1,636,785	**2,272,336**

5.4.3 Credit risk hedges

The changes in the gross balance of financial assets included in this category in the six-month periods ended 30 June 2019 and 2018 are presented below:

	Thousands of euros			
	30/06/2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance at 1 January	**36,671,116**	**1,551,944**	**2,272,336**	**40,495,396**
Transfers:	55,119	(86,597)	31,478	-
from stage 1 to stage 2:	*(408,326)*	*408,326*	-	-
from stage 1 to stage 3	*(25,723)*	-	*25,723*	-
from stage 2 to stage 3	-	*(78,157)*	*78,157*	-
from stage 3 to stage 2	-	*65,571*	*(65,571)*	-
from stage 2 to stage 1	*482,337*	*(482,337)*	-	-
from stage 3 to stage 1	*6,831*	-	*(6,831)*	-
Increases	7,955,253	96,190	46,199	8,097,642
Decreases	(7,727,915)	(172,099)	(636,616)	(8,536,630)
Transfers to write-offs	-	-	(76,612)	(76,612)
Other movements	-	-	-	-
Gross balance at 30 June	**36,953,573**	**1,389,438**	**1,636,785**	**39,979,796**

	Thousands of euros			
	30/06/2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross balance at 1 January	**33,614,785**	**2,063,919**	**2,556,949**	**38,235,653**
Transfers:	109,457	(202,198)	92,741	-
from stage 1 to stage 2:	*(417,980)*	*417,980*	-	-
from stage 1 to stage 3	*(32,955)*	-	*32,955*	-
from stage 2 to stage 3	-	*(121,398)*	*121,398*	-
from stage 3 to stage 2	-	*56,830*	*(56,830)*	-
from stage 2 to stage 1	*555,610*	*(555,610)*	-	-
from stage 3 to stage 1	*4,782*	-	*(4,782)*	-
Increases	7,796,621	64,309	35,828	7,896,758
Decreases	(5,588,226)	(182,913)	(177,658)	(5,948,797)
Transfers to write-offs	-	-	(75,929)	(75,929)
Other movements	-	-	-	-
Gross balance at 30 June	**35,932,637**	**1,743,117**	**2,431,931**	**40,107,685**

The movements are shown below of the impairment value corrections of the six-month periods ended 30 June 2019 and 2018 and their accumulated value at the start and end of said periods of debt instruments of this portfolio classified as loans and receivables (thousands of euros):

	Thousands of euros			
	30/06/2019			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which:				
- Individually determined	-	*9,171*	*436,856*	*446,027*
- Collectively determined	*55,379*	*76,180*	*539,394*	*670,953*
Changes through profit or loss:	**(51,650)**	**31,499**	**86,072**	**65,921**
Increases in origination	16,285	-	-	16,285
Changes due to changes in credit risk	(52,387)	36,380	92,196	76,189
Changes in calculation method	-	-	-	-
Other	(15,548)	(4,881)	(6,124)	(26,553)
Changes other than through profit or loss:	**50,751**	**(43,642)**	**(401,304)**	**(394,195)**
Transfers:	50,751	(43,642)	(7,109)	-
from stage 1 to stage 2:	*(9,139)*	*9,139*	-	-
from stage 1 to stage 3:	*(188)*	-	*188*	-
from stage 2 to stage 3:	-	*(8,545)*	*8,545*	-
from stage 3 to stage 2	-	*13,944*	*(13,944)*	-
from stage 2 to stage 1	*58,180*	*(58,180)*	-	-
from stage 3 to stage 1	*1,898*	-	*(1,898)*	-
Existing provisions utilised	-	-	(389,722)	(389,722)
Other movements	-	-	(4,473)	(4,473)
Balance at 30 June	**54,480**	**73,208**	**661,018**	**788,706**
Of which:				
- Individually determined	-	*8,256*	*200,775*	*209,031*
- Collectively determined	*54,480*	*64,952*	*460,243*	*579,675*

	Thousands of euros			
	30/06/2018			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	**58,672**	**112,704**	**1,060,363**	**1,231,739**
Of which:				-
- Individually determined	-	*16,473*	*535,471*	*551,944*
- Collectively determined	*58,672*	*96,231*	*524,892*	*679,795*
Changes through profit or loss:	**(42,669)**	**36,257**	**71,433**	**65,021**
Increases in origination	19,779	-	-	19,779
Changes due to changes in credit risk	(52,197)	40,451	104,708	92,962
Changes in calculation method	-	-	-	-
Other	(10,251)	(4,194)	(33,275)	(47,720)
Changes other than through profit or loss:	**41,707**	**(60,302)**	**(85,981)**	**(104,576)**
Transfers:	41,707	(60,302)	18,595	-
from stage 1 to stage 2:	*(9,003)*	*9,003*	-	-
from stage 1 to stage 3:	*(17,335)*	-	*17,335*	-
from stage 2 to stage 3:	-	*(15,630)*	*15,630*	-
from stage 3 to stage 2	-	*12,272*	*(12,272)*	-
from stage 2 to stage 1	*65,947*	*(65,947)*	-	-
from stage 3 to stage 1	*2,098*	-	*(2,098)*	-
Existing provisions utilised	-	-	(86,068)	(86,068)
Other movements	-	-	(18,508)	(18,508)
Balance at 30 June	**57,710**	**88,659**	**1,045,815**	**1,192,184**
Of which:				
- Individually determined	-	*12,314*	*504,396*	*516,710*
- Collectively determined	*57,710*	*76,345*	*541,419*	*675,474*

The detail of the impaired losses by counterparty classes is as follows:

	Thousands of euros	
	30/06/2019	31/12/2018
Resident public administrations	2,194	1,074
Other resident sectors	782,883	1,112,825
Other non-resident sectors	3,629	3,081
	788,706	**1,116,980**

The various items recognised in the six-month periods ended 30 June 2019 and 2018 under "Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss - Financial assets at amortised cost" in the consolidated income statements for those years are presented below:

	Thousands of euros	
	30/06/2019	30/06/2018
Impairment losses credited to allowances for assets	65,921	65,021
Recovery of written-off assets	(3,907)	(3,771)
	62,014	**61,250**

5.4.4 Credit quality of portfolio of financial assets at amortised cost

The credit quality of the portfolio of financial assets at amortised cost at 30 June 2019 and 31 December 2018 is detailed below:

	Thousands of euros			
	30/06/2019			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**36,953,573**	**1,389,438**	**1,636,785**	**39,979,796**
Allowances for impairment of assets	54,480	73,208	661,018	788,706
Of which: calculated collectively	54,480	64,952	460,243	579,675
Of which: calculated separately	-	8,256	200,775	209,031
Net amount	**36,899,093**	**1,316,230**	**975,767**	**39,191,090**

	Thousands of euros			
	31/12/2018			
	Stage 1	Stage 2	Stage 3	Total
Gross amount	**36,671,116**	**1,551,944**	**2,272,336**	**40,495,396**
Allowances for impairment of assets	**55,379**	**85,351**	**976,250**	**1,116,980**
Of which: calculated collectively	55,379	76,180	539,394	670,953
Of which: calculated separately	-	9,171	436,856	446,027
Net amount	**36,615,737**	**1,466,593**	**1,296,086**	**39,378,416**

The changes in exposures classified in stage 3 during the six-month periods ended 30 June 2019 and 2018 are shown below:

	Thousands of euros	
	30/06/2019	30/06/2018
Opening balance	**2,272,336**	**2,556,949**
(+) Refinancing and restructuring	44,556	80,766
(+) Other additions of the period	129,442	153,459
(-) Foreclosures	(30,585)	(70,964)
(-) Collections and exits from NPE	(199,664)	(182,041)
(-) Derecognitions (reclassification to written-off assets)	(76,612)	(75,929)
(+)/(-) Other changes	(502,688)	(30,309)
Closing balance	**1,636,785**	**2,431,931**

Guarantees received and financial guarantees granted break down as follows at 30 June 2019 and 31 December 2018:

	Thousands of euros	
	30/06/2019	31/12/2018
Value of collateral	22,789,484	23,504,074
Of which: guarantees normal risks on special watch	*1,051,727*	*1,153,800*
Of which: guarantees non-performing risks	*1,084,177*	*1,509,131*
Value of other collateral	7,158,926	7,500,057
Of which: guarantees normal risks on special watch	*490,999*	*562,002*
Of which: guarantees non-performing risks	*460,445*	*626,528*
Total value of the collateral received	**29,948,410**	**31,004,131**

	Thousands of euros	
	30/06/2019	31/12/2018
Loan commitments given	**2,881,532**	**2,970,560**
Of which: amount classified as normal on special watch	*58,366*	*60,552*
Of which: classified as non-performing	*10,476*	*14,518*
Amount recognised under liabilities on the balance sheet	6,140	7,974
Financial guarantees granted	**78,930**	**79,289**
Of which: amount classified as normal on special watch	*666*	*970*
Of which: classified as non-performing	*4,960*	*5,795*
Amount recognised under liabilities on the balance sheet	5,216	6,189
Other commitments given	**870,576**	**908,335**
Of which: amount classified as normal on special watch	*5,793*	*5,641*
Of which: classified as non-performing	*36,081*	*33,688*
Amount recognised under liabilities on the balance sheet	18,312	19,302

5.5. Credit quality of debt securities

The concentration of credit quality risk in debt securities based on the counterparty's rating at 30 June 2019 and 31 December 2018:

	Thousands of euros			
	30/06/2019			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	30,226	-	131,028	3,903
A	38,506	5,849	4,833,753	3,993,129
BBB	10,036	3,438	2,441,373	2,442,069
BB	-	-	70,395	43,997
B	-	-	-	-
CCC	-	-	20,062	-
Unrated	-	-	-	-
Total	**78,768**	**9,287**	**7,496,611**	**6,483,098**

	Thousands of euros			
	31/12/2018			
	Financial assets not held for trading mandatorily measured at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost
AAA / AA	30,651	-	216,192	5,911
A	41,910	6,079	5,273,102	4,217,762
BBB	10,172	2,130	2,821,211	2,274,510
BB	-	1,366	80,341	45,665
B	-	-	5,846	-
CCC	-	-	6,898	-
Unrated	-	-	11,050	608
Total	**82,733**	**9,575**	**8,414,640**	**6,544,456**

6. Financial liabilities

6.1 Disclosure of financial liabilities

The breakdown, by type and category, of the financial liabilities included in the Bank's balance sheet and in the Group's consolidated balance sheet as at 30 June 2019 and 31 December 2018, is as follows:

	Thousands of euros	
	30/06/2019	
	Financial liabilities held for trading	Financial liabilities at amortised cost
Derivatives	5,663	-
Short positions	-	-
Deposits	-	39,574,621
Central banks	-	3,334,736
Credit institutions	-	678,191
Customers	-	35,561,694
Debt securities issued	-	1,251,450
Other financial liabilities	-	1,109,211
BANK TOTAL	**5,663**	**41,935,282**
Derivatives	13,681	-
Short positions	-	-
Deposits	-	38,460,262
Central banks	-	3,334,736
Credit institutions	-	677,287
Customers	-	34,448,239
Debt securities issued	-	1,526,197
Other financial liabilities	-	1,140,819
GROUP TOTAL	**13,681**	**41,127,278**

	Thousands of euros	
	31/12/2018	
	Financial liabilities held for trading	Financial liabilities at amortised cost
Derivatives	5,147	-
Short positions	-	-
Deposits	-	40,070,662
Central banks	-	3,341,085
Credit institutions	-	1,236,203
Customers	-	35,493,374
Debt securities issued	-	1,300,189
Other financial liabilities	-	789,602
BANK TOTAL	**5,147**	**42,160,453**
Derivatives	8,691	-
Short positions	-	-
Deposits	-	38,658,120
Central banks	-	3,341,085
Credit institutions	-	1,236,219
Customers	-	34,080,816
Debt securities issued	-	1,640,432
Other financial liabilities	-	843,084
GROUP TOTAL	**8,691**	**41,141,636**

6.2 Issuance, repurchase or redemption of debt securities

The breakdown of and movements in issues, repurchases or redemptions of debt securities carried out in the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros				
	Balance at 01/01/2019	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Balance at 30/06/2019
Debt securities issued in an EU member state that required registration of an information prospectus.	1,640,432	-	(137,944)	23,709	1,526,197
Debt securities issued in an EU member state that did not require registration of an information prospectus.	-	-	-	-	-
Other debt securities issued outside an EU member state	-	-	-	-	-
TOTAL	**1,640,432**	**-**	**(137,944)**	**23,709**	**1,526,197**

	Thousands of euros				
	Balance at 01/01/2018	(+) Issues	(-) Repurchases or redemptions	(+/-) Exchange rate and other adjustments	Balance at 30/06/2018
Debt securities issued in an EU member state that required registration of an information prospectus.	1,827,266	-	(158,161)	16,926	1,686,031
Debt securities issued in an EU member state that did not require registration of an information prospectus.	-	-	-	-	-
Other debt securities issued outside an EU member state	-	-	-	-	-
TOTAL	**1,827,266**	**-**	**(158,161)**	**16,926**	**1,686,031**

At 30 June 2019 and 2018 there were no debt securities issued at those dates by associates or third parties (outside the Ibercaja Banco Group) and guaranteed by the Bank or any other entity of the Ibercaja Banco Group.

The list of Ibercaja Banco Group Entities issuing debt is as follows:

Name	Relationship	Country
Ibercaja Banco, S.A.	Parent company	Spain

The credit ratings granted are as follows:

- Ibercaja Banco, S.A.

Entity	Date		Short-term		Long-term		Outlook	
	2019	2018	2019	2018	2019	2018	2019	2018
Standard&Poors	April 2019	May 2018	B	B	BB+	BB+	Stable	Positive
Moody's	March 2019	November 2018	NP	NP	Ba3	Ba3	Positive	Stable
Fitch Ratings	March 2019	May 2018	B	B	BB+	BB+	Positive	Positive

There are no issues of debt securities made in the period between the beginning of the financial year and 30 June 2019 and 2018.

The list of repurchases or redemptions of debt securities made between the beginning of the financial year and 30 June 2019 is as follows:

Issue	ISIN code	Date	Repurchase or redemption amount	Interest rate	Market	Guarantees
14 issue of Ibercaja subordinated obligations	ES0214954150	April 19	76,804	0.55%	AIAF Market	(a)
Preference shares	ES0114954003	January 2019	5,000	1.81%	AIAF Market	(a)
Ibercaja Banco TDA Securitisation Bonds	(*)	Jan.-June 2019	56,140	(**)	AIAF Market	(b)
			137,944			

(*) For each bond or promissory note issue made in each programme with the same maturity, a single ISIN code is assigned.
(**) Reference rate (3M EURIBOR) plus the margin applicable to each issue.
Regarding guarantees granted: (a) Equity of Ibercaja Banco and (b) Mortgage portfolio.

In addition, in the first half of 2019 there were 750,000 thousand euros of own mortgage bonds maturing.

The list of repurchases or redemptions of debt securities made between the beginning of the previous financial year and 30 June 2018 is as follows:

Issue	ISIN code	Date	Repurchase or redemption amount	Interest rate	Market	Guarantees
13 issue of Ibercaja subordinated obligations	ES0214954135	April 18	45,414	0.542%	AIAF Market	(a)
Ibercaja Banco TDA Securitisation Bonds	(*)	Jan.-June 2018	112,747	(**)	AIAF Market	(b)
			158,161			

(*) For each bond or promissory note issue made in each programme with the same maturity, a single ISIN code is assigned.
(**) Reference rate (3M EURIBOR) plus the margin applicable to each issue.
Regarding guarantees granted: (a) Equity of Ibercaja Banco and (b) Mortgage portfolio.

7. Tangible assets

Movements in this consolidated balance sheet heading for the six-month period ended 30 June 2019 are as follows:

	Thousands of euros			
	For own use	Real estate investments	Assigned under operating lease	Total
Cost				
Balances at 1 January 2019	**1,290,488**	**481,999**	**53,831**	**1,826,318**
Additions	73,133	7,117	19,045	99,295
Disposals due to sales or through other means	(15,280)	(22,278)	-	(37,558)
Other transfers and other movements	(744)	600	-	(144)
Balances at 30 June 2019	**1,347,597**	**467,438**	**72,876**	**1,887,911**
Accumulated depreciation				
Balances at 1 January 2019	**(697,365)**	**(121,687)**	**(8,738)**	**(827,790)**
Disposals due to sales or through other means	3,445	3,583	1,519	8,547
Allowances recognised in profit or loss	(18,272)	(3,620)	(3,758)	(25,650)
Other transfers and other movements	(832)	1,100	-	268
Balances at 30 June 2019	**(713,024)**	**(120,624)**	**(10,977)**	**(844,625)**
Impairment losses				
Balances at 1 January 2019	**(512)**	**(56,025)**	**-**	**(56,537)**
Transfer charged to profit for the year	(5)	(76)	-	(81)
Recovered amount credited to profits	-	279	-	279
Other transfers and other movements	63	(1,745)	-	(1,682)
Balances at 30 June 2019	**(454)**	**(57,567)**	**-**	**(58,021)**
Net tangible assets				
Balances at 1 January 2019	**592,611**	**304,287**	**45,093**	**941,991**
Balances at 30 June 2019	**634,119**	**289,247**	**61,899**	**985,265**

At 1 January 2019, as a result of the entry into force of IFRS 16, the present value of the assets under lease rights of use was recognised for an amount of 62 million euros (see Note 2.3). This impact is presented in the "Additions" section of tangible assets classified as "Own use".

Movements in this consolidated balance sheet heading for the six-month period ended 30 June 2018 were as follows:

	Thousands of euros			
	For own use	Real estate investments	Assigned under operating lease	Total
Cost				
Balances at 1 January 2018	**1,321,589**	**609,534**	**33,398**	**1,964,521**
Additions	15,772	2,919	8,926	27,617
Disposals due to sales or through other means	(14,319)	(30,488)	-	(44,807)
Other transfers and other movements	180	(3,310)	-	(3,130)
Balances at 30 June 2018	**1,323,222**	**578,655**	**42,324**	**1,944,201**
Accumulated depreciation				
Balances at 1 January 2018	**(705,204)**	**(134,656)**	**(7,850)**	**(847,710)**
Disposals due to sales or through other means	4,668	3,694	-	8,362
Allowances recognised in profit or loss	(11,384)	(4,586)	(2,184)	(18,154)
Other transfers and other movements	(1,775)	480	-	(1,295)
Balances at 30 June 2018	**(713,695)**	**(135,068)**	**(10,034)**	**(858,797)**
Impairment losses				
Balances at 1 January 2018	**(956)**	**(86,441)**	**-**	**(87,397)**
Transfer charged to profit for the year	(81)	(119)	-	(200)
Recovered amount credited to profits	-	6	-	6
Other transfers and other movements	497	9,015	-	9,512
Balances at 30 June 2018	**(540)**	**(77,539)**	**-**	**(78,079)**
Net tangible assets				
Balances at 1 January 2018	**615,429**	**388,437**	**25,548**	**1,029,414**
Balances at 30 June 2018	**608,987**	**366,048**	**32,290**	**1,007,325**

8. Provisions

The provisions recognised in the consolidated balance sheet at 30 June 2019 and 31 December 2018 were as follows:

	Thousands of euros	
	30/06/2019	31/12/2018
Pensions and other post-employment defined benefit obligations	124,099	124,265
Other long term employee remuneration	849	1,931
Lawsuits and litigation for outstanding taxes	9,027	9,027
Commitments and guarantees given	29,668	33,465
Other provisions	140,200	180,123
	303,843	**348,811**

The item “Other provisions” breaks down as follows:

- A significant portion of the balance relates to the labour cost of redundancy proceedings in 2013, 2014, 2015 and 2017 pending payment (75,350 thousand and 30 thousand euros at 30 June 2019 and 31 December 2018).

- With regard to the possible impact of the refund of the amounts perceived as a result of the application of the so-called floor clauses, either as a result of the hypothetical cancellation by the courts of the floor clauses, either through the application of Royal Decree Law 1/2017, of 20 January, on measures to protect consumers regarding floor clauses, the Company has reserves to cover a hypothetical legal risk deriving from the potential elimination of the floor clauses in mortgages which would cover, where applicable, the maximum estimated amount of 17 million at 30 June 2019.

Neither the European Court of Justice's judgement published on 21 December 2016 nor Royal Decree-Law 1/2017 (20 January) presuppose or prejudge the validity of the floor clauses in mortgages granted by the Entity, which does business with a firm commitment to transparent customer relations.

- The remainder of the balance relates to the coverage of other ordinary business risks.

9. Equity

In 2019 capital was reduced by 1,929,848 thousand euros in order to set up a restricted voluntary reserve for this amount. This reduction was achieved by reducing the nominal value of all the shares into which the share capital is divided by 90%, and then grouping the number of outstanding shares by exchanging each 10 pre-existing shares of ten euro cents in nominal value for a new share of one euro at nominal value. The reduction in capital affects all the Company's shares equally, and there is no disparity in treatment between them.

In addition, part of the legal reserve has been allocated to the creation of a voluntary reserve of 200 million euros. The legal reserve after the operation amounts to 73 million euros.

Share capital at 30 June 2019 consists of 2,144,275,998 shares (2,144,275,998 shares at 31 December 2018), with a par value of €1 each, fully subscribed and paid out, 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:

	Thousands of euros	
	30/06/2019	31/12/2018
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 de Badajoz	3.90%	3.90%

10. Fair value of financial assets and liabilities

Set out below is the breakdown of the fair value of financial assets and liabilities at 30 June 2019 and 31 December 2018 compared with their carrying amount shown in the balance sheet at that same date. Similarly, a breakdown is provided of fair value according to the system of appraisal (levels 1, 2 and 3):

	Thousands of euros 30/06/2019				
	Total balance sheet	Fair value	Fair value hierarchy: Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	2,525,412	2,525,412	-	2,525,412	-
Financial assets held for trading	8,060	8,060	-	8,033	27
Financial assets not held for trading mandatorily measured at fair value through profit or loss	224,359	224,359	127,075	-	97,284
Financial assets at fair value through profit or loss	9,287	9,287	9,287	-	-
Financial assets at fair value through other comprehensive income	7,843,076	7,843,076	7,426,662	240,470	175,944
Financial assets at amortised cost	39,191,090	42,523,682	4,473,381	2,969,331	35,080,970
Derivatives - Hedge accounting	180,269	180,269	-	180,269	-
Total financial assets	**49,981,553**	**53,314,145**	**12,036,405**	**5,923,515**	**35,354,225**
Financial liabilities held for trading	13,681	13,681	-	13,678	3
Financial liabilities at amortised cost	41,127,278	41,290,892	-	41,290,892	-
Derivatives - Hedge accounting	225,595	225,595	-	225,595	-
Total financial liabilities	**41,366,554**	**41,530,168**	**-**	**41,530,165**	**3**

	Thousands of euros 31/12/2018				
	Total balance sheet	Fair value	Fair value hierarchy: Level 1	Level 2	Level 3
Cash and cash balances at central banks and other demand deposits	1,118,206	1,118,206	-	1,118,206	-
Financial assets held for trading	7,411	7,411	-	7,407	4
Financial assets not held for trading mandatorily measured at fair value through profit or loss	141,315	141,315	38,852	-	102,463
Financial assets at fair value through profit or loss	9,575	9,575	9,575	-	-
Financial assets at fair value through other comprehensive income	8,754,640	8,754,640	8,281,432	288,962	184,246
Financial assets at amortised cost	39,378,416	42,230,289	4,509,540	3,737,045	33,983,704
Derivatives - Hedge accounting	161,371	161,371	-	161,371	-
Total financial assets	**49,570,934**	**52,422,807**	**12,839,399**	**5,312,991**	**34,270,417**
Financial liabilities held for trading	8,691	8,691	-	8,538	153
Financial liabilities at amortised cost	41,141,636	41,259,598	-	41,259,598	-
Derivatives - Hedge accounting	155,200	155,200	-	155,200	-
Total financial liabilities	**41,305,527**	**41,423,489**	**-**	**41,423,336**	**153**

The criteria used to determine fair value have been as follows:

- Level 1: using prices quoted on active markets for financial instruments.
- Level 2: using prices quoted on active markets for similar instruments or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- Level 3: using valuation techniques in which some significant inputs are not based on observable market data.

In particular, the valuation techniques used in levels 2 and 3 and assumptions used to determine fair value have been:

- Debt securities and interest rate swaps: Valuation techniques based on discounted flows using the interest rate curve and the market spread for similar instruments have been used.

- Options: valued by applying models accepted as standard in the market. In those cases where no valuation model is available, they are valued through the quotation provided by counterparties.

- Equity instruments measured at fair value: Generally fair value is determined by discounting the estimated cash flows, which are derived from business plans of the investees, generally for a period of five years, calculating a residual value for the remaining period. These flows have been discounted using market rates and adjusted at the average cost of capital.

- Financial assets at amortised cost – Loans and advances - Customers: The valuation technique used is based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve. Additionally, the early amortisation of 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 -1.49% reduction in fair value.

  In this case, it is estimated that there are no major differences owing to the credit risk between the carrying value and fair value of customer loans since the Group has quantified the level of credit risk provisions for its loan risk portfolio in accordance with applicable accounting legislation and which is considered sufficient to cover that risk. Nonetheless, since there is no market for those financial assets, the amount at which they may be exchanged between interested parties could differ from the net value reflected since the potential acquirer would take into account the expected losses and recorded in accordance with applicable legislation and their best estimates of possible future losses.

- Customer deposits: The valuation technique used has been based on discounting the estimated future cash flows, considering maturity and repricing dates and calculating interest based on the interbank interest rate curve.

- Marketable debt securities and subordinated liabilities: Valued using market prices or spreads for similar instruments.

The reasons why there may be differences between the fair value and carrying value of financial instruments are as follows:

- In the fixed-income instruments issued, the fair value of the instrument varies depending on trends in market interest rates. The longer the residual life of the instrument, the greater the variation.

- In variable income instruments, fair value may differ from carrying value if margins relative to the reference interest rate have changed since the issuing of the instrument. If margins remain constant, the fair value coincides with the carrying value only on repricing dates. On all other dates, there is an interest rate risk for the flows that have already been calculated.

The Group performs an analysis to assess whether levels of fair value hierarchy in which financial instruments are classified may have changed. If transfers between these levels occur, they are treated has having taken place at the end of the quarter in which they are identified. In the six-month period ended 30 June 2019 and as at 31 December 2018, there were no financial instruments that were no longer measured under level 2 and 3 criteria and instead measured according to level 1 criteria.

For certain financial instruments (mainly the portfolio of financial assets and liabilities held for trading, the portfolio of non-trading financial assets mandatorily measured at fair value through profit or loss and trading related to financial derivatives), there is a balancing entry in the income statement for fair value changes.

Details of the effect on the income statement arising from changes in fair value are as follows, classified on the basis of the hierarchical level of the instrument's fair value:

	Thousands of euros	
	30/06/2019	30/06/2018
Level 1	155	(287)
Level 2	96	338
Level 3	(3,653)	(390)
	(3,402)	**(339)**

Set out below in the fair value hierarchy of Level 3 fair value, there is a reconciliation of opening balances with the balances at 30 June 2019 and 2018, separately revealing changes during the year attributable to the following:

	Thousands of euros			
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial liabilities held for trading**
Balance at 1 January 2019	**4**	**102,463**	**184,246**	**153**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	-	(3,965)	(7,837)	-
Purchases	27	-	127	3
Sales	-	-	(592)	-
Issues	-	-	-	-
Settlements and maturities	(4)	(1,214)	-	(153)
Transfers from or to Level 3 in or outside the portfolios described	-	-	-	-
Balance at 30 June 2019	**27**	**97,284**	**175,944**	**3**

	Thousands of euros			
	Financial assets held for trading	**Financial assets not held for trading mandatorily measured at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Financial liabilities held for trading**
Balance at 1 January 2018	**1,274**	**38,134**	**233,488**	**2,458**
Profit/(loss) recognised in the income statement and/or statement of recognised income and expense	(314)	(348)	(26,410)	(346)
Purchases	-	-	118	-
Sales	-	(44)	(3,057)	-
Issues	-	-	-	-
Settlements and maturities	(711)	(3,247)	(3,829)	(711)
Transfers from or to Level 3 in or outside the portfolios described	(115)	1,772	-	(949)
Balance at 30 June 2018	**134**	**36,267**	**200,310**	**452**

Financial liabilities and assets held for trading with Level 3 fair values are related, respectively, to embedded derivatives in structured deposits arranged with customers and to derivatives arranged with counterparties to cover the risk of those embedded derivatives. As shown in the table included at the beginning of this Note, the values of both derivatives offset each other since they have the same features and almost the same nominal values. The Company measures both derivatives according to the quotations offered by the counterparty.

As for instruments classified as financial assets at fair value through other comprehensive income, most of the balance corresponds to investments in an insurance company and venture capital funds.

The investment in the insurance company is valued based on estimated future cash flows derived from business forecasts to 2022, a residual value being calculated for the remaining period taking into account a distributable cash flow of €84 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 a rate of 10.6%.

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 Private Equity Venture Capital Association).

Considering the amount of these investments, the Group believes that the changes that would occur in their fair value as a result of reasonably possible changes in the variables that determine the value would not have a significant impact on the results, total assets or equity of the Group.

11. Information on average workforce and number of offices

The average workforce of the Parent and the Group for the six-month periods ended 30 June 2019 and 2018 is as follows:

	Ibercaja Banco		Ibercaja Banco Group	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
Men	2,680	2,778	2,761	2,936
Women	2,455	2,467	2,617	2,605
	5,135	**5,245**	**5,378**	**5,541**

As at 30 June 2019, the number of offices was 1,116 (1,119 as at 30 June 2018), all in Spain.

12. Remuneration of Directors and Senior Management

12.1. Remuneration of the Board of Directors

The following table shows the remuneration earned by the members of the Board of Directors of the Company, in their capacity as Directors, including attendance fees and travel to meetings of the Board of Directors and its committees, as well as to meetings of the governing bodies of Group companies, during the six-month periods ending on 30 June 2019 and 2018:

	Thousands of euros	
	30/06/2019	30/06/2018
Compensation		
Remuneration for membership on the Board and/or Board committees	438	441
Salaries	194	192
Variable remuneration in cash	56	58
Instrument-based remuneration systems	63	65
Severance payments	-	-
Long-term savings systems	20	20
Other items	74	70
	845	**846**

12.2. Remuneration of Senior Management

For the purposes of preparing interim financial statements, those who have held the position of Chief Executive Officer were considered to be Senior Management staff, as well as employees of the Ibercaja Banco S.A. management team (Management Committee), which are detailed in the “Annual Report” for financial year 2018. However, the total remuneration includes that earned by members of the Management Committee, even if they have not carried out their activity during the full reporting period.

At 30 June 2019, the Management Committee (including the Chief Executive Officer) is made up of 12 people, jointly identified as Senior Management (12 people in at 30 June 2018).

The remuneration accrued by Senior Management in the six-month periods ended 30 June 2019 and 2018 are shown in the following table, as was previously defined:

	Thousands of euros	
	30/06/2019	30/06/2018
Total remuneration received by executives	1,581	1,596

13. Related party transactions

In addition to the information presented in Note 12 in relation to the remuneration earned by directors and senior executives, below are the transactions with related parties carried out during the six-month period ended 30 June 2019, in accordance with the third section of Order EHA/3050/2004, of 15 September:

	Thousands of euros				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
EXPENSE AND INCOME:					
1) Finance expense	66	5	2	51	124
2) Management or collaboration arrangements	430	-	-	-	430
3) R+D transfers and licence arrangements	-	-	-	-	-
4) Leases	-	-	-	-	-
5) Receipt of services	-	-	-	-	-
6) Purchase of goods (finished or in progress)	-	-	-	-	-
7) Valuation adjustments for bad or doubtful debts	-	-	-	-	-
8) Losses on write-off or disposal of assets	-	-	-	-	-
9) Other expenses	-	-	-	-	-
EXPENSES	**496**	**5**	**2**	**51**	**554**
10) Interest income	-	37	67	-	104
11) Management or collaboration arrangements	191	-	-	-	191
12) R+D transfers and licence arrangements	-	-	-	-	-
13) Dividends received	-	-	-	-	-
14) Leases	-	-	-	-	-
15) Provision of services	-	2	-	-	2
16) Sale of goods (finished or in progress)	-	-	-	-	-
17) Profits on write-off or disposal of assets	-	-	-	-	-
18) Other income	-	-	-	-	-
INCOME	**191**	**39**	**67**	**-**	**297**

	Thousands of euros				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
OTHER TRANSACTIONS					
Purchase of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements: credits and capital contributions (lender)	-	970	-	-	970
Finance lease arrangements (lessor)	-	88	-	-	88
Write down or cancellation of credits and leases (lessor)	-	-	-	-	-
Sale of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements of loans and capital contributions (borrower)	-	61	400	-	461
Finance lease arrangements (lessee)	-	-	-	-	-
Write down or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees provided	-	-	100	-	100
Guarantees received	-	-	-	-	-
Commitments undertaken	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other profits distributed	15,365	-	-	-	15,365
Other transactions	-	-	-	-	-

Transactions with related parties during the six-month period ended 30 June 2018 are as follows:

	Thousands of euros				
	Significant shareholders	**Directors and executives**	**Individuals, companies or entities of the Group**	**Other related parties**	**Total**
EXPENSE AND INCOME:					
1) Finance expense	68	6	1	211	286
2) Management or collaboration arrangements	429	-	-	-	429
3) R+D transfers and licence arrangements	-	-	-	-	-
4) Leases	-	-	-	-	-
5) Receipt of services	-	-	-	-	-
6) Purchase of goods (finished or in progress)	-	-	-	-	-
7) Valuation adjustments for bad or doubtful debts	-	-	-	-	-
8) Losses on write-off or disposal of assets	-	-	-	-	-
9) Other expenses	-	-	-	-	-
EXPENSES	**497**	**6**	**1**	**211**	**715**
10) Interest income	-	39	47	-	86
11) Management or collaboration arrangements	185	-	-	-	185
12) R+D transfers and licence arrangements	-	-	-	-	-
13) Dividends received	-	-	-	-	-
14) Leases	-	-	-	-	-
15) Provision of services	-	4	-	-	4
16) Sale of goods (finished or in progress)	-	-	-	-	-
17) Profits on write-off or disposal of assets	-	-	-	-	-
18) Other income	-	-	-	-	-
INCOME	**185**	**43**	**47**	**-**	**275**

	Thousands of euros				
	Significant shareholders	**Directors and executives**	**Individuals, companies or entities of the Group**	**Other related parties**	**Total**
OTHER TRANSACTIONS					
Purchase of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements: credits and capital contributions (lender)	-	534	-	-	534
Finance lease arrangements (lessor)	-	32	-	-	32
Write down or cancellation of credits and leases (lessor)	-	-	-	-	-
Sale of tangible or intangible assets, or other assets	-	-	-	-	-
Financing arrangements of loans and capital contributions (borrower)	-	155	-	-	155
Finance lease arrangements (lessee)	-	-	-	-	-
Write down or cancellation of loans and leases (lessee)	-	-	-	-	-
Guarantees provided	-	-	-	-	-
Guarantees received	-	-	-	-	-
Commitments undertaken	-	-	-	-	-
Commitments/guarantees cancelled	-	-	-	-	-
Dividends and other profits distributed	15,365	-	-	-	15,365
Other transactions	-	-	-	-	-

The balances with related parties recorded in the balance sheets as of 30 June 2019 and 2018 are presented below:

	Thousands of euros 30/06/2019				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
1. Customers and trade receivables	-	-	-	-	-
2. Credits and loans granted	208,616	9,167	9,014	-	226,797
3. Other receivables	-	-	-	-	-
TOTAL RECEIVABLES (1+2+3)	**208,616**	**9,167**	**9,014**	**-**	**226,797**
4. Suppliers and trade receivables	-	-	-	-	-
5. Credits and loans received	259,804	21,354	16,149	390,213	687,520
6. Other payment obligations	-	-	33	-	33
TOTAL PAYABLES (4+5+6)	**259,804**	**21,354**	**16,182**	**390,213**	**687,553**

	Thousands of euros 31/12/2018				
	Significant shareholders	Directors and executives	Individuals, companies or entities of the Group	Other related parties	Total
1. Customers and trade receivables	-	-	-	-	-
2. Credits and loans granted	375,314	8,383	10,048	-	393,745
3. Other receivables	-	-	-	-	-
TOTAL RECEIVABLES (1+2+3)	**375,314**	**8,383**	**10,048**	**-**	**393,745**
4. Suppliers and trade receivables	-	-	-	-	-
5. Credits and loans received	407,408	19,397	12,733	290,223	729,761
6. Other payment obligations	-	-	-	-	-
TOTAL PAYABLES (4+5+6)	**407,408**	**19,397**	**12,733**	**290,223**	**729,761**

14. Profit and loss account

14.1. Interest income and similar

The breakdown of interest income and similar of the consolidated income statement heading in the six-month periods ended 30 June 2019 and 2018, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Financial assets held for trading	1	2
Non-trading financial assets mandatorily valued at fair value through profit or loss	264	16
Financial assets at fair value through profit or loss	41	67
Financial assets at fair value through other comprehensive income	68,680	71,796
Financial assets at amortised cost	269,385	262,179
Interest rate hedging derivatives	(10,890)	(15,891)
Other assets	296	2,573
Interest income from liabilities	7,046	7,618
	334,823	**328,360**

14.2. Interest expense

The breakdown of interest expense income and similar of the consolidated income statement heading in the six-month periods ended 30 June 2019 and 2018, based on the portfolio from which the income originates, is as follows:

	Thousands of euros	
	30/06/2019	**30/06/2018**
Financial liabilities at amortised cost	74,277	83,511
Interest rate hedging derivatives	(38,758)	(44,332)
Other liabilities	15,882	9,398
Interest expense from assets	5,316	2,769
	56,717	**51,346**

14.3. Dividend income

The amount recorded under this heading relates in full to dividends from equity instruments in the portfolio of financial assets at fair value through portfolio other comprehensive income amounting to 10,908 thousand euros at 30 June 2019 (9,471 thousand at 30 June 2018).

14.4. Fee and commission income

Fee and commission income accrued in the six-month periods ended 30 June 2019 and 2018, classified in accordance with the item generating the fees, is reflected in the following table:

	Thousands of euros	
	30/06/2019	**30/06/2018**
Contingent risk fees	5,087	4,879
Contingent commitment fees	1,845	2,003
Foreign currency exchange fees	122	136
Collection and payment services fees	57,836	56,447
Securities service fees	27,081	18,035
Non-bank financial product marketing fees	94,622	96,199
Other fees	12,135	16,900
	198,728	**194,599**

14.5. Fee and commission expenses

Fee and commission expense accrued in the six-month periods ended 30 June 2019 and 2018, classified in accordance with the item generating the fees, is reflected in the following table:

	Thousands of euros	
	30/06/2019	**30/06/2018**
Fees and commissions assigned to other entities	3,572	3,309
Fees and commissions paid for securities transactions	867	1,034
Other fees	3,376	3,425
	7,815	**7,768**

14.6. Net gains/(losses) on financial transactions

The breakdown of income from financial transactions of the consolidated income statements for the six-month periods ended 30 June 2019 and 2018, based on the financial instrument portfolios from which the income originates, is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Net gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	**15,417**	**35,431**
Financial assets at fair value through other comprehensive income	28,109	33,639
Financial assets at amortised cost	(13,167)	1,693
Financial liabilities at amortised cost	475	-
Other	-	99
Net gains/(losses) on financial assets and liabilities held for trading	**564**	**197**
Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	**(3,600)**	**(573)**
Net gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	**313**	**401**
Net gains/(losses) from hedge accounting	**(366)**	**37**
Adjustments to hedged instruments (fair value hedge)	103,073	(3,052)
Hedge derivative (fair value hedge)	(103,439)	3,089
	12,328	**35,493**

14.7. Other operating income

The breakdown of other operating income in the consolidated income statements for the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Income from investment property	2,835	4,681
Income from other operating leases	6,242	3,658
Sales and income from provision of services	2,412	3,651
Other items	6,038	9,280
	17,527	**21,270**

14.8. Other operating expenses

The breakdown of other operating expenses in the consolidated income statements for the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Operating expenses on investment properties	1,057	868
Contribution to National Resolution Fund	10,350	11,538
Contribution to Deposit Guarantee Fund	3,492	3,491
Other items	6,646	11,680
	21,545	**27,577**

14.9. Administration expenses

14.9.1 Personnel expenses

The breakdown of personnel expenses in the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	**30/06/2018**
Wages and salaries	134,807	140,792
Social security contributions	34,717	33,884
Contributions to pension funds and insurance policies	8,076	9,758
Termination benefits	-	55,500
Other personnel expenses	699	979
	178,299	**240,913**

In May 2017, the Management of Ibercaja and to the representatives of the employees, as part of redundancy programme, reached an agreement in which 590 employees could opt for voluntary redundancy due to age of the closure of the work centre.

The exit of up to a maximum of 65% of these employees occurred gradually up until December 2017. On 28 March 2018, depending on business requirements and in accordance with the progress of the restructuring process, the Board of Directors of Ibercaja Banco approved the implementation of the rest of the outstanding agreed terminations, which were carried out in the first six months of 2018.

This plan incurred personnel expenses of 55,500 thousand euros in the consolidated interim income statement, with a balancing entry under "provisions" on the liability side of the consolidated balance sheet (Note 8).

14.9.2 Other administration expenses

The breakdown of other administrative expenses in the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	**30/06/2018**
Buildings, installations and office equipment	14,753	21,912
Equipment maintenance, licences, works and computer software	13,742	13,110
Communications	6,243	8,182
Advertising and publicity	3,221	2,768
Charges and taxes	7,710	8,405
Other management and administration expenses	35,816	40,512
	81,485	**94,889**

14.10. Impairment and reversal of impairment in non-financial assets

The breakdown of impairment losses and reversals of impairment losses on non-financial assets during the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Tangible assets	**(198)**	**194**
Property, plant and equipment	5	81
Investment property	(203)	113
Intangible assets	**-**	**-**
Goodwill	-	-
Other intangible assets	-	-
Other	**664**	**1.583**
	466	**1.777**

14.11. Net gains and losses on derecognition of non-financial assets

The breakdown of net gains and losses on the derecognition of non-financial assets in the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Gains (losses) on disposal of assets not classified as non-current assets held for sale	(1,250)	1,358
Gains/(losses) on disposal of shareholdings	40	77
Other gains/(losses)	-	(4)
	(1,210)	**1,431**

14.12. Net gains/(losses) on non-current assets classified as held for sale not qualifying as discontinued operations

The breakdown of net gains and losses on non-current assets and disposal groups of items classified as held for sale not qualifying for discontinued operations in the six-month periods ended 30 June 2019 and 2018 is as follows:

	Thousands of euros	
	30/06/2019	30/06/2018
Impairment gains/(losses) on other non-current assets for sale	(7,024)	(24,749)
Gains/(losses) on disposal of other non-current assets for sale	749	(11,108)
	(6,275)	**(35,857)**

15. Events after the reporting period

Between the year-end date and the date of authorisation for issue of these condensed consolidated interim financial statements and the explanatory notes, no events have taken place that could have a significant effect on them.

16. Condensed individual financial statements of Ibercaja Banco, S.A.

The individual condensed balance sheets at 30 June 2019 and 31 December 2018, as well as the individual condensed income statements, the individual condensed statements of recognised income and expense, the individual condensed statements of total changes in equity and the individual condensed cash flow statements of the parent entity for the six-month periods ended 30 June 2019 and 2018, prepared in accordance with Bank of Spain Circular 4/2017, are presented below.

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL BALANCE SHEETS AT 30 JUNE 2019 AND 31 DECEMBER 2018

ASSETS	30/06/2019	31/12/2018 (*)
Cash and cash balances at central banks and other demand deposits	**2,331,697**	**917,825**
Financial assets held for trading	**6,356**	**5,632**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	**28,866**	**33,284**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through profit or loss	-	-
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	-	-
Financial assets at fair value through other comprehensive income	**631,617**	**1,939,719**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*202,291*	*1,060,771*
Financial assets at amortised cost	**39,248,132**	**39,816,547**
Memorandum items: loaned or delivered as collateral with the right to sell or pledge	*2,533,402*	*2,903,595*
Derivatives - Hedge accounting	**180,269**	**161,371**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	-	-
Investments in subsidiaries, joint ventures and associates	**1,024,822**	**759,221**
Subsidiaries	926,580	650,949
Joint ventures	38,226	38,226
Associates	60,016	70,046
Tangible assets	**784,987**	**736,446**
Property, plant and equipment	552,428	491,318
For own use	*552,428*	*491,318*
Assigned under operating lease	-	-
Investment property	232,559	245,128
Of which: assigned under operating lease	*54,624*	*71,842*
Memorandum items: acquired under finance lease	-	-
Intangible assets	**111,629**	**122,760**
Goodwill	57,629	64,033
Other intangible assets	54,000	58,727
Tax assets	**1,368,464**	**1,387,513**
Current tax assets	7,837	7,061
Deferred tax assets	1,360,627	1,380,452
Other assets	**221,980**	**210,566**
Insurance contracts linked to pensions	97,238	97,238
Inventories	1,013	1,083
Other assets	123,729	112,245
Non-current assets and disposal groups classified as held for sale	**67,876**	**68,681**
TOTAL ASSETS	**46,006,695**	**46,159,565**

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL BALANCE SHEETS
AT 30 JUNE 2019 AND 31 DECEMBER 2018

LIABILITIES	30/06/2019	31/12/2018 (*)
Financial liabilities held for trading	**5,663**	**5,147**
Financial liabilities at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortised cost	**41,935,282**	**42,160,453**
Memorandum items: subordinated liabilities	*521,269*	*590,619*
Derivatives - Hedge accounting	**225,595**	**155,200**
Fair value changes of the hedged items in a portfolio with interest rate risk hedging	**46,969**	**24,961**
Provisions	**281,871**	**326,811**
Pensions and other post-employment defined benefit obligations	103,313	103,479
Other long-term employee remuneration	849	1,931
Lawsuits and litigation for outstanding taxes	6,435	6,435
Commitments and guarantees given	29,890	33,645
Other provisions	141,384	181,321
Tax liabilities	**156,667**	**157,831**
Current tax liabilities	-	-
Deferred tax liabilities	156,667	157,831
Other liabilities	**154,408**	**187,133**
Liabilities within disposal groups classified as held for sale	**-**	**-**
TOTAL LIABILITIES	**42,806,455**	**43,017,536**

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL BALANCE SHEETS
AT 30 JUNE 2019 AND 31 DECEMBER 2018

EQUITY	30/06/2019	31/12/2018 (*)
Shareholders' equity	**3,133,531**	**3,080,081**
Capital	214,428	2,144,276
Paid-in capital	*214,428*	*2,144,276*
Called-up capital	-	-
Memorandum items: uncalled capital	-	-
Share premium	-	-
Equity instruments issued other than capital	350,000	350,000
Equity component of compound financial instruments	-	-
Other equity instruments issued	*350,000*	*350,000*
Other equity items	-	-
Retained earnings	507,825	269,545
Revaluation reserves	2,327	2,327
Other reserves	1,976,913	58,153
(Treasury shares)	-	-
Profit/(loss) for the year	82,038	255,780
(Interim dividends)	-	-
Other accumulated comprehensive income	**66,709**	**61,948**
Items that will not be reclassified to profit or loss	48,828	41,582
Actuarial gains/(losses) on defined benefit pension plans	*2,832*	*2,832*
Non-current assets and disposal groups classified as held for sale	-	-
Changes in the fair value of equity instruments measured at fair value changes through other comprehensive income	*45,996*	*38,750*
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
Items that may be reclassified to profit or loss	17,881	20,366
Hedges of net investment in foreign operations (effective portion)	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedge reserve (effective portion)	*13,734*	*9,288*
Changes in the fair value of debt instruments measured at fair value through other comprehensive income	*4,147*	*11,078*
Hedging instruments (undesignated items)	-	-
Non-current assets and disposal groups classified as held for sale	-	-
TOTAL EQUITY	**3,200,240**	**3,142,029**
TOTAL EQUITY AND LIABILITIES	**46,006,695**	**46,159,565**
Memorandum items: off-balance sheet exposures		
Loan commitments given	**3,330,563**	**3,215,623**
Financial guarantees granted	**81,288**	**80,285**
Other commitments given	**874,417**	**912,239**

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL INCOME STATEMENTS FOR FOR THE SIX-MONTH PERIODS ENDED ON 30 JUNE 2019 AND 2018

	Thousands of euros	
	30/06/2019	30/06/2018 (*)
(+) Interest income and similar	265,075	265,599
a) Financial assets at fair value through other comprehensive income	6,527	11,078
b) Financial assets at amortised cost	258,834	259,578
c) Other assets	(286)	(5,057)
(-) Interest expense	51,267	51,102
(-) Expenses on share capital repayable on demand	-	-
(=) A) NET INTEREST INCOME	**213,808**	**214,497**
(+) Dividend income	91,710	241,871
(+) Fee and commission income	146,653	139,610
(-) Fee and commission expenses	5,082	4,768
(+/-) Gains/(losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	14,112	31,358
a) Financial assets at amortised cost	(12,099)	1,793
b) Other financial assets and liabilities	26,211	29,565
(+/-) Net gains/(losses) on financial assets and liabilities held for trading	564	206
a) Reclassification of financial assets from fair value through other comprehensive income	-	-
b) Reclassification of financial assets from amortised cost	-	-
c) Other gains or (-) losses	564	206
(+/-) Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss, net	(3,211)	(348)
a) Reclassification of financial assets from fair value through other comprehensive income	-	-
b) Reclassification of financial assets from amortised cost	-	-
c) Other gains or (-) losses	(3,211)	(348)
(+/-) Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss, net	-	-
(+/-) Net gains/(losses) from hedge accounting	(366)	37
(+/-) Net exchange differences	488	404
(+) Other operating income	25,069	28,207
(-) Other operating expenses	18,722	23,697
(=) B) GROSS INCOME	**465,023**	**627,377**
(-) Administration expenses	245,986	317,508
(-) a) Personnel expenses	172,511	234,161
(-) b) Other administration expenses	73,475	83,347
(-) Amortisation and depreciation	36,910	27,104
(+/-) Provisions or reversal of provisions	16,471	(22,698)
(+/-) Impairment or reversal of impairment on financial assets not measured fair value through profit or loss or net gain on change	59,433	58,374
(+/-) a) Financial assets at fair value through other comprehensive income	(328)	(191)
(+/-) b) Financial assets at amortised cost	59,761	58,565
(=) C) PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	**106,223**	**247,089**
(+/-) Impairment or (-) reversal of impairment on investments in subsidiaries, joint ventures or associates	(7,266)	10,323
(+/-) Impairment or reversal of impairment of non-financial assets	14	893
(+/-) a) Tangible assets	5	845
(+/-) b) Intangible assets	-	-
(+/-) c) Other	9	48
(+/-) Net gains/(losses) on derecognition of non-financial assets	(3,370)	(1,303)
(+) Negative goodwill recognised in profit or loss	-	-
(+/-) Gains/(losses) on non-current assets and disposal groups of items classified as held for sale not qualifying as discontinued operations	(96)	(10,719)
(=) D) PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		
(+/-) Expense or income from taxes on income from continuing operations	27,971	25,731
(=) E) PROFIT/(LOSS) AFTER TAX FROM CONTINUING OPERATIONS		
(+/-) Profit/(loss) after tax from discontinued activities	-	-
= PROFIT OF THE PERIOD	**82,038**	**198,120**

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE SIX-MONTH PERIODS ENDED ON 30 JUNE 2019 AND 2018

	Thousands of euros	
	30/06/2019	**30/06/2018 (*)**
A) PROFIT OF THE PERIOD	**82,038**	**198,120**
B) OTHER COMPREHENSIVE INCOME	**2,245**	**(39,430)**
Items that will not be reclassified to profit or loss	**4,730**	**(22,487)**
a) Actuarial gains/(losses) on defined benefit pension plans	-	-
b) Non-current assets and disposal groups of items held for sale	-	-
c) Changes in the fair value of equity instruments measured at fair value through other comprehensive income	6,757	(32,123)
d) Gains/(losses) resulting from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
e) Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	-	-
f) Income tax relating to items not to be reclassified	(2,027)	9,636
Items that may be reclassified to profit or loss	**(2,485)**	**(16,943)**
a) Hedges of net investment in foreign operations (effective portion)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
b) Currency translation	-	-
Gains/(losses) from foreign currency exchange taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
c) Cash flow hedges (effective portion)	6,351	(1,817)
Valuation gains/(losses) taken to equity	*6,351*	*(1,817)*
Transferred to the income statement	-	-
Transferred to initial carrying amount of hedge items	-	-
Other reclassifications	-	-
d) Hedging instruments (undesignated items)	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
e) Debt instruments at fair value through other comprehensive income	(9,901)	(22,388)
Valuation gains/(losses) taken to equity	*10,068*	*7,177*
Transferred to the income statement	*(19,969)*	*(29,565)*
Other reclassifications	-	-
f) Non-current assets and disposal groups of items held for sale	-	-
Valuation gains/(losses) taken to equity	-	-
Transferred to the income statement	-	-
Other reclassifications	-	-
g) Income tax relating to items that may be reclassified to profit or loss	1,065	7,262
C) TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**84,283**	**158,690**

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit of the period	(Interim dividends)	Other accumulated comprehensive income	Total
I. Closing balance at 31/12/2018 (*)	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
II. Adjusted opening balance	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**58,153**	**-**	**255,780**	**-**	**61,948**	**3,142,029**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**82,038**	**-**	**2,245**	**84,283**
Other changes in equity	**(1,929,848)**	**-**	**-**	**-**	**238,280**	**-**	**1,918,760**	**-**	**(255,780)**	**-**	**2,516**	**(26,072)**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	(1,929,848)	-	-	-	-	-	1,929,848	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	255,780	-	(2,516)	-	(255,780)	-	2,516	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(8,572)	-	-	-	-	(8,572)
III. Closing balance at 30/06/2019	**214,428**	**-**	**350,000**	**-**	**507,825**	**2,327**	**1,976,913**	**-**	**82,038**	**-**	**66,709**	**3,200,240**

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

	Thousands of euros											
	Capital	Share premium	Equity instruments issued other than capital	Other equity items	Retained earnings	Revaluation reserves	Other reserves	(Treasury shares)	Profit of the period	(Interim dividends)	Other accumulated comprehensive income	Total
I. Closing balance at 31/12/2017 (*)	**2,144,276**	**-**	**-**	**-**	**187,357**	**2,327**	**190,981**	**-**	**99,688**	**-**	**113,550**	**2,738,179**
Effects of error correction	-	-	-	-	-	-	-	-	-	-	-	-
Effects of changes in accounting policies	-	-	-	-	-	-	(114,371)	-	-	-	(2,044)	(116,415)
II. Adjusted opening balance	**2,144,276**	**-**	**-**	**-**	**187,357**	**2,327**	**76,610**	**-**	**99,688**	**-**	**111,506**	**2,621,764**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**198,120**	**-**	**(39,430)**	**158,690**
Other changes in equity	**-**	**-**	**350,000**	**-**	**82,188**	**-**	**(6,433)**	**-**	**(99,688)**	**-**	**(503)**	**325,564**
Issuance of ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of preference shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	350,000	-	-	-	(2,882)	-	-	-	-	347,118
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt into equity	-	-	-	-	-	-	-	-	-	-	-	-
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (or other shareholder remuneration)	-	-	-	-	(17,500)	-	-	-	-	-	-	(17,500)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Sale or redemption of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity components	-	-	-	-	99,688	-	503	-	(99,688)	-	(503)	-
Increase/(decrease) in equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases/(decreases) in equity	-	-	-	-	-	-	(4,054)	-	-	-	-	(4,054)
III. Closing balance at 30/06/2018 (*)	**2,144,276**	**-**	**350,000**	**-**	**269,545**	**2,327**	**70,177**	**-**	**198,120**	**-**	**71,573**	**3,106,018**

(*) Presented for comparison purposes only (Note 2.2).

IBERCAJA BANCO, S.A.

CONDENSED INDIVIDUAL STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIODS
ENDED ON 30 JUNE 2019 AND 2018

	Thousands of euros	
	30/06/2019	**30/06/2018 (*)**
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**1,506,665**	**(2,269,151)**
1. Profit of the period	82,038	198,120
2. Adjustments to obtain cash flows from operating activities:	63,032	19,978
(+) Amortisation and depreciation	36,910	27,104
(+/-) Other adjustments	26,122	(7,126)
3. Net increase/decrease in operating assets:	(1,445,027)	1,435,726
(+/-) Financial assets held for trading	724	(3,406)
(+/-) Non-trading financial assets mandatorily valued at fair value through profit or loss	(1,214)	1,273
(+/-) Financial assets at fair value through profit or loss	-	-
(+/-) Financial assets at fair value through other comprehensive income	(1,244,445)	(541,010)
(+/-) Financial assets at amortised cost	(214,807)	1,991,221
(+/-) Other operating assets	14,715	(12,352)
4. Net increase/(decrease) in operating liabilities:	(205,992)	(983,882)
(+/-) Financial liabilities held for trading	516	(439)
(+/-) Financial liabilities at fair value through profit or loss	-	-
(+/-) Financial liabilities at amortised cost	(148,463)	(1,023,003)
(+/-) Other operating liabilities	(58,045)	39,560
5. Income tax credit/(payments)	122,560	(67,641)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 +2)	**8,995**	**(6,570)**
1. Payments:	18,583	50,431
(-) Tangible assets	14,272	17,511
(-) Intangible assets	3,200	424
(-) Investments in joint ventures and associates	-	10,030
(-) Subsidiaries and other business units	-	-
(-) Non-current assets and liabilities classified as held for sale	1,111	22,466
(-) Other payments related to investing activities	-	-
2. Receipts:	27,578	43,861
(+) Tangible assets	25,476	14,292
(+) Intangible assets	-	-
(+) Investments in joint ventures and associates	40	684
(+) Subsidiaries and other business units	-	-
(+) Non-current assets and liabilities classified as held for sale	2,062	28,885
(+) Other receipts related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(111,555)**	**282,968**
1. Payments:	111,555	62,915
(-) Dividends	17,500	17,500
(-) Subordinated liabilities	81,805	45,415
(-) Redemption of own equity instruments	-	-
(-) Acquisition of own equity instruments	-	-
(-) Other payments related to financing activities	12,250	-
2. Receipts:	-	345,883
(+) Subordinated liabilities	-	-
(+) Issuance of own equity instruments	-	345,883
(+) Disposal of own equity instruments	-	-
(+) Other receipts related to financing activities	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**1,404,105**	**(1,992,753)**
F) CASH AND CASH EQUIVALENTS AT START OF PERIOD	**898,909**	**3,263,837**
G) CASH AND CASH EQUIVALENTS AT END OF PERIOD (E+F)	**2,303,014**	**1,271,084**
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF PERIOD		
(+) Cash	214,681	200,766
(+) Cash equivalents at central banks	2,098,040	1,089,015
(+) Other financial assets	-	-
(-) Less: bank overdrafts repayable on demand	9,707	18,697
TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,303,014**	**1,271,084**

(*) Presented for comparison purposes only (Note 2.2).

Ibercaja Banco, S.A. and subsidiaries

Consolidated Directors' Report
for the first half of 2019

Ibercaja Banco, S.A. and subsidiaries

Consolidated interim directors' report for the six-month period ended 30 June 2019

Contents

1. The Ibercaja Group: current situation

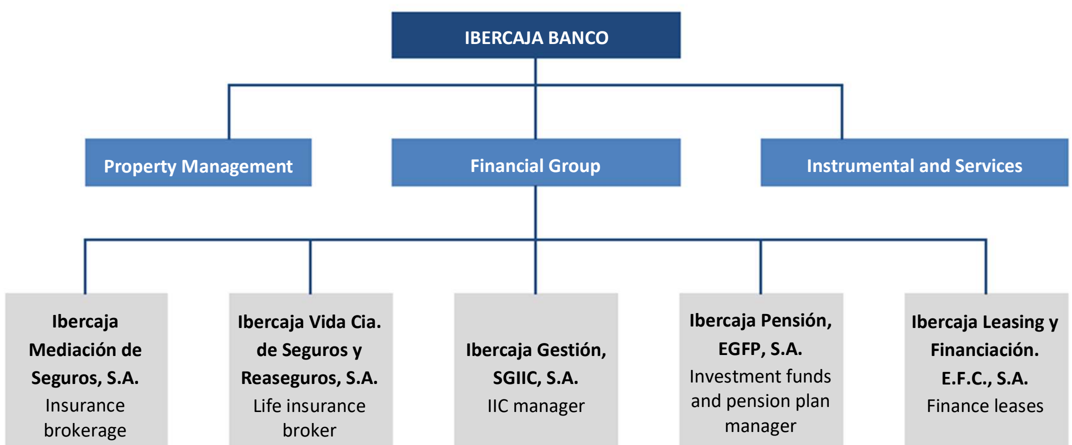
1.1. Description, shareholding and organisational structure

The Ibercaja Banco Group primarily engages in retail banking and carries out all of its business in Spain. Its corporate purpose extends to all manner of general banking activities, transactions, business, contracts and services permitted under prevailing law and regulations, including the provision of investment and auxiliary services.

The majority shareholder of Ibercaja Banco is Fundación Bancaria Ibercaja, which owns 87.60% of its capital. Following the acquisition in June 2013 of Banco Grupo Caja3, the following companies are also shareholders of Ibercaja: Fundación Caja Inmaculada (4.85%), Fundación Caja Badajoz (3.90%) and Fundación Bancaria Caja Círculo (3.45%).

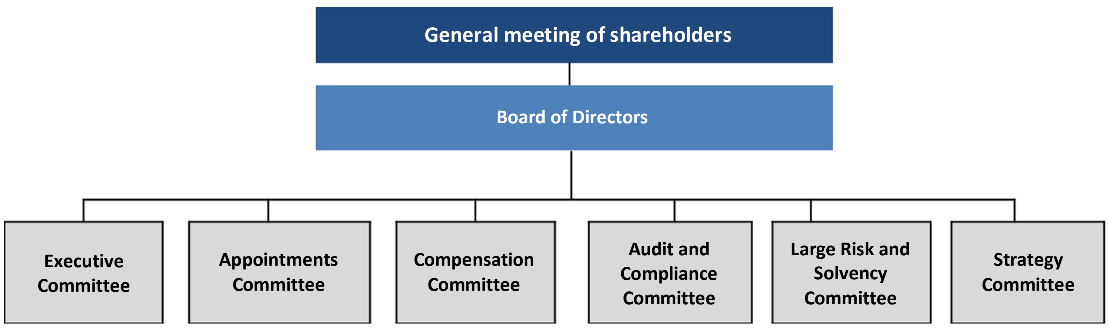
From an organisational standpoint, the Bank is the parent of a group of subsidiaries. Of these, the most notable -due to their wide range of banking products and high levels of profitability- belong to the Financial Group, which comprises companies specialising in investment funds, savings and pensions, bancassurance and leasings and rentals.

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 in turn has six committees.



The Ibercaja Group's governing bodies, along with their composition and their internal rules, are governed by the Bylaws and the Regulations of the Board of Directors, the contents of which are compliant, among other regulations, with the law on the organisation, supervision and solvency of credit institutions, the Corporate Enterprises Act, the Audit Act, the guidelines issued by international bodies such as the EBA or the ESMA, and the Code of Good Governance of Listed Companies, which is taken as a benchmark of best practices in this field.

The **General Shareholders**' Meeting is the most senior decision-making body at the Bank and its resolutions are binding on the Board of Directors. The General Meeting has the broadest of authorities to govern the Bank and may validly adopt resolutions regarding any matters submitted for deliberation, in accordance with applicable law and the Bank's own Bylaws.

Meanwhile, the **Board of Directors** has the broadest of authorities to manage, administer and represent the Bank and, except for those matters reserved for the General 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, the Bylaws or 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, making, together with shareholders at a general meeting, proposals for the nomination, re-election or removal of independent directors, reporting on motions to nominate or remove senior executives and key office holders, including the basic terms of their contracts, and examining and organising the succession of the Chairman and the CEO.

Compensation Committee

The Compensation Committee has the duty of reporting, advising and proposing matters regarding compensation for directors, general managers and similar personnel, as well as for the persons whose professional activity has a significant impact on the Bank's risk profile.

Audit and Compliance Committee

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

Large Risk and Solvency Committee

The Committee has the primary duty of advising the Board as to the overall current and future risk appetite of the Bank and its Group, and the strategy in this respect. It also assists the Board with supervising the application of that strategy by the senior management by monitoring the Bank's solvency levels and proposing any action deemed appropriate for improvement.

Strategy Committee

The Strategy Committee has the core function of reporting to the Board of Directors on the Company's strategic policy while ensuring there is specific organisation in place for implementing this strategy. The committee regularly evaluated the Strategic Plan approved by the Board of Directors, which is of great importance for the proper management of the Bank in the medium and long-term. It also implemented quarterly follow-up measures regarding the development of the budget and the specific implementation of the mandates set out in the Strategic Plan, reporting the conclusions obtained to the Board of Directors.

Information on the composition of the different governing bodies and the remuneration policy is disclosed in the Annual Corporate Governance Report and which is available on the website of the Bank under the section titled “Shareholders and investors - Corporate Governance and Remuneration Policy”.

Control functions

The Group has an internal control system in place to oversee the financial and operational risks inherent in its business activities. The Risk Control Department verifies compliance with the risk limits approved by the Board of Directors and the Regulatory Compliance Unit supervises observance of the laws that govern the Group’s business activities. Ibercaja also has an Internal Audit Unit that reviews the proper functioning of the risk control systems, while verifying compliance with established policies, procedures and standards. The Audit and Compliance Committee supervises the effectiveness of internal audit and control and of the risk management systems.

The Memorandum on Rules of Conduct and Operational Security is aimed at all employees and contains a summary of the rules, activities and criteria that must be observed. The Audit and Compliance Committee is responsible for approving updates and improvements, and for receiving information on any behaviour that violates the Bank's rules, principles and values.

1.3. Business model and Strategic Plan 2018-2020

The Group, ninth largest Bank by asset volume in the Spanish banking system, has €53,132 million in assets. It primarily engages in retail banking, focusing on the financing of households, particularly first home mortgages, and SMEs, savings management and other financial services. The eminently retail nature of the business is reflected in the structure of the balance sheet, where loans to individuals and small and medium-size enterprises account for almost 90% of loans and advances to customers, and retail deposits 79% of borrowings. On a national scale, according to the latest available sector information, the Group has a market share of 2.7% household and non-financial business loans, and of 3.9% in the segment of individual home purchases. In customer funds, it has a market share of 3.5%, which breaks down to 2.8% for retail deposits and 4.7% in asset management and life insurance.

The Bank is very well positioned in its traditional locations (Aragón, La Rioja, Guadalajara, Burgos and Badajoz), which account for 63% of its network and approximately 60% of retail business. It also has a significant presence in other areas of major economic significance such as Madrid and the Mediterranean coast (Catalonia and Valencia), which account for 16% and 13% of the network, respectively, and 18% and 12% of the business volume.

Ibercaja is committed to a full-service banking model focused on the retail business and based on service quality and innovation. It has a stable base of 2.7 million customers, comprising households, companies and public and private institutions. It has specific channels, special products adapted to different customer segments, and offers basic banking services with products such as insurance, investment funds and pension plans, all marketed through its highly specialised financial group.

The 2018-2020 Strategic Plan includes three major programmes: Customer, Value and Transformation Drivers. At the halfway point of this Plan, most of the proposed milestones have been achieved, so a satisfactory assessment can be made of its performance.

- Our customers are the basic foundation underlying the transformation of the business model. In order to improve the relationship with our customers and contribute to the growth of the business, new digital features have been incorporated such as "digital onboarding", a payment service with Apple Pay or the aggregation of accounts of other banks. The website www.ibercaja.es is being revamped to offer solutions tailored to customers' financial needs, which will be operational shortly, and the new digital corporate banking is being developed and will be launched by the end of the year. In addition, the new commercial and management system has been deployed throughout the network, which will contribute to integrated way of managing customers that is much simpler and more attraction-focused.

- The Valor programme aims to ensure that growth is geared towards the most profitable business opportunities. It relates to the reduction of unproductive assets, the development of risk management processes, the more efficient allocation of prices and capital and the optimisation of information systems, all with a view to increasing the Bank's profitability and solvency. Within the framework of this programme, a reduction in non-performing assets was achieved with the sale of portfolios of both doubtful (June 2019) and foreclosed (December 2018) debt, which meant that the ratio of non-performing assets at the end of the first half was below 7%. At the same time, the Bank has launched the first phases of implementing a new form of pricing based on risk-adjusted return and the application of internal capital models known as IRB.

- The Transformation Driver programme, the third pillar of the Plan, encompasses technology, processes and people.

  - Technology is at the heart of most initiatives, as it streamlines internal processes, opens up business opportunities and improves the customer experience. As a result, almost two thirds of the strategic budget is devoted to this purpose.

  - Ibercaja aims to optimise its processes to make them more efficient, modernising and rationalising applications and infrastructures, which will free up the network from administrative tasks and allow it to focus on sales. Progress has been made in the reduction of administrative tasks with the outsourcing of those of little value and pilot experiments have been initiated for the robotisation of certain repetitive processes such as document control and database reconstruction.

- People are the key to change. The success of the Plan depends on the capacity and commitment of the staff working in the Bank, for which we need to boost opportunities for professional and personal growth. The Plan+ 2020 encourages talent and the People Area has worked on many measures to improve employees' skills. In addition, the deployment of the Leadership Model, the key to Ibercaja's cultural transformation through people, is expected to be completed in the coming months.

2. Business performance and results

2.1. Economic and financial environment

The world economy, following the trend observed in the second half of 2018, has slowed down in the first months of 2019. Thus, the OECD has revised its growth forecast for 2019 downwards to 3.2%. The reasons for the slowdown include: the trade tensions caused by the rise of protectionist policies, the weakening of emerging markets and, in Europe, the uncertainty surrounding Brexit.

In the United States, GDP growth in the first quarter of the year, 3.1%, was robust; however, it should be noted that it is heavily reliant on the replenishment of inventories. Leading indicators point towards an easing in the coming quarters. Private consumption is losing vigour, although it has maintained high rates of growth thanks to a very low unemployment rate (3.7% in June) and rising wages (3.1% year-on-year). In foreign trade, the slowdown is especially affected by trade disputes with China.

In China, GDP growth for 2019 is estimated to be close to 6.2%, a figure that, although comparatively high, is lower than that forecast at the beginning of the year. Protectionism and the battle with the US for technological primacy are putting the brakes on the foreign sector. Domestic demand is losing momentum in tandem with the loss of consumer confidence. The stimulus policies adopted by the executive will be key to countering the incipient negative drift.

The Eurozone economy's expansionary cycle is losing vigour. In its latest projections, the European Commission has adjusted the growth rate to 1.2% for 2019 and 1.4% in 2020. Domestic demand is the main driver of growth, while the external sector is suffering from the weakening of international trade. The unemployment rate has fallen below 8%, approaching levels prior to the outbreak of the economic crisis which, together with the recovery of wages and favourable financial conditions, is stimulating consumption. Inflation was 1.2% in May, far short of the ECB's target, while core inflation, which is less volatile, stayed slighty above 1%.

The Spanish economy continues to perform well, and the slowdown is materialising more slowly than expected. The European Commission, in its summer projection, has revised upwards (2.3% Vs. 2.1% previously) the growth estimate for 2019 which, although lower than in 2018, is clearly above neighbouring countries and the Eurozone as a whole.

Domestic demand is driving GDP growth. Household consumption, although moderate, and investment in both capital and residential goods are the pillars of activity, supported by employment data, rising wage trends and good financing conditions. The external sector is suffering from the weakness of our main trading partners in the European Union, the destination of almost 70% of Spanish exports, trade tensions in other parts of the world and the depression in the car industry. Meanwhile, tourism offers positive figures with the arrival until May of 5.9 million tourists, who increased their spending by 3.8% year-on-year.

The labour market continues to create employment, albeit at a somewhat slower pace than in 2018. In June, the number of Social Security registrants reached an all-time high of more than 19.5 million contributors. The unemployment rate of 14.7% of the Labour Force Survey of the first quarter, is two percentage points lower than the previous March.

Inflation, after the upturn in the first few months, fell sharply to end June at 0.4% year-on-year, significantly below the European average. Core inflation, excluding fresh food and energy, at 0.9%, remains stable.

The central banks, in the face of signs of the economy's loss of vigour, have come to its aid, with messages expressing their firm intention to implement, if necessary, measures to reactivate the cycle. The Fed has maintained the reference interest rate in the range 2.25%-2.50%, ruling out increases for 2019, which were expected in January. After this turnabout, the market is expecting a cut in the second half of the year. The ECB has decided to prolong its expansionary monetary policy by delaying any increase in reference interest rates until at least the second half of 2020. In addition, it will launch a new round of TLTRO III liquidity and does not rule out resuming the asset purchase programme.

The equity markets, which were badly hit in 2018, have regained much of the lost ground. New expectations about interest rates, the willingness of central banks to help the economic cycle and the possibility of an agreement between the US and China to resolve their trade disputes have contributed to this. The main stock market indices are now making major gains. The Ibex 35 is up by 7.72%, the German Dax by 17.42%, the French Cac by 17.09% and the Italian FTSE by 15.88%. In the US market, the Dow Jones is up 14.03% and the Nasdaq 20.66%.

In fixed income markets, the ECB's announcement of a new asset purchase programme triggered secondary market purchases by bringing the 10-year German bond price down to -0.4% and Spanish sovereign debt down to 0.2% before bouncing back. In the US, stemming from the new bias in the Fed's policy, long-term rates fell below 2% and later recovered.

In the Spanish banking sector, the interest rates context continued to adversely affect profitability. The ECB's latest announcements postponing the rate hike are adding pressure to a difficult situation and make it necessary to continue to focus on boosting alternative sources of income, reducing problematic assets on the balance sheet and containing costs via network streamlining and extending digitisation.

Retail customer funds, according to May figures, are up by 3.95% year on year. Household and corporate deposits grew at rates of around 6%, while investment funds fell by 2.49% in one year. However, the performance of IIC assets of 2.71% in the first half of the year was positive thanks to the revaluations, as the system is seeing net withdrawals as a reflection of participants' greater risk aversion caused by the losses in the last half of 2018.

The system's retail credit moderated its rate of decline to 0.72% in May from 3.11% a year ago as a result of the smaller drop in corporate finance (-2% Vs. -7.60%) and the slight increase in credit to households (+0.13%). Lending fell 5.02% year-on-year basically due to the fall in new financing to companies (7.60%), owing to the excess liquidity they accumulated and the use of alternative sources of financing. Meanwhile, lending to households remained more dynamic (+4.29%), although with signs of a slowdown compared to 2018.

The volume of doubtful assets fell by almost 4% up to May. The ratio of non-performing loans to the private sector of deposit institutions as a whole, 5.65%, has fallen by 19 basis points in the year.

In the regulatory sphere, on 1 January 2019 IFRS 16 came into force, which establishes the principles for the recognition, measurement, presentation and breakdown of leases in order to ensure that the accounting information presents a true and fair view of these transactions. Law 5/2019 of 15 March regulating Real Estate Credit Contracts (LCCI) has been in force since 16 June. This Law transposes Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014 into Spanish law with the aim of establishing certain rules for the protection of natural persons who are debtors or guarantors of the loans to which it refers. The law regulates the legal regime of lenders and intermediaries and contains rules of transparency and conduct that are binding upon them. At the end of the six-month period, the EBA released the draft methodology for the 2020 European bank stress test. This exercise will assess the resilience of banks to a hypothetical adverse economic shock and will serve as the basis for the determination of PRES capital requirements in 2020.

2.2. Highlights for the period at the Ibercaja Group

Against a backdrop of low interest rates, the Ibercaja Group's activity was aimed at protecting the profitability of the business by defending margins and diversifying sources of income, boosting the most profitable segments of lending, in addition to the asset management business and insurance. At the same time, recurring operating costs continued to fall, non-performing assets on the balance sheet were dynamically managed and the Group's solvency ratios increased significantly. Highlights in the period were essentially as follows:

Ibercaja earned a net profit of 76 million due to the recovery of recurring revenues, the decrease in operating expenses and the normalisation of the cost of risk

- Recurring revenues increased 1.13% year-on-year as a result of the stabilisation of net interest income and the increase in fees linked to asset management. The customer spread of 1.45% was 7 basis points higher than in the same period of 2018.
- Ordinary operating expenses, excluding those associated with the workforce adjustment of 2018, decreased by 4%. Cost control and higher revenues improved the recurring efficiency ratio by more than 3 p.p. in the last 12 months.
- Recurring income before write-downs (net interest and fee income less ordinary operating expenses) came to 176 million euros, with a year-on-year change of 11.02%.
- The reduction in non-performing assets translates into lower provisioning requirements, so that the cost of risk, 38 basis points, fell 12 basis points compared to June 2018.

The good commercial dynamics are reflected in the progressive stabilisation of healthy lending, the growth of retail funds, especially those associated with asset management and insurance, and the successful launch of new products and the improvement of digital channels for customer relations

- Healthy lending is progressively stabilising owing to the contracting of new transactions, such that the year-on-year decrease is down to 0.63%, compared to 1.28% a year ago.
- The growth in retail funds of 3.11% since December is due to the good performance of the balance sheet (1.32%) and especially to asset management and insurance, the volume of which increased by 5.10%. Investment funds showed notable dynamism, as Ibercaja Gestión gained 14 basis points in market share to 4.93% and has become the fourth entity in net subscriptions so far this year.

- Ibercaja has launched new asset and liability products linked to the “Banco del Vamos” communication concept. They feature attractive conditions that are helping attract new customers. Almost 35,000 Vamos accounts were opened in the first half of the year, with a balance of approximately 220 million euros.

- In the area of digitalisation, customer relations channels have continued to improve and their use has been encouraged. The number of transactions carried out through distance banking is close to 70% of the total. Active users of digital banking now number more than 735,000 and those of mobile banking are nearly up to 366,000.

Solid funding structure and significant improvement in the Bank's risk profile due to the reduction of non-performing assets and the strengthening of solvency ratios

- Non-performing assets declined by almost 28% in the first half mainly due to the sale of a portfolio of non-performing loans, with the NPA ratio falling 176 basis points to below 5%. The balance of foreclosed properties contracted more than 9% and their net value on the balance sheet barely surpasses 0.58%.

- The total problematic exposure, doubtful assets and foreclosed assets fell by almost 1,600 million euros in one year, of which 705 million in the last six months. The ratio of problematic assets, at 6.95%, has fallen by almost 2 percentage points since December and by 4.34 p.p. since June 2018. The degree of coverage of these assets is 50.54%.

- The generation of income and the cleaning up of the balance sheet have led to an improvement in solvency indicators. The fully loaded CET1 ratio is 11.22%, up 69 basis points in 2019, while the total capital ratio is 15.25% (+75 bp. vs. December), comfortably exceeding PRES 2019 requirements in both cases.

- The Group has a sound funding structure based on from the deposits of retail customers who account for 79% of outside funding, so the loan-to-deposit ratio (LTD) ratio is below 100%. The Group’s liquid assets account for 21% of the balance sheet and comfortably cover all wholesale debt maturities.

Key indicators:

(millions of euros* and %)

BALANCE SHEET	**30/06/2019**	**31/12/2018**	**Change (%)**
Total assets	53,132	52,706	0.81
Gross loans and advances to customers	32,926	33,724	(2.37)
Performing loan portfolio exc. reverse repurchase agreements	29,684	29,746	(0.21)
Total retail resources	58,526	56,765	3.10
Equity	3,241	3,160	2.57
RESULTS	**30/06/2019**	**30/06/2018**	**Change (%)**
Net interest income	278	277	0,39
Gross Income	488	502	(2.70)
Profit before write-downs	195	141	38.47
Profit/(loss) attributed to the parent	76	39	93.39
EFFICIENCY AND PROFITABILITY	**30/06/2019**	**30/06/2018**	**Change**
Recurring efficiency ratio (ordinary expenses/recurring revenues)	62.50	65.84	-3.34 p.p.
ROA (profit attributable to the parent company/total average assets)	0.29	0.15	+0.14 p.p.
RORWA (profit attributable to the parent company/APR)	0.73	0.35	+0.38 p.p.
ROE (profit attributable to the parent company/average own funds)	5.43	2.85	+2.58 p.p.
ROTE (profit attributable to the parent company/average tangible own funds)	5.85	3.07	+2.78 p.p.
RISK MANAGEMENT	**30/06/2019**	**31/12/2018**	**Change**
Non-performing balances (loans and advances to customers)	1.639	2.275	(27,94)
Non-performance rate of loans and advances to customers (%)	4.98	6.74	-1.76 p.p.
Ratio of problematic assets (%)	6.95	8.82	-1.87 p.p.
Coverage of non-performing risks	791	1.119	(29,35)
Coverage of non-performing risks (%)	48.23	49.19	-0.96 p.p.
Coverage of exposure to distressed assets (%)	50.54	51.48	-0.94 p.p.
LIQUIDITY	**30/06/2019**	**31/12/2018**	**Change**
Liquid assets / Total assets	20.98	20.71	+0.27 p.p.
Loan-to-deposit ratio (LtD)	95.36	97.98	-2.62 p.p.
LCR ratio (%)	371.31	306.78	+64.53 p.p.
NSFR ratio (%)	134.55	130.45	+4.10 p.p.
SOLVENCY	**30/06/2019**	**31/12/2018**	**Change**
CET1, phase-in (%)	12.10	11.67	+0.43 p.p.
Solvency ratio, phase-in (%)	16.12	15.59	+0.53 p.p.
Leverage ratio, phase-in (%)	6.09	6.04	+0.05 p.p.
CET1, fully loaded (%)	11.22	10.53	+0.69 p.p.
Total capital, fully loaded (%)	15.25	14.50	+0.75 p.p.
Leverage ratio, fully loaded (%)	5.71	5.48	+0.23 p.p.
ADDITIONAL INFORMATION	**30/06/2019**	**31/12/2018**	**Change (%)**
No. Group employees	5,346	5,302	0.83
No. of offices	1,116	1,115	0.09

* Figures rounded to millions of euros.

2.3. Analysis of the main balance sheet figures

Key figures on the consolidated balance sheet:

	€ million*			Change (%)
	30/06/2019	31/12/2018	Change	
Cash and credit institutions	3,117	1,367	1,750	127.98
Loans and advances to customers	32,135	32,605	(470)	(1.44)
Securities portfolio	14,659	15,556	(897)	(5.77)
Tangible assets	985	942	43	4.59
Intangible assets	199	204	(5)	(2.34)
Other assets	2,037	2,032	5	0.26
Total assets	**53,132**	**52,706**	**426**	**0.81**
Deposits from credit institutions and central banks	4,012	4,577	(565)	(12.35)
Customer deposits	34,448	34,081	367	1.08
Debt securities issued	1,526	1,640	(114)	(6.96)
Liabilities under insurance contracts	7,853	7,515	338	4.50
Provisions	304	349	(45)	(12.89)
Other liabilities	1,747	1,384	363	26.29
Total liabilities	**49,891**	**49,546**	**345**	**0.70**
Equity	3,241	3,160	81	2.57
Total equity and liabilities	**53,132**	**52,706**	**426**	**0.81**

* Figures rounded to millions of euros.

Total assets on the consolidated balance sheet come to €53,132 million, 0.81% more than at year-end 2018.

Loans and advances to customers recognised as financial assets at amortised cost and financial assets not held for trading which must be measured at fair value through profit or loss came to €32,135 million, 1.44% less than at year-end 2018. In gross terms, i.e., without value adjustments for impairment of assets and other impairments, the loan portfolio amounted to €32,926 million. The 2.37% decrease during the year is mainly due to the decrease in doubtful loans (-27.94%). Performing investments, excluding non-performing assets and reverse purchase agreements, in the amount of €29,684 million, decreased by only 0.21% since December and 0.63% in a year.

New lending amounted to €2,568 million. In line with the aim of diversifying the composition of the portfolio, more than 50% of new lending relates non-real estate productive activities. By geographical markets, the Home Markets and Madrid account for 39% and 31%, respectively, of lending in the six months, while 18% was for the Mediterranean Basin.

Distribution of loans and advances to customers by purpose:

	€ million*			Change (%)
	30/06/2019	30/06/2018	Change	
Loans to individuals	20,836	21,425	(590)	(2.75)
Home loans	19,199	19,782	(583)	(2.95)
Consumer loans and other	1,637	1,643	(7)	(0.41)
Corporate loans	7,764	7,529	236	3.13
Real estate development	1,001	955	46	4.79
Non-real estate productive activities	6,763	6,573	190	2.89
Public sector and other	1,085	918	166	18.10
Gross loans and advances to customers, ex doubtful and TAAs	**29,684**	**29,872**	**(188)**	**(0.63)**
Reverse repurchase agreements	1,602	966	636	65.88
Impaired assets	1,639	2,434	(795)	(32.67)
Gross loans and advances to customers	**32,926**	**33,273**	**(347)**	**(1.04)**

*Figures rounded to millions of euros.

Lending for productive activities (ex NPLs) increased 3.13% year on year, in line with the goal of portfolio diversification towards more profitable purposes. Within this segment, financing for non-property-related production activities rose 2.89%. Lending for property development, although its weight in the portfolio is small, rose 4.79% as a reflection of the incipient recovery of the sector. The balance of loans for home purchases and restorations fell by 2.95%, as a result of the deleveraging still being seen in the mortgage segment. Consumer loans remained practically stable, reined in by the prudent risk acceptance policy in this business segment.

Indicators of asset quality evolved favourably. Doubtful credit accelerated the pace of reduction it saw in 2018, favoured by the sale of a portfolio of doubtful loans amounting to €495 million and the decrease in new non-performing loans. Accordingly, impaired assets of loans and advances to customers, amounting to €1,639 million, fell by almost 28% in the first half of 2019 and the NPL ratio stood at 4.98%, with a fall of 176 basis points so far this year. The ratio of coverage of exposure to non-performing assets is 48.23%.

The Group's portfolio of repossessed properties or property assigned in lieu of payment, recorded under the balance sheet headings “investment property”, “inventories” and “non-current assets held for sale”, totals €698 million gross, 9.05% less than year-end 2018. The coverage of these real estate assets is 55.95%, with coverage for undeveloped land totalling 61.23%. The net value of foreclosed properties stood at €307 million, representing just 0.58% of the balance sheet.

Problematic assets, amounting to €2,337 million, the sum of non-performing loans and advances to customers and foreclosed properties, fell €705 million or 23.18% in relative terms. After deducting hedges, they account for 2.18% of assets. The ratio of problematic assets, 6.95%, fell by almost two percentage points in the past six months and the coverage ratio is 50.54%. The Texas ratio, which relates non-performing assets to equity and coverage, decreased to 58.50%, thus improving by nearly 12 percentage points.

Asset quality indicators (non-performance rate, foreclosed assets and coverage):

	€ million* and %	
	30/06/2019	**31/12/2018**
Non-performing loans and advances to customers	1,639	2,275
Loans and advances to customers, gross	32,926	33,724
Non-performance rate of loans and advances to customers (%)	**4.98**	**6.74**
Non-performing loans and advances to customers	1,639	2,275
Coverage of non-performing risks	791	1,119
Coverage of non-performing risks (%)	**48.23**	**49.19**
Foreclosed assets (gross carrying amount)	698	767
Coverage of foreclosed assets	390	447
Coverage of foreclosed assets (%)	**55.95**	**58.25**
Distressed assets (non-performing loans and advances to customers + repossessions)	2,337	3,042
Exposure (loans and advances to customers + repossessed assets)	33,623	34,491
Ratio of problematic assets (%)	**6.95**	**8.82**
Distressed assets (non-performing loans and advances to customers + repossessions)	2,337	3,042
Coverage of distressed assets	1,181	1,566
Coverage rate of problematic assets (%)	**50.54**	**51.48**

* Figures rounded to millions of euros.

The main aim of the Group's refinancing and debt restructuring policy is to help borrowers experiencing temporary financial difficulties meet their obligations and also, where possible, to improve risk quality by securing additional collateral. Refinanced loans amounted to €1,256 million, down 33.13% on year-end 2018 and accounting for 3.82% of gross loans and advances to customers. 73% of refinanced loans are classified as non-performing and their coverage is 35.93%.

The portfolio of fixed-income securities, shares and equity interests in companies amounted to €14,659 million, €897 million less than at the end of 2018. The decline is mainly concentrated in Spanish public debt securities and other public issuers. At the same time, equities, amounting to €591 million, increased by 86 million as a result of the increase in investment in CIUs.

The securities portfolio breaks down as follows:

	€ million*			Change (%)
	30/06/2019	31/12/2018	Change	
Financial assets held for trading	-	-	-	-
Debt securities	-	-	-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	206	122	84	69.30
Debt securities	79	83	(4)	(4.79)
Equity instruments	127	39	88	227.07
Financial assets at fair value through profit or loss	9	10	(1)	(3.01)
Debt securities	9	10	(1)	(3.01)
Financial assets at fair value through other comprehensive income	7,843	8,755	(912)	(10.41)
Debt securities	7,497	8,415	(918)	(10.91)
Equity instruments	346	340	6	1.90
Financial assets at amortised cost	6,483	6,544	(61)	(0.94)
Investments in joint ventures and associates	118	126	(8)	(6.89)
Total securities portfolio	**14,659**	**15,556**	**(897)**	**(5.77)**
Fixed income	14,068	15,051	(983)	(6.54)
. Of which: ALCO portfolio	6,589	7,972	(1,383)	(17.35)
Equities	591	505	86	17.03
Investments in joint ventures and associates	118	126	(9)	(6.89)
Other equity instruments	473	379	95	24.99

*Figures rounded to millions of euros.

According to accounting classification, financial assets at fair value through other comprehensive income have a weight of 54%, financial assets at amortised cost represent 44% and the rest are financial assets not held for trading that are mandatorily valued at fair value through profit or loss, together with investments in joint ventures and associates.

The balance of assets at central banks and credit institutions and in cash, €3,117 million, increased by €1,750 million, and mainly concentrated in cash balances at central banks. The increase is due to sales of fixed-income securities, the amount of which has not been reinvested pending market opportunities. Liabilities to central banks and credit institutions amounted to €4,012 million, €565 million less than in December 2018. Funding from the ECB, amounting to €3,335 million or 6.28% of the balance sheet, relates entirely to the TLTRO II programme maturing in 2020. Deposits of credit institutions, €677 million, were down €559 million due to the decrease in repurchase agreements owing to the lower funding needs.

Breakdown of cash and assets at credit institutions and deposits from credit institutions and central banks:

	€ million*			Change (%)
	30/06/2019	31/12/2018	Change	
Cash and cash balances at central banks and other demand deposits	2,525	1,118	1,407	125.84
Credit institutions (Financial assets at amortised cost)	592	249	343	137.58
Cash and credit institutions	**3,117**	**1,367**	**1,750**	**127.98**
Deposits - central banks	3,335	3,341	(6)	(0.19)
Deposits from credit entities	677	1,236	(559)	(45.21)
Deposits from credit institutions and central banks	**4,012**	**4,577**	**(565)**	**(12.35)**

* Figures rounded to millions of euros.

Tangible assets amounted to €985 million, an increase of 4.59% in the year, mostly due to the impact of the initial application of IFRS 16 on 1 January 2019, which led to the recognition of €62 million in right-of-use assets. Intangible assets totalled €199 million, consisting mainly of goodwill, other items generated from the acquisition of Caja3 and computer software. The -2.34% change in the year was due to amortisation in the period.

Deferred tax assets amounted to €1,378 million, remained virtually unchanged. Of these, the monetisable assets, the recoverability of which does not depend on future taxable income, amount to €668 million.

Customer deposits, €34,448 million, increased by 1.08%. The increase in retail deposits of 1.52% offset the decrease in repurchase agreements (€51 million) and the maturity of single mortgage covered bonds (€25 million in nominal value). Within retail deposits, the most liquid deposits, demand accounts, increased 3.64%, including, together with investment funds, the transfer of traditional term deposits, which fell 9.20% affected by interest rate trends.

Debt securities issued, €1,526 million, were down €114 million, due to the maturity of securitisation liabilities (€56 million in nominal value), wholesale subordinated debt (€73 million) and the early redemption of preference shares.

Liabilities under insurance or reinsurance contracts, €7,853 million, were up 4.50% owing to the increase in technical provisions related to life insurance and other liabilities.

Retail customer funds, €58,526 million, increased by 3.10% in the first half of the year. Asset management and insurance, which accounted for 45% of the total, grew 5.09%, boosted especially by the good performance of investment funds, which saw an increase of 7.22%, due to both subscriptions and gains in value. It should be noted that Ibercaja Gestión is the fourth largest manager by contributions so far in 2019, in a half year in which the system has recorded net withdrawals. Its market share, 4.93%, has added 14 basis points since December. At the same time, pension plans recorded an increase of 6.01%.

Breakdown of customer retail funds:

	€ million*			**Change (%)**
	30/06/2019	**31/12/2018**	**Change**	
Retail customer deposits	32,018	31,540	478	1.52
Demand deposits	27,275	26,316	959	3.64
Term deposits (exc. covered bonds)	4,743	5,224	(481)	(9.20)
Asset management and insurance	26,509	25,226	1,283	5.09
Total retail customer funds	**58,526**	**56,765**	**1,761**	**3.10**

*Figures rounded to millions of euros.

Equity totals €3,241 million, €81 million more than at the end of 2018. The increase in shareholders' equity, €47 million, was due to the results for the period. At the end of June, the Bank reduced capital by €1,930 million and, at the same time, set up a voluntary restricted reserve for the same amount. The transaction is purely technical in nature and does not alter the Group's equity or solvency ratios. The heading Other accumulated comprehensive income was up €34 million due mainly to the increase in unrealised gains on debt securities (€20 million) and equity instruments (€9 million).

2.4. Income statement

In the first half of the year, the Ibercaja Group obtained a net profit of 76 million euros, almost double the figure for 2018. This result is based on the recovery of typical recurring banking income, the significant decrease in both ordinary and extraordinary operating expenses and the normalisation of the cost of risk as a result of the significant effort made in recent months to reduce non-performing assets on the balance sheet. Main headings of the income statement:

	€ million*			**Var. %**	**% ATA (1)**	
	30/06/2019	**30/06/2018**	**Change**		**June 19**	**June 18**
Net interest income	**278**	**277**	**1**	**0.39**	**1.06**	**1.06**
Net fees and commissions and exchange differences	191	187	4	2.22	0.73	0.71
Gains/(losses) on financial assets and liabilities	12	35	(23)	(65.27)	0.05	0.14
Other operating profit/(loss)	7	2	4	196.37	0.03	0.01
Other operating income/expense	(4)	(7)	2	36.55	(0.02)	(0.03)
Dividends	11	9	1	15.17	0.04	0.04

Earnings at equity-accounted entities	-	(1)	1	80.09	-	-
Gross income	**488**	**502**	**(14)**	**(2.70)**	**1.86**	**1.92**
Operating expenses	293	361	(68)	(18.75)	1.12	1.38
Of which: Recurrent expenses (ex WAP)	293	306	(12)	(4.00)	1.12	1.17
Profit before write-downs	**195**	**141**	**54**	**38.47**	**0.74**	**0.54**
Provisions, impairment and other write-downs	84	67	17	25.58	0.32	0.26
Other gains/(losses)	-	(10)	9	95.24	0.00	(0.04)
Profit/(loss) before tax	**110**	**64**	**46**	**72.07**	**0.42**	**0.25**
Taxes	35	25	10	38.54	0.13	0.10
Consolidated profit/(loss) for the year	**76**	**39**	**37**	**93.38**	**0.29**	**0.15**
Profit/(loss) attributed to the parent	**76**	**39**	**37**	**93.39**	**0.29**	**0.15**
(1) Average total assets	**52,582**	**52,399**	**183**	**0.35**		

*Figures rounded to millions of euros.

Net interest income, €278 million, increased 0.39% year-on-year, reflecting the strong performance of retail business, which offset the smaller contribution from the fixed-income portfolio owing the latter's decrease in volume.

Income from loans increased 2.15% and the slight decline in the average balance was offset by the higher profitability of the portfolio. The average rate of 1.47%, added 7 basis points in a year, mainly due to the favourable impact of new lending with better performance. In turn, the cost of retail savings, 0.02%, remained virtually unchanged, with current savings gaining weight in the structure over traditional term deposits. As a result, the customer spread, 1.45%, added 7 basis points since June 2018.

Income from the fixed-income portfolio, €37 million, accounted for 10.97% of total financial income and fell by almost 7% as the average balance decreased while the 1% rate remained unchanged. In addition, the cost of wholesale funding declined, as the average balance falls due to the non-renewal of issues.

Net fees and exchange differences totalled €191 million, with year-on-year growth of 2.22%. Fees from marketing and asset management increased 7.82%, due to the increase in fees linked to investment funds and portfolio management, thus offsetting the decrease (-5.21%) of fees linked to banking activity.

Net fees and commissions:

	€ million*			Change (%)
	30/06/2019	30/06/2018	Var.	
Fees for contingent liabilities and commitments	7	7	-	0,73
Collection and payment services fees	58	56	1	2,46
Securities service fees (1)	27	18	9	50,16
Fees on mktg. of non-bank financial products (1)	95	96	(2)	(1,64)
Other fees	12	17	(5)	(28,05)
Fees received	**199**	**195**	**4**	**2,12**
Fees paid	**8**	**8**	**-**	**0,61**
Exchange differences	**-**	**-**	**-**	**20,54**
Net fees and commissions and exchange differences	**191**	**187**	**4**	**2,22**
Fees for marketing and asset management	*115*	*107*	*8*	*7,82*
Banking fees and commissions	*76*	*80*	*(4)*	*(5,21)*

(1) Following the entry into force of MiFID II, portfolio management fees are included in "fees for securities services" and must therefore be analysed jointly with fees related to the marketing of non-banking financial products.
*Figures rounded to millions of euros.

Gains on financial transactions, €12 million, was 65.27% lower than in 2018. The realisation of capital gains on fixed-income securities partly offset the €27 million in losses resulting from the sale of a loan portfolio and the €3.2 million impairment of the subordinated debt of Sareb.

The net amount of other operating income and expense subtracted €4 million from gross income, compared with €7 million in the previous year. This section includes, among others, income and expense covered by insurance or reinsurance contracts, income and expense from non-financial activities and contributions to the National Resolution Fund (€10.4 million) and the Deposit Guarantee Fund (€3.5 million). The better relative performance is due to the €1.2 million decrease in the contribution to the National Resolution Fund and the receipt of €3 million of the variable payment due to attainment of the targets established in the investment fund depositary, SICAV and pension fund contract signed in 2017 with Cecabank.

After adding the balance of €11 million of the remaining items (return on equity instruments and results of entities accounted for using the equity method), gross income totalled €488 million. The 2.70% decline is the result of the decrease in financial transactions, as recurring revenues grew 1.13% on aggregate, consolidating the positive trend of recent quarters. Such typical banking revenue accounts for more than 96% of gross income.

Operating expenses, €293 million, were down 18.75%. Excluding the impact of workforce adjustment costs in 2018, the decline is 4%, in line with the strategic objective of cost containment and improved efficiency. However, this decline is expected to ease over the year as a whole. Personnel expenses, stripping out non-recurring items, dropped 3.84%, mainly due to last year's employee termination agreement and the divestment of subsidiaries. Meanwhile, other general administrative expenses and amortisation fell by 4.24%. The implementation of IFRS 16 makes it advisable to examine as a whole the other general administrative expenses and amortisation, since it has resulted in a reduction in rental expenses and, simultaneously, a similar increase in amortisation.

The efficiency ratio or cost-to-income ratio, defined as the quotient of ordinary operating expenses and gross income, stood at 60.07%. In addition, the recurring cost-to-revenue ratio, measured as ordinary expenses over recurring revenue, was 62.50%, up more than 3 percentage points from June 2018.

Breakdown of operating expenses:

	€ million*			
	30/06/2019	30/06/2018	Change	Change (%)
Wages and salaries	135	141	(6)	(4,25)
Social security contributions	35	34	1	2,46
Pensions	8	10	(2)	(17,24)
Termination benefits	-	56	(56)	(100,00)
Other personnel expenses	1	1	-	(27,56)
Personnel expenses	**178**	**241**	**(63)**	**(25,99)**
Property, plant and office equipment	15	22	(7)	(32,67)
Equipment maintenance, licences and computer work	14	13	1	4,82
Communications	6	8	(2)	(23,70)
Advertising and publicity	3	3	-	16,37
Charges and taxes	8	8	(1)	(8,27)
Other management and administration expenses	36	41	(5)	(11,59)
Other general administrative expenses	**81**	**95**	**(13)**	**(14,13)**
Depreciation and amortisation	**34**	**25**	**8**	**32,77**
Operating expenses	**293**	**361**	**(68)**	**(18,75)**
Operating expenses without workforce adjustment costs	***293***	***306***	***(12)***	***(4,00)***
Personnel expenses ex WAP costs	*178*	*185*	*(7)*	*(3,84)*
Other general administrative expenses + amortisation	*115*	*120*	*(5)*	*(4,24)*

*Figures rounded to millions of euros.

Recurring profit before provisions, defined as net interest and fee income less ordinary operating expenses, came to €176 million, 11.02% more than a year earlier. Provisions and write-downs reported as losses on impairment of financial assets, non-financial assets, non-current assets held for sale and allowances for provisions totalled €84 million. Write-downs on loans and real estate assets amounted to €65 million, down 24.41%, due to a decrease in new NPLs, an increase in recoveries and a decrease in foreclosed assets and the lesser impact of revised appraisals than in 2018. The cost of the Group's risk, calculated as the percentage of impairments on loans and real estate in relation to average exposure, is 38 basis points, which is 12 basis points less than at the end of the first half of 2018.

The Group's pre-tax profit amounted to €110 million. After deducting the corporate income tax expense, profit attributable to the parent is €76 million, almost double that of June 2018.

3. Funding and liquidity structure

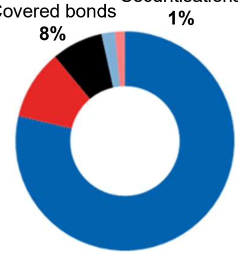
Ibercaja has traditionally employed a conservative liquidity policy as it seeks to finance the growth of its lending activity with retail customer funds. The Bank prudently manages its liquidity and ensures that its sources of financing are balanced and well-diversified, anticipating needs so as to honour its obligations as these fall due without compromising its investment activity.

The basic principles governing this strategy are as follows: active management through a regular control system based on internal limits and indicators documented in the Liquidity Manual; establishing measures and actions to respond to crisis scenarios (contingency plan); harnessing the various alternatives offered by the market to diversify investments in relation to their duration and ensure a suitable mix of highly-liquid instruments; and maintaining a significant asset buffer to at the ECB to cover possible tensions.

Liquidity risk is measured by taking into account the estimated cash flows from assets and liabilities, as well as any additional collateral or instruments that may be needed so as to ensure alternative sources of liquidity. Short, medium and long-term outlooks are prepared in order to gauge financing needs and limit compliance. These forecasts take into account the latest macroeconomic trends because of their impact on the performance of the assets and liabilities shown on the balance sheet, as well as contingent liabilities and derivative products. Liquidity risk is also controlled by establishing exposure limits, thus keeping the Bank's exposure within ranges that are compatible with the approved policies.

Note 3.8. to the annual accounts for 2018 provides a more detailed explanation of the Bank's strategy and policies for managing liquidity risk, as well as the associated measurement and control procedures.

Breakdown of financing structure (June 2019):



Retail customer deposits are the main source of outside funding, accounting for 79% of the total. Over 80% of the total is classified as stable, based on Bank of Spain regulations, which illustrates the engagement and trust our customers place in the Bank. The loan to deposit ratio (LTD) stands at 95.36%. Wholesale funding supplements funding obtained from individuals and companies. It is centred on the medium and long term and includes repos and balances held by the Group at the ECB, mortgage bonds, securitisations, subordinated liabilities and other issues.

Composition of outside funding:

	30/06/2019		31/12/2018	
Figures in millions of euros* and %	**Balance**	**%**	**Balance**	**%**
Deposits - central banks	3,335	8.27	3,341	8.22
Deposits from credit entities	677	1.68	1,236	3.04
Customer deposits	34,448	85.45	34,081	83.87
Of which: retail deposits	32,018	79.42	31,540	77.62
Debt securities issued	1,526	3.79	1,640	4.04
AT1 issue	326	0.81	335	0.83
Outside Funding	**40,312**	**100.00**	**40,633**	**100.00**

*Figures rounded to millions of euros.

Liquid assets were up 2.11% to €11,148 million in the first half of the year, representing 20.98% of total assets. Virtually all of these assets are eligible as collateral with the ECB. Meanwhile, the Bank's capacity to issue mortgage covered bonds and public sector covered bonds was €6,796 million, bringing total fund availability to €17,944 million.

The liquidity coverage ratio (LCR), which measures the level of high-quality liquid assets free of charges needed to overcome a liquidity stress scenario at 30 days, stands at 371.31%, well clear of the 100% requirement. At the same time, the NSFR ratio is 134.55%. This indicator shows the proportion of funding for one year covered by stable liabilities, the aim being to ensure an even balance sheet structure that limits excessive reliance on short-term wholesale funding.

Available funds under the ECB facility amounted to €3,391 million. Almost all of the Bank's other eligible assets not pledged under ECB facilities are Spanish public debt and would allow the Bank to obtain further liquidity immediately if needed.

The Bank's maturities of wholesale market issuances present a staggered redemption schedule through to 2027. In the remainder of 2019 and in the year, they total €405 million and €817 million, respectively, together representing 2.3% of the Bank's assets. All these placements can be comfortably redeemed using available liquidity.

Liquidity Indicators:

	€ million* and %	
	30/06/2019	**31/12/2018**
Cash and central banks	2,313	888
Balance drawable under facilities	3,391	4,761
Eligible assets not pledged under facility	5,114	4,836
Other marketable assets not eligible by the central bank	330	432
Volume of liquid assets	**11,148**	**10,917**
Issuance capacity for mortgage covered and public sector covered bonds	6,796	6,290
Availability of liquid assets	**17,944**	**17,207**
Liquid assets / Total assets (%)	20.98	20.71
Loan-to-deposit ratio (LtD) (%)	95.36	97.98
LCR (%)	371.31	306.78
NSFR (%)	134.55	130.45

*Figures rounded to millions of euros.

With regard to the expected trends and fluctuations in liquidity, the outlook for the business would indicate that the Group will have adequate levels of liquidity in the short and medium term, and in line with both internal management and regulatory limits, given the scant significance of wholesale maturities, the high weight of retail funding and the situation of capital markets.

4. Capital management

The Group's capital management is designed to ensure that regulatory requirements are fulfilled at all times and to maintain an adequate relationship between the risk profile and own funds. Capital adequacy is self-assessed on a regular basis through processes to identify, measure and aggregate risks in order to determine the capital needed to cover them. Above and beyond minimum regulatory capital requirements, the Group sets itself a capital target that exceeds actual needs and it forecasts capital sources and consumption on the basis of business performance and expected results in the mid term.

Based on the expected changes in Ibercaja Banco's capital and solvency ratios, the Bank will be able to cope with potential stress scenarios. However, in the event that an extraordinarily adverse change in the macroeconomic climate, in applicable regulations or in the banking business requires the Group to resort to alternative capital sources in order to cover a possible shortfall, the Group, following European Banking Association (EBA) guidelines and recommendations, as well as the provisions of Law 11 of 18 June, on the recovery and resolution of credit institutions and investment firms, has defined a recovery plan aimed at prevention and at guaranteeing its capacity to respond accordingly to any possible deterioration in its solvency or funding capacity. The ultimate aim here is to maintain sufficient capital and liquidity with which to absorb unexpected losses under severe stress situations.

At the beginning of the year, the ECB announced the final results of the Supervisory Review and Evaluation Process (SREP), which determines each bank's individual capital needs for 2019 on the basis of its business model, capital risk, liquidity risk, governance and internal control. Ibercaja must maintain a Common Equity Tier 1 (CET1) ratio of 9.0% and a total capital ratio of 12.5%. This total capital requirement includes the minimum demanded for Pillar 1 (4.5% CET 1 and 8% of total capital), the Pillar 2 requirement (2.0%) and the capital conservation buffer (2.5%). In addition, the Single Resolution Board has established that Ibercaja must achieve from 1 January 2023 a minimum volume of own funds and eligible liabilities (MREL requirement) of 20.5% in terms of risk-weighted assets calculated at the close of financial year 2017.

Total eligible own funds come to €3,339 million and represents a solvency ratio of 16.12%, with an increase of 53 basis points in the year. The phased-in CET1 ratio, which measures the relationship between Tier 1 capital and risk-weighted assets, was 12.10%, increasing 43 basis points in the first half of the year. These capital levels imply, based on the SREP requirements communicated by the Supervisor, an excess of CET1 and total Capital of 3.10 and 3.62 percentage points, respectively.

In fully loaded terms, CET1 amounts to 11.22%, representing a growth of 69 basis points in the year, while the total capital ratio adds 75 basis points, to 15.25%. The Group strengthened its solvency through the organic generation of capital via earnings, the decline in doubtful assets which reduced the risk weighting and the healthy performance of latent capital gains in fixed-income and equity portfolios. The leverage ratio, 5.71%, is well above the minimum requirements.

Key solvency indicators:

	Phased in		**Fully loaded**	
(millions of euros* and %)	**30/06/2019**	**31/12/2018**	**30/06/2019**	**31/12/2018**
Tier 1 capital	2,856	2,846	2,668	2,570
Common Equity Tier 1	2,506	2,496	2,318	2,220
Additional Tier 1 capital	350	350	350	350
Tier 2 capital	483	488	483	488
Eligible own funds	3,339	3,333	3,151	3,057
Risk-weighted assets	20,711	21,379	20,666	21,084
RWA density (RWAs/TA)	38.98	40,56	-	-
CET1 (%)	12.10	11.67	11.22	10.53
AT1 (%)	1.69	1.64	1.69	1.66
Tier I (%)	13.79	13.31	12.91	12.19
Tier 2 (%)	2.33	2.28	2.34	2.31
Solvency ratio (%)	16.12	15.59	15.25	14.50
Leverage ratio (%)	6.09	6.04	5.71	5.48

* Figures rounded to millions of euros.

In accordance with the definition of distributable items in the CRR regulation, the balance of these items in Ibercaja Banco individually, as at 30 June 2019, amounted to €323 million.

5. Risk management

Global risk management is essential to preserving the Bank's solvency and capital adequacy. Its strategic priorities include the development of systems, tools and structures that will allow for the permanent measurement, monitoring and control of risk exposure levels, while assuring an adequate relationship with the Bank's own funds and responding to the requirements of regulators, supervisors and markets.

Risk management is organised through the Risk Appetite Framework, the key aim of which is to establish a set of principles, procedures, controls and systems through which the Group's risk appetite is specified, communicated and monitored. Risk appetite is the level or profile of risk that the Bank is willing to accept and maintain, in terms of type and amount. Risk appetite must be geared towards achieving the targets of the Strategic Plan, in accordance with the established lines of action.

While credit risk is the most significant threat to the Bank's business, risk management also covers counterparty, concentration, market, liquidity, interest rate, operational, business, reputational and insurance risks. The Bank also has a set of measures and procedures in place to minimise non-financial risks, including reputational, compliance and environmental risks.

Note 3 to the Ibercaja Banco Group's 2018 financial statements provides more extensive and detailed information on the management of each type of risk.

6. Human resources and branch network

The human team is a basic pillar for development 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 the law, equal opportunities, non-discrimination due to gender or any other circumstance, social dialogue and a commitment to the reconciliation of family and working lives.

The Group has 5,346 employees, of which 5,097 work for the parent company. 95% of the Ibercaja Banco workforce have permanent contracts, the average length of service stands at 20 years and the average age is 46. Men make up 52% of employees while women make up the remaining 48%. Women make up 51% of employees that are 50 years of age or less. The employees of Ibercaja Banco are fully covered by the collective agreement. The Group's average workforce is 5,378 employees, with a reduction since last June of close to 3%.

Branches are the basic instrument of customer relations, meeting their needs by providing a close, personalised and quality service. Ibercaja's network is broad, with high capillarity and supported by other alternative channels. Traditional customer service is constantly adapted to market demands, leading to branch segmentation and material, technological and management changes to streamline and facilitate the relationships with our customers.

The network structure includes universal full-service branches and branches that provide personalised services, along with specific business centres, Branches+ and Agro, all supported by specialised managers. Additionally, there are 17 private banking spaces or offices.

At the end of the first half of the year, the Bank had a total of 1,116 branches located across all of Spain. In the last six months, a new+ office has been opened in Madrid to provide personalised service to private banking, personal banking and corporate customers. The distribution of the network by autonomous regions is as follows: 388 points of sale in Aragon, 184 in the Community of Madrid, 105 in Extremadura, 97 in La Rioja, 81 in Castile and León, 90 in Catalonia, 60 in Castilla-La Mancha, 54 in the Community of Valencia, 29 in Andalusia and 28 in the other autonomous regions of Spain.

7. Research, development and technology

Technological innovation plays a key role in the banking sector at a time of significant change for the sector: transformation of customer habits, need to improve the efficiency of operational processes to gain competitiveness, emergence of new players, fintech, which are making inroads in the retailing of financial products, and regulation in continuous change.

Ibercaja, aware of the need to face the new challenges, has devised an ambitious programme of digital transformation within its Strategic Plan 2018-2020. Its objective is to satisfy the customer needs and expectations, boost competitive advantages by enhancing omnichannel as a supplement to the personal attention given by managers, and ensure maximum agility and efficiency of the operational processes of both the branch network and central services. The most relevant actions being taken in this area, some of which are complete and others in progress, include the following:

- Deployment of the new Commercial and Management System, aligned with the Leadership Model, which contributes to driving change in the way offices work, makes them more efficient and, at the same time, improves the experience of both customers and employees.
- Completion of the irregular risk management tool that optimises recovery processes, making them more effective in recovery and in the building of viability solutions.
- As part of the strategic project for the implementation and development of a Data Governance Framework, progress has continued to be made towards the goal of promoting continuous improvement in the standardisation, traceability, quality and availability of data in order to maximise the value of data as an engine for generating business. Governance and data quality procedures have been deployed in two areas selected as pilots: Datamart of guarantees and regulatory reporting of non-performing assets.
- The Ibercaja App for mobile banking and Ibercaja Pay has evolved and incorporates new operations, such as the payment of tax by taking a photo, the ability to sign documents without having to go to an office and the new functionality of aggregation of positions in other financial institutions. In the second half of 2019, progress will be made towards the goal of integrating any product, not just accounts and cards. The sale of the main non-life risk insurance lines (health, car and home) is planned through this channel.
- The new digital corporate banking focused on facilitating use by companies, promoting business and the relationship with Ibercaja.
- Renovation and updating of the ATMs to offer maximum simplicity, ease of use and incorporating new functionalities that allow users greater interaction and the ability to carry out multiple operations with less waiting time. In addition to a cash withdrawal, it is possible to deposit cash, recharge one's mobile phone, buy tickets for shows and pay tax, among others.

8. Environmental information

The Group is fully aware of the need to reconcile business growth with the need to protect and care for the environment. To this end, it has an Environmental Policy (https://www.ibercaja.com/archivo/sp/4477) that constitutes the frame of reference for all actions related to this area, and an Environmental Committee responsible for ensuring compliance. The policy is based on the observance of general law and regulations, preventing pollution and contamination from its own processes, ensuring proper waste management, raising employee awareness regarding the responsible use of natural resources and disseminating good practices among customers and suppliers to raise their awareness.

Since 2007 the bank has held the Environmental Management System Certificate issued by AENOR, which certifies that the Central Services building meets the requirements of ISO 14001:2015. As a requirement of this Standard, the risks and opportunities arising from the system are identified, as well as the actions to be taken for each risk. In 2018, Ibercaja passed the second follow-up audit on application of standard 1004:2015 to the EMS.

The Environmental Management System, which supervised by the Environment Committee, has a Coordinator and a specific budget for its correct implementation. For its part, an Environmental Team consisting of 18 people proposes, develops and promotes initiatives related to environmental protection.

Ibercaja encourages investments in sustainable projects with environmental value and in those companies with high levels of corporate social responsibility. The Bank invests in companies to develop renewable energies, increase energy efficiency or to implement environmental measures. It also maintains specific lines of financing for alternative and renewable energies that are granted directly and through agreements with official institutions.

The Bank believes that it substantially complies with environmental legislation and it maintains procedures to ensure and guarantee compliance. During the first half of 2019 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 on treasury shares

There have been no transactions involving Treasury shares in the first half of 2019.

10. Other information

10.1 Dividend policy

At the General Meeting held on 9 April 2019 shareholders approved the distribution of a dividend totalling €17.5 million by charging the profits obtained by the Entity in 2018, and the payment was effectively made on 10 April 2019.

Taking into account the earnings projection for the coming years and the capacity to generate organic capital, Ibercaja intends to continue its shareholder remuneration policy. The Bank has no restriction or limitation on the payment of dividends. However, it shall distribute its profit in a prudent manner so as not to affect the objective of maintaining an adequate level of capital, even in the event of deterioration of the economic situation and financial conditions.

10.2 Credit agency ratings

In April 2019, Standard & Poor's ratified the rating of Ibercaja Banco at “BB+/B”, lowering the outlook from positive to stable. The rating is based on Ibercaja's stable retail franchise in its Home Markets, the Bank's conservative culture and management, its ample liquidity and its retail funding profile. The stable outlook indicates that the agency does not expect the Bank's financial profile to change substantially in the next 12 to 18 months, in an environment where low interest rates and strong competition in the Spanish banking market put downward pressure on profitability, limiting the strengthening of capital via results.

Moody's affirmed in March the rating of long-term deposits at “Ba3” and elevated the outlook from stable to positive. This change reflects the agency's expectation that Ibercaja's credit profile will be strengthened over the next 12 to 18 months, mainly in terms of asset quality. Moody's positively assesses Ibercaja’s franchise in Aragon, the favourable liquidity situation and the Bank’s stable deposit base.

The credit rating agency Fitch ratified Ibercaja's long-term rating of “BB+” in March 2019, noting the strength of its regional franchise, the adequate financing and liquidity position and the contribution of the insurance business as a source of diversification and generation of recurring revenue, within a context of profitability under pressure due to the low interest rates and business volumes that are still in a recovery stage. The positive outlook reflects the favourable expectations regarding the performance of capital, the plans for going public and the reduction in non-performing assets.

Credit agency ratings:

	Long-term	Short-term	Outlook
Standard & Poors	BB+	B	Stable
Moody's (rating for deposits)	Ba3	NP	Positive
Fitch Ratings	BB+	B	Positive

11. Business outlook and projections

After the end of the first part of 2019, the forecasts of the European Commission and the market consensus suggest that the favourable dynamics of Spain will be continue for the rest of the year, with GDP growth for the whole of the year at around 2.3%. The loss of traction in household consumption, which was weaker than in previous quarters, is offset by investment in capital goods and housing, while the external sector is suffering from the lower vigour of Spain's main EU partners and global trade tensions. The fall in unemployment together with wage increases should foster a higher savings rate. With regard to inflation, after the sharp fall in June, a rebound is expected to reach an annual average rate slightly above 1%.

In the months since the start of 2019, Ibercaja has demonstrated its capacity to increase typical banking revenues, even in an unfavourable interest rate environment, maintain the commercial momentum in the priority growth segments, undertake a significant cleaning up of the balance sheet and substantially strengthen its solvency ratios.

The Bank will continue working in the line marked until now with the aim of improving its profitability and bolstering its competitive position, with the 2018-2020 Strategic Plan as a guideline. The main aspects and objectives that will focus the activity are:

- **Accelerate growth of the business,** consolidating the Corporate, Personal and Private Banking Plans, as these are the segments that generate the highest levels of profitability.
- **Maximise profitability** by adapting the loan and funding structure, along with the pricing strategy to optimise their contribution to results.
- **Enhance excellence** in customer service as a guideline for management and a differentiating aspect in an increasingly competitive market.
- **Improve balance sheet quality** by reducing non-performing assets through ordinary management and extraordinary sales transactions.
- **Normalise the cost of risk** by building upon the work already carried out in write-downs and the reduction of problematic assets.
- **Increase efficiency and productivity** by maintaining strict cost control and moving ahead with the digitisation of the business.

Lastly, the main corporate challenge facing Ibercaja, owing to its scale and importance for the future of the Bank, is to successfully complete its plan for going public. With this aim in mind, the Bank will continue to work intensively to meet the expectations of investors.

12. Events after the reporting period

Between the end date and the preparation of these interim financial statements, no events have taken place that could have a significant effect on them.

13. Alternative Performance Measures

In accordance with the recommendations issued by the European Securities and Markets Authority (ESMA/2015/1415es), the Alternative Performance Measures (APMs) used in this report are defined below, alongside a reconciliation with the balance sheet and income statement items used to calculate them.

Ibercaja uses a range of APMs, which are unaudited, to aid understanding of the company's financial performance. APMs should be regarded as additional information. They do not replace financial information prepared under IFRS. The way in which the Group defines and calculates APMs may differ from performance measures calculated by other companies and, therefore, the APMs may not be comparable.

APMs related to the income statement

Recurring revenues: net interest income plus net fee and commission income and net exchange differences (APM defined and calculated below). We use this APM to measure the performance of income directly related to typical banking activity.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Net interest income [1]	278,106	277,014
+	Net fees and commissions and exchange differences [2]	191,400	187,235
=	**Recurring revenues**	**469,506**	**464,249**

(1) Source: consolidated income statement in the condensed interim financial statements.
(2) APM. See definition and calculation below.

Net fees and commissions and exchange differences: Fee and commission income minus fee and commission expense plus net exchange differences. We use this APM to measure the income generated via fees and commissions.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Fee and commission income	198,728	194,599
-	Fee and commission expenses	7,815	7,768
+	Net exchange differences	487	404
=	**Net fees and commissions and exchange differences**	**191,400**	**187,235**

Source: consolidated income statement in the condensed interim financial statements.

Net gains/(losses) on financial transactions: addition of gains/losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, gains/losses on financial assets and financial liabilities held for trading, gains/losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, gains/losses on financial assets and financial liabilities designated at fair value through profit or loss and gains/losses resulting from hedge accounting. We use this APM to determine the amount of income related to financial activity but which, by their nature, cannot be considered as recurring revenues.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Gains or losses on the disposal of financial asset and liability accounts not measured at fair value through profit or loss.	15,417	35,431
+	Gains/(losses) on financial assets and liabilities held for trading	564	197
+	Gains/losses on non-trading financial assets mandatorily measured at fair value through profit or loss	(3,600)	(573)
+	Gains/(losses) on financial assets and liabilities designated at fair value through profit or loss	313	401
+	Gains/(losses) from hedge accounting	(366)	37
=	**Gains/(losses) on financial assets and liabilities**	**12,328**	**35,493**

Source: consolidated income statement in the condensed interim financial statements.

Other operating income and expense: sum of the net amount of other operating income and expenses and income and expenses on assets and liabilities covered by insurance or reinsurance contracts. We use this APM to measure income and expense that are not wholly derived from financial activity but which are related to our business.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Other operating income	17,527	21,270
-	Other operating expenses	21,545	27,577
+	Income from assets covered by insurance and reinsurance contracts	517,802	701,159
-	Liability expenses covered by insurance or reinsurance contracts	517,952	701,421
=	**Other operating income and expense**	**(4,168)**	**(6,569)**

Source: consolidated income statement in the condensed interim financial statements.

Operating expenses: sum of personnel expenses, other administration expenses and depreciation/amortisation. We use this APM as an indicator of expenses incurred in our activity.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Personnel expenses	178,299	240,913
+	Other administration expenses	81,485	94,889
+	Amortisation	33,640	25,337
=	**Operating expenses**	**293,424**	**361,139**

Source: public consolidated income statement in the condensed interim financial statements.

Recurring operating expenses: operating expenses (APM defined and calculated above) excluding non-recurring items. We use this APM to measure the evolution of ordinary expenses generated by our activity (banking business, asset management and bancassurance), excluding non-recurring items, such as expenses associated with the 2017-2018 workforce adjustment plan.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Operating expenses (1)	293,424	361,139
-	Non-recurring expenses (2)	-	55,500
=	**Recurring operating expenses**	**293,424**	**305,639**

(1) APM. See definition and calculation above.
(2) Source: Note 14.9.1 in the condensed interim financial statements.

Profit before write-downs: gross margin last operating expenses (administrative expenses and depreciation and amortisation). We use this APM to show profitability before write-downs.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Gross income	488,440	501,971
-	Administration expenses	259,784	335,802
-	Amortisation	33,640	25,337
=	**Profit before write-downs**	**195,016**	**140,832**

Source: consolidated income statement in the condensed interim financial statements.

Recurring income before write-downs: recurring revenue less recurring operating expenses (APMs defined and calculated above). We use this APM to measure the recurring profitability of the business before write-downs.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Recurring revenues (1)	469,506	464,249
-	Recurring operating expenses: (1)	293,424	305,639
=	**Recurring income before write-downs**	**176,082**	**158,610**

(1) APM. See definition and calculation above.

Provisions, impairment and other write-downs: sum of provisions, impairment of financial assets not measured at fair value through profit or loss, impairment of investments in joint ventures and associates, impairment of non-financial assets and gains or losses on non-current assets and disposal groups classified as held for sale and not qualifying as discontinued operations, corresponding to impairment losses on other non-current assets held for sale. We use this APM as an indicator of the cost of allowances made during the year to cover the impairment of the value of our assets.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Provisions or (-) reversal of provisions	16,442	(19,748)
+	impairment or (-) reversal of the impairment of financial assets not measured at fair value through profit or loss.	60,144	60,173
+	Impairment or (-) reversal of impairment on investments in joint businesses or associates	-	-
+	Impairment or (-) reversal of impairment of non-financial assets	466	1,777
+	Impairment losses on other non-current assets for sale	7,024	24,749
=	**Provisions, impairment and other write-downs**	**84,076**	**66,951**

Source: consolidated income statement and note 14.12 in the condensed interim financial statements.

Other gains/(losses): sum of gains/(losses) on the disposal non-financial assets and shareholdings and gains/(losses) on disposal of other non-current assets and held for sale within gains/(losses) on non-current assets and disposal groups of items classified as held for sale and not eligible for classification as discontinued operations. We use this APM as an indicator of the impact on our income statement of the derecognition/disposal of assets not related to ordinary activity.

	(Thousands of euros)	30/06/2019	30/06/2018
+	Gains or (-) losses on the derecognition of net non-financial assets and shareholders (1)	(1,210)	1,431
+	Gains/(losses) on disposal of other non-current assets for sale (2)	749	(11,108)
=	**Other gains/(losses)**	**(461)**	**(9.677)**

(1) Source: consolidated income statement in the condensed interim financial statements.
(2) Source: note 14.12 in the condensed interim financial statements.

APMs related to the profitability

Customer spread (%): difference between the average loan portfolio performance and the cost of retail deposits. We use this APM as a profitability indicator of our retail business.

	(%)	1H19	1H18
+	Yields from consumer loans *Interest revenue from the portfolio of registered loans in the year (annualised) divided by the average customer loan balance*	1.47	1.40
-	Cost of retail deposits *Interest expense on retail deposits recognised in the balance sheet in the year (annualised) divided by the average retail deposit balance*	0.02	0.02
=	**Customer spread (%)**	**1.45**	**1.38**

Source: internal Bank information.

Weight of fixed income portfolio over interest income: income from the fixed-income portfolio divided by interest income. We use this APM to measure the contribution of the fixed income portfolio to our interest income.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Income from fixed income portfolio (1)	36,732	39,418
Denominator	Interest income (2)	334,823	328,360
=	**Weight of fixed income portfolio in interest income (%)**	**10.97**	**12.00**

(1) Internal Bank information.
(2) Source: consolidated income statement in the condensed interim financial statements.

Net fees and commissions and exchange differences on recurring revenues: net fees and commissions and exchange difference divided by recurring revenues (APMs defined and calculated above). We use this APM to measure the contribution of fees and commissions to recurring revenues.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Net fees and commissions and exchange differences (1)	191,400	187,235
Denominator	Recurring revenues (1)	469,506	464,249
=	**Net fees and commissions out of recurring revenues**	**40.77**	**40.33**

(1) APM. See definition and calculation above.

Efficiency ratio: recurring operating expenses (APM defined and calculated above) divided by gross income. We use this APM to measure our operating efficiency.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Recurring operating expenses (1)	293,424	305,639
Denominator	Gross income (2)	488,440	501,971
=	**Efficiency ratio (%)**	**60.07**	**60.89**

(1) APM. See definition and calculation above.
(2) Source: consolidated income statement in the condensed interim financial statements.

Recurring efficiency ratio (%) recurring operating expenses divided by recurring revenues (APMs defined and calculated above). We use this APM to measure the efficiency of our recurring activity.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Recurring operating expenses (1)	293,424	305,639
Denominator	Recurring revenues (1)	469,506	464,249
=	**Recurring efficiency ratio (%)**	**62.50**	**65.84**

(1) APM. See definition and calculation above.

ROA: Profit attributable to the parent (annualised figure) divided by consolidated average total assets. We use this APM to measure the profitability of our assets.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Profit/(loss) attributed to the parent (1)	75,921	39,258
Denominator	Total average consolidated assets	52,581,547	52,399,129
=	**ROA (%)**	**0.29**	**0.15**

(1) Source: consolidated income statement in the condensed interim financial statements.

RORWA: parent company profits (annualised figure) divided by risk-weighted assets. We use this APM to measure the profitability of our risk-weighted assets.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Profit/(loss) attributed to the parent (1)	75.921	39.258
Denominator	Risk-weighted assets phased in (2)	20.711.324	22.156.440
=	**RORWA (%)**	**0.73**	**0.35**

(1) Source: consolidated income statement in the condensed interim financial statements.
(2) Source: note 2.7 in the condensed interim financial statements.

ROE: Parent company profits (annualised figure) divided by average consolidated shareholders' equity. Excluded is the issue of AT1 of €350 million recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue). We use this APM to measure profitability in relation to shareholders' equity.

	(Thousands of euros)	**30/06/2019**	**30/06/2018**
Numerator	Profit/(loss) attributed to the parent (1)	75,921	39,258
Denominator	Average consolidated shareholders' equity.	2,798,360	2,756,714
=	**ROE (%)**	**5.43**	**2.85**

(1) Source: consolidated income statement in the condensed interim financial statements.

ROTE: Profit attributable to the parent divided by consolidated average tangible equity. Excluded is the issue of AT1 of €350 million recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue). We use this APM to measure profitability in relation to tangible equity.

	(Thousands of euros)	**30/06/2019**	**30/06/2018**
Numerator	Profit/(loss) attributed to the parent(1)	75,921	39,258
Denominator	Average tangible consolidated shareholders' equity.	2,597,215	2,560,467
=	**ROTE (%)**	**5.85**	**3.07**

(1) Source: consolidated income statement in the condensed interim financial statements.

Solvency-related APM

RWA density: Risk-weighted assets divided by total assets. We use this APM to measure the risk profile of our balance sheet.

	(Thousands of euros)	**30/06/2019**	**31/12/2018**
Numerator	Risk-weighted assets phased in (1)	20,711,324	21,379,068
Denominator	Total consolidated assets (2)	53,131,935	52,705,739
=	**RWA density (%)**	**38.98**	**40.56**

(1) Source: note 2.7 in the condensed interim financial statements.
(2) Source: consolidated balance sheet in the condensed interim financial statements.

APMs related to asset quality

Problematic assets: the aggregation of impaired assets from loans and advances to customers and the gross value of foreclosed assets. We use this APM to evaluate the size of our portfolio of non-performing assets in gross terms.

	(Thousands of euros)	**30/06/2019**	**31/12/2018**
+	Impaired assets loans and advances to customers (1)	1,639,016	2,274,558
+	Gross value of foreclosed assets (2)	697,563	766,967
=	**Problematic assets**	**2,336,579**	**3,041,525**

(1) Source: notes 5.2.1 and 5.4.1 in the condensed interim financial statements.
(2) Source: note 2.6.4 in the condensed interim financial statements.

Non-performing loans and advances to customers: non-performing loans on the consolidated balance sheet divided by gross loans and advances to customers. We use this APM to monitor the quality of the loan portfolio.

	(Thousands of euros)	**30/06/2019**	**31/12/2018**
Numerator	Impaired assets loans and advances to customers (1)	1,639,016	2,274,558
Denominator	Gross loans and advances to customers (1)	32,925,794	33,723,764
=	**Non-performing loans ratio ptmos and advances to customers (%)**	**4.98**	**6.74**

(1) Source: notes 5.2.1 and 5.4.1 in the condensed interim financial statements.

Ratio of problematic assets: ratio between problematic assets (APM defined and calculated above) and the value of the exposure. We use this APM to evaluate the size of our portfolio of non-performing assets in relative terms.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	Problematic assets [(1)]	2,336,579	3,041,525
Denominator	(a) Gross loans and advances to customers	32,925,794	33,723,764
	(b) Gross value of foreclosed assets	697,563	766,967
	(a) + (b) Value of exposure [(2)]	33,623,357	34,490,731
=	**Ratio of problematic assets (%)**	**6.95**	**8.82**

(1) Source: APM. See definition and calculation above.
(2) Source: notes 2.6.4, 5.2.1 and 5.4.1 in the condensed interim financial statements.

Cost of risk: percentage of write-offs associated with loans and advances to customers and foreclosed properties (annualised) in relation to the average exposure, which is the sum of gross loans and advances to customers and foreclosed properties. We use this APM to monitor the cost of allowances for the loan portfolio and foreclosed assets.

	(Thousands of euros)	30/06/2019	30/06/2018
Numerator	Write-downs of loans and foreclosed properties [(1)]	65,083	86,102
Denominator	Average exposure (gross credit and real estate)	33,909,081	34,767,244
=	**Cost of risk (%)**	**0.38**	**0.50**

(1) Source: consolidated income statement and notes 14.10 and 14.12 in the condensed interim financial statements.

NPL coverage ratio: provisions made for impairment of assets divided by on impaired assets of loans and advances to customers. We use this MAR to monitor the extent to which provisions associated with credit risk cover doubtful loans.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	Impairment losses	788,277	1,116,708
	Accumulated negative changes VR doubtful exposures	2,231	2,222
	(a) + (b) Coverage of non-performing balances loans and advances to customers [(1)]	790,508	1,118,930
Denominator	Impaired assets loans and advances to customers [(1)]	1,639,016	2,274,558
=	**NPL coverage ratio (%)**	**48.23**	**49.19**

(1) Source: notes 5.2.1 and 5.4.1 in the condensed interim financial statements.

Coverage of foreclosed assets: Impairment losses on foreclosed assets (since loan origination) divided by the gross value of foreclosed assets. We use this MAR to monitor the extent to which provisions associated with foreclosed properties cover the gross value of these properties.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	Correction of the impairment of foreclosed assets [(1)]	390,294	446,769
Denominator	Gross value of foreclosed assets [(1)]	697,563	766,967
=	**Coverage of foreclosed assets (%)**	**55.95**	**58.25**

(1) Source: note 2.6.4 in the condensed interim financial statements.

Awarded land cover rate: Impairment losses on foreclosed land (since loan origination) divided by the gross value of foreclosed land. We use this MAR to monitor the extent to which provisions associated with land cover the gross value of these properties.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	Land value adjustments [(1)]	315,113	365,543
Denominator	Gross value of land [(1)]	514,625	570,979
=	**Foreclosed land cover rate (%)**	**61.23**	**64.02**

(1) Source: note 2.6.4 in the condensed interim financial statements.

Coverage rate of problematic assets: coverage of non-performing risks and foreclosed assets divided by problematic exposure (APM defined and calculated above). We use this MAR to monitor the extent to which provisions associated with non-performing loans and foreclosed properties cover the gross value of such exposure.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	(a) Coverage of non-performing balances loans and advances to customers	790,508	1,118,930
	(b) Correction of the impairment of foreclosed assets	390,294	446,769
	(a) + (b) Coverage of problematic assets (1)	1,180,802	1,565,699
Denominator	Problematic assets (2)	2,336,579	3,041,525
=	**Coverage rate of problematic assets (%)**	**50.54**	**51.48**

(1) Source: notes 2.6.4, 5.2.1 and 5.4.1 in the condensed interim financial statements.
(2) Source: APM. See definition and calculation above.

Net troubled assets over total assets: NPAs, net of provisions for NPAs, divided by total assets. We use this MAR to measure the weight of problematic assets, after deducting the provisions linked to those assets, on the balance sheet.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	(a) Problematic assets	2,336,579	3,041,525
	(b) Coverage of problematic assets	1,180,802	1,565,699
	(a) - (b) Problematic assets net of coverage(1)	1,155,777	1,475,826
Denominator	Total assets (2)	53,131,935	52,705,739
=	**Problematic assets over total assets (%)**	**2.18**	**2.80**

(1) Source: notes 2.6.4, 5.2.1 and 5.4.1 in the condensed interim financial statements.
(2) Source: consolidated balance sheet in the condensed interim financial statements.

Texas Ratio: problematic assets (APM defined and calculated above) divided by shareholders' equity and coverage. Excluded is the issue of AT1 of €350 million recorded as net shareholders' equity of other reserves arising from the issue of equity instruments other than equity (including accrued interest and costs of the AT1 issue). We use this APM to measure the capacity of absorption of potential losses of our problematic assets with the coverage in place and shareholders' equity.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	Problematic assets (1)	2,336,579	3,041,525
Denominator	(a) Coverage of problematic assets (2)	1,180,802	1,565,699
	(b) Shareholders' equity(3)	3,138,920	3,091,665
	(c) Equity instruments issued other than capital (3)	350,000	350,000
	(d) Other reserves from the issue of equity instruments other than capital (3)	24,142	15,570
	(a) + (b) – (c) + (d)	3,993,864	4,322,934
=	**Texas Ratio (%)**	**58.50**	**70.36**

(1) Source: APM. See definition and calculation above.
(2) Source: notes 2.6.4, 5.2.1 and 5.4.1 in the condensed interim financial statements.
(3) Source: consolidated balance sheet in the condensed interim financial statements.

APMs related to business volume

Retail deposits: sum of demand savings and term deposits ex covered bonds or repurchase agreements of assets recognised in customer deposits of consolidated balance sheet. We use this APM as an indicator of retail funding on the balance sheet.

	(Thousands of euros)	30/06/2019	31/12/2018
+	Demand deposits	27,274,869	26,316,080
+	Term deposits	6,885,649	7,384,711
-	Mortgage covered bonds (including nominal amount and share premium)	2,142,847	2,161,279
	Nominal value of mortgage covered bonds	2,246,771	2,271,771
	Share premium on mortgage covered bonds	(103,924)	(110,492)
=	**Retail deposits**	**32,017,671**	**31,539,512**

Source: note 19.3 to the 2018 financial statements for December 2018 and the Bank's internal information for June 2019.

Total retail resources: sum of retail deposits (demand savings and traditional time deposits without covered bonds or repurchase agreements) and investment firms and funds, pension funds and insurance funds (ex portfolios managed on a discretionary basis or the assets of investment funds that themselves invest in Ibercaja Gestión funds). We use this MAR as an indicator of the volume of retail savings managed by Ibercaja.

	(Thousands of euros)	30/06/2019	31/12/2018
+	Retail deposits(1)	32,017,671	31,539,512
+	Asset management and insurance(2)	26,508,671	25,225,604
	. Investment companies and funds	13,594,399	12,679,135
	. Pension funds	5,373,243	5,068,609
	. Insurance	7,541,029	7,477,860
=	**Total retail resources**	**58,526,342**	**56,765,116**

(1) APM source: See definition and calculation above.
(2) Source: internal Bank information.

APMs related to liquidity

Loan to deposit ratio (LTD): net loans and advances to customers less repurchase agreements divided by retail deposits (APM defined and calculated above). We use this MAR to measure the proportion of loans and advances to customers financed by retail deposits.

	(Thousands of euros)	30/06/2019	31/12/2018
Numerator	(a) Net loans and advances to customers(1)	32,135,286	32,604,834
	(b) Reverse repurchase agreements	1,602,360	1,703,612
	(a) – (b) Net loans ex TAAs	30,532,926	30,901,222
Denominator	Retail deposits(2)	32,017,671	31,539,512
=	**LTD (%)**	**95.36**	**97.98**

(1) Source: consolidated balance sheet in the condensed interim financial statements.
(2) Source: APM. See definition and calculation above.

Liquid assets: Sum of cash and central bank accounts, collateral available for ECB operations, collateral available for ECB operations outside of ECB guarantee pool and other marketable assets not eligible for ECB, in accordance with Banco de España statement LQ 2.2. We use this APM to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(Thousands of euros)	30/06/2019	31/12/2018
+	Cash and central banks	2,313,236	888,415
+	Balance drawable under facilities	3,390,784	4,760,526
+	Eligible assets not pledged under facility	5,113,574	4,835,712
+	Other marketable assets not eligible by the Central Bank	330,051	432,195
=	**Liquid assets**	**11,147,645**	**10,916,848**

Source: note 3.8.2 to the 2018 financial statements for December 2018 and the Bank's internal information for June 2019.

Availability of liquidity: Sum of our liquid assets (APM defined and calculated above) and our issuance capacity for mortgage covered bonds. We use this APM to calculate the volume of our available assets in the event of an outflow of customer deposits.

	(Thousands of euros)	30/06/2019	31/12/2018
+	Liquid assets	11,147,645	10,916,848
+	Issuance capacity for mortgage covered bonds	6,796,123	6,289,715
=	**Availability of liquidity**	**17,943,768**	**17,206,563**

Source: note 3.8.2 to the 2018 financial statements for December 2018 and the Bank's internal information for June 2019.